

LOGIC: Scotland



Q3 2024

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

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Occupier Market

Market dominated by second-hand units as new-build options are limited

STEADY UPLIFT IN TAKE UP

Occupier take up of industrial units over 50,000 sq ft in Scotland totalled 410,100 sq ft in the third quarter of 2024, across three transactions. While this has exceeded the volume recorded in the first two quarters combined, take up in Q3 was boosted by one large owner-occupier transaction.

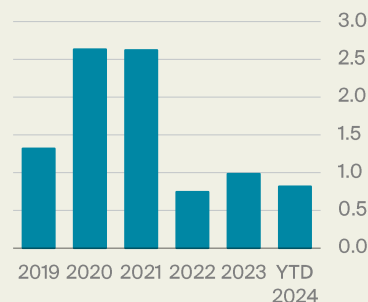
J & D Pierce Ltd., a manufacturer specialising in steel fabrication, acquired a 264,124 sq ft unit on Clydesdale Road in Bellshill for occupation. Notably, manufacturers have accounted for 36% of take up in Scotland over the past four quarters, increasing from 19% in the same period last year.

The other two transactions in Q3 were in units under 100,000 sq ft, including 15 Mcfarlane St in Paisley, Renfrewshire (52,800 sq ft), which was let to gym equipment retailer Primal Strength Ltd. on an 8-year lease.

Take up for the year-to-date (YTD) totals 817,000 sq ft, ahead of the 673,000 sq ft recorded in the same period last year. While the uptick in volumes seems favourable, demand remains relatively subdued, with occupiers continuing to exercise caution due to inflationary pressures and macroeconomic challenges.

Take up (sq ft)

million square feet



Source: Knight Frank Research

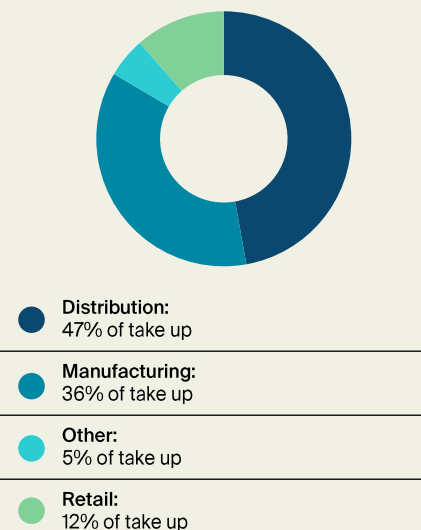
MARKET DOMINATED BY SECOND-HAND UNITS

The significant lack of new-build development has left Scotland's occupier market largely dominated by second-hand units. In the past four quarters, 84% of take up has comprised second-hand space, with only two transactions completing on high-quality new builds.

Robust demand is being seen for the limited new developments that are being delivered as occupiers' preference towards ESG-compliant buildings strengthens. However, construction cost pressures, high financing costs, and economic uncertainty continue to impact the appetite for new development. This means that the majority of take up and supply in Scotland will continue to be centred around older units, at least for the short-term.

Take up by sector

Q4 2023 – Q3 2024



Source: Knight Frank Research

MARKET VIEW

ESG credentials increasingly influencing decision-making



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

“Whilst occupier demand has weakened, pockets of demand still exist against a backdrop of significantly low availability. What is clear from the requirements that do exist is that occupiers are increasingly seeking good-quality industrial accommodation, with ESG credentials increasingly a factor that is influencing decision-making.”

Occupier Market

817,000 sq ft

Occupier take up
YTD 2024

4.8%

Vacancy rate
Q3 2024

£10.00 psf

Prime rents (Glasgow)
Q3 2024

Stable

Prime annual rental growth

“84% of take up has comprised second-hand space”

THIRD CONSECUTIVE FALL IN VACANCY

In contrast with the UK-wide trend of increasing supply levels, availability in Scotland edged down by 3.2% in Q3 and stands at just over 3 million sq ft (units 50,000 sq ft+). The vacancy rate fell by 10 bps to 4.8%, representing the third consecutive quarterly fall in the vacancy rate and the lowest it has been since Q1 2023. The supply of new-build space remains critically low, with 98% of existing availability comprising second-hand stock. An analysis by size band shows that two-thirds of the units available (by count) are under 100,000 sq ft.

