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# MULTI-LET

The definitive guide to the UK's multi-let industrial property market

Autumn bulletin 2023

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# MARKET OVERVIEW

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This is an autumn update to our unique annual syndicated research study. Follow this link for more in-depth analysis of the annual data to end-2022. This latest edition is forward-looking and contains new econometric models and explicit forecast numbers for prime and secondary ERVs, passing rents and reversion, and default and void rates, along with total return and its components.

Rental growth has cooled but industrial is the only sector with continued momentum. For multi-let, reversion between passing and market rents, prime/secondary spread and ERV premium for London & the South East over the rest of the UK are all at record highs.

Low void rates have ticked up since 2021, but this is due to tenant churn rather than current or pipeline development supply, which continues to be very limited. Multi-let default and void rates will "peak" in 2024 but remain well below previous cycles.

We forecast a U-shape profile for nominal rental growth that is significantly lower than the exceptional highs of 2021 and 2022 but remains positive over 2023-27. Meanwhile, high passing rental growth will be sustained over this period as reversion is unwound.

Multi-let yields have been remarkably flat over the entirety of 2023 so far. This stability has been driven by investor confidence in the occupier market, though broader investor sentiment has been impacted by recent geopolitical volatility.

Interest rates may have peaked but the Bank of England's "high-for-longer" narrative continues to dampen sentiment and impact pricing. However, there is reason to believe this wording reflects a policy tool rather than an explicit forecast, and interest rates could be cut more aggressively from late-2024 than is currently priced in. This would have positive implications for multi-let returns, which are already forecast to continue to outperform the other property sectors.



£15.93psf ▲
ERV, London & the South East Q3 2023

£7.82psf ▲
ERV, Rest of UK Q3 2023

6.0% ▲
Forecast UK multi-let default rate peak in 2024

9.2% ▲
Forecast UK multi-let void rate peak in 2024

3.2% ▼
Forecast UK multi-let average annual rental growth rate, 2024-27

8.5% ▲
Forecast UK multi-let average annual total return, 2024-27

# CONTRIBUTORS

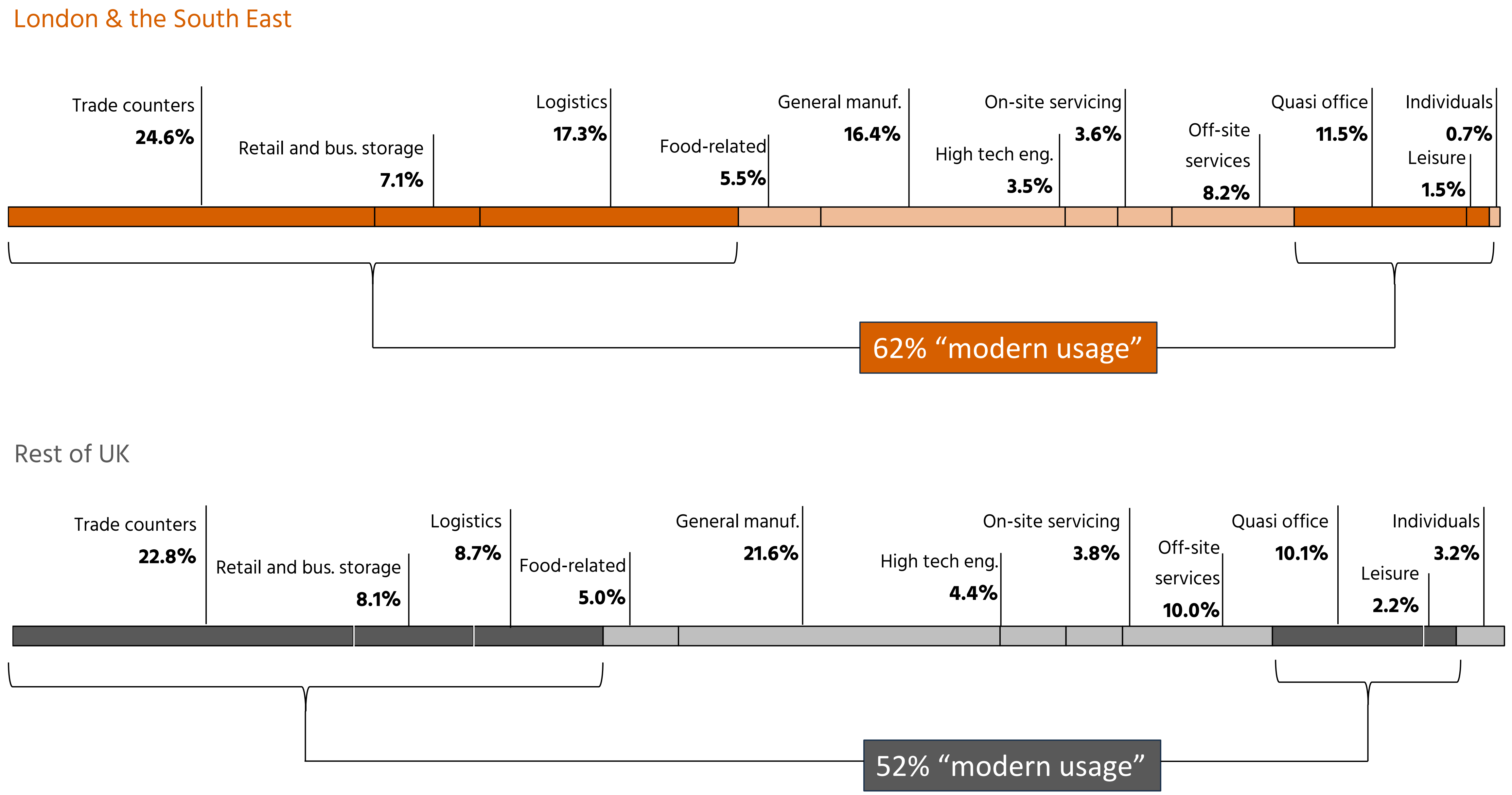
Multi-let is Gerald Eve's unique and market-leading syndicated study that provides detailed industry-reference insight into what would otherwise be an opaque sector.

