

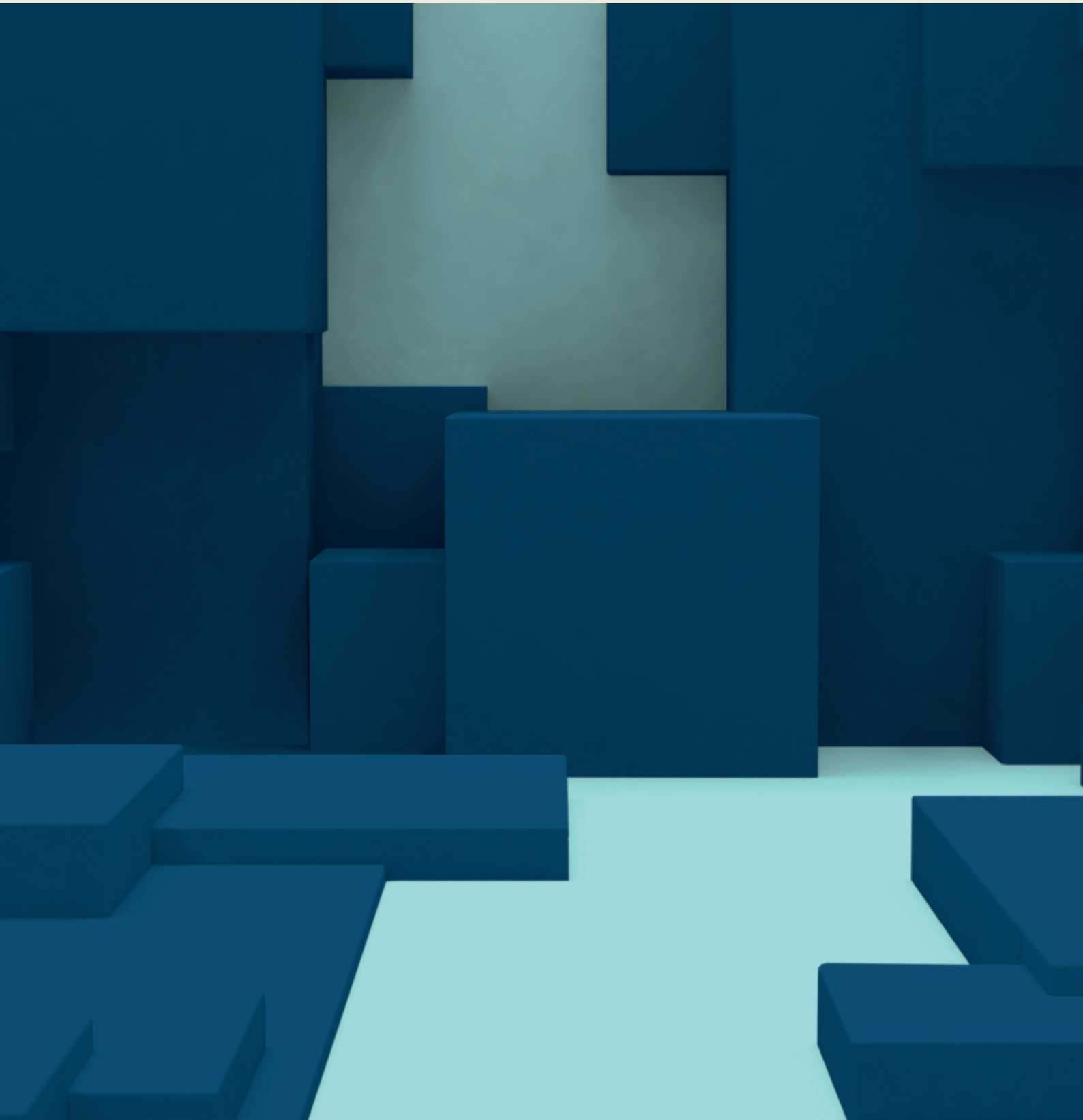
The Scotland Report



2025

A cross-sector review of offices, manufacturing and retail real estate north of the border

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Foreword

Cautious optimism, underpinned by pragmatism



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Commercial real estate markets in Scotland entered 2025 with measured optimism, supported by steady occupier interest and a sharpened focus on site selection. Whilst momentum has stalled somewhat due to the various economic and political developments that are currently challenging the global economy, it is clear that the expectations around quality are higher than ever.

Leasing activity has continued to show resilience, particularly in the major commercial centres where performance is increasingly concentrated within a limited pool of high-quality assets. Occupiers are acting decisively when the right product becomes available, with standout transactions reflecting pent-up demand from organisations that can delay commitments no longer.

Like most markets, legacy stock across Scotland faces a growing risk of obsolescence. A significant portion of vacant space no longer aligns with modern sustainability, wellness, and design requirements. With development constrained, landlords are exploring asset management strategies to bridge the widening supply-demand mismatch. However, elevated build costs alongside higher finance rates continue to challenge viability.

From an investor's perspective, Scotland's commercial property market presents a more cautious yet active environment. Investment volumes reflect broader macroeconomic headwinds, yet deal interest continues, particularly for prime, well-let assets. Buyers are selective, and due diligence timelines have lengthened, but appetite persists, especially among investors seeking opportunity in a recalibrating market.

Investment pricing for best-in-class Scottish assets is stable, or in select areas of the market actually slowly improving, signalling underlying confidence in core market fundamentals.

“Leasing activity has continued to show resilience, particularly in the major commercial centres.”

However, this resilience remains confined mainly to top-tier properties. Unless significantly repriced or supported by a clear repositioning narrative, secondary stock is struggling to gain the same traction.

Looking ahead, 2025 is shaping up to be a year of divergent growth for the Scottish commercial property sector. The market remains responsive for landlords and vendors holding high quality, well-let assets in established locations. For others, adaptability, realistic pricing, and a willingness to align with the evolving demands will be the defining focus of attention.

5 Cadogan Street, Glasgow



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Offices

Against the backdrop of an evolving office market landscape, a proactive approach must be taken to navigate the complexities and realise the opportunities.

SCOTLAND'S OFFICE MARKET IS SHIFTING

Scotland's office market is at a turning point. Organisations across Scotland are increasingly seeking more from office spaces. High-quality, amenity-rich, and well-located environments are top priority, with flexibility, in both lease terms and space usage, now essential. In short, businesses are leveraging real estate strategically to drive growth, reinforce culture, and attract top talent.

However, this rising demand is set against a backdrop of limited supply, particularly for best-in-class space. With a constrained development pipeline, rising construction costs, and stricter environmental standards, delivering the kind of space occupiers want is increasingly challenging.

