

LOGIC: Scotland



2023 Review

Occupier and investment market trends in the Scotland logistics and industrial sector.

knightfrank.com/research



Occupier Market

Active Scotland industrial market despite economic headwinds, but a shortage of high-quality stock persists.

ANNUAL UPLIFT IN INDUSTRIAL TAKE UP

Occupier take up of industrial and logistics units in Scotland reached 983,000 sq ft in 2023 (units over 50,000 sq ft). This represents a 32% uplift on the 745,200 sq ft recorded in 2022, however it falls 31% below the market’s five-year annual average. The market remains active and lettings are completing, but caution amidst elevated operational costs and recessionary risks has led to prolonged occupier decision-making.

The shortage of good quality, larger units available has also contributed to a moderation in take up volumes and in turn driven continued growth in prime headline rents. Prime rents in the Central Belt rose by 18% in 2023, to £10.00 psf, while prime rents in Aberdeen increased by 6.3%, to £8.50 psf (units over 50,000 sq ft).

NEW DEVELOPMENTS HIGHLY SOUGHT AFTER

New developments at Bellshill are highly sought after due to their range of sustainability features and credentials, including EPC ‘A’ and BREEAM ‘Excellent’ ratings. Connect-70 at Bellshill Industrial Estate was pre-let to Micheldever Tyres on a 15-year lease, in a transaction that set a new headline rental level in Scotland at £10.00 psf. At Belgrave Logistics Park, Likewise Group (distributor of

floor coverings and matting) agreed a 20-year lease on Unit D (50,013 sq ft), while the remaining 127,000 sq ft unit is expected to exchange imminently.

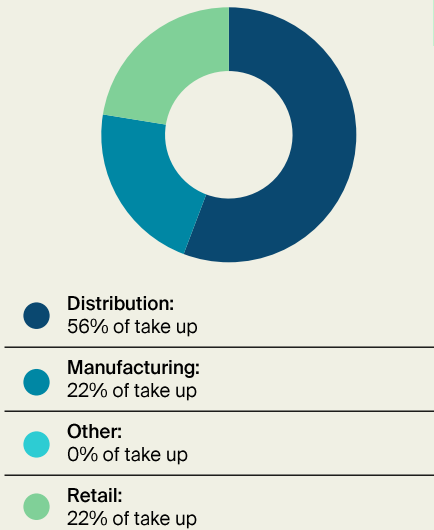
BUT LIMITED NEW-BUILD OPTIONS AVAILABLE

Activity in Scotland remains largely centred around second-hand units due to the scarcity of high-quality, larger options for occupiers. In 2023, just one pre-let deal completed, and one speculatively developed unit was occupied. The remaining 88% of space committed in Scotland was in older, second-hand buildings.

The largest take up transaction of the year was R Drummond Carriers’ acquisition of a 168,556 sq ft unit at Houstoun Industrial Estate in Livingston.

Distribution firms were the most active occupiers in 2023, comprising 56% of the year’s take up, with the remaining 46% evenly split between retailers and manufacturers.

Take up by sector 2023



MARKET VIEW

Supply will continue to be centred around older units

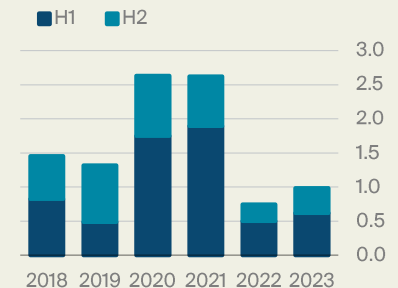


BY SCOTT HOGAN, ASSOCIATE, CENTRAL SCOTLAND LOGISTICS & AGENCY

“2023 saw an uplift in industrial occupier take up across Scotland, albeit with occupiers exercising caution amid rising costs and economic uncertainties.