The results are built from the bottom up, using individual tenancy information on units between 500 sq ft and 50,000 sq ft in size.

The information spans **15 years**, covering many tens of thousands of individual assets over that time, with a sample size of **146 million sq ft**, valued at over **£26bn**.

Many thanks to the leading UK multi-let industrial property investors who contribute their data to make this important study possible.

# MULTI-LET OCCUPIERS - FOOTPRINTS




"Modern usage" defined as the less traditional, more gentrified activities of retail and logistics, quasi-office and leisure.

### The unique occupier base of multi-let industrial

Multi-let industrial is well established as a top performing UK property segment, although any real formalised understanding of its many facets is difficult to obtain outside of this research study.

Total returns have significantly outperformed retail and office assets over almost every time horizon and the sector demonstrated exceptional resilience through the Covid-19 pandemic and the more recent economic slowdown. Key to multi-let's success is its transition from traditional industrial use to a diverse, modern and flexible asset class well positioned for future challenges and opportunities.

Multi-let units in this research are between 500- 50,000 sq ft in size and have some similarities to larger industrial units, either in supporting common kinds of business activities or as a trickle-down support, such as logistics, manufacturing/engineering or ancillary activities for the big boxes used in the creative and media industry.

The segment additionally benefits from its own unique offering and can host quasi-retail/office/leisure activities such as trade counters, legal, finance, public sector and other professional services offices, data centres, breweries and bakeries (perhaps with a public bar or café), Q-commerce and dark kitchens, gyms, florists, soft play, even dentists or hairdressers and wide variety of other micro businesses.

The modern multi-let estate provides a significantly more gentrified and public-facing environment than even 10 years ago. This added diversity is enormously helpful during this more challenging period for the economy and provides real defensiveness and resilience for the occupier market, which continues to appeal to investors.

# MULTI-LET OCCUPIERS – BUSINESS SECTOR OVERVIEW

**TRADE COUNTERS:** The largest individual segment in multi-let continues to be the mainstay of occupier demand. However, construction and household sector weaknesses means many tenants are in wait-and-see mode when it comes to expansion plans. Most are currently focussing on lease renewals to maintain their space and seek cost-effective improvements where possible.

**LOGISTICS:** An integral part of the industrial market clustered around the UK's densely-populated urban centres. Structural e-commerce tailwinds continue to support parcel & post occupiers. However, the proportion of online spend has returned to its pre-pandemic trend and strong take-up over recent years means that most requirements have largely been satisfied for the short term.