OFFICE DEMAND IN SCOTLAND IS REBOUNDING

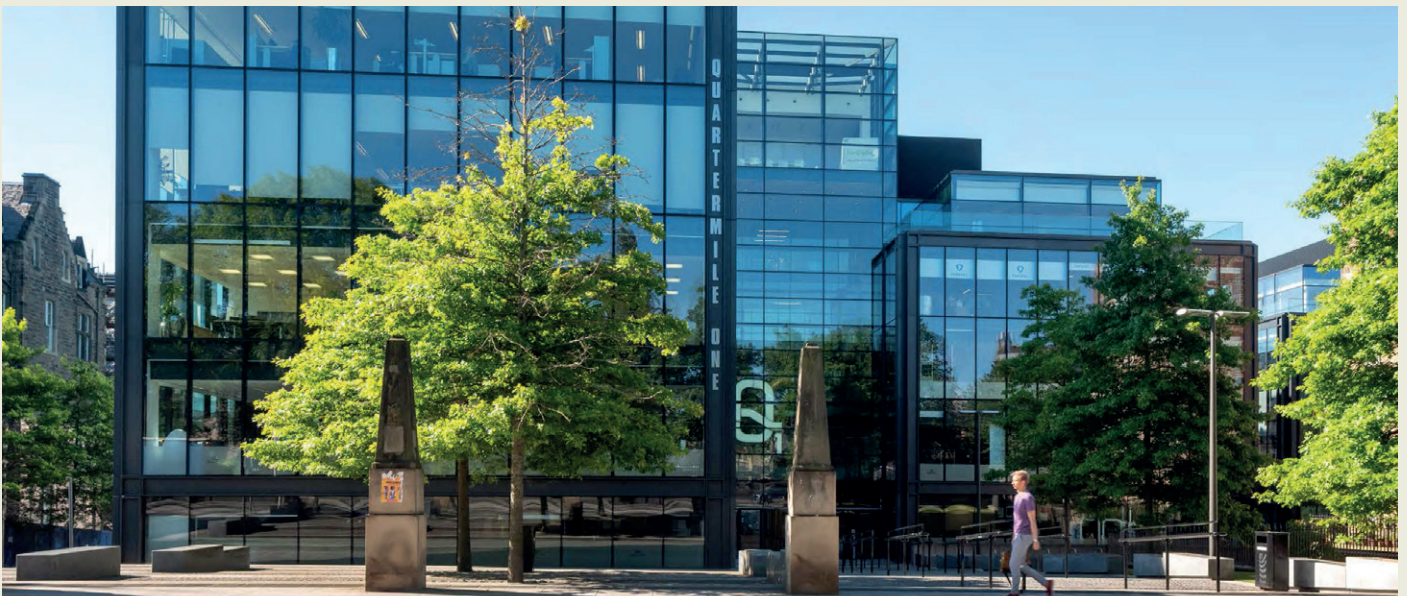
In 2024, annual take-up increased significantly. Underpinned by HBOS taking 282,000 sq ft at Port Hamilton, Edinburgh recorded year-on-year growth of 62%, while sustained occupier activity in Glasgow led to a 37% rise. Deal volumes have also been elevated, with 139 transactions completed in Glasgow and 130 in Edinburgh,

“By offering greater flexibility and a wider range of workspace options, landlords are positioning themselves to attract a more diverse tenant base.”

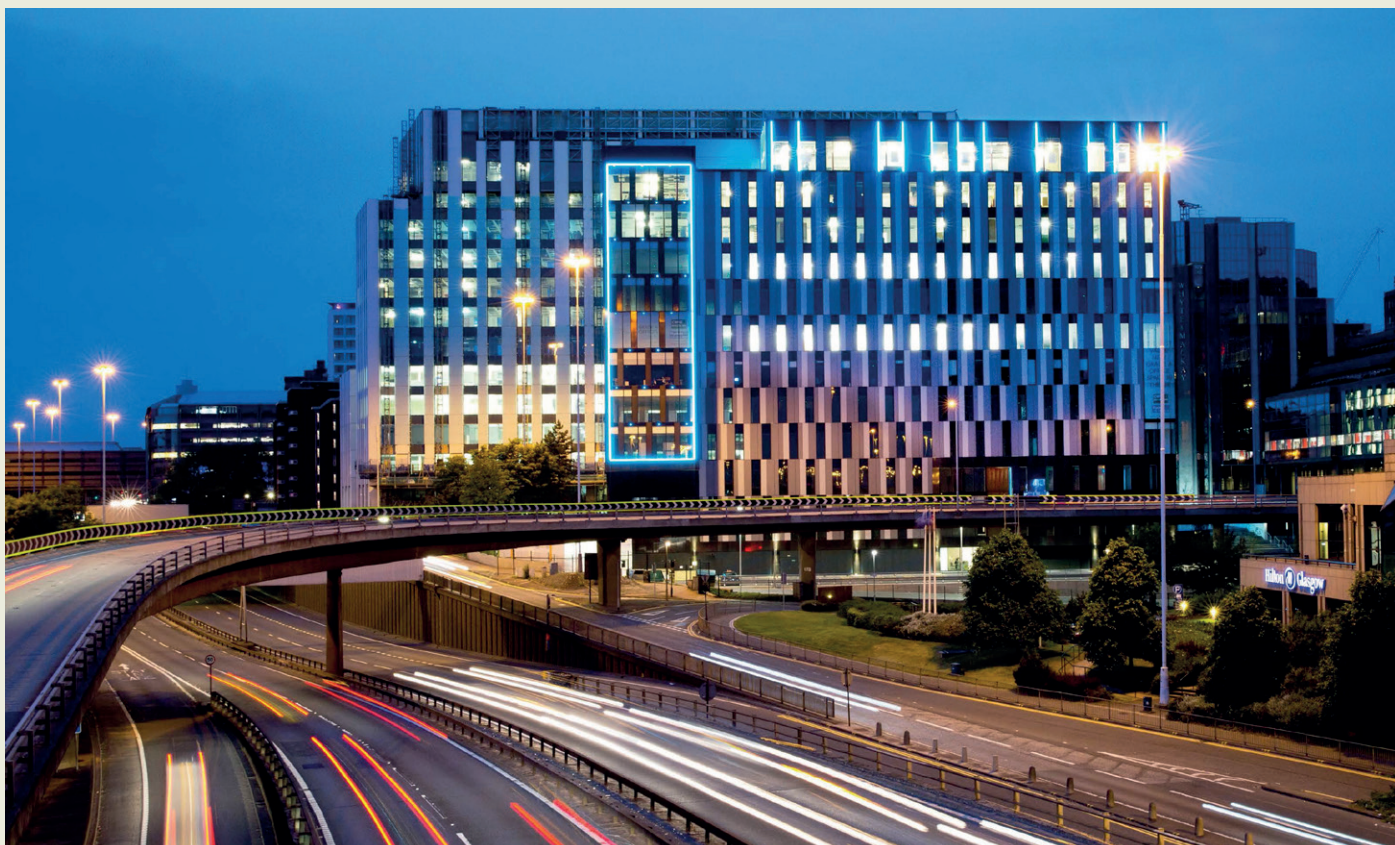
30% and 13% higher than the five-year annual averages, respectively.

Demand continues to concentrate on high-quality office space, with new or Grade A accommodation accounting for nearly two-thirds of total take-up. It is clear that tenants are prioritising buildings that offer amenities and flexibility, spaces capable of adapting to changing workforce sizes and uncertain economic conditions. This, in some cases, has also meant smaller occupier footprints. In 2024, deals below 10,000 sq ft represented 91% of the market.

