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SCOTTISH PROPERTY REVIEW 2025

CONTENTS

THE MORE STABLE COMMERCIAL PROPERTY MARKET ANTICIPATED BY OUR 2024 SCOTTISH PROPERTY REVIEW CAN BE GLIMPSED IN EARLY 2025.

Inflation is somewhat tamed, interest rates are tracking downwards and recent flirtations with recession may be edging towards low but consistent economic growth.

While market activity and confidence are benefiting, the focus remains largely on existing stock as new development languishes at historically low levels. The fundamentals of demand and supply in markets and sub/micro-markets are now key. Some of these markets will be relieved to find stability rather than excitement, while others will continue to seek out the best growth potential to attract investment.

The headwinds which affected the residential development market in 2023 spilled over into 2024, although falling interest rates are providing some market support. Housing completions and new starts fell across both private and social housing sectors. The estate housing land market continues to perform well but is tight in the plan-led planning system while brownfield sites can face development cost challenges. Competition for prime city sites may shift in 2025 as residential for sale or BTR (depending upon policy) could start to be more competitive with PBSA.

Take-up of office space in Glasgow city centre has increased and is running ahead of the 5-year average. A crunch point is emerging for best in class offices due to ongoing demand and stalled development, driving rents upwards and forcing occupiers into lease extensions and likely pre-lets. Demand for pre-fitted out offices continues and is being met by developments offering this option. Edinburgh's office market is positive but with challenges, as activity continues against a backcloth of lease re-gearing and a disappointing city centre development pipeline with challenged viability, compounded by office buildings being lost to other uses. Aberdeen office take-up levels have been subdued but a more stable political climate and largely settled office working patterns should encourage the sector back to more normal levels.

Scotland's industrial property market delivered a strong performance in 2024. Occupier demand has driven vacancy down to near 3% in Central Scotland while Aberdeen is enjoying one of its best markets for a number of years. The development pipeline is reactivating but still limited and, with obsolescence of older property an increasing issue, there are slim pickings for discerning occupiers. Any small improvement in the economy is likely to put even more pressure on the remaining supply of suitable space. Pre-letting has tended to be confined to those occupiers requiring a bespoke solution but could increase in these market conditions, alongside the refurbishment of existing older stock. Rising rents are creating a two tier market, with larger operators accepting these costs, but many fledgling and low margin businesses no longer finding industrial property to be a cheap solution.

The retail market is stabilising and taking clear shape against a backcloth of continuing job losses and closures. In-demand prime pitches, destination malls and retail parks are sustaining or improving their market performances. This is consolidating their dominance over traditional towns and in particular failing older shopping malls, many of which are being redeveloped. Despite some business failures, demand from expanding retailers has improved alongside continuing diversification into food & beverage, leisure, showrooms and health & beauty. For weaker locations this diversification can be as much about necessity as opportunity.

In the property investment sector the gradual cutting of interest rates is widening the pool of active buyers, most notably overseas equity. Demand is focussed upon the industrial, hotels, living and retail warehouse sectors, where market fundamentals are strongest, although there are nuances by location, sub-sector and cyclical position. The more sluggish office investment sector is particularly stretched between tight markets such as Edinburgh and markets where occupiers have more choice and many offices require capital expenditure. The retail sector beyond warehousing and foodstores is cautiously rebuilding confidence. Edinburgh remains the most widely favoured city, while those priced out of that market are finding opportunities in Glasgow, Aberdeen and elsewhere. Anticipated further interest rate cuts should further deepen the pool of buyers; if price rises follow then this could encourage hitherto reluctant sellers back into the market, resulting in 2024's £1.8 billion investment volumes being exceeded in 2025.

DR MARK ROBERTSON
RESEARCH PARTNER

SUMMARY AND OUTLOOK

ECONOMY

FOLLOWING A PERIOD OF TENTATIVE ECONOMIC GROWTH IN SCOTLAND TO Q3 2024, ESTIMATES SUGGEST THAT THIS MAY HAVE STALLED AROUND THE TURN OF THE YEAR AND INTO EARLY 2025.

GROWTH

During the third quarter of 2024 Scotland's economy grew by 0.4%. Output grew by 0.5% in the dominant services sector and also in construction sector (0.7%), however the output in the production sector remained unchanged. This third successive quarter of economic growth meant that compared with the same quarter of 2023 Scotland's GDP has grown by 1.2%. For the UK as a whole 0.9% growth was recorded over the same period.

A more recent, provisional monthly estimate for November 2024 suggests that output in that month contracted by 0.5%. The decline was reported in Professional, Scientific and Technical Services and in Manufacturing, although growth was estimated in Information & Communications.

In January 2025 the rate of consumer price inflation in the UK increased to 3% from December 2024's figure of 2.5%. While this is significantly below recent peaks, it represents an uptick from the target of 2% which was achieved in May 2024.

The Bank of England does expect inflation to fall to within the 2% target by the end of 2025 and accordingly has continued its cautious reduction in interest rates with a third cut since August 2024 made in mid-February 2025 to reach 4.5%. The Bank currently forecasts a continuation of this slow reduction, down to 3.7% in 2027.

EMPLOYMENT

Scotland had an unemployment rate of 3.8% for the three months to December 2024. This rate is up by 0.5% over the quarter, but down 0.7% over the year, and it sits below the UK rate of 4.4%. Scotland's overall employment rate was up 0.9% over the quarter to 74.2% and sits a little below the UK figure of 74.9%.

Notable job losses across the country continue in the financial services, manufacturing, retailing & leisure and construction sectors. Offsetting these losses, job gains were recorded in areas of economic expansion including the renewable energy and technology sectors.

BUSINESS

During 2024, 38,273 new companies were established in Scotland. Glasgow had the most with 8,756 new businesses, followed by Edinburgh with 5,752. The largest local authority areas of South Lanarkshire (2,232 new businesses), North Lanarkshire (2,136) and Fife (1,730) recorded more new business registrations that the smaller cities of Aberdeen (1,662) and Dundee (1,287).

Corporate insolvencies in Scotland fell by 2.4% during the third quarter of 2024 compared with the same quarter in 2023 according to the Accountant in Bankruptcy. During the first three quarters of 2024 a total of 881 corporate insolvencies were recorded.

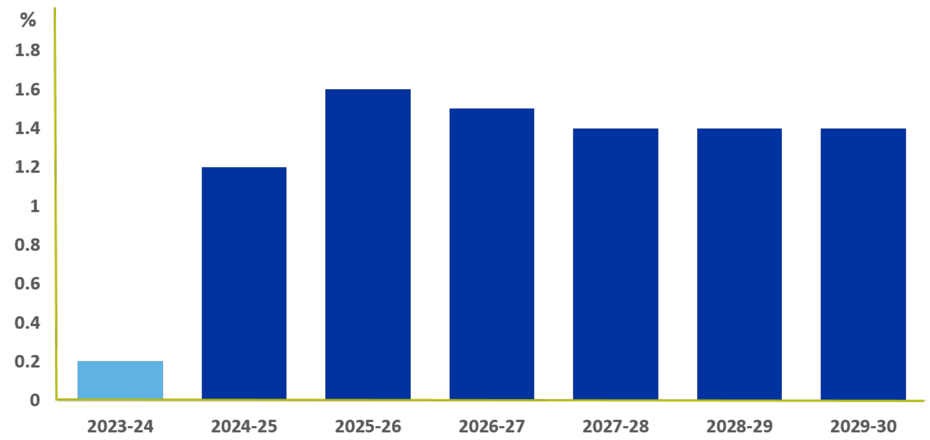
OUTLOOK

In terms of lead indicators, the RBS Regional Growth Tracker for Scotland in December 2024 fell below 50 (a reading above 50 indicates net growth) to 46.9, which is a notable decline from a reading of 51.1 in November 2024. The manufacturing and service sectors both reported a decrease in output. This decline followed 11 months of growth. Bank of Scotland's Business Barometer for January 2025 reports that business confidence fell in Scotland by 2 points during the month to 42%, a negative reading but well above the UK result where confidence fell by 2 points to 37%. At the time of writing very recent surveys were suggesting continuing pressure on the UK employment market.

In December 2024 Fraser of Allander Institute forecasts economic growth of 0.9% for 2024, 1.1% for 2025 and 1.2% for 2026. The Scottish Fiscal Commission anticipates slightly higher growth, forecasting 1.2% for 2024/25, 1.6% for 2025/26 and 1.5% for 2026/27.

While very recent data have raised the spectre of stagflation, looking through this softer period suggests a slightly more positive picture of low but steady economic growth, anticipated further interest rates cuts and a mild uptick in price inflation.

SCOTTISH GDP GROWTH PREDICTIONS



Source : Scottish Fiscal Commission

PLANNING

NPF4 AND NEW LDPS

National Planning Framework 4 (NPF4), the Planning (Scotland) Act 2019 and evolving local development plans (LDPs) are now clearly impacting upon Scotland's property markets.

NPF4, adopted in February 2023, prioritises plan-led sustainable development, climate mitigation, biodiversity and brownfield development. Its implementation has introduced new complexities and assessing applications against its 33 policies can require additional and detailed information, leading to extended timescales and increased costs which can in turn impact upon development activity.

The interplay between NPF4 and existing LDPs also has the potential to cause inconsistencies across Scotland, with some decisions prioritising NPF4 while others adhere to more recently adopted LDPs. It is expected that approaches to decision-making will stabilise once local authorities adopt new style 'place-based' LDPs which are underpinned by NPF4's national policies.

MASTERPLAN CONSENT AREAS

The 2019 Act introduced Masterplan Consent Areas (MCAs) as a new upfront consenting mechanism for accelerating the delivery of development proposals. MCAs provide a framework for delivering large-scale developments, streamlining the planning process and providing greater certainty for developers. Highland Council is considering how MCAs can support the development of the Inverness and Cromarty Firth Green Freeport and associated need for more housing. However, questions remain about site selection process, links with LDPs and funding mechanisms. Local Authorities hold the powers to designate MCAs and it is expected that in most cases these will correspond with strategic LDP sites.

SECTOR-SPECIFIC PLANNING TRENDS

Residential: NPF4's emphases on plan-led and brownfield development are leading developers to focusing their energy on promotion of sites into LDPs. This presents opportunities for sustainable developments on former industrial land such as Granton Waterfront in Edinburgh. However, some local authorities such as East Lothian and Falkirk recognise the need to release greenfield sites in areas where brownfield land is less available.

Recent planning appeal decisions following the dismissal of Miller Homes' Mossend scheme in West Lothian underscore the challenge of delivering housing on unallocated land, with Lord Boyd emphasising that the "for the first time the national plan forms part of the development plan", effectively dismissing shortfalls in housing land supply as a deciding factor as a "thing of the past". Meanwhile, the perceived impacts of new housing on education, healthcare and road infrastructure continue to dominate the public debate.

Purpose-Built Student Accommodation (PBSA): NPF4's focus on community integration may require developers to consider mixed-use developments in this thriving sector. Some Councils including Edinburgh and Glasgow are cautious about continued growth in this sector given the risks of oversupply/ vacancy alongside shortfalls in wider housing delivery. City of Edinburgh Council has attempted to counter this by allocating a number of urban brownfield sites for housing only. Equally, Glasgow City Council recognises (at least sometimes) the value of PBSA in repopulating the city centre, supporting retail economies and catalysing investment in other residential sectors.

Offices: NPF4's emphasis on sustainable transport and placemaking is leading to a greater focus on well-connected office locations, which aligns with current market trends. The repurposing of vacant office space for alternative uses such as PBSA, residential and hotels is become more prevalent in city centres such as Edinburgh and Glasgow. There is some concern in Edinburgh that tighter policies might be needed to protect office space but likewise there are policies that support alternative uses such as conversion to hotels.

59.8

WEEKS

Average decision time for major housing applications*

* Figures exclude major applications subject to processing agreements where timescales for decisions are agreed in advance.

Industrial: NPF4's emphasis on brownfield urban regeneration is beginning to influence the location of new industrial developments. It is expected that development in this active market sector will be increasingly concentrated in peripheral employment areas, however this varies by jurisdiction. Edinburgh Council has allocated an additional 40 hectares of employment land at Newbridge in order to compensate for a number of new housing allocations on industrial land. Other Councils appear to be more resistant to the loss of employment land within established urban areas.

Retail and Leisure: NPF4's focus on town centres and 20-minute neighbourhoods may offer revitalisation opportunities, but adaptation will be crucial alongside a recognition that retail parks and superstores have consolidated their market positions post-pandemic. Planning for leisure, residential and mixed-uses is the future for many of Scotland's mid-sized towns.

UK PLANNING AND INFRASTRUCTURE BILL

Labour's new Planning and Infrastructure Bill aims to expedite the planning process in England and Wales, enabling faster delivery of housing and major infrastructure projects by reducing bureaucratic hurdles.

The Planning and Infrastructure Bill could potentially affect Scotland by streamlining the planning process for infrastructure projects, leading to faster development, but the extent of its impact depends on how the bill is implemented and whether specific provisions are adapted to suit Scotland's devolved planning system. For the moment, the Scottish Government has stopped work on implementation of an infrastructure levy in favour of a focus on improving guidance on Section 75 planning obligations.

> NPF4'S EMPHASIS ON PLAN-LED, SUSTAINABLE DEVELOPMENT AND BROWNFIELD REGENERATION IS RESHAPING SCOTLAND'S PROPERTY MARKETS, INTRODUCING BOTH OPPORTUNITIES AND CHALLENGES FOR DEVELOPERS.

36.1
WEEKS
Major Development planning decisions on average 3 weeks faster than last year

11.6
WEEKS
Average decision time for Local Development planning decisions

227
DECISIONS
Total number of Major Development decisions

RESIDENTIAL DEVELOPMENT

DEVELOPMENT

The headwinds which affected the residential development market in 2023 spilled over into 2024, with the exception of interest rates which fell from 5.25% to 4.75% then the current rate of 4.5% with further reductions anticipated during 2025.

According to Scottish Government Housing Statistics, in the 12 months ending September 2024 the combined number of private sector and affordable homes completed was 19,828 which is 10% below the number of completions in the previous 12 months. All sector new build starts in this same period were 12% lower compared to the previous 12 months standing at 14,768.