**FOOD-RELATED:** Q-commerce has been the disruptive new entrant in recent years, rivalling logistics occupiers to establish networks with last touch depots in premier locations. The sector has now matured, which has eased requirements for new space. Meanwhile some specialist food suppliers to restaurants have been impacted by the slowdown in discretionary spend.

**GENERAL MANUFACTURING:** This longstanding traditional activity in multi-let has been crowded out to some extent but continues to have the second largest footprint after trade counters in many UK regions. Despite current economic headwinds at home and abroad, occupier demand is supported by numerous manufacturing hubs, government action plans and the rise in nearshoring.

**HIGH-TECH ENGINEERING:** The more specialist end of the production industries in multi-let occupies a smaller and typically more expensive footprint. Occupier demand has been buoyed in recent years by pharmaceutical R&D, and through technological advances in the automotive industry and aeronautics. An acceleration in the use of AI is likely to provide a boost in the coming years.

**ON-SITE SERVICING:** A diminishing component of the multi-let occupier footprint, certainly in the institutional portfolios. MOT centre operators now account for only low single digit percentages of floorspace. The business model for these types of tenants is under threat as automotive technology moves on and multi-let rent affordability becomes more of an issue.

**OFF-SITE SERVICES:** This segment includes vehicle & equipment hire along with activities related to the construction sector. It is a challenging period for construction, reflected in its 40% average share of UK company insolvencies. However, there has been limited passthrough to multi-let and units have not come back to the market with any regularity.

**QUASI-OFFICE:** This segment can include any type of office use, for example public sector, legal, finance and more broadly the creative industries. The diversity of demand and the flexibility and relative affordability compared with traditional offices gives this segment real defensive resilience. Datacentre use provides another significant opportunistic strand of future demand.

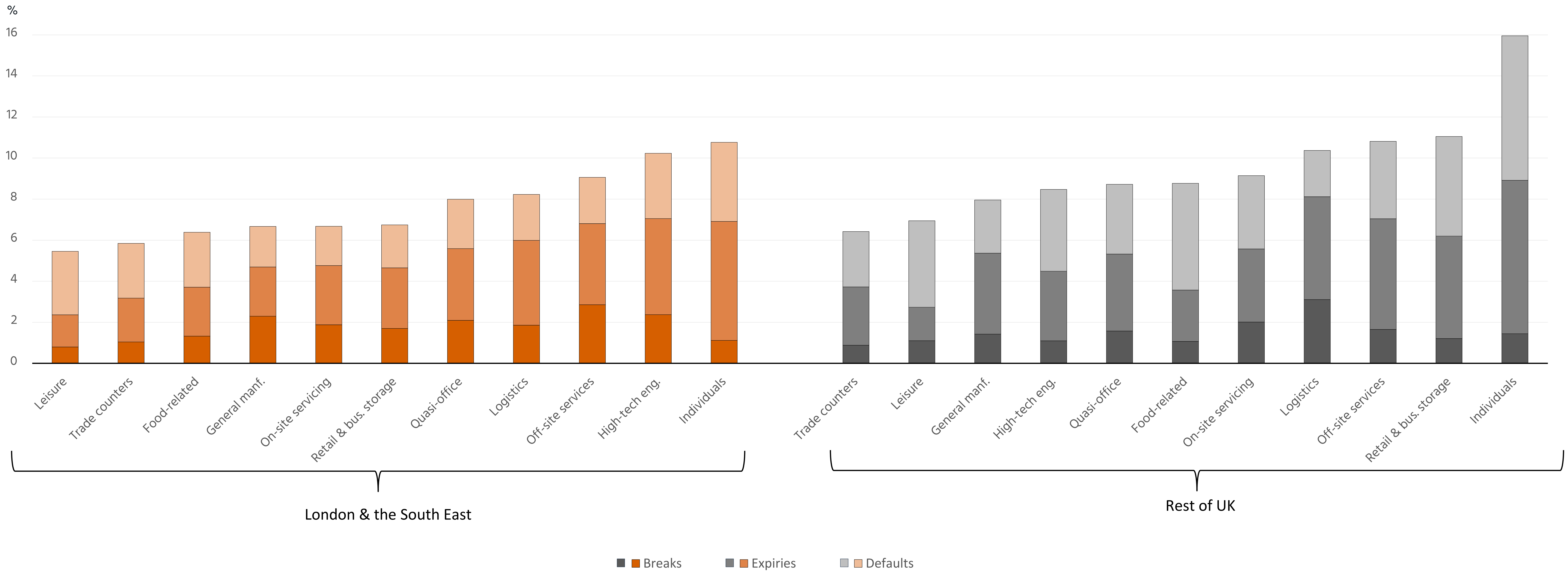
**LEISURE:** The occupier footprint is relatively small and tends towards health and fitness when nearer urban centres and child-friendly play and/or sports such as karting in more peripheral locations. Occupiers that rely on discretionary spend are under pressure currently and the default risk is higher than several of the other multi-let use types.