Strong demand for recently-built speculative schemes has driven an increase in headline rents. However, challenges for new development, including elevated build costs and softening investment yields, mean that the majority of supply will continue to be centred around older units, providing limited new-build options for occupiers in 2024.”

Take up (sq ft)
millions square feet



Source: Knight Frank Research

Source: Knight Frank Research

Occupier Market

983,000 sq ft

Occupier take up
2023

5.8%

Vacancy rate
Q4 2023

£10.00 psf

Prime rents (Glasgow)
Q4 2023

18%

Prime annual rental growth

“94% of the available space comprises older, second-hand stock”

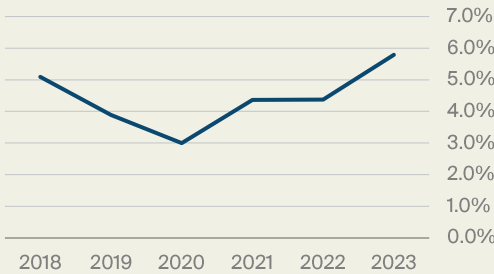
SUPPLY CONCENTRATED IN OLDER UNITS

Much like the UK-wide supply trends, the supply of industrial space in Scotland rose by 33% over the course of 2023 and stood at 3.7 million sq ft at year-end (units 50,000 sq ft+). The vacancy rate has risen to 5.8% by Q4 2023, from 4.4% recorded in Q4 2022. However, 94% of this space comprises older, second-hand stock, much of which is considered obsolete and fails to meet occupiers’ desired sustainability standards. There are currently four units totalling 396,200 sq ft under construction (units 50,000 sq ft+), the largest of which include Canmoor’s 202,230 sq ft ‘Westway 200’ and 87,630 sq ft ‘Westway 90’, in Renfrew. However, high construction costs and relatively high exit yields continue to stymie new development.

2024 OUTLOOK

A lack of high-quality stock options and limited development are contributing to moderated take up and growth in prime rents, and these trends look set to continue for 2024. Refurbishment of existing stock may provide a cost-effective alternative to development, which may also push rental increases in second-hand units. Oil and gas prices are relatively high, leading to improved investor confidence, particularly for the Aberdeen market. However, political uncertainties surrounding licensing in the North Sea may present additional headwinds.

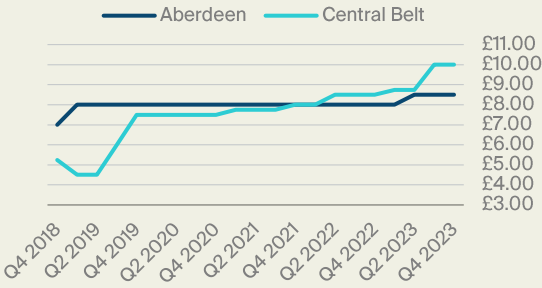
Vacancy Rate
% of stock



Source: Knight Frank Research

“Prime rents in the Central Belt rose by 18% in 2023, to £10.00 psf, while prime rents in Aberdeen increased by 6.3%”

Scotland - Prime Rents
£ per sq ft



Source: Knight Frank Research

Key Occupier Deals 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
2 Houstoun Road, Houstoun Industrial Estate, Livingston	168,556	R Drummond Carriers	£4.75 psf	Second-hand
25 Coddington Crescent, Eurocentral, Motherwell	153,016	Wincanton	£7.11 psf	Second-hand
Newbridge Warehouse One, Newbridge	100,000	Kloeckner Metals	£8.00 psf	Second-hand
Connect-70, Bellshill	69,589	Micheldever Tyre	£10.00 psf	Pre-let
Unit D, Belgrave Logistics Park, Bellshill	50,013	Likewise Group	Undisclosed	Speculative build