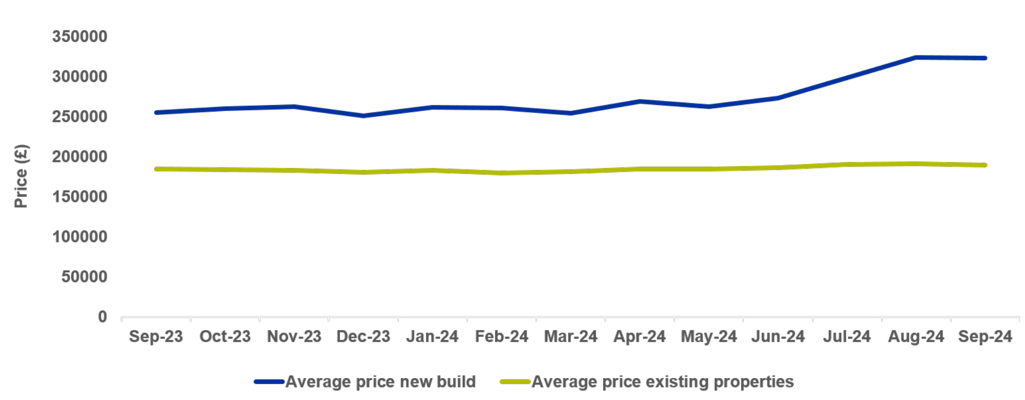
Within the private sector, in the 12 months ending September 2024 completions were down 4% while starts were an alarming 14% lower compared with the previous year. The social sector fared no better during this period with completions 26% lower and new starts similar to the weak 2023 figures.

Looking further back (excluding the pandemic period), private sector completions were the lowest for 6 years and new starts the lowest since 2013. In the social sector, completions were the lowest since 2017 and new starts were at the lowest levels for the past 20 years.

In May 2024 the Scottish Government declared a national housing emergency recognising a housing shortage, with nearly half of Scotland's 32 Councils making similar formal declarations. Of particular concern is the rapid decline in the social sector where the reduction in Government funding in the 2024-2025 budget means that meeting the target of delivering 110,000 social and affordable homes across Scotland by 2032 is likely to be extremely challenging, if not impossible. The Local Government Housing Inquiry in November 2024 confirmed that seven local authorities built no homes in the year to the end of June 2024, citing the cut to the Scottish Government's Housing Budget as the primary reason.

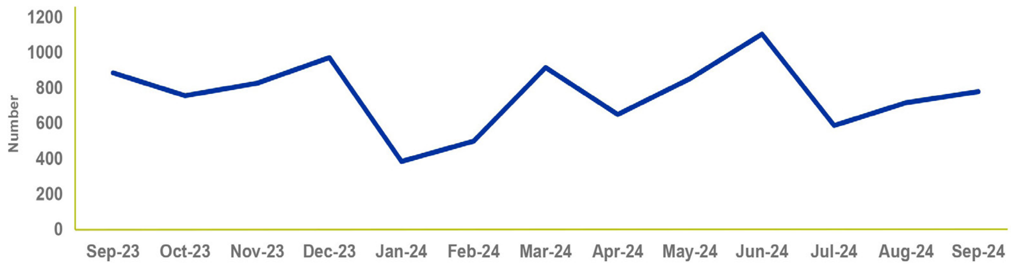
While there is a lag between diminishing supply and the effects on sale volumes and house prices, the headline statistics (HM Land Registry September 2024) not unexpectedly show that there was a rise of 5.7% to £198,000 for the average price of a property in Scotland. In Scotland, 29 of the 32 local authorities showed an increase in average house prices with Aberdeen, Dundee, Edinburgh and Glasgow all seeing increases of between 1.2% and 7.7%. The average price in July 2024 was £325,356 which was a substantial 25.6% annual increase compared with July in 2023.

HOUSE PRICES



Source : HM Land Registry

SALES VOLUME NEW BUILD



Source : HM Land Registry

The volume of transactions across all sectors increased by 7.2%. Sales volumes for new homes between November 2023 and 2024 were broadly static after allowing for seasonal adjustments.

LAND MARKET

As a result of the reduction in new build completions and starts in 2024 combined with the hope of further interest rate cuts, demand remains very high among the volume housebuilders for well-located estate housing sites for 75 units and above. It is not uncommon to receive five to ten bids at closing date in areas which, until relatively recently, would not have generated as much interest. This has resulted in stabilised land values in the majority of Scotland's cities and land value growth occurring in more affordable housing markets within commuting distance of Edinburgh and Glasgow in particular.

The plan-led planning system highlighted in the previous section, which new housing sites will emerge from, is likely to have a short to medium impact on the availability of development land which will constrain housing delivery but maintain and probably increase land values.

PBSA AND BTR

It is clear from the Investment market during 2024 that the Purpose Built Student Accommodation (PBSA) sector is an established asset class. Investors and in turn developers, are now well educated in the demand & supply dynamics of the sector and as such, have been focused on increasing their activity and exposure to the core Russell Group University Cities of Edinburgh and Glasgow. Financial challenges announced by some universities do however dampen investor and developer confidence somewhat.

In Glasgow, a healthy PBSA development pipeline has been established with in excess of 11,000 beds in the pipeline either on site with construction having commenced, with a live planning consent, or with a planning application submitted. This large pipeline has focused Investors on the best locations in the city, as they look to protect and future proof their investments against any potential over-supply, particularly given the number of sites and buildings suited to alternative use in the city's post-pandemic office market.

In 2025, as more clarity emerges from the Housing (Scotland) Bill, other uses such as residential for sale and BTR could compete with PBSA on driving the highest residual land value in Glasgow. With a city so committed to improving and delivering city centre housing numbers, this can only be seen as a positive shift in the development cycle.

In Edinburgh there has been some positive land transactions over the past 12 months with Firethorn Trust acquiring a 200+ bed consented PBSA project on Leith Walk which is now on site. SAV Group, a London based developer and new entrant into the Edinburgh market, has acquired a 112-bed all studio scheme on Arthur Street, just off from Leith Walk - pricing on this transaction was in excess of £40,000 per bed. Meanwhile Viridis Real Estate completed two site purchases in 2024, acquiring West Park Place unconditionally (a planning application has now been submitted for 130+ PBSA beds), and also Yeaman Place which was a prime consented site comprising 152 studio beds where the price paid represented a residual rate of £50,000+ per bed.

Looking ahead, the challenge for Edinburgh (and developers trying to build) will be around the new Local Development Plan (CityPlan 2030). A new PBSA policy approach means any new planning consents will have a maximum provision of only 10% studio beds, with the remaining 90% being cluster beds. Given the likely rental profile of these policy compliant schemes and the 'lost' value that more studios would drive, a challenging period is envisaged for development viability.

Elsewhere, the well documented inflationary pressures on construction costs over the past 12-24 months, and the lower rental profiles of Aberdeen, Stirling and Dundee, have limited these PBSA markets even though suitable sites are available. St Andrews is an exception where rental levels are strong but development opportunities are scarce.

The growth of the Build to Rent (BTR) sector in Scotland has been badly impacted in the last two years following the emergency Cost of Living (Tenant Protection) (Scotland) Act 2022 and the draft Housing (Scotland) Bill which is proposing to introduce permanent rent controls. This legislation has created significant investor uncertainty leading to a number of schemes being cancelled or delayed.

However, the ending of the emergency legislation in March of 2025 and the publication of proposed amendments to the draft Housing (Scotland) Bill are creating some cautious optimism. The detail contained within the Housing (Scotland) Bill amendments (due in April) is eagerly anticipated. Ministers have hinted at the possibility of some form of exemption from rent controls for BTR.

Schemes that commenced prior to the introduction of the legislation have been reaching completion with positive news being reported on rental and occupancy levels. The Platform_/Heimstaden Bostad scheme at Bonnington in Edinburgh welcomed its first occupants in late 2024 with quoting rents starting from £1,550 for one beds, £1,850 for two beds and £2,345 for three beds. In Glasgow, Moda Living's much anticipated Holland Park scheme on Pitt Street completed in the Autumn with rents starting from £1,138 for studios, £1,400 for one beds and £1,725 for two beds.

Looking forward, BTR completions beyond 2025 are minimal, as are schemes at pre-planning stages. It remains to be seen if the extensive property industry consultation with Scottish Government on these matters results in the amendments to rent control proposals necessary to create an investable BTR market in Scotland.

BTR DEVELOPMENT	DETAILS
HOLLAND PARK, PITT STREET, GLASGOW	433 UNIT DEVELOPMENT BY MODA LIVING OPENED IN AUTUMN 2024.
CANDLERIGGS SQUARE, GLASGOW	346 UNITS BY DRUM PROPERTY GROUP/LEGAL & GENERAL DUE TO COMPLETE DURING 2025
GRANARY QUAY, GLASGOW	COMPLETED IN 2024 THE 342 UNIT BTR SCHEME WAS SOLD TO EUROPA AND WILL CONTINUE TO BE OPERATED BY DANDARA LIVING
THE MCEWAN, FOUNTAINBRIDGE, EDINBURGH	476 RENTAL APARTMENTS BY MODA LIVING. THE FIRST PHASE OPENED IN 2022, WITH THE SECOND AND FINAL PHASE DUE TO OPEN IN 2025
STEADS PLACE, LEITH, EDINBURGH	110 UNITS BY DRUM PROPERTY GROUP/ EDMOND DE ROTHSCHILD REAL ESTATE INVESTMENT MANAGEMENT DUE TO COMPLETE IN 2025
BONNINGTON ROAD LANE, EDINBURGH	DEVELOPMENT OF 453 UNITS BY PLATFORM_/HEIMSTADEN BOSTAD. THE FIRST PHASE OPENED IN 2024
FREER STREET, EDINBURGH	236 UNITS BY VASTINT ARE DUE TO COMPLETE IN 2025
ALBERT DOCKS, LEITH, EDINBURGH	GOODSTONE LIVING'S 338 UNITS ARE DUE TO COMPLETE DURING 2025

OUTLOOK

While the estate housing land market continues to perform well the higher density, urban flatted market remains very challenging from a viability perspective. Despite planning policy favouring the regeneration of city and town centre locations (particularly on brownfield sites) the development costs involved are often proving prohibitive. However, competition for prime city sites may begin to shift as residential for sale or BTR - depending upon the emerging policy stance - could start to be more competitive with PBSA on a residual value basis.

While the rapid increase in construction costs experienced in recent years appears to be stabilising, the BCIS five-year construction industry forecast predicts a 17% increase in costs. Build cost inflation combined with increased costs associated with new building regulations and planning gain contributions is likely to continue to suppress activity and land values with the exception of those residential sites in prime locations.

CITY CENTRE DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
AURORA, 120 BOTHWELL STREET	62,002	SSE	ENERGY
AURORA, 120 BOTHWELL STREET	25,818	PWC	ACCOUNTANCY
9 GEORGE SQUARE	21,538	THE BOUTIQUE WORKPLACE COMPANY	BUSINESS CENTRE
110 QUEEN STREET	18,548	CLYDE & CO LLP	LEGAL
1 WEST REGENT STREET	13,695	SKYSCANNER	TMT
70 WELLINGTON STREET	11,773	THOMPSONS SOLICITORS SCOTLAND LLP	LEGAL

DEMAND

Glasgow city centre office take up increased in 2024 to 464,000 sq.ft. This is 32% higher than 2023's take-up and ahead of the 5-year average of 419,000 sq.ft. The total number of deals increased by 23% to 136.

Acknowledging this increased figure, the Glasgow office market presents an improved picture from the 2023, yet at times, linked to political change and ongoing global unrest, there were periods of stalled momentum across all sectors.

Corporate occupier desire to lease high quality space remains a key requirement and supply and rental dynamics are discussed below.

Approximately 24% of 2024 take up was concluded in Grade A space and 26% of this was delivered in buildings with floor plates in excess of 10,000 sq.ft.

Showing a consistent trend with 2023, 73% of the number of transactions were concluded in suites smaller than 3,000 sq.ft. A new headline rental for the city centre has now been achieved in excess of £39.50 per sq.ft. at Aurora, 120 Bothwell Street.

The quality of space is demonstrably a key occupier requirement; there is no let-up in occupiers demanding the very best in building facilities and amenities such as business lounges, spa quality shower and changing facilities and external terraces all in prime city centre locations, but also buildings that meet their required green credentials including all-electric buildings.

The fitted out, furnished and flexible market as shown remains a key driver for those embracing flexible working, or for those occupiers outgrowing serviced space – meeting the contracting and expanding occupiers both in the middle with ready-to-occupy offices. Demand for the space available and being delivered remains resilient. Notably, around 50% of all deals were taken on either a fully fitted or landlord furnished basis, or with existing tenant fit out in-situ.

OFFICES GLASGOW

SUPPLY

Entering 2025, Glasgow city centre office supply dynamics suggest that supply of existing best in class space totalling around 126,500 sq.ft. will be critically low, as around 70,000 sq.ft. of this space was let (concluded in January 2025) or under offer. Grade A availability is in the table below.

However, supply will be bolstered by two projects that have been delayed, Lucent, 50 Bothwell Street (100,000 sq.ft.) and The Bond, 57 Queen Street (128,000 sq.ft.) are now both scheduled for completion in the first half of 2025.

The total office supply for the city centre is in the order of 2.25 million sq.ft. As shown on the chart depicting city-wide supply and take-up including peripheral office locations, Glasgow's office supply has stabilised at just over 3 million sq.ft. following its post-pandemic surge, as demand has evolved and the supply-side of the market has adjusted to that.

Beyond the three buildings in the table below, the larger scale development pipeline appears to be mainly on hold. Following the groundworks completing at IQ, Cadogan Street (CEG) the speculative development of the project was paused with attentions turning to secure early pre-lets. Likewise, Clearbell Capital are now actively pursuing pre-let discussions for 150 St Vincent Street, a project that will extend the current 70,000 sq.ft. footprint to 150,000 sq.ft., utilising the existing structure.

A number of significant refurbishment projects have now paused pending further review or securing new development funding.

Catering for the active market described above, there continues to be a steady stream of fitted out, furnished and flexible suite schemes completed across the city centre, in many cases delivered in previously refurbished buildings.

CURRENT GRADE A AVAILABILITY

ADDRESS	TOTAL SIZE (SQ.FT.)	SIZE AVAILABLE (SQ.FT.)	DATE COMPLETED	DEVELOPER
2 ATLANTIC SQUARE	96,650	31,768	Q3 2021 – NEW BUILD	BAM PROPERTIES / TAYLOR CLARK LTD
CADWORKS, 41 WEST CAMPBELL STREET	94,431	33,300*	Q4 2021 – NEW BUILD	FORE PARTNERSHIP
AURORA, 120 BOTHWELL STREET	174,000	46,087**	Q3 2024 - REFURBISHMENT	FORMA REAL ESTATE FUNDS
G1, GEORGE SQUARE	130,567	15,351 ***	Q4 2024 - REFURBISHMENT	UNION INVESTMENT

*23,000 sq.ft. under offer at the time of writing

**39,885 sq.ft. now let in January 2025

***5,500 sq.ft. now let in January 2025

SIGNIFICANT REFURBISHMENTS SCHEMES ON SITE

ADDRESS	TOTAL SIZE (SQ.FT.)	SIZE AVAILABLE (SQ.FT.)	ESTIMATED DELIVERY DATE	DEVELOPER
LUCENT, 50 BOTHWELL STREET	100,000	100,000	Q1 2025	ORION CAPITAL MANAGERS
THE BOND, 57 QUEEN STREET	128,000	128,000	Q2 2025	MAYA CAPITAL LLP
5 CADOGAN STREET	72,000	72,000	Q3 2025	PRIVATE INDIVIDUAL

PERIPHERAL MARKET

Take up in Glasgow's peripheral office market has again shown growth on 2023 (as it did the year before) with the overall take up increasing to 118,737 sq.ft. (111% increase) and the total volume of deals also increasing to 39.