**INDIVIDUALS:** These micro business tend to represent the smallest component of multi-let occupier demand. However, some pockets remain quite prevalent in more peripheral locations outside of the South East in sub-5,000 sq ft units. The current unpredictability of economic activity coupled with high input cost inflation and strained borrowing affordability puts these tenants at high risk.

# MULTI-LET OCCUPIERS – RISK PROFILE

**5-year average annual risk by component, occupier type and major region**

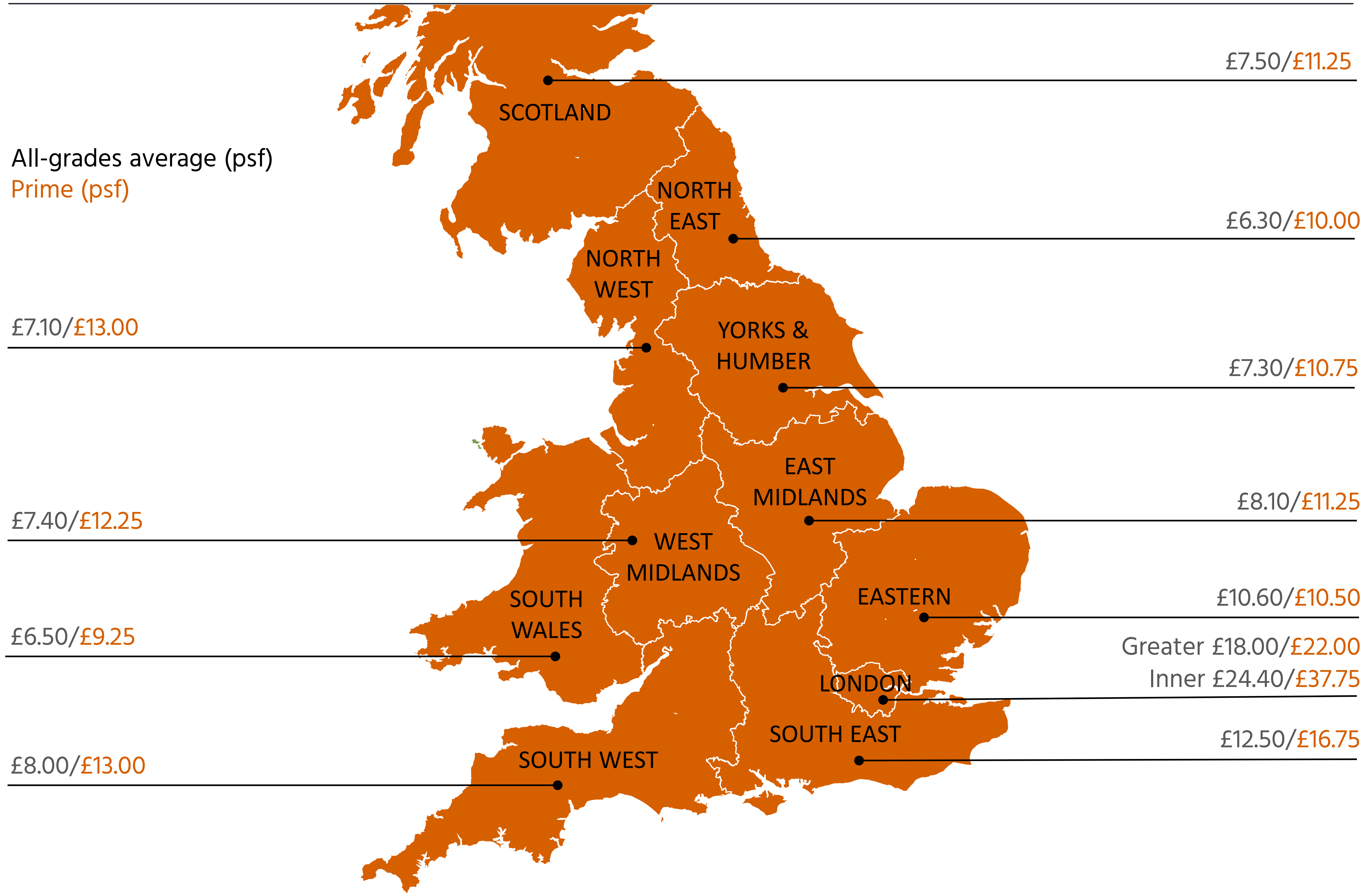
Source: Gerald Eve



# INCOME - ERVs

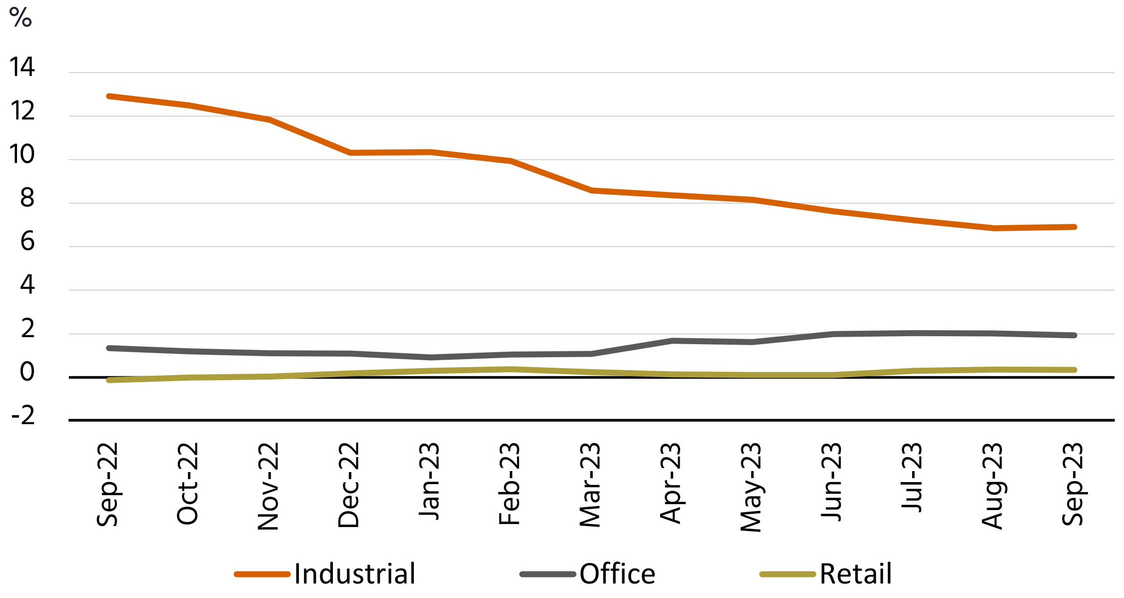
**Prime and all-grades market rents by region, Q3 2023**