In response, landlords are diversifying offerings, introducing smaller, fitted suites tailored to the needs of SME's alongside a broader mix of traditional leased space and fully serviced offices. This shift reflects a growing recognition that one-size-fits-all solutions no longer meet the evolving demands of modern occupiers. By offering greater flexibility and a wider range of workspace options, landlords are positioning themselves to attract a more diverse tenant base. Providing this level of choice has become a distinct competitive advantage in a market where adaptability and responsiveness are increasingly valued.



Quatermile 1, Edinburgh



St Vincent Plaza, Glasgow

REGTEARS REMAIN A FEATURE OF THE MARKET

While relocation activity is increasing, many occupiers are choosing the security of lease agreements over moving. During 2024, lease regears accounted for 22% of occupier activity in Edinburgh, for example. This trend reflects uncertainty around future space needs, rising operational costs, and the limited supply of suitable alternatives. In the current market, occupiers can often negotiate favourable terms and enhanced flexibility as landlords look to secure income, minimise void periods, and align lease structures with shifting tenant expectations. In a supply-constrained environment, retaining existing tenants is frequently more valuable to landlords than sourcing replacements.

VACANCY IS RISING, BUT NEW SUPPLY IS LIMITED

From a market perspective, vacancy levels remain elevated compared to pre-COVID market conditions. When writing, the overall vacancy in Edinburgh and Glasgow was above 11%.

Despite a general rise in overall vacancy rates, Grade A and Prime office space availability has remained relatively stable, with 677,000 sq ft available in Edinburgh and 538,000 sq ft in Glasgow. However, the market for high-quality space remains tight, particularly in Edinburgh's city centre, where just ten Grade A buildings offer more than 10,000 sq ft on a single floor, a key consideration for larger occupiers. The

"Only 38,361 sq ft of new space was available in Edinburgh, spread across 30 Semple Street and New Clarendon, underscoring the acute shortage of top-tier space in the market."

picture becomes even more constrained when availability is viewed in the context of new-build supply. At the time of writing, only 38,361 sq ft of new space was available in Edinburgh, spread across 30 Semple Street and New Clarendon, underscoring the acute shortage of top-tier space in the market.

STRATEGIC RESPONSES TO LIMITED SUPPLY

Developer sentiment in Scotland remains cautious, reflected in the modest pipeline of office space currently under construction across its key markets, totalling just over 205,000 sq ft, with completion dates before 2028. Two major refurbishment projects in Glasgow account for approximately 80% of this volume, highlighting a preference for upgrading existing stock over speculative new builds. The remainder of the pipeline is in Aberdeen, while, notably, there is no speculative development underway in Edinburgh at the time of writing. This limited pipeline, particularly in the capital, suggests that supply constraints for high-quality space will likely persist in the medium term.

This subdued development pipeline reflects elevated construction costs, limited appetite for speculative projects, and uncertainty on exit yields. Development risk is also increasing, with pre-let requirements rising from 30% to at least 50% before construction can commence.

MARKET IMBALANCE SUPPORTING RENTAL UPLIFT

Prime office rents have risen across Scotland's key markets, primarily driven by the ongoing imbalance between supply and demand. As of the time of writing, prime rents stood at £46.00 per sq ft in Edinburgh, £41.50 in Glasgow, and £32.50 in Aberdeen.

While rents in Aberdeen have remained relatively stable, Glasgow and Edinburgh have experienced notable upward pressure. In Glasgow, prime rents have increased by 5% over the past 12 months and by 28% since the onset of the pandemic. Edinburgh has seen even more significant growth, with a 2% rise in 2024 alone and a 30% increase since March 2020, marking one of the highest rates of prime rental growth among all major UK office markets.

CHANGE OF USE – INCREASINGLY A MARKET FEATURE?

In Scotland, office assets increasingly face obsolescence as occupier demands evolve, environmental regulations tighten, and urban needs shift. With ESG now central to business strategy, tenant demand is focused on high-performing, energy-efficient space as Scotland's environmental standards align with England's proposed minimum energy efficiency standard (MEES).

Consequently, repurposing activity reshapes Scotland's office landscape, reflecting shifting market dynamics and the growing demand for alternative uses.

In Aberdeen, CTL Estates has proposed converting Loirston House into 24 specialist

“While rents in Aberdeen have remained relatively stable, Glasgow and Edinburgh have experienced notable upward pressure.”

“In Scotland, office assets increasingly face obsolescence as occupier demands evolve, environmental regulations tighten, and urban needs shift.”

flats, including accommodation tailored for bariatric care, with approval pending. Significant redevelopment is underway in Glasgow with the conversion plans at Berkley House on Bath Street to student accommodation good example.

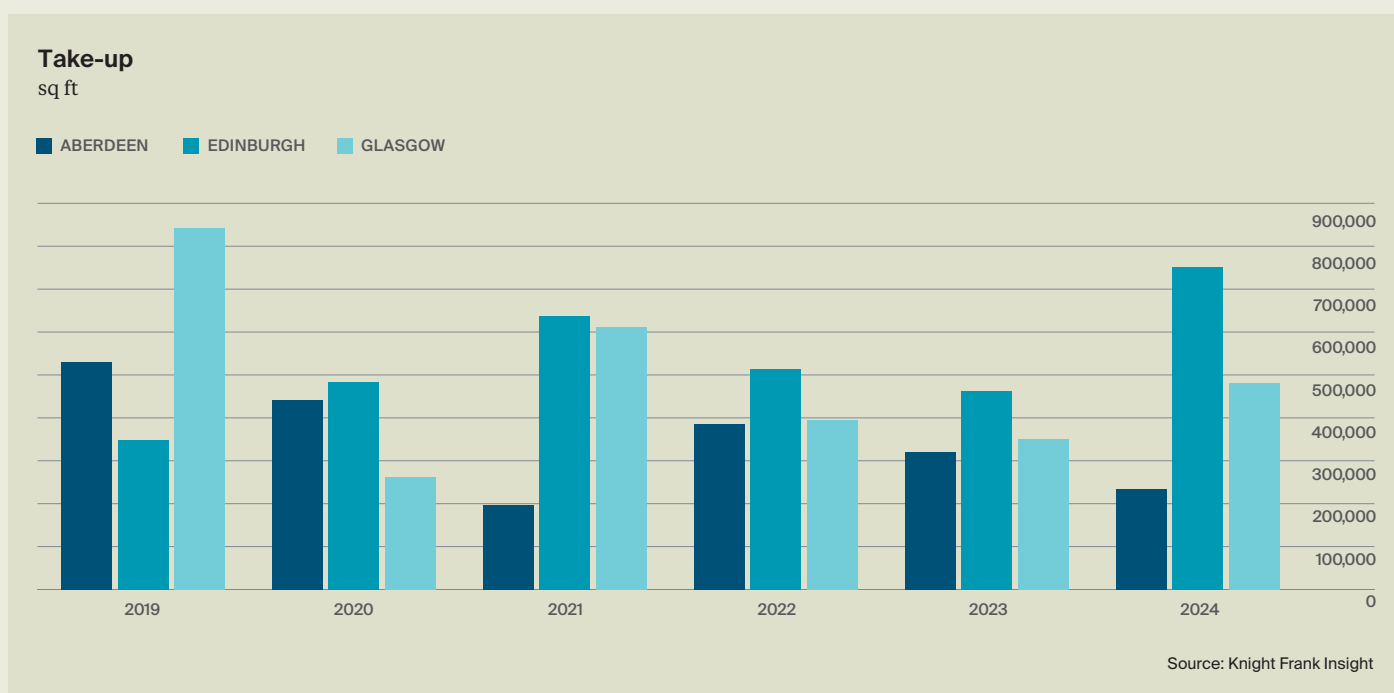
In Edinburgh, the trend is particularly pronounced. In St Andrew Square alone, over 100,000 sq ft of office space has been lost to hotel use over the past seven years, underscoring the high demand for bed spaces in the capital. These conversions highlight the greater economic viability of hotel development compared to office refurbishment in specific prime locations.