The largest deal within the peripheral market was at Skypark, where the technology incubator STAC took just under 20,000 sq.ft. for its growing number of companies under their mentorship. The majority of deals undertaken in the peripheral market are sub-2,000 sq.ft. with buildings such as The Whisky Bond, Red Tree Bridgeton and The Hub @ Pacific Quay remaining popular due to the size and flexibility of suites on offer.

Much of the peripheral office space sits within locations that may offer a higher value alternative use (such as residential or PBSA). For those with larger voids to fill, a change of use/ rationalisation of overall business space is a trend which is set to continue. For example, the former Daily Record building at Central Quay has now been demolished to make way for a proposed student beds and co-living development.

OUT OF TOWN MARKET

Delivering almost a 50% increase in 2024 compared to 2023, Glasgow's out of town office market recorded total take up of 258,178 sq.ft. This increase reflected some larger deals, as the total number fell to 39.

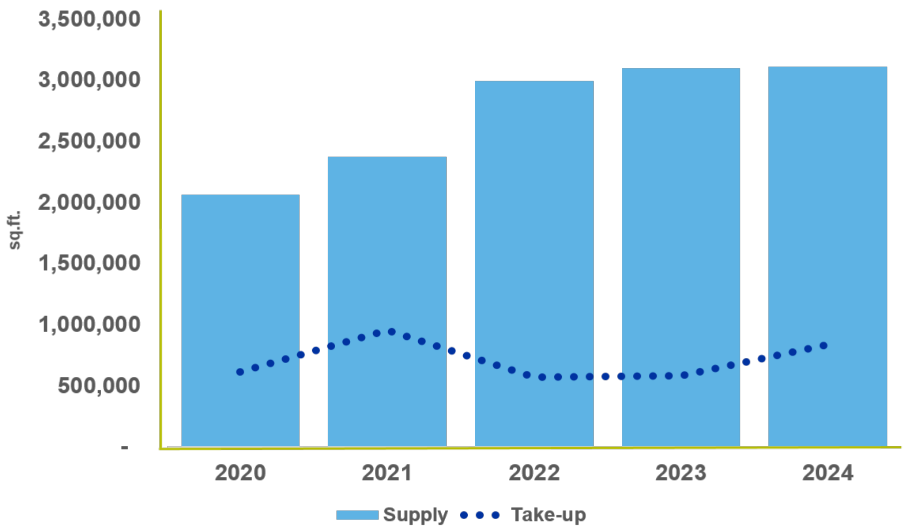
Supporting the desire from corporate occupiers relocating existing out of town functions to high quality space, Maxim Office Park at Eurocentral delivered over 110,000 sq.ft. of lettings during 2024. On the back of leasing success, availability there now stands at c. 290,000 sq.ft. across the 10 buildings originally developed (750,000 sq.ft.).

PERIPHERAL AND OUT OF TOWN DEALS

ADDRESS	MARKET	SIZE (SQ.FT.)	OCCUPIER	SECTOR
SKYPARK 1, 8 ELLIOT PLACE, FINNIESTON	PERIPHERAL	19,463	STAC	TMT
SKYPARK 1, 8 ELLIOT PLACE, FINNIESTON	PERIPHERAL	13,050	CAPITA	PROFESSIONAL
144 ELLIOT STREET, FINNIESTON	PERIPHERAL	11,397	NSPCC	CHARITY
MAXIM 4, MAXIM OFFICE PARK, EUROCENTRAL	OUT OF TOWN	54,274	HSBC	FINANCIAL SERVICES
MAXIM 10, MAXIM OFFICE PARK, EUROCENTRAL	OUT OF TOWN	21,891	QMETRIC GROUP LTD	PROFESSIONAL
2 KINGS INCH WAY, RENFREW	OUT OF TOWN	17,582	CIRCLE HEALTH GROUP LTD	HEALTHCARE
AIRBLES HOUSE, AIRBLES ROAD, MOTHERWELL	OUT OF TOWN	17,518	ACCOUNTANTS PLUS	PROFESSIONAL

Supply of options in excess of 10,000 sq.ft. remains very limited to the west of Glasgow and this has been further eroded by a number of purchases for owner occupation, such as the purchase of Airbles House in Motherwell (17,518 sq.ft.) by Accountants Plus and Precision House, Eurocentral (27,000 sq.ft.) by Bell Group Ltd.

GLASGOW SUPPLY AND TAKE-UP (CITY-WIDE)

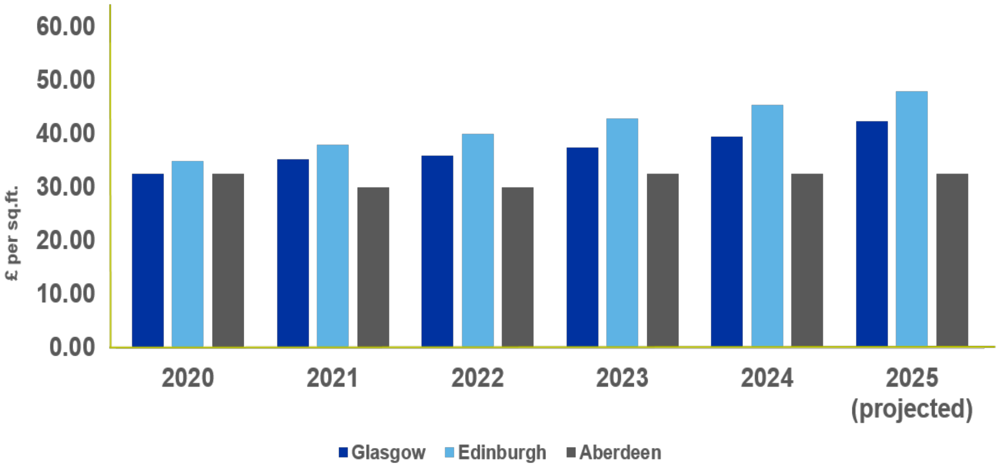


OUTLOOK

A severe supply constraint in Glasgow city centre is emerging due to ongoing demand for best in class office space coupled with the existing reducing supply of Grade A offices and the stalled development pipeline. Rents for the very best office space are projected to rise to low to mid £40's per sq.ft. during 2025 for prime space. Some occupiers may be forced to take short to medium term lease extensions while there will also be a strong likelihood of pre-commitments at credible pre-let opportunities.

In addition, an increasing number of corporates particularly in the banking and engineering sectors are mandating a return to the office. This may lead to some occupiers acquiring additional space or initiating wholesale relocations due to space constraints. Demand for pre-fitted out offices will remain steady although an increased number of developments catering for this product has now emerged.

PRIME OFFICE RENTS



OFFICES EDINBURGH

CITY CENTRE DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
6 ST ANDREW SQUARE	43,098 23,902	HEINEKEN UK DICKSON MINTO LLP	BREWING AND PUBLIC HOUSES LEGAL SERVICES
30 LOTHIAN ROAD	30,327	DILIGENTA LTD	FINANCIAL SERVICES OUTSOURCING
WAVERLEY GATE, WATERLOO PLACE	24,885 6,438	ROYAL LONDON GALLAGHER	FINANCIAL SERVICES FINANCIAL SERVICES
1-7 EXCHANGE CRESCENT	23,736	N-ABLE	IT SERVICES
30 SEMPLE STREET	14,700	HYMANS ROBERTSON LLP	LEGAL SERVICES

DEMAND

In 2024, Edinburgh's office market recorded a total of 593,800 sq.ft. of take up across 151 deals. This represents an 11% decrease in the number of deals and an 8% decrease in overall floorspace taken up against 2023.

In addition to new take up of office space, 2024 saw the continuing trend for occupiers to remain in existing accommodation and opt to refurbish and re-gear leases on existing space. An exceptional 843,620 sq.ft. of re-gear transactions recorded during the year was swelled by Lloyds Banking Group's re-commitment to existing space at Port Hamilton on Morrison Street and Citymark in Fountainbridge totalling 384,633 sq.ft.

Combined this shows record levels of new deal and lease re-gear activity across the Edinburgh office market at 1.437 million sq.ft.

CITY CENTRE

Edinburgh's city centre office market transacted 464,399 sq.ft, which represented 78% of total take up across Edinburgh in 2024. Grade A high quality accommodation accounted for 167,743 sq.ft. or 36% of city centre office take up. The Grade A share of take up is down from 46% in 2023 due largely to lack of supply. The most notable city centre transactions over the past year are shown in the Table.

The prime rental tone for Grade A accommodation has risen again to £45.50 per sq.ft. at Waverley Gate to Gallagher, which is a new high rental rate for the city. Incentives remain at around 12 months for a 10-year lease commitment to the highest quality covenant but have continued to reduce slightly as occupier competition for the best office space has increased.

The ongoing trend for Grade A plus (fitted-out) office options has continued. Several of the city centre deals included previously fitted out space, for example the Diligenta Ltd deal highlighted in the city centre deals table. Enhanced rents and reduced rent free periods have been achieved for fitted-out office space. Serviced / Flexible office operators have also generally been achieving record levels of occupancy in Edinburgh.

PERIPHERAL

Office take up in West Edinburgh fell significantly during 2024. Take up of 87,946 sq.ft. across 18 deals was 47% below 2023's figure. Prime rents are sitting around £22 per sq.ft. for refurbished options in the South Gyle area, rising to £25 -£ 26 per sq.ft. for refurbished space on Edinburgh Park, with £30 per sq.ft. having being achieved for best in class space at the new-build 1 New Park Square.

In a reversal of the previous year when West Edinburgh was the most active peripheral office area, North Edinburgh lettings in 2024 rose by 239% with 24,966 sq.ft. recorded across 14 deals during 2024. However, this was influenced by the deal to whisky bottling and distribution specialists Volpecastello Ltd who secured 10,711 sq.ft. at Quay House at 142 Commercial Street. Prime rents remain around £18 per sq.ft. for best in class space in North Edinburgh. Flexible / serviced operators have performed well in this location with both Clockwise and Pure Offices reporting solid occupancy levels throughout the year.

PERIPHERAL DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
4/5 LOCHSIDE AVENUE, EDINBURGH PARK	14,849	SCOTTISH POWER	UTILITIES
BROADSTONE, 50 SOUTH GYLE CRESCENT	11,540	NATIONAL TRUST FOR SCOTLAND	THIRD SECTOR / CONSERVATION CHARITY
QUAY HOUSE, 142 COMMERCIAL STREET	10,771	VOLPECASTELLO LTD	BOTTLING PARTNER AND DISTRIBUTOR
1 NEW PARK SQUARE, EDINBURGH PARK	9,464	GE DIGITAL UK LTD	IT SERVICES

SUPPLY

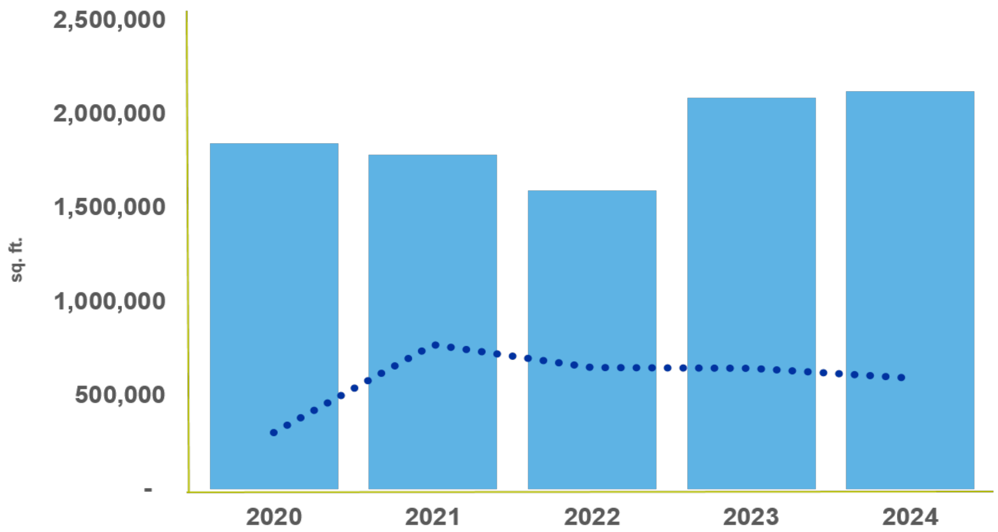
Total office supply across Edinburgh at the end of Q4 2024 was recorded as 2.12 million sq.ft. which is a marginal increase of 2% compared with the end of Q4 2023.

City centre supply remained constrained during 2024 and there are limited options of either refurbishment or fitted out space available to accommodate new requirements upwards of 20,000 sq.ft. over the next 12-24 months. This constrained supply of quality office space has been a contributing factor to the large number of re-gears occurring.

The West Edinburgh market remains characterised by a significant oversupply of office space, particularly larger corporate HQ buildings, including the offices shown in the table overleaf.

The tightening of the Grade A office market and erosion of stock within the city centre brings the pipeline supply into focus. The next table shows new build development proposals together with some significant refurbishments. Development viability for speculative new-build offices remains challenging.