Source: Gerald Eve




**All-grades annual rental growth by sector**

Source: MSCI

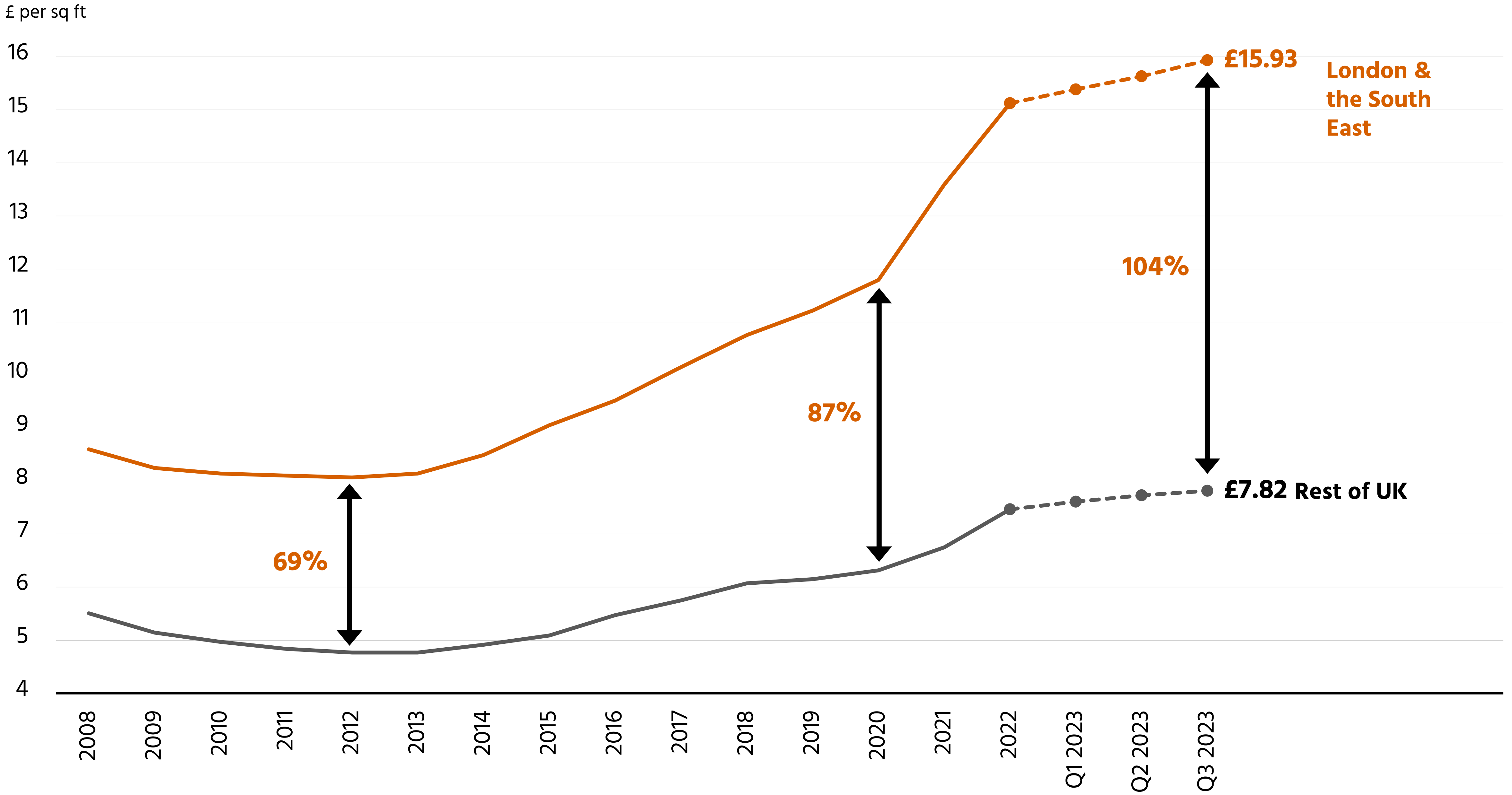



Industrial rental growth has eased since the frenetic activity of 2021 and 2022 and as the market finds a new post-pandemic equilibrium. Nevertheless, Industrial is far stronger than comparator major property sectors and is the only one with any real continued momentum. Occupier demand has softened and there have been some longer void periods as landlords hold on for the best headline rents. But supply is limited across many markets, which has either maintained nominal prime rents or continued to move some on in Q3. The relative thinness of market activity and "flight to prime" means that the spread between prime and secondary rents has widened further, as has the premium on multi-let ERVs in London & the South East compared with counterparts in the rest of the UK, which reached over 104% in Q3. This is up from 87% pre-Covid and 69% at the rental trough in 2012.