Several new schemes reflect a broader, mixed-use approach. Downing has submitted proposals for a large-scale redevelopment at 40 Anderston Quay in Glasgow, featuring 800 beds of purpose-built student accommodation alongside 400 co-living units. At 86–90 Maxwell Street, plans are being drawn up for a hotel or short-stay accommodation.

These initiatives build on earlier conversion projects such as Pegasus House in Glasgow, now operating as a Sandman Signature Hotel, and 45–51 King Street in Stirling, which has been transformed into a mixed-use development combining offices and an aparthotel. Both were completed between late 2023 and early 2024.

THE OUTLOOK: A PROACTIVE APPROACH IS REQUIRED

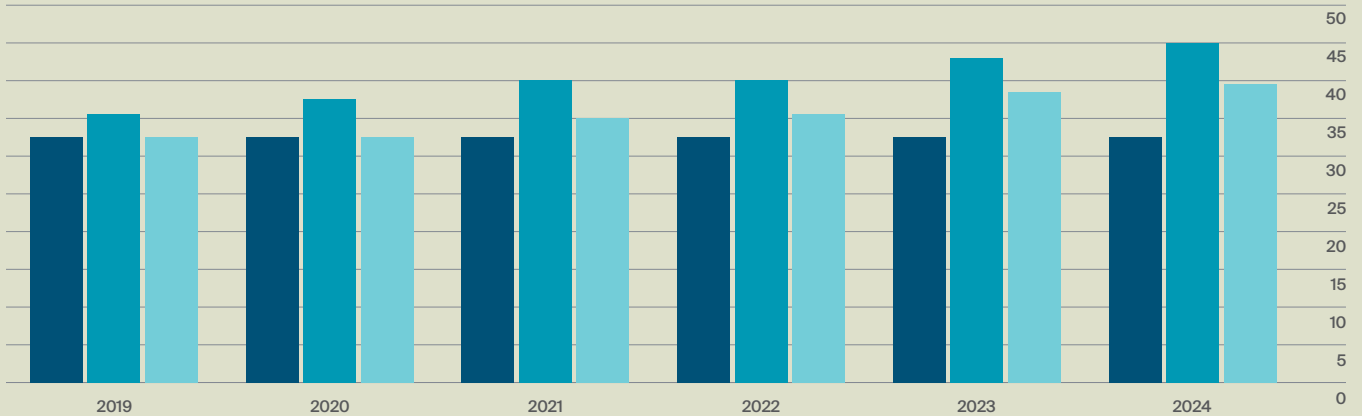
Forward-thinking is now essential in navigating Scotland's evolving office market. Landlords must anticipate and respond to changing occupier demands regarding location and deliver high-quality, flexible, and sustainable spaces. These



Prime rent

£ per sq ft

■ ABERDEEN ■ EDINBURGH ■ GLASGOW



Source: Knight Frank Insight

attributes are no longer optional but fundamental to attracting and retaining tenants.

However, delivering on these expectations is increasingly complex. Rising build and fit-out costs and softer exit yields present real challenges to development viability. While prime rents are rising, further growth and sharper pricing will be required to bridge the viability gap fully. Striking the right balance between meeting occupier requirements and managing development risk has become the market's most pressing challenge.

“Rising build and fit-out costs and softer exit yields present real challenges to development viability.”

The task is equally nuanced for occupiers: aligning real estate strategy with evolving work patterns. Whether employees are in the office, working remotely, or adopting a hybrid model, there is growing emphasis on environments that support well-being, collaboration, and sustainability. Offices that meet these needs are already experiencing stronger demand, as businesses recognise their role in fostering culture, innovation, and team cohesion. This trend is expected to accelerate as the workplace continues to evolve.



30 Sample Street, Edinburgh

Manufacturing

Scotland's manufacturing sector is powering economic growth and job creation, and fueling demand for facilities that can offer efficiencies and sustainability for the long term.

SCOTLAND'S MANUFACTURING INDUSTRY

Scotland's manufacturing sector employs more than 179,000 people and is responsible for more than 50% of the country's international exports (National Manufacturing Institute Scotland). Manufacturing is also a significant demand driver in the Scottish industrial and logistics sector, accounting for 37% of take-up (units over 50,000 sq ft) in 2024.

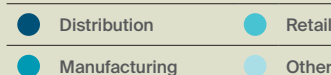
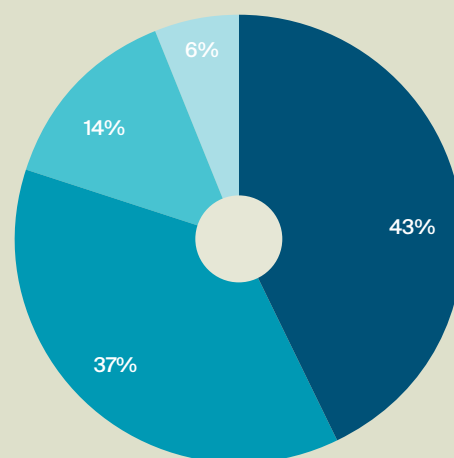
Scotland's manufacturing sector is diverse, encompassing everything from microchips to machinery, from wind turbines to whisky. As such, the facilities required to accommodate manufacturing businesses vary enormously. The manufacturing facility is often integral to the manufacturing processes and operations. Whilst some manufacturers can adapt existing warehousing space to suit their needs, many operations have very bespoke requirements, driving demand for custom-built facilities. Where space can be adapted, fitout costs are significant.

Manufacturers invest heavily in their facilities, processes, and equipment to maximise efficiencies and thus gain a competitive edge. The manufacturing sector accounts for 47% of Research & Development (R&D) spend by businesses in Scotland.

"Whilst some manufacturers can adapt existing warehousing space to suit their needs, many operations have very bespoke requirements, driving demand for custom-built facilities."

2024 Take up by occupier sector

Units over 50,000 sq ft



Source: Knight Frank Insight



As well as R&D, manufacturers invest heavily in their facilities, installing new mechanisation and automation equipment that is typically difficult to move/remove. Because this equipment can be expensive, manufacturers often seek tenure security. Manufacturers will look to amortise the cost of investment in equipment over the length of the building lease or lifespan; consequently, they tend to seek longer leases (compared with distribution or retail operators), or they may prefer to own their facilities.

Scotland’s whisky industry is a major contributor to manufacturing output in Scotland, and the beverage sector as a whole accounts for 16.9% of manufacturing GVA (Gross value add). Basic pharmaceuticals manufacturing is also a key sector, accounting for 10.1% GVA, followed by food products (9.5%), computer, electronic and optical (8.0%), and fabricated metal products (7.3%).