EDINBURGH SUPPLY AND TAKE-UP



PRIME CITY CENTRE AVAILABLE SPACE

ADDRESS	SIZE AVAILABLE (SQ.FT.)	LANDLORD
SALTIRE COURT, CASTLE TERRACE (PARTIALLY REFURBISHED)	72,724	TIGON 7 LTD
1 TANFIELD (PARTIALLY REFURBISHED)	63,668	MIGDAL GREENRIDGE
1-7 EXCHANGE CRESCENT (TO BE REFURBISHED)	56,257	ABRDN PLC (HEAD-TENANT)
24-25 ST ANDREW SQUARE (REFURBISHMENT)	48,047	ARDSTONE CAPITAL
QUARTERMILE TWO (REFURBISHMENT)	40,472	CBRE IM
RUTLAND COURT (TO BE REFURBISHED)	38,712	AL DUWALIYA ASSET MANAGEMENT
30 LOTHIAN ROAD	34,718	M&G PLC

WEST EDINBURGH AVAILABLE SPACE

ADDRESS	SIZE AVAILABLE (SQ. FT.)	LANDLORD
ONE EDINBURGH GREEN (REFURBISHED)	89,863	SHELBORN ASSET MANAGEMENT
3 LOCHSIDE AVENUE (UNDERGOING REFURBISHMENT)	81,322	CCLA
1-3 LOCHSIDE CRESCENT (FITTED OUT OPTIONS AVAILABLE)	65,413	AEGON UK
PENTLAND HOUSE, 8 LOCHSIDE AVENUE	56,000	LLOYDS BANKING GROUP
2 LOCHSIDE AVENUE	43,780	RR BRISTOL LTD
2 BROADWAY PARK (TO BE REFURBISHED)	39,137	AMBASSADOR GROUP
7 LOCHSIDE VIEW (REFURBISHED)	33,762	DANOBE SECURITIES LTD
HERMISTON QUAY, CULTINS ROAD	30,441	SOUTHWARK PENSION FUND

"EDINBURGH CITY CENTRE OFFICE SUPPLY REMAINED CONSTRAINED IN 2024, DRIVING A HIGH NUMBER OF RE-GEARS."

PRIME CITY CENTRE NEW BUILDS AND PIPELINE OF KEY REFURBISHMENT SCHEMES

ADDRESS	SIZE (SQ.FT.)	DETAILS	DEVELOPER
THE NETWORK, NEW TOWN NORTH	82,000	CLEARED SITE – NO SITE START	ORION CAPITAL MANAGERS
30 SEMPLE STREET	57,000	PRACTICAL COMPLETION JANUARY 2025 WITH 40% PRE-LET	BBC PENSION TRUST
EXCHANGE PLACE 4	20,000	APPROVED PLANNING. NO CONSTRUCTION DATE ANNOUNCED.	EP3 DEVCO LTD
ELGIN HOUSE, HAYMARKET YARDS	C. 240,000 INCLUDING HOTEL	PLANNING SECURED AND SITE CLEARED. NO SITE START ANNOUNCED	STAMFORD PROPERTY HOLDINGS
24 - 25 ST ANDREWS SQUARE	48,000	ON SITE, 2025 DELIVERY	ARDSTONE CAPITAL
QUARTERMILE 2	40,472	ON SITE, 2025 DELIVERY	UBS ASSET MANAGEMENT
ROSEBERY HOUSE, HAYMARKET TERRACE	158,000	PLANNING SECURED. NO SITE COMMENCEMENT BUT DEMOLITION IN PROGRESS	AVIVA INVESTORS
EXCHANGE PLACE ONE, SEMPLE STREET	120,000	PLANNING SECURED FOR REFURBISHMENT. SITE START 2025	CBRE IM
INDIA QUAY, FOUNTAINBRIDGE	C.150,000	SEEKING NEW BUILD PRE-LETS	CRUDEN HOMES AND BUCCLEUCH PROPERTY
CALTON SQUARE, GREENSIDE ROW	200,000	PLANNING SECURED. NO REFURBISHMENT DATE ANNOUNCED	MACQUARIE ASSET MANAGEMENT

OUTLOOK

The outlook for the Edinburgh office market remains generally positive but not without its challenges. Occupiers are still working through space requirements for existing staff and new recruits, in a changing flexible working environment. Many are still seeking to stabilise costs while reviewing options in the current market and in the pipeline, hence the high volume of re-gearing.

New requirements tend to fall either within the 10 - 25,000 sq.ft. bracket or are smaller than 5,000 sq.ft. Most relocations have taken reduced space (20-30%) around hybrid working and sought better environments with emphasis on Environment, Social and Governance (ESG) together with employee wellbeing.

The pipeline of actual development within the City Centre is disappointing and several office buildings have been lost to alternative use opportunities, notably Edinburgh's booming hotels market. Development costs have curbed the viability of most projects and rents will require to breach £50 per sq.ft. to stimulate new-build supply.

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
STRATUS BUILDING, ABZ BUSINESS PARK	16,591	OEG ENERGY GROUP	ENERGY
H1, THE HILL OF RUBISLAW	16,460 6,990	SWORD GROUP REACH	ICT / ENERGY ENERGY
50 HUNTLY STREET	8,509	SEKAL ABERDEEN	ENERGY
10 QUEENS TERRACE	8,440	APOLLO ENGINEERING CONSULTANTS LTD	ENERGY
3-5 ALBYN PLACE	6,167	ESERV	ENERGY
THE SILVER FIN BUILDING, UNION STREET	6,079	DELOITTE LLP	PROFESSIONAL SERVICES
MARISCHAL SQUARE, BROAD STREET	6,030	PETERSON	ENERGY

OFFICES ABERDEEN

DEMAND

The total office take-up in Aberdeen for 2024 was 234,052 sq.ft. across 70 transactions. This represents a 29% decrease of take up in floorspace and 8 fewer deals than were delivered during 2023. It is also well below (-26%) the 5-year average of 314,650 sq.ft.

2024 was a year of uncertainty in the Energy Industry with the looming General Election and change of Government in the first half of the year and the new Government's first budget in Q4. Although still extremely punitive for the Oil and Gas Sector, the announcements in the Budget at least provided certainty to enable companies to work out what their future in the region may be. The end result over the course of the year for the office sector was a lack of activity and the 3rd worst take up figure in the last 10 years.

The majority of deals were smaller than 5,000 sq.ft. with only nine deals between 5,000 – 10,000 sq.ft. and four above 10,000 sq.ft. Normally office take up is boosted by some substantially larger deals but in 2024 the two biggest transactions were OEG Energy Group taking 16,591 sq.ft. at ABZ Business Park in Dyce and Sword Group taking a similar sized suite at H1 in The Hill of Rubislaw.

Headline rents remained at £32.50 per sq.ft., albeit deals at this level were few and far between and had decent occupier incentives associated with them. There is still generally a flight to quality with many of those occupiers who did move taking the opportunity to secure good deals on better quality office accommodation.

SUPPLY

Aberdeen city's office supply ended the year at 1.85 million sq.ft. This is a reduction of 16% compared to the end of 2023. There continues to be a lack of speculative office development, which is unlikely to change any time soon, and coupled with some older stock being demolished or deemed redundant it is likely that stock levels will continue to fall.

There are a limited number of refurbishment schemes underway, such as Aurora Aberdeen on Union Street in the city centre comprising a fully refurbished scheme totalling c. 44,000 sq.ft. and due for completion in May 2025. Work has also started on site for a refurbishment of the former Holburn House, now Diligent House also on Union Street, which will comprise c. 30,000 sq.ft. when complete. 3-5 Albyn Place totaling c.17,500 sq.ft. was fully refurbished during 2024 with three of the seven suites now let.

Grade A take-up in the city centre has been low, however there is still a lack of availability. Within Marischal Square and The Capitol there is c. 50,000 sq.ft. available in various suites. The Silver Fin Building is now full with Deloitte LLP having taken the last remaining suite. All of the small suites that were formed in Marischal Square are now let with Peterson taking the last two totalling 6,030 sq.ft. When completed in May 2025, the new suites within Aurora Aberdeen starting at just under 1,000 sq.ft. should prove popular with occupiers looking for smaller city centre grade A accommodation in a multi let, modern setting.

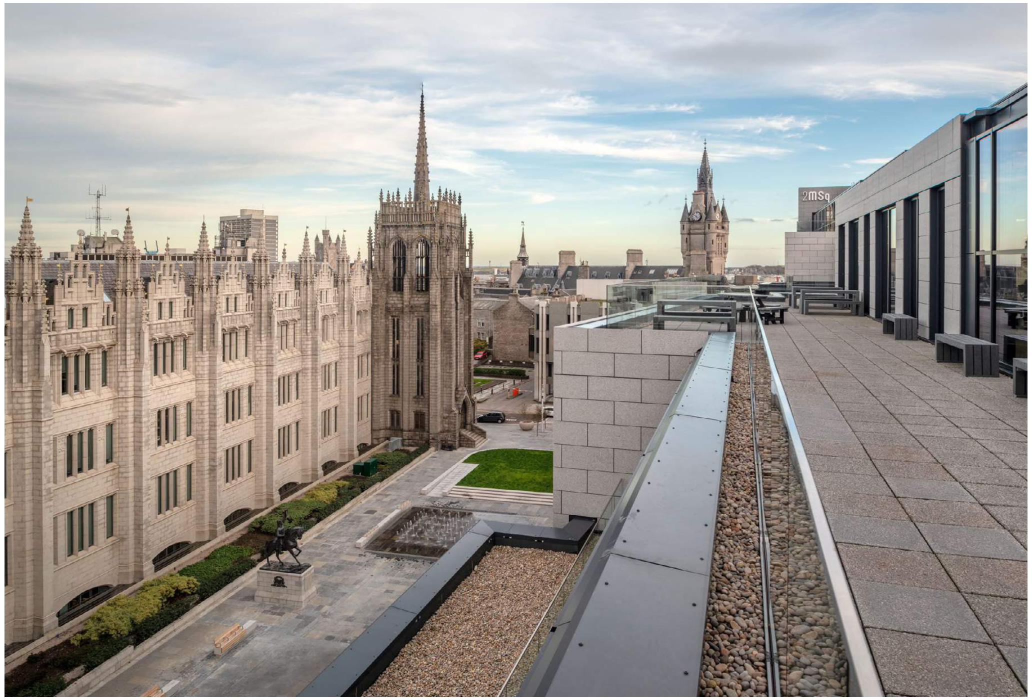
Like the rest of the market the West End has been fairly subdued however the last suite at the fully refurbished Blenheim House on Fountainhall Road is now under offer and eserv have now moved into two suites totalling 6,167 sq.ft. at 3-5 Albyn Place. A number of vacant buildings in the West End have been sold for residential conversion with pricing for vacant buildings now making this viable in some instances.

The out of town market accounted for 40% of the take up across approximately 1/3rd of the transactions. Primefour and Westhill continue to see demand for quality space with several suites under offer and good quality stock running low. North of the city has fared better than South with ABZ Business Park in Dyce seeing the largest letting of the year to OEG Energy Group and Aberdeen Energy and Innovation Parks in Bridge of Don enjoying several lettings within the sub 5,000 sq.ft. range.

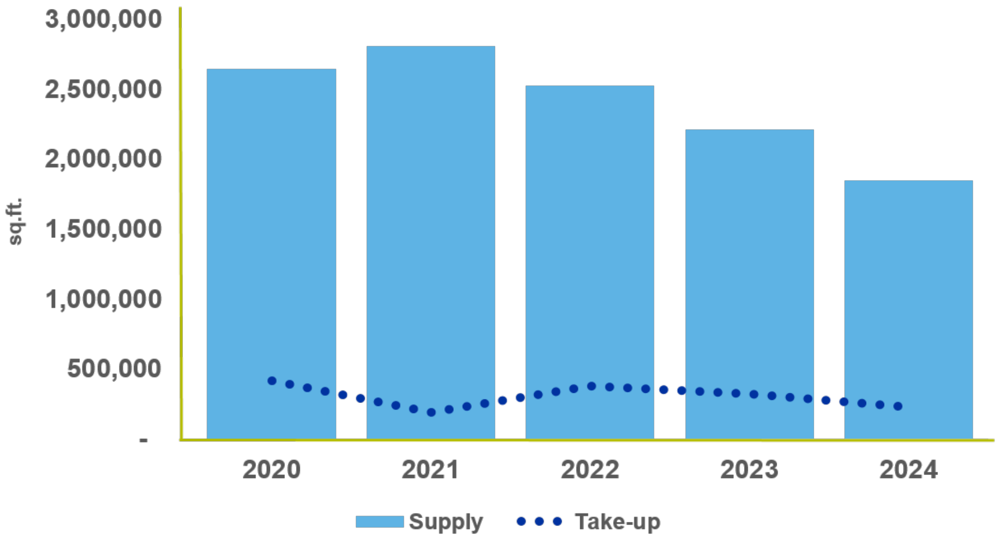
OUTLOOK

Hybrid working in Aberdeen largely appears to have resolved itself around primarily office-based working with some flexibility, which was not uncommon in the offshore sector pre-pandemic.

2024 very much felt like a year to "wait and see". Although the first six months of the new UK Government has not seen the backing of the North Sea oil and gas industry that the region would have liked, there is at least some certainty, for the time being, on where matters stand. Lobbying by industry and trade unions alike will continue to attempt to convince the Government to support a more just transition and in the meantime a slightly more stable environment should encourage the city's office sector get back to more normal levels.



SUPPLY AND TAKE UP



INDUSTRIAL

GLASGOW AND WEST OF SCOTLAND

DEMAND

2024 continued the trend of positivity in the West of Scotland industrial market with good occupier activity, low availability and strong rental growth. According to CoStar, the average rent is now £7.69 per sq.ft. which is 43.1% higher than 5 years ago. Rents of £10 - £12 per sq.ft. are now being widely quoted for mid to large box speculative schemes with smaller trade or multi-let units achieving above £14 per sq.ft in the best areas.

The continuation of a historically low void and above average rental growth are clear indicators of under supply. With a limited development pipeline and obsolescence becoming a greater issue, there are slim pickings for occupiers. The letting void on the best space in locations such as Eurocentral and Bellshill is a matter of months with most of that time spent in legals.

The 2024 leasing figure of 1.8 million sq.ft. (CoStar) is down on long term averages but is largely in line with 2023. It is a reasonable conclusion that the lower figure is partly due to a lack of suitable space and it remains the case that many requirements circulate in the market for a prolonged period before finding a suitable solution. CoStar recorded 117 transactions and hence an average transaction size of circa 15,384 sq.ft.

Larger transactions include lettings to Wincanton (126,000 sq.ft.) and Bunzl UK Ltd (30,000 sq.ft.) at Belgrave Logistics Park in Bellshill and 28,585 sq.ft. let to Briggs Equipment at Langlands Commercial Park in East Kilbride.

With a lack of supply, pre-let activity would be expected to rise but it remains relatively low and is generally restricted to those occupiers with a definite need for a bespoke solution. There are a number of active discussions involving occupiers within the parcel and trade sectors.

There are signs that construction costs have levelled out and may be decreasing, but yields continue to be too high to encourage a real shift in development volume. Those that have committed to projects have been rewarded such as Knight Property Group with projects in Bellshill and East Kilbride and Ares Management at Westway, Renfrew where their speculative sheds of 200,000 sq.ft. and 90,000 sq.ft. have been well received by the market; the larger is now let and the smaller is close to completion at rents understood to be in excess of £9.00 per sq.ft.