Source: Knight Frank Research

Investment Market

£250 million

Investment total
2023

£6.3 million

Average lot size
2023

32%

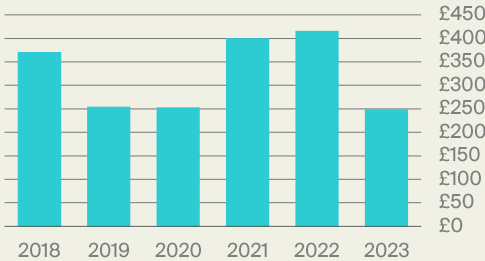
UK Private Property Companies
2023

6.00%

Prime yield
Q4 2023

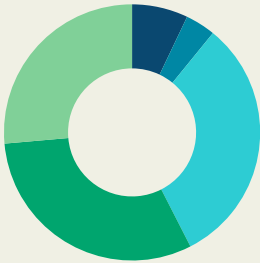
“£250 million was invested into Scotland industrial property, 40% lower on 2022 volumes”

Investment totals
£m



Source: Knight Frank Research

Investment by purchaser type
2023



- UK institution: 7% of investment
- Listed Property Company: 4% of investment
- Private Property Company: 32% of investment
- Overseas Investor: 31% of investment
- Private/Other: 26% of investment

Source: Knight Frank Research

STABILISATION IN PRIME PRICING

A challenging year for the investment market in 2023 led to reduced transaction volumes as buyers became increasingly uncertain of values. A total of £250 million was invested into industrial property in Scotland, 40% lower on 2022 volumes and 31% below the five-year annual average. Almost one-third of the capital deployed in the year was from UK private property companies, with overseas investors accounting for a further 31%. UK institutions were less active in the Scotland market in 2023 (7%).

Prime industrial yields in Glasgow have now stabilised at 6.00%. This follows a 225-bps softening between Q1 2022 and Q2 2023. Improvements in investor sentiment and the outlook for yield compression will be largely reliant on when base rates begin to fall this year.

“Prime industrial yields in Glasgow have now stabilised, at 6.00%”

Key Investment Deals 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
GXO Logistics, Eurocentral	Motherwell	£23.2m	7.58%	Investcorp	Ropemaker Properties (BP Pension Fund)
Caledonian Brewery Distribution Warehouse, Cambuslang	Glasgow	£14.2m	6.71%	Wittington	Legal & General (BMW Pension Fund)
Fedex Express, Edinburgh Airport	Edinburgh	£8.4m	6.07%	Intermediate Capital Group plc	Lothbury IM
100 Cambuslang Road, Cambuslang Investment Park	Cambuslang	£6.3m	5.99%	Private London Ltd.	BP Pension Fund
Unit 25 Whistleberry Park	Blantyre	£4.6m	7.29%	Urban Industrial Income (Scotland) LP	Kirkstone Holdings (Scotland) Ltd.

Source: Knight Frank Research

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

**Logistics & Industrial
Research**

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 0036

Deirdre O'Reilly
deirdre.oreilly@knightfrank.com
+44 20 3995 0785

**Scotland Commercial
Logistics & Industrial Agency**

Scott Hogan
scott.hogan@knightfrank.com
+44 1224 415 956

**Scotland Commercial
Capital Markets**

Euan Kelly
euan.kelly@knightfrank.com
+44 131 222 9631

Valuation & Advisory

Glasgow
Iain McGhee
iain.mcghee@knightfrank.com
+44 141 566 6026

Aberdeen
Richard Evans
richard.evans@knightfrank.com
+44 1224 415 952

Methodology

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.



© Knight Frank LLP 2024. This document has been provided for general information only and must not be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this document, Knight Frank LLP does not owe a duty of care to any person in respect of the contents of this document, and does not accept any responsibility or liability whatsoever for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. The content of this document does not necessarily represent the views of Knight Frank LLP in relation to any particular properties or projects. This document must not be amended in any way, whether to change its content, to remove this notice or any Knight Frank LLP insignia, or otherwise. Reproduction of this document in whole or in part is not permitted without the prior written approval of Knight Frank LLP to the form and content within which it appears.