# INCOME - ERVs


**Multi-let ERVs by major region**

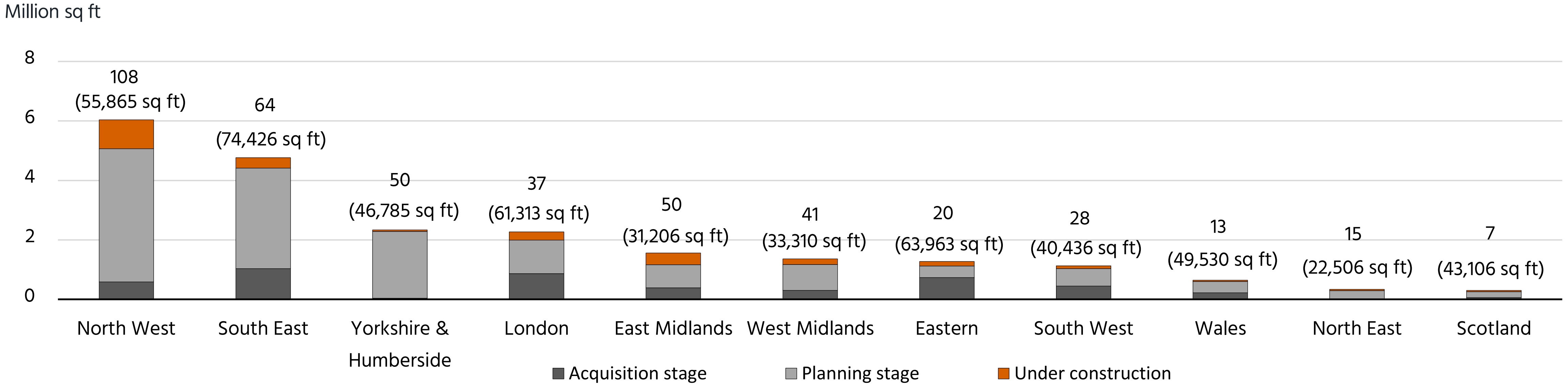
Source: Gerald Eve, MSCI



# SUPPLY AND DEVELOPMENT

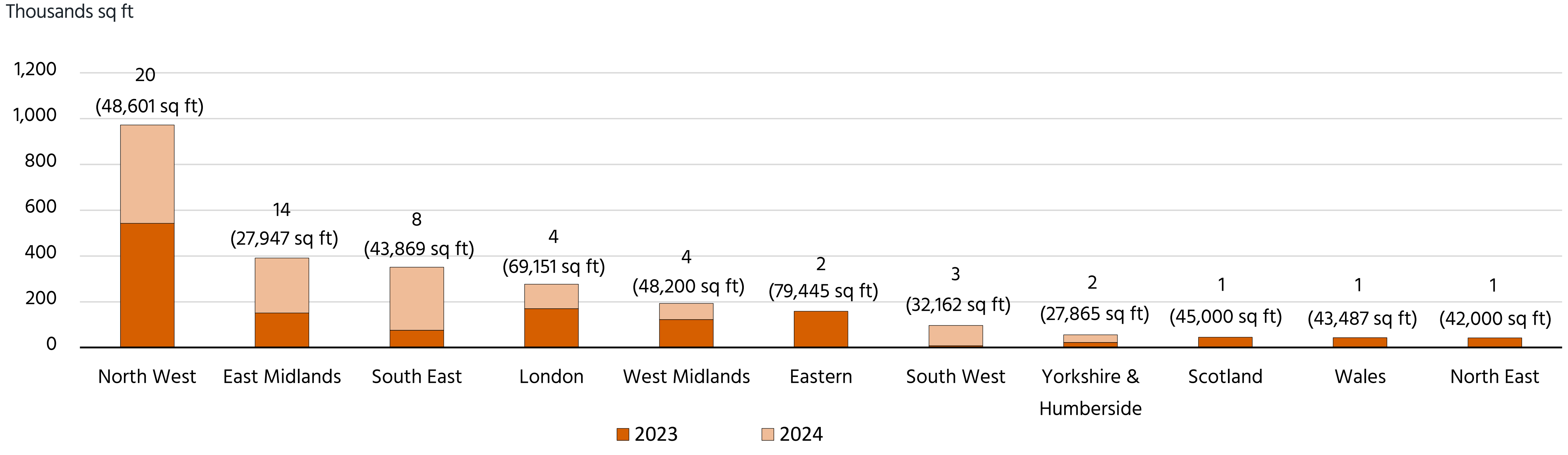
### Multi-let development pipeline by region, no. of schemes (and average scheme size)