In addition to the sectors listed above, Scotland has a significant textiles manufacturing industry, with household names including Johnstons of Elgin and Harris Tweed. However, it is not a manufacturing division pegged for broad-scale expansion over the next decade.

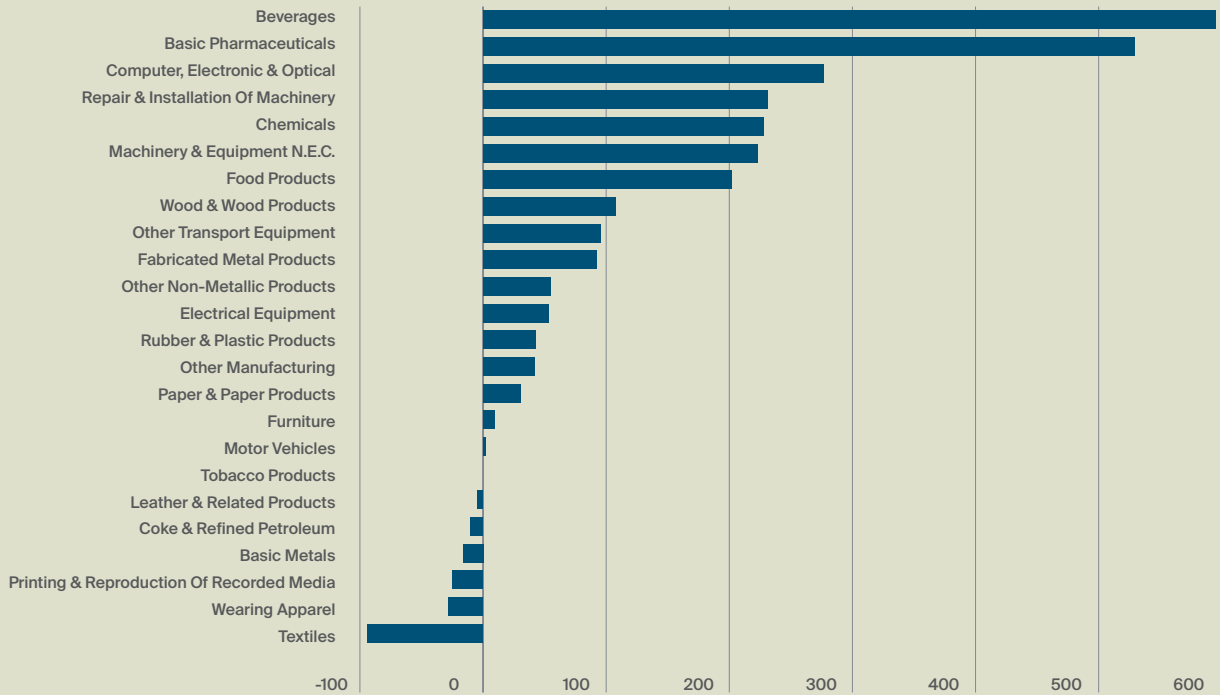
The manufacturing divisions with the strongest growth expectations are beverages, basic pharmaceuticals, computer, electronic & optical, chemicals, machinery & equipment not elsewhere classified (n.e.c.), and food.

Growth of the beverage manufacturing industry in Scotland is predominantly linked to the whisky industry. However, with the US a being a key export market for Scottish whisky, there remains uncertainty around future growth prospects in this subdivision. US tariffs also threaten the growth prospects in some other manufacturing subdivisions, and the impacts will vary depending on how reliant they are on the US market, and whether an exemption applies. The US is also a key export market for pharmaceuticals, but no tariffs are currently imposed on this sector.

KEY MANUFACTURING HUBS IN SCOTLAND

Advanced Manufacturing Innovation District Scotland (AMIDS), Glasgow: An innovation district located next to Glasgow Airport, AMIDS supports SMEs and large manufacturers with access to advanced digital manufacturing tools, sustainable materials research, robotics, AI, and data-driven processes. It is focused on advanced manufacturing, clean tech, digital engineering, and life sciences, and was established to support Scotland’s goal of becoming a net-zero manufacturing leader, developing a high-skilled workforce, attracting international firms and R&D partners, and investing in manufacturing.

Ten year forecast manufacturing growth in Scotland by subsector
Gross Value Add (£millions, 2022 prices)



Source: Knight Frank Insight, Oxford Economics

Anchor institutions at the AMIDS include; NMIS (National Manufacturing Institute Scotland), which provides training, R&D, and innovation in aerospace, energy, and industrial technologies; the Medicines Manufacturing Innovation Centre (MMIC), a partnership between CPI, University of Strathclyde, GSK, and AstraZeneca and focuses on next-gen pharmaceutical manufacturing; the Lightweight Manufacturing Centre (LMC), which supports innovation in sustainable materials and lightweight components.

Its government-backed infrastructure makes AMIDS attractive to institutional developers and occupier-driven forward-funding or joint-venture models. The AMIDS is home to renowned international manufacturers Rolls-Royce, Boeing, and Doosan Babcock, and central life science and biotech science firms Thermo Fisher Scientific, Terumo Aortic, and Peak Scientific.

Offering design-and-build plots available for advanced manufacturers looking to co-locate with these R&D institutions, AMIDS may appeal to light and advanced manufacturing, tech-integrated industrial facilities, clean energy, and circular economy operators. It also offers office and hybrid R&D buildings, with scope for flexible lab/office space and co-working facilities. Given its proximity to Glasgow Airport and major motorways (M8), AMIDS is also well-placed for last-mile and air-freight logistics, distribution

“Created in 2021, the Energy Transition Zone (ETZ) in Aberdeen is a strategic initiative to reposition the region as a leading hub for net-zero energy.”

hubs supporting high-value manufacturing, and cold chain infrastructure for life sciences.

Energy Transition Zone: Created in 2021, the Energy Transition Zone (ETZ) in Aberdeen is a strategic initiative to reposition the region as a leading hub for net-zero energy. The ETZ spans approximately 250 hectares near the newly expanded Aberdeen South Harbour, providing a prime location for energy-related developments.

It is intended to become a global hub for:

- Offshore wind (especially floating)
- Hydrogen production and storage
- Carbon capture and storage (CCS)
- Underwater engineering and digital energy technologies

The establishment of the ETZ has significantly influenced Aberdeen’s industrial and logistics sectors, driving up occupier take-up in the area, which now dominates the Aberdeen market. Several companies have pivoted away from oil and gas-focused operations with growing emphasis on renewables.

Occupiers are increasingly looking for best-in-class, modern facilities that cater to their operational requirements and support their sustainability goals.