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	RENT (PER SQ.FT.)	SECTOR
UNIT 5 BELGRAVE LOGISTICS PARK, BELLSHILL	126,000	WINCANTON	£10.45	LOGISTICS
2 ELLISMUIR WAY, TANNOCHSIDE PARK, GLASGOW	42,345	OLR HOLDINGS LTD / DFYNE	£9.25	CLOTHING DISTRIBUTION
WOODSIDE, EUROCENTRAL	38,000	VESTAS WIND SYSTEMS A/S	£8.50	SUSTAINABLE ENERGY
UNIT 3 BELGRAVE LOGISTICS PARK, BELLSHILL	30,000	BUNZL UK LTD	£8.50	DISTRIBUTION
PHASE 2, LANGLANDS COMMERCIAL PARK, EAST KILBRIDE	28,585	BRIGGS EQUIPMENT	-	MATERIALS HANDLING

SUPPLY

Greater Glasgow continues to offer a very low level of total availability and the current vacancy rate is 3.1% which according to CoStar is one of the lowest in the UK. This is due to positive take-up, low levels of business failure and limited development activity plus the ongoing removal of outmoded space. Estates such as Eurocentral will have periods of limited availability and a good number of estates are often full.

Knight Property Group continues to pursue an active development strategy and is on site with Phase 3 of Langlands Commercial Park in East Kilbride, a 29,951 sq.ft. standalone unit following on from previous phases of multi-let and single let space. Progress is also being made in the proposed delivery of a 70,000 sq.ft. unit close to their Belgrave development in Bellshill. Elsewhere in Lanarkshire, Fusion Assets Ltd are advancing plans to deliver close to 100,000 sq.ft. in multi-let options at Eurocentral and Ravenscraig. And another well known developer intends to commence a similar scale of development close to the M8 with an announcement expected in coming weeks.

Within the Clyde Gateway area, Clyde Gateway URC is delivering two new highly specified units fronting the M74 with completion due in Spring 2025. The units of 23,917 sq.ft. and 8,266 sq.ft. will deliver high ESG credentials which is becoming an increasingly important issue in the sector particularly for public sector occupiers. Rents of £11 and £12 per sq.ft. respectively are competitive in the current market.

However, whilst encouraging, the foregoing activity falls well short of meeting demand and the continued undersupply of new space will limit business growth in the Greater Glasgow area.

NEW DEVELOPMENTS

DEVELOPMENT	DEVELOPER/ LANDLORD	DESCRIPTION
LANGLANDS COMMERCIAL PARK, EAST KILBRIDE	KNIGHT PROPERTY GROUP	PHASE 3 TOTALLING 29,951 SQ.FT. DUE TO COMPLETE Q3 2025
CAMBUSLANG COURT, GLASGOW	HARRIS FINANCE	STANDALONE 35,000 SQ.FT. UNIT. DUE TO COMPLETE LATE 2025
DELTA 70, BELLSHILL	KNIGHT PROPERTY GROUP	STANDALONE 70,000 SQ.FT. UNITS. DUE TO COMPLETE 2026

> GREATER GLASGOW'S VACANCY RATE AT 3.1% IS AMONG THE UK'S LOWEST, WITH LIMITED AVAILABILITY AND UNDERSUPPLY CONTINUING TO CONSTRAIN BUSINESS GROWTH.

OUTLOOK

The position of positive occupier demand coupled with a tight supply is due to long term changes in the structure of the industrial market, and more recently the pandemic with its turbo boost in terms of overall warehousing needs. However, the wider economy is periodically flat with limited growth. Any sustained improvement in the economy is likely to put pressure on the supply of suitable space and business growth will be restricted until there is a significant response from the development market. In the meantime, rents will continue to rise which should result in more development particularly if construction costs are contained and a degree of confidence returns in terms of investment pricing.

A two tier market is emerging in this new pricing model for industrial property. Established and national operators are accepting of the new costs but many fledgling and low margin businesses will struggle to secure suitable premises. Industrial is no longer the cheap, all purpose solution for businesses.

> THE INDUSTRIAL PROPERTY VACANCY RATE ACROSS EDINBURGH AND THE EAST OF SCOTLAND HAS REMAINED AT RECORD LOW LEVELS.

EDINBURGH AND EAST OF SCOTLAND

INDUSTRIAL

DEMAND

2024 delivered a continued strong performance from the industrial sector in Edinburgh and the East of Scotland. The trends highlighted in the 89th Scottish Property Review continued, with lower transaction volumes recorded over the course of 2024 but increasing rental rates and tightening incentives.

Transaction volumes fell to C.1.1 million sq.ft. over the course of 2024 compared to the 1.7 million sq.ft. recorded in 2023, over 141 individual transactions compared to 203 in the previous year. The average transaction size increased to 8,000 sq.ft. while the weighted average rental rate across all stock in the eastern Scottish market rose to £7.50 per sq.ft. Meanwhile the average vacancy or marketing period fell below seven months in 2024.

These trends were further heightened within the prime Edinburgh industrial property market, where average rents are recorded to be in excess of £8.75 per sq.ft. for secondary stock and £14.00+ per sq.ft. for Grade A trade counter units. A record rent of £20.00 per sq.ft. has been achieved on a 2,500 sq.ft. secondary unit at Causewayside in south central Edinburgh. The rental differential between prime and secondary stock is also closing as costs for quality refurbishments - in many cases requiring the complete overhaul of obsolete industrial stock - are passed on to occupiers.

Demand across the sector has remained consistent, however occupier requirements have become more demanding. Increasing rents and less favourable occupational terms have meant a more motivated approach towards units that provide long term answers to their occupational needs. Factors such as ESG policies, green energy initiatives and compliance and building performance are all playing a much larger role in industrial building selection.

These more exacting occupier requirements have a role in the lower transaction volumes, as many requirements remaining unfulfilled due to lack of suitable modern supply.

SUPPLY

Vacancy across Edinburgh and the East of Scotland industrial market remains low, averaging 4.2% outside of the main urban centres and under 3% within.

Construction levels have shown signs of growth and a pipeline of new Grade A stock is emerging following the hiatus of 2023. However, limited speculative construction is still having a detrimental effect on take up figures as new build industrial property makes up less than 1% of supply.

REFURBISHMENTS AND NEW DEVELOPMENTS

DEVELOPMENT	DEVELOPER/LANDLORD	DESCRIPTION
EDI APPROACH, NEWBRIDGE, EDINBURGH	GSS DEVELOPMENTS	750,000 SQ.FT. OF NEW BUILD INDUSTRIAL SPACE IN 11 UNITS. INFRASTRUCTURE WORKS NOW STARTED
CAPITAL PARK, BANKHEAD AVENUE, SIGHTHILL, EDINBURGH	CHANCERYGATE / BRIDGES FUND MANAGEMENT	120,000 SQ.FT. OF PRIME GRADE A INDUSTRIAL STOCK DUE TO COMPLETE BY Q2 OF 2025
FORT KINNAIRD TRADE PARK, EDINBURGH	ABRDN PLC	27,000 SQ.FT. OF NEW BUILD TRADE COUNTER UNITS. CURRENTLY UNDER CONSTRUCTION WITH COMPLETION EXPECTED Q4 2025
SHERRIFHALL SOUTH, DALKEITH, MIDLOTHIAN	BUCCLEUCH PROPERTY	40,000 SQ.FT. ACROSS A RANGE OF SMALL TO MEDIUM UNITS. PLANNING PERMISSION GRANTED
FIFE INTERCHANGE NORTH, DUNFERMLINE, FIFE	FIFE COUNCIL	25,000 SQ.FT. OVER NINE INDUSTRIAL UNITS RANGING FROM 1,800 TO 8,200 SQ.FT. DUE FOR COMPLETION IN Q2 2025
INCHMUIR PARK, WHITEHILL INDUSTRIAL ESTATE, BATHGATE, WEST LOTHIAN	J SMART & CO. (CONTRACTORS) PLC	58,628 SQ.FT. OF NEW INDUSTRIAL UNITS RANGING FROM 3,231 SQ.FT. UPWARDS. CURRENTLY UNDER CONSTRUCTION WITH COMPLETION EXPECTED Q1 2026
A9 ESTATE, ABBOTSFORD INDUSTRIAL PARK, FALKIRK	ABBOTSFORD IP LIMITED	16 INDUSTRIAL UNITS RANGING FROM 1,000-2,000 SQ.FT. LAST 3 UNITS REMAINING

Many developers have continued to see inflation in their build and borrowing costs and are reflecting this in their asking rents. There has however been some cost stabilisation towards the end of 2024 figures along with a degree of market acceptance that rents for new build property must reflect costs. Rents of £10 - £12 per sq.ft. are now being widely accepted for mid to large box speculative schemes with smaller trade or multi-let units achieving above £14 per sq.ft.

There is a push toward pre-letting with good levels of interest noted in the limited development pipeline. It is expected that the majority of new build schemes will find themselves letting space either before or within months of achieving practical completion.

There are three speculative industrial developments currently under construction around Edinburgh. Chancerygate's Capital Park development of 120,000 sq.ft. industrial / trade counter units is expected to complete in April; at the time of writing the estate is expected to be 45% let upon completion. At EDI Approach, Newbridge GSS Developments has recently started infrastructure works for a 121,400 sq.ft. first phase of speculative modern industrial / distribution units. In the east of Edinburgh, abrdn plc's Fort Kinnaird Trade Park is delivering a 27,000 sq.ft. industrial / trade counter development.

Outside of Edinburgh, J Smart & Co. (Contractors) PLC has started construction of Inchmuir Park, Bathgate which will deliver approximately 60,000 sq.ft. of new build industrial accommodation.

Given these limitations to new build development, the market continues to see refurbishment of existing secondary / tertiary stock as the only viable alternative. While more cost effective in the short to medium term, the costs involved in bringing these buildings to a level of operational performance required for the modern tenant is ever increasing and as above is driving rents up, although not as yet to the level where large volumes of modern supply are being delivered.

There have been lettings within new build space in Livingston, at Saltire Buiness Park on Fleming Road DJM Pet & Equestrian took 1,908 sq.ft., while at Eliburn Industrial Estate on Appleton Parkway SSUK Ltd took 1,095 sq.ft. Larger unit transactions include at Royston Road, Deans Industrial Estate in Livingston the Royal Mail Group Ltd leased the 121,143 sq.ft. distribution unit until 2029 and Livi Self Storage leased 27,695 sq.ft. at 1 Mcadam Square on Brucefield Industry Park.

Occupancy levels in Fife remain high especially around the Bridgehead area. The speculative new build development of nine units at Fife Interchange North, Dunfermline is due for completion during 2025. Thompsons (UK) Limited plans to build a fabrication facility and offices for its own use on adjoining land here.

Elsewhere in Dunfermline at Pitreavie Industrial Estate, a 24 acre site was sold to Copart for an Operation Centre for vehicle storage, and HB Hydraulics have taken a 16,631 sq.ft. unit on Lyneburn Industrial Estate. At Mitchelston Industrial Estate in Kirkcaldy Volpecastello Ltd have leased a 56,895 sq.ft. unit for a bonded warehouse. On Rutherford Road, Southfield Industrial Estate in Glenrothes a 21,976 sq.ft. unit was leased to Merlin Travel for a depot.

In Dundee FMG Repair Services opened a 21,000 sq.ft. high tech accident repair centre at West Pitkerro Industrial Estate. At Michelin Scotland Innovation Park (MSIP), textile firm Wilkie has become a majority shareholder and plans to move its manufacturing operations here from Kirriemuir. With the removal of MSIP from the market, this leaves the Urban Logistics unit on Riverside Avenue as the sole specialist logistics unit in the area able to accommodate requirements over 40,000 sq.ft.

OUTLOOK

The Edinburgh and East of Scotland industrial property market is active and it is expected to remain robust.

High construction and borrowing costs are likely to continue to limit the new build development pipeline, and increasing occupier acceptance of these costs will be integral to unlocking further speculative schemes.

Meanwhile, increasing volumes and quality of refurbished secondary stock will continue to push rental growth, closing the gap to prime rents in established industrial locations. This in turn will highlight further areas of building obsolescence requiring reinvestment and rejuvenation.

DEALS

ADDRESS	SIZE (SQ.FT)	OCCUPIER	RENT (PER SQ.FT.)	SECTOR
ROYSTON ROAD, DEANS INDUSTRIAL ESTATE, LIVINGSTON	121,143	ROYAL MAIL GROUP LTD	£6.55	MAIL DISTRIBUTION
104 MARKET STREET, MUSSELBURGH	27,646	MGM TIMBER	£9.80	TIMBER MERCHANT
31 RUTHERFORD ROAD, GLENROTHES	21,976	MERLIN TRAVEL	£3.20	COACH DEPOT
1-4 CLIFTONHALL ROAD, NEWBRIDGE	21,020	SCB VEHICLE DISMANTLERS	£7.20	VEHICLE DISMANTLING
WEST PITKERRO INDUSTRIAL ESTATE, DUNDEE	21,000	FMG REPAIR SERVICES LTD	-	VEHICLE REPAIR
HUTTON SQUARE, BRUCEFIELD INDUSTRIAL ESTATE, LIVINGSTON	19,476	PROFICIO	£6.20	METAL PROCESSING
CAPITAL PARK, SIGHTHILL, EDINBURGH	16,953	AGILICO	£14.25	WORKPLACE TECHNOLOGY
UNIT 8 PENTLAND INDUSTRIAL ESTATE, LOANHEAD	12,000	HOWDENS JOINERY LTD	£13.00	KITCHEN DEPOT
UNIT 8 SEVEN HILLS INDUSTRIAL ESTATE, SIGHTHILL, EDINBURGH	5,140	DIRECT CONTROL UK LTD	£12.00	EVENT TECHNOLOGY
246 CAUSEWAYSIDE, EDINBURGH	2,475	EDGE SOLUTIONS LIMITED	£20.00	RENEWABLE ENERGY

INDUSTRIAL

ABERDEEN

DEMAND

Despite challenging market conditions, the industrial market in Aberdeen had its third strongest year since 2015 with only 2022 and 2023 recording higher numbers of transactions. Take up for the year totalled 775,249 sq.ft. across 72 deals with the average deal size being 10,767 sq.ft.

As expected, the vast majority of deals related to the energy sector, although there has also been a notable number of requirements from logistics and distribution operators. Demand for detached buildings in the 10,000 sq.ft. – 25,000 sq.ft. size range remains strong and occupiers continue to gravitate towards good quality industrial stock with overhead cranes and secure yards.

Demand remains strong in the Dyce-Westhill-Inverurie corridor although there has also been an increased level of market activity in Altens on the southside of the city. The Energy Transition Zone (ETZ) created in 2021 runs from the new harbour through the heart of Altens. The ETZ aims to support Aberdeen and the North East's transition from fossil fuels to net zero carbon by assisting in the rejuvenation of the existing industrial estates in East Tullos and Altens. This has largely been achieved through developing new facilities, and offering landlords grants and assistance so that the existing stock is refurbished to a high standard.

