

LOGIC: Scotland



2024 Review

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

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Occupier Market

Growth in take up, but supply of new-builds remains acutely low

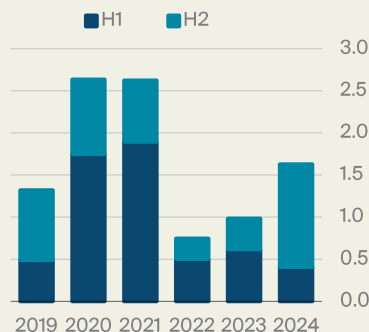
SIGNIFICANT TRANSACTION BOOSTS ANNUAL TAKE UP

Occupier take up for industrial and logistics units over 50,000 sq ft in Scotland reached 810,500 sq ft in Q4 2024, bringing the total for the full year to over 1.6 million sq ft—the highest annual volume in three years. Although volumes in the final quarter were significantly heightened by one transaction, excluding it would still have resulted in 2.0% growth year-on-year.

Sumitomo Electric Industries (SEI) acquired the lease of a 15-hectare site to construct a c. 625,000 sq ft subsea high voltage transmission cable manufacturing plant within the Inverness and Cromarty Firth Green Freeport in the Scottish Highlands. The facility is being developed in collaboration with the Scottish Government and will play a vital role in the renewable energy transition by producing cabling for offshore wind farms and grid connections. Construction of the plant is due to be completed in 2026.

Two other transactions were recorded in Q4, both in units under 150,000 sq ft. The 128,546 sq ft Unit 6, Royston Road in Livingston was let to Royal Mail on a five-year lease at £6.55 psf.

Take up (sq ft) million square feet



Source: Knight Frank Research

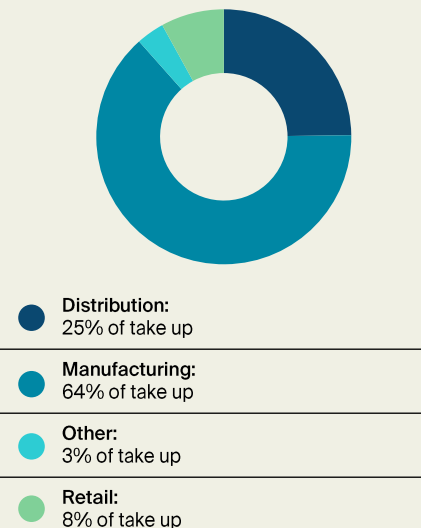
GROWTH IN DEMAND BY MANUFACTURERS

SEI's transaction significantly increased manufacturers' share of 2024 take up to 64%, from 22% in 2023. However, even excluding this deal, take up by manufacturers still recorded 22% year-on-year growth (albeit from a lower base). In contrast, demand from retailers and distribution firms softened over the 12-month period.

The significant lack of speculative development in Scotland is resulting in little choice for occupiers whose preference would be new, prime buildings. Excluding the SEI project on the basis of distortion, 82% of take up in 2024 comprised second-hand space, with only two new-build units let.

Prime rents in the Central Belt for units over 50,000 sq ft remained stable throughout 2024, at £10.00 psf, with prime rents in Aberdeen at £8.50 psf.

Take up by sector 2024



Source: Knight Frank Research

MARKET VIEW

Lack of good-quality stock likely to hold back take up levels



BY SCOTT HOGAN, ASSOCIATE,
CENTRAL SCOTLAND LOGISTICS &
INDUSTRIAL AGENCY

“Whilst demand remains strong (if slightly unpredictable), a lack of good-quality stock is likely to hold back take up levels in 2025. Rental growth is still evident across the various size brackets.”

Occupier Market

1.6m sq ft

Occupier take up
2024

5.1%

Vacancy rate
Q4 2024

£10.00 psf

Prime rents (Glasgow)
Q4 2024

Stable

Prime annual rental growth

“Manufacturers’ share of 2024 take up increased to 64% in 2024, from 22% in 2023”

SUPPLY OF NEW SPACE ACUTELY LOW

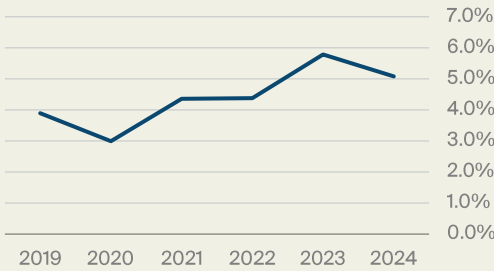
Following three consecutive quarters of falling supply, availability in Scotland rose by 6.8% in the final quarter to 3.2 million sq ft (units 50,000 sq ft+), but it remains 12% lower on an annual basis. The Q4 uplift softened the vacancy rate by 30 bps to 5.1% in Q4, however, this compares to 5.8% recorded in Q4 2023. Q4 2024 saw the return of a small number of second-hand buildings in addition to construction works completing on Westway 90 at Renfrew, adding to immediately available stock. Practical completion at Westway 200 (202,230 sq ft) is imminent, though this is currently under offer. Beyond these two new units, there is no further speculative development in the short-term pipeline. The supply of new-build space remains acutely low, with less than 150,000 sq ft of prime, ‘best-in-class’ space available in two units.