Current occupiers in the ETZ:

Company	Sector	Description
Honuworx	Offshore Wind Technology	Specialises in subsea robotics and autonomous systems for offshore wind operations.
Neotec	Offshore Engineering	Provides engineering solutions and services tailored to the offshore energy sector.
Glacier Energy	Energy Services	Offers specialist services and products to the energy industry, focusing on integrity and maintenance.
Vryhoff	Marine & Offshore	Supplies anchoring and mooring solutions for the offshore energy industry.
Swire	Marine Services	Provides offshore marine services, including vessel operations and logistics.
AJT Engineering Ltd.	Engineering	Established a new renewables division, expanding into the energy transition sector.
Air Liquide	Industrial Gases	Expanded into low-carbon markets, focusing on gases for clean energy applications.
Ross Safety & Survival	Safety Equipment	It supplies safety and survival equipment and supports both oil & gas and offshore wind industries.
D2Zero	Clean Energy Solutions	Formed from multiple companies, focusing on clean energy with plans to base its HQ in Aberdeen's ETZ.
Hydrasun	Hydrogen Infrastructure	Selected to build a hydrogen hub in Aberdeen, contributing to the region's clean energy initiatives.

Source: Knight Frank Insight

SCOTLAND'S GREEN FREEPORTS

Scotland has two Freeports that were established in 2023, the Forth Green Freeport and the Cromarty Green Freeport. Scotland's Green Freeports are expected to act as platforms for long-term industrial regeneration and green economic growth by offering a combination of tax and customs incentives, green sector alignment, strategic infrastructure, and access to skills and supply chains. For investors, they offer potential for ESG-aligned development, long leases, and business initiatives supported by the government.

Location of Scotland's Green Freeports:



Source: Knight Frank Insight

WHAT DO SCOTLAND'S GREEN FREEPORTS OFFER?



01. Tax & customs incentives

- Land and Buildings Transaction Tax (LBTT) relief, business rates relief, National Insurance (NI) contributions relief
- Enhanced capital allowances
- Duty suspension/deferral within customs zones



02. Green economy alignment

- Focus on offshore wind, hydrogen, Carbon Capture and Storage (CCS)
- Government investment and policy support for net-zero projects



03. Strategic locations and infrastructure

- Deep-water ports (e.g., Cromarty Firth, Rosyth)
- Proximity to major transport routes and airports, supply chain connectivity
- Access to North Sea energy fields



04. Industry clustering

- Co-location with significant energy and engineering firms



05. R&D ecosystem

- Partnerships with universities and skills hubs e.g., NMIS



06. Long-term growth potential

- Industrial regeneration and land value uplift potential
- ESG-aligned developments and businesses



Sector Opportunities: Renewable energy, offshore wind manufacturing, hydrogen production, oil and gas decarbonization, life sciences, modular manufacturing, and logistics.

Sumitomo Electric UK Power Cables Ltd (SEUK), a subsidiary of Japanese company Sumitomo Electric Industries Ltd (SEI), is planning to establish significant operations in the region, supplying high-voltage cables to the growing offshore wind energy sector. The recently designated Inverness and Cromarty Firth Green Freeport was a key factor in the company’s location.

Meanwhile, at the Forth Green Freeport, Danish wind turbine manufacturer Vestas has identified the Port of Leith (near Edinburgh) as a potential location for a wind turbine blade manufacturing facility. This move could create hundreds of quality, green jobs in Scotland, supporting the transition to net-zero emissions.

China’s Leading Wind Turbine Manufacturer, Mingyang Smart Energy, is also considering Scotland’s Green Freeports for a wind turbine factory.

As the Green Freeport initiatives progress, more companies are expected to establish

“Growth in high-value industries such as pharmaceuticals, renewable energy, and advanced engineering is changing the face of manufacturing in Scotland and creating significant opportunities, with occupiers increasingly focused on modern, energy-efficient facilities in strategically connected locations.”

operations within these zones to capitalise on the offered incentives and contribute to Scotland’s economic and environmental objectives.

SUMMARY
Scotland’s manufacturing sector is not only expanding but also evolving. Growth in high-value industries such as pharmaceuticals, renewable energy, and advanced engineering is changing the face of manufacturing in Scotland and creating significant opportunities, with occupiers increasingly focused on modern, energy-efficient facilities in strategically connected locations. Strategic public sector support through innovation districts, Freeports, and net-zero infrastructure is unlocking land and investment incentives, positioning Scotland as a leading location for high-tech manufacturing campuses, and ESG-aligned businesses and development. The future of Scotland’s manufacturing sector offers a compelling landscape for developers, investors, and occupiers looking to secure long-term, future-proofed facilities.

Types of units in demand			
Industry	Key Products	Major Companies	Building & Location Requirements
Food & Drink	Whisky, seafood, dairy products	Diageo, Chivas Brothers, Walker's Shortbread	Whisky distilleries typically require access to water for production and cooling, specialist ventilation and temperature/humidity controls. Location choices are typically linked to brand/heritage, and tourism potential may also be a consideration.
Aerospace & Space	Satellites, aircraft components	Rolls-Royce, Orbex, Clyde Space	Buildings must accommodate large-scale manufacturing, with large floorplates and ceiling heights. Stringent security measures and proximity to an airfield may also be required.
Engineering & Shipbuilding	Navy ships, turbines, industrial machinery	BAE Systems, Weir Group, Howden	Proximity and access to water
Renewable Energy	Offshore wind, hydrogen, tidal energy	Vestas, Siemens Gamesa, SSE Renewables	Port locations with quayside access important for offshore energy
Life Sciences & Pharma	Vaccines, medical devices, biotech	GSK, Charles River Labs, Johnson Matthey	Location decisions for life sciences are often driven by access to skilled labour pool and proximity to research institutions.
Chemicals & Materials	Petrochemicals, composites, coatings	INEOS, DuPont Teijin Films	Facilities must accommodate high-temperature processes, chemical handling, and explosion-proof zones. They will typically require explosion exclusion zones to help manage risk.
Electronics & Semiconductors	Microchips, imaging tech	Diodes Inc., Canon Medical, Semfab	Semiconductor fabs require custom built facilities that can offer highly controlled environments, with cleanroom facilities (frequent air changes and minimum floor loading of 10-20 kN/m²), safety and security measures are also important.

Source: Knight Frank Insight

Retail

Outlier, bellwether, or mere microcosm of the broader UK retail market?
There is a strong case to be made for all three.

Significant shopping centre activity has occurred in all three of Scotland's major cities recently. Activity that has permeated and influenced the footprint of the rest of the city, while simultaneously providing a catalyst for positive change that transcends the retail market alone.

EDINBURGH, AN OUTLIER?

A major new shopping centre in the shape of St James Quarter is the only retail scheme of any scale to be delivered nationally in a decade, with none in the development pipeline anywhere in the UK going forward. The last of a dying breed or a blueprint for the future, Edinburgh as much a bellwether as an outlier?

GLASGOW, THE BELLWETHER?

The city's two major shopping centres were initially earmarked for significant repurposing and change to alternative use, with retail

“Significant shopping centre activity has occurred in all three of Scotland's major cities recently.”

seemingly subordinate to other property classes. Except these plans are now subject to review, the role of retail has been reappraised, and the realisation that repurposing is a demanding endeavour and the financial sums do not always add up. Glasgow as much a microcosm as a bellwether?

ABERDEEN, THE MICROCOSM?

Massive rebasing in values resulted in the city's key shopping centres trading at considerable discounts to historic pricing, reflecting UK retail's dramatic fall from grace. However, a decline in vacancy rates and a return to rental and capital value growth are signs of a more positive direction of travel. Is Aberdeen as much a bellwether as a microcosm?