SUPPLY

Industrial supply levels are low with popular locations such as Westhill and Dyce close to Aberdeen Airport having limited options available. Industrial supply across the Aberdeen market area in 2016 was 900,000 sq.ft., rising to more than 3.1 million sq.ft. in the aftermath of the offshore industry downturn. Supply currently sits at around 2 million sq.ft. and the vast majority of available stock is either dated and towards the 'end of life', or are terraced industrial units in the 2,500 – 7,500 sq.ft. size range which is a sector of the market that continues to struggle with limited occupier demand. Landlords are having to extensively refurbish buildings in order to secure occupiers but options within the 10,000 - 25,000 sq.ft. size range are becoming limited and there may well be a supply issue moving through 2025.

Speculative industrial development in recent years has been limited due to market conditions, high construction costs, interest rate rises and high investment yields. However the constricted supply is encouraging developers to once again consider pressing ahead with consented developments.

A number of substantial design and build requirements are in the market at present from companies seeking buildings with high BREEAM and energy performance (EPC) ratings. These occupiers are having to commit

SPECULATIVE DEVELOPMENTS

DEVELOPMENT	DEVELOPER/LANDLORD	SIZE/NUMBER OF UNITS	DESCRIPTION
ALTENS TRADE PARK, SOUTERHEAD ROAD, ALTENS	KNIGHT PROPERTY GROUP	UNIT 2: 3,852 SQ.FT.	CONSTRUCTION COMPLETE. 5 UNITS LET.
UNITS 1-15, ABZ BUSINESS PARK, DYCE	ABZ DEVELOPMENTS LTD	FULLY LET	PHASE 1 AND 2 NOW COMPLETE
SALTIRE BUSINESS PARK, BADENTOY, PORTLETHEN	SALTIRE DEVELOPMENTS	3 UNITS AVAILABLE	CONSTRUCTION COMPLETE. 7 UNITS TOTALLING 13,146 SQ.FT.
PHASE 2 & 3, CITY SOUTH BUSINESS PARK, PORTLETHEN	DANDARA	PHASE 2: FULLY LET PHASE 3: 18 UNITS REMAIN AVAILABLE	PHASE 2: 5 UNITS FROM 750 – 2,000 SQ.FT. PHASE 3: 29 UNITS FROM 750 - 1,000 SQ.FT.
THAINSTONE BUSINESS PARK, INVERURIE	ANM GROUP / GSS DEVELOPMENTS	1 UNIT LET WITH 5 UNITS AVAILABLE	6 UNITS FROM 1,496 - 5,528 SQ.FT.

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
UNIT 2, ABERDEEN ONE, ALTENS	28,647	ROSS SAFETY & SURVIVAL LTD	SAFETY PRODUCTS
FORMER DOLPHIN DRILLING HQ, HOWE MOSS DRIVE, DYCE	23,793	PARADIGM FLOW TECHNOLOGIES LTD	ENERGY
PLOT 8, PETERSEAT PARK, ALTENS	23,450	DFDS	SHIPPING & LOGISTICS
UNIT 3, WELLHEADS WAY, DYCE	19,526	EMM CORP	BUILDING SUPPLIES
UNIT 1, MINTO COMMERCIAL PARK, ALTENS	17,092	ITC GLOBAL UK LTD	ITC
UNIT D2, ABERDEEN GATEWAY, ALTENS	15,595	SCOTTISH GAS NETWORKS PLC (SGN)	UTILITIES

to long term leases at new rental highs for the Aberdeen market and the prospects are good for further medium to long term rent inflation. Current rents are in the ranges of: workshops £13-£14 per sq.ft.; offices £23-£24 per sq.ft.; and concrete yards £3 per sq.ft.

Land values vary significantly across the city and can range from £200,000 - £300,000 per acre. There have been very few land sale transactions in the market place during 2024.

OUTLOOK

The industrial market in Aberdeen is anticipated to remain strong during the course of 2025. An issue may arise due to the strong demand for standalone industrial units with cranes and yards over 10,000 sq.ft. and this may well be the catalyst for developers to press ahead with speculative schemes. This signals a return to a landlord's market for this type of unit given the limited options available. The market for smaller, terraced industrial units has been challenging since the pandemic but as market conditions remain positive 2025 may well be the year when this sector picks up too.

RETAIL AND LEISURE

The Scottish Retail Consortium (SRC) and KPMG announced a 1.8% year-on-year boost in retail sales in January 2025, potentially attributable to the January sales. Encouragingly, like-for-like sales increased by 1.1%. Total food sales increased by 2.5% while total non-food sales increased by 0.6%.

> “RETAIL AND LEISURE ACTIVITY IN SCOTLAND REMAINS STRONG, WITH RISING FOOTFALL, NEW DEVELOPMENTS AND CONTINUED DEMAND FOR PRIME SPACE DESPITE SECTOR CHALLENGES.”

RETAIL SECTOR

Footfall figures for January 2025 reported by the SRC report a modest growth of 1% year-on-year, which is an improvement from the 1.5% decline seen in December. Retail parks delivered strong footfall growth of 5.7% and shopping centres also attracted higher footfall. Glasgow city centre’s footfall increased by 1.9% and Edinburgh’s by a higher 2.8%.

Despite these recent positive trends, attrition in the sector has continued. According to the Centre for Retail Research, almost 170,000 jobs were lost in retail in the UK during 2024, an increase of 41.9% over 2023 and the highest figure since the pandemic year of 2020. Almost a third of the job losses were due to business failures across 38 major retailers including The Body Shop, Carpetright, Ted Baker, Homebase, Lloyds Pharmacy and most recently Quiz Clothing. Positively though, Carpetright and The Body Shop have been offered lifelines by other retailers. While some reports indicate that this trend is now reducing, it is notable that the balance of job losses in 2024 was due to store rationalisation rather than outright business failures.

MARKET ACTIVITY

The Glasgow city centre retail market has been active. Recent lettings include Søstrene Grene on prime Buchanan Street alongside Holland & Barrett, while Mint Velvet secured a new lease on the premises formally occupied by Pretty Green and Princes Square’s new owners, M Core, have secured lettings to three new tenants: All Saints, Bloom Salon and Maison by Glaschu. Mango continues its expansion and has secured the former Massimo Dutti space at 77 Buchanan Street which extends to over 10,000 sq.ft. Plans to demolish Buchanan Galleries have been dropped in favour of a redevelopment. Prime rents on Buchanan Street are now above pre-pandemic levels with further pent up demand for space.

St Enoch Shopping Centre has welcomed clothing retailers 1LUX and Next, escape room operator Escape Hunt and restaurant KFC. Clothing retailer UNIQLO is currently fitting out a new 22,500 sq.ft. unit which has extensive frontage onto Argyle Street; this is the retailers’ second opening in Scotland after Princes Street in Edinburgh which opened in Spring 2024.

At Braehead Shopping Centre, west of Glasgow, several new stores opened in 2024 including Kiko Milano, Mango, Rituals, Castore, Remus Uomo and Phase Eight, along with food outlets Cinnabon, Chopstix and Popeyes. An 8.5% increase in footfall was reported by the shopping centre during 2024.

British Land has announced plans for a 60,000 sq.ft. leisure extension to Glasgow Fort Shopping Centre, to include tenpin bowling, karaoke, laser quest and escape rooms. New store openings in 2024 included Primark, Heavenly Desserts, Adidas, Victoria's Secret and Rituals.

At The Forge Retail Park, Longdan (Home of Asia) has leased the 100,000 sq.ft. former Tesco supermarket and the operator is planning an Asian supermarket, food court and unique events space.

Silverburn Shopping Centre attracted record footfall numbers exceeding 15.2 million in 2024 with new store openings including All Saints, Mango, Seasalt Cornwall and a Polestar showroom. Planned new occupiers for 2025 include Black Sheep Coffee, H Beauty, Jack and Jones and Hotel Chocolat, while Zara will relocate to a larger store. Meanwhile, outdoor clothing retailer Trespass has closed.

In Livingston, The Centre attracted new lettings including Starbucks, Cinnabon, Designer Rooms, Søstrene Grene and Rituals. Hollywood Bowl has leased 26,000 sq.ft. for an entertainment complex including 22 bowling lanes and is due to open in 2025.

In Edinburgh the St James Quarter continues to add to new lettings with Holland & Barrett, Polo Ralph Lauren, Moss, Ryman Design Store and New Balance opening stores during 2024. On Princes Street, The Works is closing at no. 63 and relocating to the former Poundland unit at no.120. A Sainsbury's supermarket is proposed for nos. 18/19 following the closure of its store on the corner of St Andrew Square and Rose Street. Plans were also recently announced at Waverley Market for a bowling alley, mini golf, arcade, restaurant and bar alongside new homewares store Søstrene Grene.

Criterion Capital has purchased the former Debenhams department store at 109-112 Princes Street from Legal & General and plans to redevelop this into a 116,500 sq.ft. Zedwell Hotel. Plans are also progressing within the former Jenners for a new department store, café and a hotel on the upper floors. At the former Top Shop store at nos.30-31, Numa proposes a conversion of the upper floors to a hotel with retail on the ground floor.

At Ocean Terminal in Leith, Club 3000 Bingo recently opened within the shopping centre and Greggs relocated to a larger unit. The demolition of the former Debenhams store and car park at is underway to make way for 531 new homes. Ambassador Group's regeneration of the centre will also include nine commercial units, one of which has been taken by Tesco Express.

At Union Square in Aberdeen, Footasylum opened in 2024 while TK Maxx relocated and Marks & Spencer is expanding into this space. Hobbs and Victoria's Secret plan to open new stores in the centre during 2025. On Union Street work continues on the £40 million food and drink hall at the new Aberdeen Market, to be known as Flint and due to open in 2027.

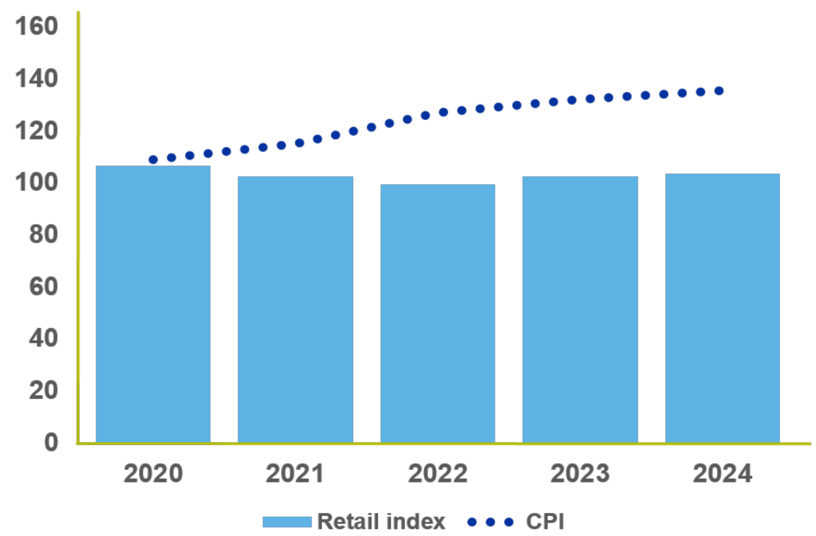
Dundee has attracted activity within the Overgate Centre with the Frasers concept store due to open in the Spring, and new lettings to Mango, Mooboo Tea, Cinnabon and Castore. Following the closure of the Murraygate store the extended Marks & Spencer store opened at Gallagher Retail Park in summer 2024 while Mountain Warehouse also opened a store here.

The market activity above identifies a number of expanding retailers such as Mango, Søstrene Grene, UNIQLO and All Saints. In addition, a relaunched Edinburgh Woollen Mill is expected to be active and The Range is considering a rescue package for up to 70 Homebase stores, nine in Scotland.

The convenience sector continues to be active with Co-op, Tesco, Sainsbury's and Wm Morrison Supermarkets Ltd keen to acquire sites. Major new store openings include a Tesco superstore at Stonehaven Gateway while Wm Morrisons opened in Bishopbriggs and Sainsbury's in Bishopton and Winchburgh with Inverurie to follow.

In the still expanding discount convenience sector, Aldi has opened new stores in Castle Douglas, Loanhead and Macduff, and has active proposals for Bishopbriggs, Dumbarton, Arbroath, Baillieston and Kirkintilloch. Farmfoods opened stores during 2024 in Dumfries, Barrhead and Kirkcaldy. Meanhwhile Lidl opened in Meadowbank, Edinburgh and plans to open on the city's Seafield Road as well as in Dunbar.

RETAIL INDEX (TOP 20 TOWNS)



OUTLOOK

Demand from retailers has improved alongside continuing diversification into food & beverage, and a broadening range of leisure uses including bowling, bingo, go-karting, darts and pool alongside the now traditional multiplex cinemas, showrooms and health & beauty. However, for weaker locations this diversification can be as much about necessity as opportunity.

The retail market is taking clear shape around a limited number of in-demand prime pitches and destination malls, and resurgent retail parks offering retailers and customers the optimum mix. These locations have stabilised or improved their footfall, turnover and rents. This concentration into prime destinations is consolidating their dominance over traditional towns and in particular their failing older shopping malls, many of which are being redeveloped in part for retail or for full alternative use.