2025 OUTLOOK

Looking ahead, high construction and financing costs continue to impact the appetite for development in Scotland. This means that take up for 2025 will continue to be centred around older units. Average rental growth of 2.8% is forecast for Scotland for 2025. Across the submarkets, higher growth of 4.3% and 4.0% are predicted for Edinburgh and Glasgow, respectively (RealFor).

Vacancy Rate

% of stock

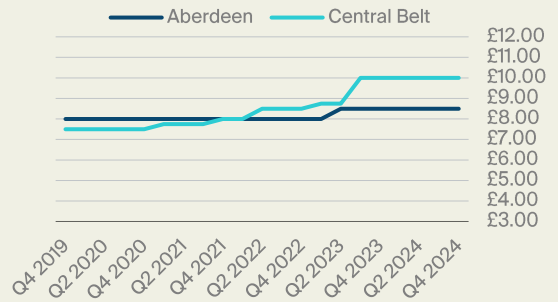


Source: Knight Frank Research

“Less than 150,000 sq ft of prime, ‘best-in-class’ space available in two units”

Scotland - Prime Rents

£ per sq ft



Source: Knight Frank Research

Key Occupier Deals 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
SEI Plant, Port of Nigg, Inverness	c.625,000	Sumitomo Electric Industries (SEI)	Undisclosed	Build-to-Suit – site lease acquisition for the construction of a cable manufacturing plant
Clydesdale Road, Bellshill	264,124	J & D Pierce	£3 million	Freehold purchase - second-hand
Unit 5, Belgrave Logistics Park, Bellshill	127,242	Wincanton	£8.50 psf	Speculative build
120 Springhill Parkway, Glasgow	65,608	DFS Trading	£8.25 psf	Second-hand
Unit 2, Belgrave Point, Bellshill	53,735	Master Removers Group	£9.25 psf	Pre-let

Source: Knight Frank Research

Investment Market

5.75%

Prime NIY – Central Belt
Q4 2024

-25 bps

YOY movement in prime yields

STRONG PRICING TRENDS EMERGING

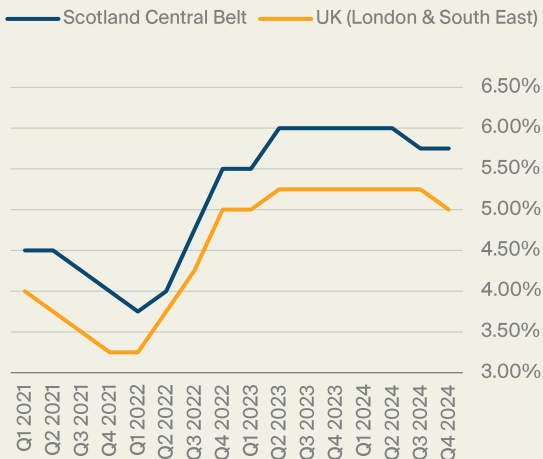
Industrial investment volumes through 2024 remained challenged by the shortage of stock available, but Q4 witnessed some relatively strong pricing trends emerge.

A notable acquisition in Q4 included 30 Coddington Crescent at Eurocentral, which AFH Wealth Management acquired from Ahli United Bank for £9.9 million, reflecting a net initial yield (NIY) of 5.80%. The 72,500 sq ft EPC ‘A’ rated building is let to SIG Trading Ltd. until 2033.

Improvements in pricing and strong rental growth prospects, particularly for prime industrial assets, are expected to drive higher activity levels in 2025. Prime industrial yields in the Central Belt held steady at 5.75% in Q4 2024, following a 25-bps compression in Q3.

Prime Yields

Net initial yield (%)



Source: Knight Frank Research

MARKET VIEW

Pricing has recovered well, particularly in the prime end of the market



BY EUAN KELLY, PARTNER,
CENTRAL SCOTLAND LOGISTICS &
INDUSTRIAL CAPITAL MARKETS

“Investment volumes remain subdued against historic levels, but there has been an uptick in activity and sales launched. Pricing has recovered well, especially in the prime end of the market where core money has been strong.”

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

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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.



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