Either way, a hive of activity that speaks volumes to both changing local dynamics and improving national fortunes for the retail market.



George Street, Edinburgh

Edinburgh: new scheme, new life

Nuveen's St James Quarter has been transformational for Edinburgh. Finally opening its doors to the public in June 2021, the ca. 760,000 sq ft scheme represents a total redevelopment of the former St James Centre, situated at the eastern extreme of Edinburgh's shopping core. All retailers vacated the centre prior to its demolition, except for John Lewis, which continued to trade throughout the redevelopment process. John Lewis has since been joined by a whole host of other operators, including Zara, H&M, & Other Stories, JD Sports, Next, Boots, Crew Clothing, Russell & Bromley, Pandora, Boss, Calvin Klein, Ralph Lauren, Dune, and Harrods H Beauty.

Much has been made of St James Quarter's mixed-use credentials. The scheme blends retail with leisure and F&B. It also includes significant residential development, not to mention the W hotel, which has already achieved semi-iconic status due to its architectural design. But for all intents and purposes, St James Quarter is still essentially a shopping centre, with ancillary uses.

Why has Edinburgh gone against the national grain in developing a new shopping centre? For the straightforward reason that it needed it. To say that the old St James Centre was dated is being kind. It was certainly not fitting for a city of Edinburgh's scale and standing as both a domestic capital city and an international tourist magnet. Strong occupational demand for space in St James Quarter and a correspondingly warm response from consumers more than validate the scheme's viability.

There has inevitably been a period of disruption as St James Quarter fully beds in, retailers and consumers assess the impact, and the city adapts to slight shifts in gravity. However, in the long term, the holistic benefits to the city will become increasingly apparent. The introduction of St James Quarter has meant different areas have re-established themselves or begun to carve out their own distinct identities. These different pitches show that they can exist together rather than compete.

George Street, for example, is still performing very strongly and remains the focal point for aspirational and luxury brands in the city. In contrast, Princes Street remains more of a 'work in progress' as a number of the large-scale units and former department stores (BHS, Debenhams,



St James Quarter, Edinburgh

"Much has been made of St James Quarter's mixed-use credentials. The scheme blends retail with leisure and F&B. It also includes significant residential development, not to mention the W hotel, which has already achieved semi-iconic status due to its architectural design."

Jenners) are at varying stages of redevelopment/repurposing. Despite these 'growing pains', the evolution from pure retail to a more diverse proposition (hotels/apartments/leisure) will underscore Princes Street with a new found sense of relevance.

Testament to the benefits of St James Quarter is strong rental growth and declining vacancy rates. Prime zone A rents in the city have scaled to an all-time high of £280/sq ft, surpassing the previous high water marks of ca. £260/sq ft in 2018. Perhaps more significant is the dramatic reverse since 2021 (£155/sq ft), when there was still so much uncertainty around the scheme's delivery and broader impact on the city. Meanwhile, Edinburgh's vacancy rate of 11.8% remains the lowest of the UK's major regional cities.

Although sentiment generally around retail is improving, the debate around oversupply remains unresolved. But the level of supply is often actually a moot point – it is not a case of too much or too little floorspace, much more of not having enough of the 'right' floorspace – the 'right' floorspace being modern, well-configured, and corresponding to the evolving needs of the audience it serves.

In this respect, St James Quarter is a prime example of the benefits of 'shopping centre renewal' instead of new development. Despite an improving profile, we do not anticipate a new shopping centre development wave. Instead, investor and developer attention is more likely to turn to existing assets, to refresh and reinvent them and, above all else, make them relevant for the local market.

St James Quarter / Edinburgh, a forerunner to a positive national retail trend?

Glasgow: to repurpose or not to repurpose?

Interesting parallels and contrasts between Edinburgh and Glasgow.

St James Quarter has propelled Edinburgh up CACI's industry-standard Retail Footprint ('RF') ranking to 6th (from 15th previously), elevating it above Birmingham (7th). But Glasgow still reigns supreme as the highest ranked regional market, placing 3rd nationally behind London's West End and Westfield London. Manchester (4th) and Leeds (5th) are the cities sandwiched between the Scottish powerhouses in the national rankings.

It is easy to underestimate the sheer scale of Glasgow as a city and retail destination. Its city centre retail footprint of 2.99 million sq ft may be lower than Birmingham's (3.23 million sq ft), but if local retail warehousing is also included, Glasgow has a massive 7.70 million sq ft of retail floorspace, significantly more than any other UK regional city. Oversupplied – or just supplied commensurate with the vast population and spending that it has to support? A retail productivity figure of nearly £500/sq ft suggests the latter.

With plans conceived at a time when sentiment was very much anti-retail, the city's two main

“Oversupplied - or just supplied commensurate with the vast population and spending that it has to support? A retail productivity figure of nearly £500/sq ft suggests the latter.”

shopping centres were poised for varying degrees of repurposing. Having initially opened in 1989, St Enoch Centre underwent a significant extension as recently as 2009, expanding the footprint to ca. 990,000 sq ft. The council has approved a considerable application to part-redevelop the scheme. The proposed new scheme will include retail and catering, cultural and leisure space, a 4-star hotel, more than 800 residential units, and over 900,000 sq ft of office space. The application includes repurposing the former Debenhams into offices and a rooftop bar, and Next took over the ground floor in late 2024.

In May 2025, Praxis finally completed on the purchase of St Enoch's for a reported £50m. Although firm details have yet to be made public, it seems unlikely that the new owner will proceed with the old plans, instead seeking to revisit the master plan and make adjustments, probably reducing the office weighting. This may benefit leisure floorspace, which is understood to be one of the better trading elements in the existing scheme.

The future direction of Buchanan Galleries is likewise far from certain and has been subject to several ongoing twists and turns. Although smaller (660,000 sq ft), it remains the pre-eminent shopping centre in Glasgow and is anchored by John Lewis and Next. Ironically, owner Landsec had historically sought to redevelop and further extend the scheme before putting these plans on hold in 2015/16.

In a first U-turn on previous plans, Landsec announced its intention to repurpose Buchanan Galleries in 2020. A total rebuild with no retail was initially assumed. Still, the plans submitted were slightly less radical – a new mixed-use redevelopment of Buchanan Galleries, which would see widespread refurbishment, some floorspace giving way to offices, and a radical reduction in retail footprint.

That was then, and this is now. There has since been a key change of strategic tack at Landsec, with a renewed commitment to major shopping centres in key regional cities. The purchase of Liverpool ONE at the end of 2024 for £490m has proved more than a signal of intent, and the REIT is still in the market for more shopping centre deals on a similar scale. In Buchanan Galleries, it already owns the pre-eminent scheme in the UK's largest regional market. On this basis, radical reworking of the Glasgow scheme and significant downgrading of its retail exposure now seems a far less pressing priority than before.

A U-turn on wholesale repurposing and a shift towards a more blended scheme, with retail still at its core? At both St Enoch's and Buchanan Galleries? Glasgow is going down the same path as Edinburgh, and is equally being a forerunner to other parts of the UK.

Buchanan Galleries, Glasgow



Aberdeen: on the up?