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
ST ENOCH CENTRE, GLASGOW	28,000 22,480 3,133 2,815 1,666	NEXT UNIQLO ESCAPE HUNT MONTEREY JACKS KFC	FASHION AND HOMEWEAR FASHION ESCAPE ROOMS F & B F & B
110-112 BUCHANAN STREET, GLASGOW	3,478	CHARLOTTE TILBURY	COSMETICS
83-85 BUCHANAN STREET, GLASGOW	5,670	MINT VELVET	FASHION
77 BUCHANAN STREET, GLASGOW	10,000	MANGO	FASHION
108 SAUCHIEHALL STREET, GLASGOW	6,000	POPEYES	F & B
X-SITE, BRAEHEAD	50,000	K1 SPEED	INDOOR KARTING
SILVERBURN, POLLOK	47,000 22,500 3,000	ZARA H BEAUTY SEASALT CORNWALL	FASHION HEALTH & BEAUTY FASHION
GLASGOW FORT	8,600	ADIDAS	SPORTS WEAR
THE CENTRE, LIVINGSTON	3,174 6,097 2,242	STARBUCKS SØSTRENE GRENE RITUALS	COFFEE SHOP HOMEWEAR COSMETICS
ST JAMES QUARTER	2,056 6,100	HOLLAND & BARRETT RYMAN	HEALTH FOOD STATIONERY
120 PRINCES STREET, EDINBURGH	19,769 7,872	THE WORKS THE WILLOW TEA ROOMS	STATIONERY AND BOOKS F & B
STRAITON RETAIL PARK, LOANHEAD	15,000	FURNITURE VILLAGE	FURNITURE
UNION SQUARE, ABERDEEN	1,800 7,000 22,500 (RELOCATION) 43,000 (ADDITIONAL)	MINT VELVET FOOT ASYLUM TK MAXX MARKS & SPENCER	FASHION SPORTS WEAR FASHION AND HOMEWEAR FASHION, HOMEWEAR AND FOOD
THISTLES SHOPPING CENTRE, STIRLING	16,500 3,000	H & M STARBUCKS	FASHION F & B
OVERGATE CENTRE, DUNDEE	4,081 1,649	MANGO CASTORE	FASHION SPORTS BRAND

INVESTMENT

OVERVIEW

Encouragingly, an upturn in capital markets activity in Scotland during 2024 compared to the previous year was recorded. The decision of The Bank of England to cut rates in July 2024 for the first time in over four years was long awaited and welcomed by investors who had been looking for a signal that market conditions were starting to ease. Whilst there was no immediate sea change in investor sentiment, the second cut in October did help to add to the pool of active buyers. By year end, investment in commercial property in Scotland had reached £1.8 billion.

The renewed investor confidence and demand was largely focused towards the industrial, hotels, living and retail warehouse sectors, where market fundamentals of demand and supply are strongest. Unsurprisingly, the appetite for office opportunities continued to lag some way behind due to the risks associated with high capex and the continuation of hybrid working practices.

Locationally, there is little change in investor focus with Edinburgh the most widely favoured city by some margin given the stronger rental growth story there. While investors seeking double digit yields are priced out of Edinburgh, there have been plenty of opportunities in Glasgow and Aberdeen to compete for. Aberdeen in particular has seen some prime real estate transacted at eye watering ‘teenage’ yields.

There has been little change in the type of acquisitive buyers in the market. The UK institutions have been net sellers with some notable names like abrdn plc and M&G selling or winding down their premier retail funds. Meanwhile the activity of UK Real Estate Investment Trusts (REITS) continues to be hampered by their sluggish share prices which in many cases remain heavily discounted to net asset value (NAV). Overseas equity has featured prominently with buyers from across the globe successfully acquiring stock. The emergence of several new French SCPIs in the buying arena is worthy of particular note.

ALTERNATIVES

Much of the interest in the alternative investment market continues to be focused on the living / bed sectors where market dynamics generally remain strong and investor/developer interest is broad.

In key markets where there is a well-publicised shortage of suitable accommodation, the supply/ demand imbalance has been exacerbated by a lack of new development. Developers often confront lengthy planning procedures, statutory constraints and ever increasing construction costs which combine to curtail development viability. Rental growth in certain markets may compensate, however affordability is becoming an increasing consideration particularly in the PBSA sector.

Investor and developer interest in the PBSA sector is extremely selective and interest is predominantly seen in the Edinburgh and Glasgow markets where there continues to be an under provision of suitable accommodation. Institutional interest from the likes of Aviva Investors and Legal & General has tended to focus on well-located modern purpose built schemes with strong ESG credentials and amenity. Value-add investors and operators seeking to scale up have sought refurbishment / redevelopment propositions where amenity and ESG credentials can be improved and schemes acquired at significantly less than their replacement costs.

Recent activity would suggest that PBSA yields have remained relatively robust at or around 5.5% for prime direct let stabilised stock, however capital rates per bed have risen significantly in line with rental growth across the sector. In large part this has been necessary to justify development and for prime Studio schemes in Edinburgh capital rates of c £230-£240,000 per bedroom are seen whereas well located cluster schemes may generate c £160-£170,000 per bedroom.

University leased transactions in the PBSA sector are few and far between, however Legal & General continue to be active and recently acquired the 230 bed University of Edinburgh residencies at Lower Gilmore Place in the Fountainbridge area of Edinburgh.

“BY YEAR END, INVESTMENT IN SCOTTISH COMMERCIAL PROPERTY REACHED £1.8BN, WITH RENEWED CONFIDENCE DRIVING DEMAND IN INDUSTRIAL, HOTELS, LIVING AND RETAIL WAREHOUSE SECTORS.”

ALTERNATIVES DEALS

ADDRESS	PROPERTY	PURCHASER
TRUE, GILBERT STREET, GLASGOW	99 BED ALL STUDIO PBSA DEVELOPMENT BY TEVIOT DEVELOPMENTS	AVIVA INVESTORS FOR £22.5 MILLION
GRANARY QUAY, GLASGOW	342 UNIT BTR SCHEME INCLUDING AMENITY, WILL CONTINUE TO BE OPERATED BY DANDARA LIVING	EUROPA
MALDRON HOTEL, RENFREW STREET, GLASGOW	300 BEDROOM DALATA LEASED HOTEL	SWISS LIFE ASSET MANAGERS UK LTD FOR C £33 MILLION (5.5%)
THE KEEL HOUSES, LOWER GILMORE PLACE, EDINBURGH	PBSA DEVELOPMENT. PHASE 1 COMPRISING 69 BED AND FORWARD FUND OF 82 BED PHASE 2	LEGAL & GENERAL MANAGED FUND FOR C £35 MILLION
MURIESTON CRESCENT, MURIESTON PLACE, EDINBURGH	112 BED PBSA DEVELOPMENT	GREATER MANCHESTER PENSION FUND (GMPF) FOR C £22.5 MILLION
YOTEL, QUEEN STREET, EDINBURGH	276 BEDROOM HOTEL WHICH OPENED IN 2019	MILLEMONT CAPITAL PARTNERS FOR C £25 MILLION
MALMAISON, 21-22 ST ANDREW SQUARE, EDINBURGH	72 BEDROOM HOTEL	PATRIZIA ON BEHALF OF CHESHIRE WEST & CHESTER COUNCIL FOR C £23.5 MILLION (4.95%)
EDINBURGH ONE, 60 MORRISON STREET, EDINBURGH	55,000 SQ.FT. VACANT OFFICE BUILDING, SOLD FOR HOTEL CHANGE OF USE AND REDEVELOPMENT	MRP (MCALEER AND RUSHE PROPERTY) FOR C £15 MILLION (NOT STP)
ABELEVEN, WILLOWBANK ROAD, ABERDEEN	222 BED PBSA DEVELOPMENT	ORKA INVESTMENTS LTD FOR £12.5 MILLION (6.84%)

The Edinburgh hotel and short stay market continues to outperform based upon a range of different metrics and features highly on occupier and investor requirements. A number of former office buildings have been acquired for the purposes of change of use including the acquisition of 60 Morrison Street by developer MRP and Premier Inn's purchase of Capital House. Operational assets such as Yotel on Queen Street and the Doubletree by Hilton on Bread Street have also traded recently. With a number of outstanding institutional requirements, it is envisaged that the hotel market in Edinburgh will attract further interest in trading and forward funding transactions in the foreseeable future. The recent purchase of the Maldron Hotel in Glasgow by Swiss Life Asset Managers UK Ltd demonstrates continued interest in long lease hotel assets from both institutional and overseas investors.

Finally the Scottish market welcomed the recent BTR purchase of 342 units at Granary Quay in Glasgow by Europa. With some early signs that rent control legislation may relax, the transaction represented a welcome boost to this growing sector. There is no doubt given Scotland's critical housing shortage that a fully functioning BTR market is a priority and when ready investors will follow.

OFFICES

The Scottish office investment sector faced significant challenges throughout 2024, continuing the sluggish performance observed in 2023. Investment activity varied across the three key cities of Glasgow, Edinburgh and Aberdeen, with each market exhibiting distinct characteristics and trends.

Edinburgh has consistently benefited from a tight supply and demand dynamic in both the occupier and investment markets. Tenants often need to secure space well before lease expiries and are willing to pay a premium to avoid missing out. There remains plenty of demand for Grade A office investments in Edinburgh demonstrated by the acquisition of the reversionary Mint Building by Pontegedea for £42.5m reflecting a blended net initial yield of 5.78%. Despite the prevailing positive market sentiment, Edinburgh hasn't been entirely shielded from broader office market challenges, leading to a shift in prime yields outwards.

The Glasgow office investment market contrasts significantly with Edinburgh, boasting more stock available for trading on or off the market than at any other point in the last 15 years. This is despite 2024's take-up being 10% ahead of the five-year average and prime rents increasing from £32.50 per sq.ft. to over £40 per sq.ft. There is potentially an oversupply of secondary space, with only those landlords willing to invest successfully attracting tenants and capitalising on the lack of Grade A supply.

Notable Glasgow office investment transactions in 2024 included the sale of 1 West Regent Street to Corum Asset Management for £45.8 million, reflecting a net initial yield of 8.7%, and the Morgan Stanley HQ to Iroko Zen for £50.35 million on a net initial yield of 8.26%. Despite the challenges, there is value in Glasgow offices, with strong yield returns on offer for investors who act early.

Investor demand for Aberdeen offices has been patchy for several years, although 2024 saw a welcome uptick in transactions as vendors adjusted their pricing expectations. The focus has been on secure income, particularly for Grade A properties. Prime yields for substantial HQ buildings have drifted to 10% but will be lower for well let smaller lots. Key transactions include Annan House on Palmerston Road sold to Ariomori Group for £32 million, reflecting a net initial yield of 10%,

OFFICE DEALS

ADDRESS	PROPERTY	PURCHASER
GARMENT FACTORY, 10 MONTROSE STREET, GLASGOW	MULTI-LET OFFICE BUILDING EXTENDING TO 55,757 SQ.FT.	LANDSWOOD DE COY LLP FOR £15.7 MILLION (9%)
1 WEST REGENT STREET, GLASGOW	MULTI LET OFFICE BUILDING EXTENDING TO 134,867 SQ.FT. WAULT OF 4.6 YEARS TO BREAKS AND 7.7 YEARS TO EXPIRY	CORUM ASSET MANAGEMENT FOR £45.8 MILLION (8.7%)
220 HIGH STREET, COLLEGELANDS, GLASGOW	90,528 SQ.FT. SINGLE LET OFFICE TO GLASGOW CITY COUNCIL (SCOTTISH MINISTERS) WITH C. 12 YEARS REMAINING ON THE LEASE	CITI PRIVATE BANK FOR £32 MILLION (7.5%)
122 WATERLOO STREET, GLASGOW	156,980 SQ.FT. GRADE A OFFICE. FULLY LET TO MORGAN STANLEY WITH 8 YEARS UNEXPIRED	IROKO ZEN FOR £50.35 MILLION (8.26%)
THE MINT BUILDING, 20 WEST REGISTER STREET, EDINBURGH	PRIME 70,467 SQ.FT. MULTI-LET OFFICE WITH ANCILLARY RETAIL/ LEISURE. TENANTS INCLUDE FNZ GROUP AND FRANCO MANCA. WAULT OF 10.2 YEARS	PONTEGADEA £42.5 MILLION (5.78%)
40 TORPHICHEN STREET, EDINBURGH	MULTI-LET, REFURBISHED OFFICE OF C.56,068 SQ.FT. TENANTS INCLUDE HANDELSBANKEN, AVISON YOUNG AND GRAHAM & SIBBALD	CERVIDAE FOR £15.8 MILLION (C.9%)
1-2 LOCHSIDE WAY, EDINBURGH PARK, EDINBURGH	42,437 SQ.FT. OFFICE LET TO HSBC GLOBAL SERVICES UK	PRIVATE INVESTOR FOR C.£6 MILLION (13.29%)
ANNAN HOUSE, PALMERSTON ROAD, ABERDEEN	GRADE A OFFICE OF 120,821 SQ.FT. LET TO ENQUEST PLC WITH 11 YEARS UNEXPIRED	ARIOMORI GROUP FOR £32 MILLION (10%)
PRIME FOUR BUSINESS PARK, KINGSWELLS, ABERDEEN	THREE GRADE A OFFICE BUILDINGS TOTALLING 277,000 SQ.FT. OCCUPIED BY CNOOC PETROLEUM EUROPE LIMITED, APACHE AND TAQA UK, WITH A WAULT OF C. 6 YEARS	EEH VENTURES FOR £45 MILLION (17.88%)
1-4 WELLHEADS AVENUE, ABERDEEN	GRADE A HQ OFFICE BUILDING OF 207,421 SQ.FT. LET TO BP EXPLORATION WITH 5 YEARS UNEXPIRED	DS PROPERTIES FOR £16 MILLION (16%)

and Prime Four Business Park in Kingswells sold to EEH Ventures for £45 million, with a net initial yield of 17.88%.

The Scottish office investment sector continues to navigate a challenging landscape, but opportunities exist for strategic investors. Careful consideration of market dynamics and proactive investment strategies will be key to capitalising on the current conditions and generating future returns.

INDUSTRIAL

Despite cautious hope for some macroeconomic relief following the widespread challenges of 2023, the industrial investment market largely mirrored previous trends in 2024, maintaining a steady course. The sector has shown notable resilience in the face of ongoing economic turbulence, though performance has been varied between regions and asset type.

In Central Scotland, the industrial sector remains strong, where constrained supply is driving robust rental growth and attracting investors to well-located, prime assets where yields are sharpening. Notable transactions include the £40 million sale of the newly completed Belgrave Logistics Park, Bellshill, to Swiss Life Asset Managers UK Ltd at a yield of 5.47%. Another key deal saw the SIG Trading Ltd unit at Eurocentral sell for £9.94 million at a yield of 5.80%, contrasting with the previous year that saw similar units transact for 7.58%.

To the east, Edinburgh has compelling occupational activity, though this has not yet translated into a noticeable uptick in investment deals. Landlords appear focused on holding and managing existing assets rather than looking to trade. Noteworthy transactions include the sale of West Craigs Industrial Estate, near Edinburgh Airport, to William Pears Group / Pioneer Real Estate for £6 million at a yield of 7.3%, and two distribution units at Deans Industrial Estate, Livingston, for £6.25 million at a yield of 6.35%.

The 2024 industrial investment market in Aberdeen can be summed up as a 'game of two halves'. The first half of the year saw limited activity, with only £5 million transacting, as political uncertainty ahead of the General Election dampened investor sentiment in what was already an unpredictable market. However, the second half of the year marked a strong rebound, with transaction volumes surging to over £82 million.

Whilst opportunistic investors continue to hunt higher returns in Aberdeen, there has also been healthy demand for well-located single-let properties and long-income assets, which has led to the first sub-8% sale for some time when Remake Live from France acquired the Hydrasun HQ at Aberdeen Gateway. Conversely, activity in the multi-let industrial sector was very limited with continued weak demand from occupiers directly influencing investor appetite.