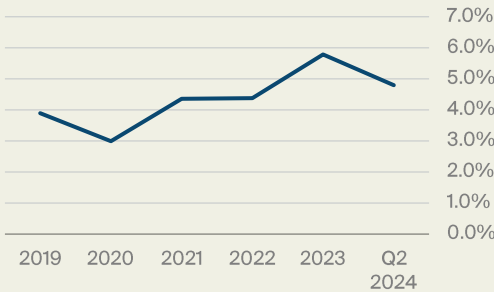
Two 50,000 sq ft+ units remain under construction speculatively. Canmoor’s Westway 200 (202,230 sq ft) and Westway 90 (87,630 sq ft) at Renfrew are due to be completed in Q4, with Westway 200 currently under offer. Both units are targeted for EPC ‘A’ and BREEAM ‘Excellent’ ratings.

RENTAL LEVELS & OUTLOOK

Prime rents in the Central Belt for units over 50,000 sq ft remain stable at £10.00 psf, with prime rents in Aberdeen currently at £8.50 psf (units over 50,000 sq ft). According to RealFor, average rents in Scotland are forecast to grow by 4.2% this year and by 2.6% in 2025. Across the Scotland submarkets, the strongest average rental growth is predicted for Glasgow, of 7.1% for 2024 and 4.2% for 2025.

Vacancy Rate

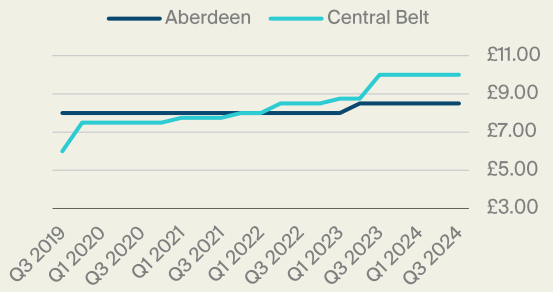
% of stock



Source: Knight Frank Research

Scotland - Prime Rents

£ per sq ft



Source: Knight Frank Research

“98% of availability comprising second-hand stock”

Key Occupier Deals

YTD 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
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
51 McNeil Drive, Eurocentral, Motherwell	52,439	Scottish Power Transmission	Undisclosed	Second-hand

Source: Knight Frank Research

Investment Market

5.75%

Prime NIY – Central Belt
Q3 2024

-25 bps

QoQ movement in prime yields

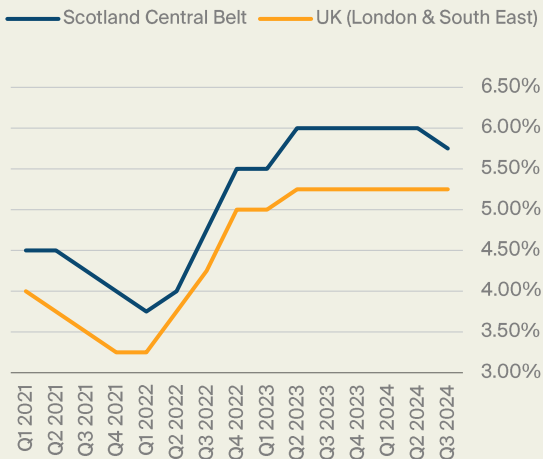
PRIME CENTRAL BELT YIELDS SHARPEN

Prime industrial yields in the Central Belt sharpened by 25 basis points (bps) in Q3 to 5.75%, having bottomed out at 6.00% for five prior consecutive quarters. At this level, prime yields remain 200 bps softer than its previous peak of 3.75% in Q1 2022. Industrial investment volumes remain challenged by the shortage of stock on the market. However, sentiment improved throughout Q3 with the base rate reduction providing a resurged confidence to investors around pricing.

A notable transaction in Q3 was Remake’s purchase of the Hydrasun HQ at Aberdeen Gateway Business Park, from RLAM for £14 million (NIY 7.80%). Remake is a French asset management company and the transaction marks its third acquisition in Scotland. Hydrasun, who supplies equipment for the energy sector, has occupied the 120,600 sq ft building since 2010.

Prime Yields

Net initial yield (%)



Source: Knight Frank Research

MARKET VIEW

Lack of stock continues to subdue investment volumes



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

“A lack of stock continues to be the reason for subdued investment volumes, although the off-market purchase of Belgrave Logistics Park for £40 million shows the confidence the market has in the best schemes in Scotland. More stock is rumored for Q4, and with high levels of pent-up capital, we suspect that these will be well received.”

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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