Aberdeen is a smaller retail destination than Edinburgh and Glasgow (ranking 47th in CACI's RF classification), but its relative geographic isolation does give it the benefit of a captive catchment area. Aberdeen's 'retention rate' of its catchment is 59%, which is by far the highest of any UK regional cities (a figure high by any standard).

However, recent sales of key retail assets in the city bear a sobering testament to the extent that retail values have plummeted nationally over the last decade. Union Square remains the pre-eminent of the city's five shopping centres. Opened in 2009, the scheme covers 616,000 sq ft, with over 70 stores. It was sold to US-based Lone Star for £111m early in 2024. Not only was this slightly below vendor Hammerson's asking price of ca. £125m, it was a far cry from the scheme's estimated peak valuation of £275-£300m.

"Aberdeen is an example of a city that has had to reset and re-find its retail feet on rebased values. Its shopping centres have proved attractive to opportunistic investors, albeit at a low price."

The St. Nicholas Centre/Bon Accord has had an even more chequered history since opening in 1985. Having lost John Lewis as its anchor tenant, the scheme's owners (Guernsey-based Aberdeen Retail 1 Limited and Aberdeen Retail 2 Limited) subsequently collapsed into administration. In 2023, it was purchased by Blackburn-based EP (Properties) Ltd, run by Zakir Issa, brother of the EG Group/Asda owners Mohsin and Zuber. Again, the value of the scheme has plummeted from a high of ca. £190m to a reported sale price of £6-£8m.

Aberdeen is an example of a city that has had to reset and re-find its retail feet on rebased values. Its shopping centres have proved attractive to opportunistic investors, albeit at a low price. Rents have also rebased, making it a more affordable proposition for retail tenants. From highs of around £170/sq ft in the mid- to late 2000s, prime zone As reduced to around £100/sq ft in the wake of COVID. But they have since bottomed out and are currently stable at around £105/sq ft.

Underlying (as opposed to prime) rents still tell a more positive story. According to MSCI, retail rents in Aberdeen grew by +3.7% in 2024, on top of an increase of +3.5% in 2023. This made it one of the top 10 performing locations in the UK outside of London.



“A sustained return to capital value and rental growth is one of the good news stories for UK retail generally. In isolation, national retail capital growth of +2.2% in 2024 was matched in Scotland (+2.2%). But in terms of rental growth, Scotland (+2.9%) outperformed the UK (+2.3%), helped in no small measure by both Glasgow (+5.3%) and Edinburgh (+3.0%).”

Scotland is a microcosm of the UK in terms of retail capital value movements but a positive outlier on rents. Hopefully, it will be a bellwether for positive things to come nationally.”

Scotland – a Tale of Three Cities

KPI Metric	Edinburgh	Glasgow	Aberdeen
National Rank	6th	3rd	47th
Scotland Rank	2nd	1st	3rd
Catchment Pop.	1,362,526	2,623,759	375,302
Shopper Pop.	272,923	462,298	186,029
Gravitated Spend (£m)	£1,186m	£1,492m	£451m
Town Centre Floorspace (sq ft)	2,118,000	2,991,000	2,139,000
OOT Floorspace (sq ft)	2,664,000	4,710,000	1,210,000
Total floorspace (sq ft)	4,782,000	7,701,000	3,349,000
Town Centre Productivity (£/sq ft)	£560	£499	£211
Vacancy rate (%)	11.8%	16.6%	21.7%
Prime Zone A Rent (£/sq ft)	£280	£300	£105
1 Year Zone A Rent Growth (%)	24.4%	1.7%	0.0%
Retail rental growth 2024 (%)	3.0%	5.3%	3.7%
Retail capital value growth 2024 (%)	1.7%	1.9%	-2.9%
Retail total return 2024 (%)	8.5%	8.5%	6.9%

Sources: PMA, CACI, MSCI, LDC, Knight Frank

Forward thinking

An end to binary use and blinkered thinking, a shift to mixed use and an ultimate quest for relevance



1. Diverging Demand Across Sectors

While demand for Grade A office space and last-mile logistics facilities remains robust, secondary office and some retail assets continue to grapple with structural headwinds. Occupiers are becoming increasingly discerning, prioritising well-located, sustainable, and future-proofed assets to meet evolving workplace and consumer demands. In this context, strategic asset repositioning will be critical for owners and investors seeking to preserve value and ensure long-term relevance in a rapidly changing real estate landscape.



2. Evolving Urban Uses and Mixed-Use Development

The conversion of surplus office and retail space into hotels, student accommodation,

“As urban areas adapt to shifting economic, social, and lifestyle trends, future development will prioritise flexible, mixed-use schemes that integrate commercial, leisure, and residential functions.”

and residential units highlights the evolving dynamics of city centres. As urban areas adapt to shifting economic, social, and lifestyle trends, future development will prioritise flexible, mixed-use schemes that integrate commercial, leisure, and residential functions. This holistic approach enhances the vibrancy and resilience of urban environments and aligns with the growing demand for more sustainable and liveable city spaces.



3. Sustainability and ESG Pressures

Across all real estate sectors in Scotland, from energy-efficient logistics hubs to carbon-conscious hotels, investors and occupiers are under mounting pressure to align with net zero targets and Environmental, Social, and Governance (ESG) standards. The Scottish Government’s commitment to achieving net zero



5 Cadogan Street, Glasgow

emissions by 2045, five years ahead of the UK target, has led to increasingly stringent building regulations and sustainability expectations. Initiatives like the Scottish Net Zero Roadmap (SNZR) and the UK Net Zero Carbon Buildings Standard set clear benchmarks for operational and embodied carbon performance, influencing new developments and existing assets. As a result, retrofitting and sustainable design have become critical priorities to avoid obsolescence, meet regulatory expectations, and ensure long-term asset viability in a rapidly evolving market landscape.



4. Cost Pressures and Development Viability

Rising construction costs, elevated borrowing rates, and a softening in yields are placing increasing strain on development viability, affecting both speculative and pre-let projects. In cities like Edinburgh, Glasgow, and Aberdeen, schemes such as retail redevelopments, hotel refurbishments, and industrial expansions will require robust justification through demonstrable occupier demand or highly strategic locations. Given the added complexity

“Hybrid working models redefine office space requirements, prompting demand for flexible, well-located, and amenity-rich workplaces, particularly in core markets like Edinburgh and Glasgow.”

of Scotland’s planning environment and regional economic disparities, developers and investors adopt a more cautious, evidence-based approach to ensure projects make financial sense and align with long-term market fundamentals.



5. Changing Consumer and Occupier Behaviour

Post-pandemic behavioural shifts continue to reshape Scotland’s real estate landscape. Hybrid working models redefine office space requirements, prompting demand for flexible, well-located, and amenity-rich workplaces, particularly in core markets like Edinburgh and Glasgow. Simultaneously, the sustained growth of e-commerce is fuelling demand for industrial and logistics space, including last-mile delivery hubs in urban peripheries. Meanwhile, experience-led retail and hospitality are regaining momentum, with consumers seeking more engaging, service-oriented destinations. To remain competitive, developers and landlords across Scotland must respond with agility, embracing innovative design, mixed-use integration, and adaptability to evolving occupier and consumer preferences.



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



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