Looking ahead through 2025, a gradual improvement in market sentiment is anticipated, supported by factors such as anticipated interest rate cuts and ongoing demand for well-located, high-quality industrial assets. As the broader economy adjusts, industrial property is positioned to continue its strong performance.

"THE INDUSTRIAL SECTOR REMAINS RESILIENT, WITH STRONG RENTAL GROWTH IN CENTRAL SCOTLAND AND ABERDEEN REBOUNDING IN THE SECOND HALF OF 2024."

INDUSTRIAL DEALS

ADDRESS	PROPERTY	PURCHASER
AGGREKO, STIRLING ROAD, DUMBARTON	SINGLE LET 185,000 SQ.FT. INDUSTRIAL FACILITY ON A 14.46-ACRE SITE. 20-YEAR SALE AND LEASE BACK	ICG LONGBOW SSUP FOR £16 MILLION
GLASGOW EAST INVESTMENT PARK, 14-104 FULLERTON DRIVE, CAMBUSLANG	FOUR INDUSTRIAL PROPERTIES, EXTENDING TO 127,444 SQ.FT. LEASED TO ROYAL MAIL, SIEMENS, RIGHTON BLACKBURNS AND DPD	EDISTON FOR £14.75 MILLION (6.12%)
WESTFIELD INDUSTRIAL ESTATE, CUMBERNAULD	MULTI-LET INDUSTRIAL ESTATE EXTENDING TO 153,837 SQ.FT. ACROSS 26 UNITS. WAULT OF 2.75 YEARS TO BREAKS AND 3.75 YEARS TO EXPIRY	LCP FOR £8.08 MILLION (10.17%)
BELGRAVE LOGISTICS PARK, BELLSHILL	FIVE NEW INDUSTRIAL UNITS TOTALLING 261,063 SQ.FT. WITH ONE UNIT VACANT. WAULT OF 6.77 YEARS AND 9.35 YEARS TO EXPIRY	SWISS LIFE ASSET MANAGERS UK LTD FOR £40 MILLION (5.47%)
SIG, 30 CODDINGTON CRESCENT, EUROCENTRAL	72,422 SQ.FT. INDUSTRIAL UNIT LEASED TO SIG TRADING LIMITED WITH 9 YEARS UNEXPIRED.	AFH WEALTH MANAGEMENT FOR £9.94 MILLION (5.80%)
WEST CRAIGS INDUSTRIAL ESTATE, TURNHOUSE ROAD, EDINBURGH	MULTI-LET INDUSTRIAL ESTATE OF C.66,000 SQ.FT. ACROSS 21 UNITS. WAULT OF C. 5.4 YEARS	WILLIAM PEARS GROUP / PIONEER REAL ESTATE. QUOTING WAS £6 MILLION (7.3%)
17C NEWBRIDGE INDUSTRIAL ESTATE, EDINBURGH	MULTI-LET INDUSTRIAL ESTATE OF C.66,000 SQ.FT. ACROSS 21 UNITS. WAULT OF C. 5.4 YEARS	PRIVATE INVESTOR FOR £3.15 MILLION (7.08%)
CULLEN SQUARE, DEANS INDUSTRIAL ESTATE, LIVINGSTON	TWO STORAGE AND DISTRIBUTION UNITS TOTALLING 81,288 SQ.FT., LET TO UK MAIL GROUP LTD AND CROWN WORLDWIDE HOLDINGS LTD	THEOREIM FOR C. £6.25 MILLION (6.35%)
MOSS ROAD, ABERDEEN GATEWAY, ABERDEEN	MODERN INDUSTRIAL/OFFICE FACILITY OF 109,250 SQ FT LET TO HYDRASUN LTD WITH 16.5 YEARS UNEXPIRED	REMAKE LIVE FOR £14 MILLION (7.76%)
LINKS PLACE, LINKS STREET AND WELLINGTON STREET, ABERDEEN	MULTI-LET INDUSTRIAL UNITS WITH A WAULT OF 4 YEARS	INDUSTRUCT FOR £4.9 MILLION (9.21%)
4 PETERSEAT DRIVE, ALTENS, ABERDEEN	MODERN INDUSTRIAL FACILITY OF 8,017 SQ.FT. LET TO LUBBERS LOGISTICS WITH 10 YEARS UNEXPIRED	MNK FOR £3.45 MILLION (8.55%)
MINTO AVENUE, ALTENS, ABERDEEN	LOGISTICS WAREHOUSE AND MULTI TENANTED ESTATE OF 82,883 SQ.FT. WITH 4 YEARS UNEXPIRED	PALOMA CAPITAL FOR £6.26 MILLION (10.6%)

RETAIL AND LEISURE

The Scottish retail investment market of 2024 experienced a continuation of several themes. Investor demand and confidence continued to improve in part due to dropping interest rates, a decisive General Election result, and emerging evidence of rental growth.

Overall volumes were up marginally from 2023, previously noted as the highest since 2016.

Particular highlights throughout the year include the sales of the mixed-use Omni Centre in Edinburgh by Nuveen and Union Square Shopping Centre in Aberdeen by Hammerson PLC and flurry of activity on Glasgow's prime thoroughfare of Buchanan Street

On the occupational side, there is a reduction in the (UK) rate of store closures, generally stable vacancy rates and the increasingly held opinion that rents have reached a base level.

However, the positive momentum that was building throughout 2024 has now been tempered by the Autumn budget "triple whammy" of rising costs (increased NI contributions, minimum wage hikes, and business rates increases) and the US election.

Retail warehousing continues to deliver outstanding returns with rental growth and yield compression evident in prime markets. Notable deals include British Land's £28.15 million (7.53%) acquisition of Inshes Retail Park in Inverness and Iroko Zens's £14.6 million (7.01%) acquisition of Barrhead Retail Park in Glasgow. The submarket is attracting a wide pool of buyers and institutional capital.

On the foodstore front, private equity group ICG plc was active once again in the early part of the year acquiring larger format supermarkets in Edinburgh (Tesco) and Clydebank (Asda) from Tesco Pension Fund and LondonMetric respectively for mid-6% yields. Realty Income Corporation and DTZ Investment Management Ltd both bought small / mid-size stores in Edinburgh towards the end of the year as activity began to slow, partly down to scarcity of stock but also due to concerns over the impact of the Autumn budget on operator margins.

Private investors and well-funded PropCos were most active in the High Street sector, typically targeting core High Streets in affluent towns and pitches with stronger consumer spending and higher alternative use values. There is greater acceptance that physical retail is here to stay and rental growth is coming though. The relative discount in yields compared to other more keenly priced sectors is beginning to attract institutional investors back, with both Lothian Pension Fund and Land Securities buying on Buchanan Street, Glasgow. Abrdn plc made a splash on Princes Street, Edinburgh in December, abeit buying into long-dated leisure income in the shape of Diageo's flagship Johnnie Walker Experience building for £35 million (4.75%).

In the shopping centre sphere M Core continues to build its portfolio in Scotland, adding Westhill Shopping Centre in Aberdeen and also acquiring then subsequently trading out, in part, of Princes Square, Glasgow. Buyers typically remain drawn to prime centres by the opportunity to buy into strong risk-adjusted returns and the ability to acquire assets of scale at heavily discounted yields for example in the case of Lone Star's purchase of Union Square in Aberdeen.

The leisure market has remained the most challenging subsector through 2024 with operators feeling the squeeze of the Autumn Budget the most. Significant transactions have tended to be restricted to strong city centre locations offering long/strong and/or well diversified income.

> INVESTOR CONFIDENCE IN THE RETAIL MARKET IMPROVED IN 2024, DRIVEN BY RENTAL GROWTH AND KEY TRANSACTIONS.

RETAIL AND LEISURE DEALS

ADDRESS	PROPERTY	PURCHASER
PRINCES SQUARE, BUCHANAN STREET, GLASGOW	GRADE B LISTED SHOPPING CENTRE, EXTENDING TO C. 1118,625 SQ.FT. WAULT OF 4.27 YEARS TO BREAKS AND 5.33 YEARS TO EXPIRY.	M CORE / LCP FOR £23.5 MILLION (9.8%)
34, 36, 54-56 & 69 BUCHANAN STREET, GLASGOW	FOUR SELF-CONTAINED RETAIL UNITS	LOTHIAN PENSION FUND FOR £20.5 MILLION (6.15%)
249 BUCHANAN STREET, GLASGOW	FIVE RETAIL UNITS, TOTALLING 27,264 SQ.FT. OCCUPIERS INCLUDE SØSTRENE GRENE, HOLLAND & BARRETT, SKY AND JD SPORTS	LAND SECURITIES PLC FOR £14.25 MILLION (6%)
BARRHEAD RETAIL PARK, GLASGOW	MULTI-LET RETAIL PARK OF 65,000 SQ.FT. FULLY LET TO 13 TENANTS INCLUDING LIDL, B&M, BURGER KING AND STARBUCKS. WAULT TO BREAKS OF 13.41 YEARS AND 17.24 YEARS TO EXPIRY	IROKO ZEN FOR £14.6 MILLION (7.01%)
THE OMNI CENTRE, GREENSIDE PLACE, EDINBURGH	CITY CENTRE 221,355 SQ.FT. LEISURE SCHEME ANCHORED BY VUE CINEMA, NUFFIELD HEALTH CLUB AND THE GLASSHOUSE HOTEL. WAULT OF C. 20 YEARS	TRIPLE B LTD FOR C.£64.1 MILLION (8.13%)
SAINSBURY'S, MURRAYFIELD, WESTFIELD ROAD, EDINBURGH	108,241 SQ.FT. SUPERMARKET LET TO J SAINSBURY'S PLC EXPIRING DECEMBER 2032	ICG PLC FOR C. £29.38 MILLION (6.43%)
WAITROSE & KWIK-FIT, MORNINGSIDE ROAD, EDINBURGH	33,347 SQ.FT. WAITROSE SUPERMARKET EXPIRING MARCH 2041 AND 12,795 SQ.FT. KWIK-FIT EXPIRING DECEMBER 2032	DTZ INVESTMENT MANAGEMENT LTD OBO WEST YORKSHIRE PENSION FUND FOR C.£18.73 MILLION (5.32%)
127-128 PRINCES STREET, EDINBURGH	19,093 SQ.FT. FLAGSHIP WATERSTONES STORE EXPIRING IN SEPTEMBER 2028 AND 3,633 SQ.FT. UNIT LET TO VANS EXPIRING MARCH 2027	PARETO ESTATES LTD FOR £6.9 MILLION (9.31%)
UNION SQUARE SHOPPING CENTRE, GUILD STREET, ABERDEEN	PRIME 520,000 SQ.FT. SHOPPING AND LEISURE CENTRE	LONE STAR RE FUND VI FOR £111 MILLION (12%)
WESTHILL SHOPPING CENTRE, WESTHILL	MULTI-LET NEIGHBOURHOOD RETAIL CENTRE OF 61,332 SQ.FT. WITH A WAULT OF C.5.5 YEARS	M CORE FOR £10.5 MILLION (10.48%)
INSHES RETAIL PARK, INVERNESS	160,000 SQ.FT. OUT-OF-TOWN RETAIL PARK. ANCHORED BY B&M, DUNELM, HOBBYCRAFT, MATALAN, BANNATYNE GYM AND MCDONALDS	BRITISH LAND FOR £28.15 MILLION (7.53%)

OUTLOOK

While the economic prospects remain uncertain following the measures announced at the new government's October budget there is an expectation that additional interest rate cuts beyond the February cut to 4.5% will transpire during the year. Accordingly, the outlook for an increased level of activity is promising as the buyer pool should deepen. If prices start to rise as a consequence this could well pave the way for a release of new sales from owners who have been sitting patiently waiting for a sellers' market.

No major changes are anticipated in the popularity ranking of the sectors with industrial and logistics likely to remain the top choice for investors seeking stable, long-term returns, driven by its strong fundamentals, lower capex and resilience in uncertain economic times. Demand for the living sector will continue unabated. There is potential for the office sector to recover some ground as more occupiers appear to be defaulting to office working for their staff. In particular, capital values for prime Grade A buildings are predicted to rise during the year.

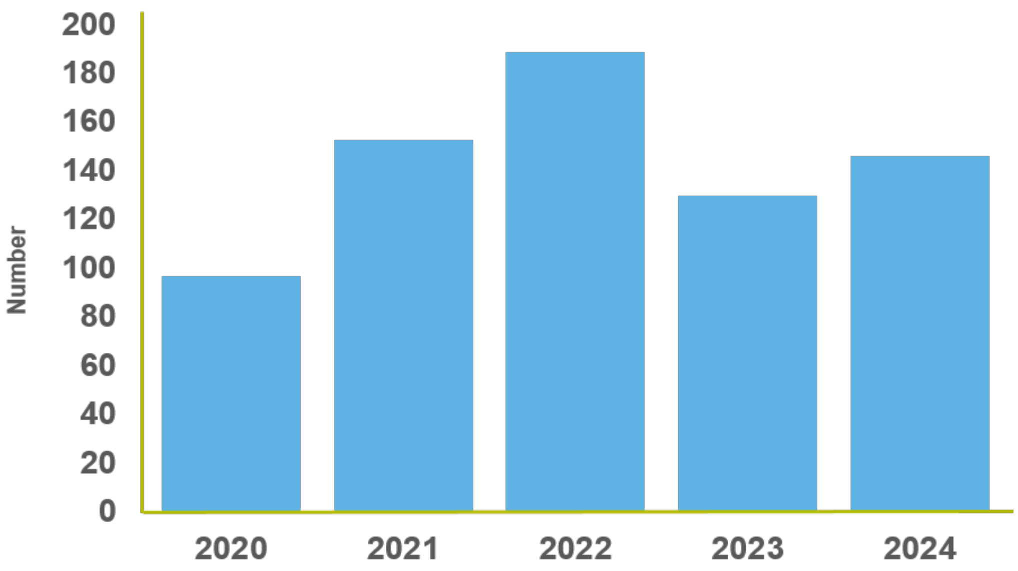
More of the same is anticipated in the retail warehouse sector and further steady but cautious building of investor confidence across the remaining retail sub-sectors. Although the retail sector could provide the highest income return of all the commercial asset classes for the year.

Overall, investment volumes for Scotland are expected to exceed the level achieved in 2024.

> “WITH FURTHER INTEREST RATE CUTS EXPECTED, THE INVESTMENT MARKET IN SCOTLAND IS SET FOR INCREASED ACTIVITY IN 2025, WITH THE INDUSTRIAL, LOGISTICS AND LIVING SECTORS LEADING DEMAND.”

INVESTMENT TRACKER

Number of investment transactions over £1 million in Scotland.



Source : Ryden

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