Source: Gerald Eve, Property Data




### Expected completion dates of schemes under construction

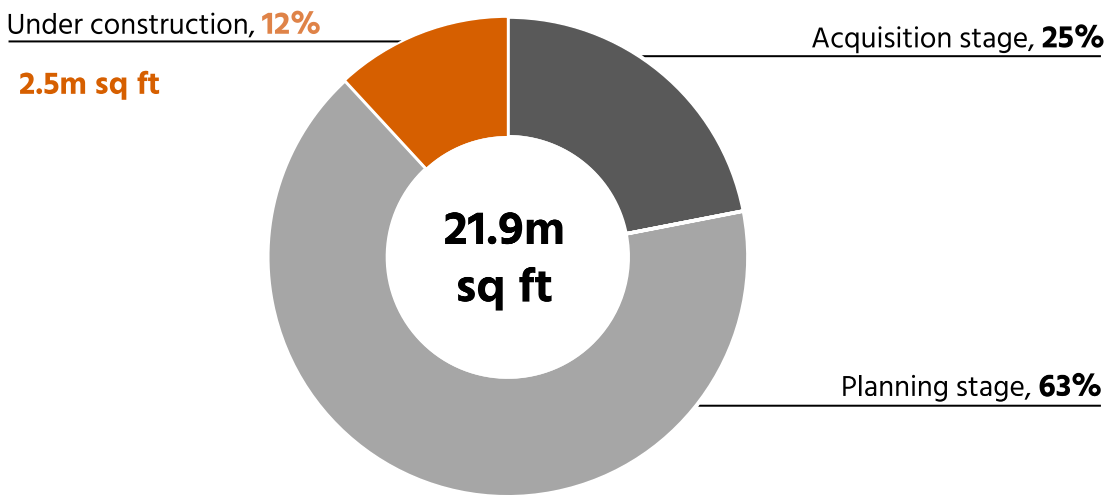
Source: Gerald Eve, Property Data




Development pipeline records suggest there are currently 418 multi-let schemes at various stages across the UK, totalling a potential 21.9 million sq ft. However, activity is limited since development cost often exceeds the market capital value and thus only around 12% of the pipeline is under construction. Individual schemes are small, with even the largest in the South East averaging less than 75,000 sq ft in total. The most active region is the North West, with almost a million sq ft over 20 different schemes due to complete over 2023 and 2024. The key message, however, continues to be that this is all relatively marginal in the context of the overall size of the UK multi-let market, which is estimated to be over half a billion sq ft. For example, if all the space under construction were speculatively delivered and hypothetically remained void it would add perhaps 0.5-1%pt to the overall UK multi-let void rate.

### UK multi-let development pipeline by status

Source: Gerald Eve, Property Data



# OCCUPIER MARKET OUTLOOK

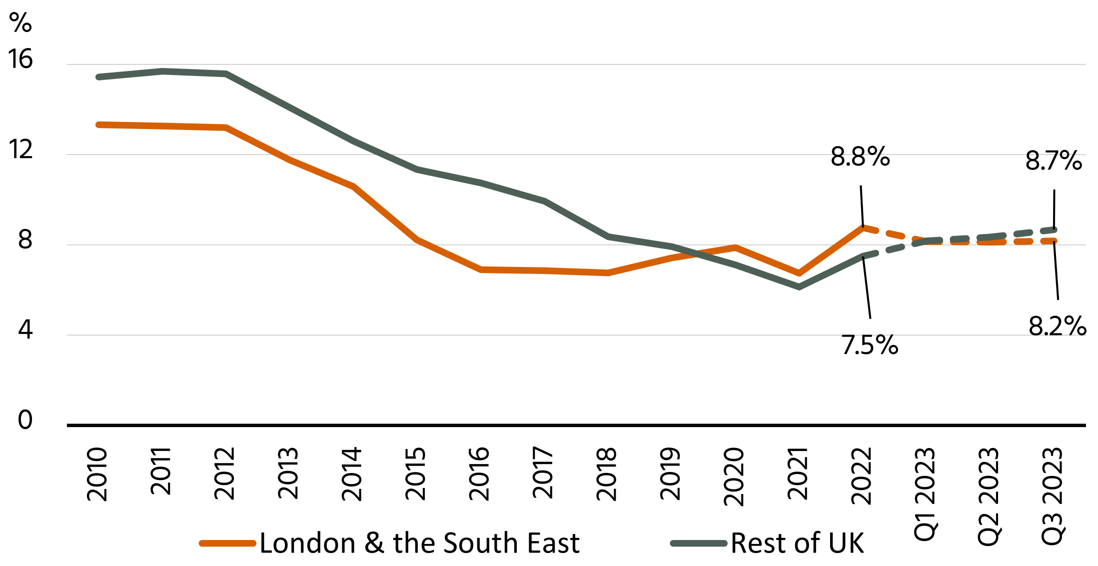
The multi-let study data are at an annual frequency but other leading indicators can give an estimate of the three quarters of 2023. The data suggest that void rates have ticked up from record lows of between 6-7% in 2021 to between 8.2-8.7% in Q3 2023. Notably, the spread between the void rates in London & the South East and the Rest of the UK has been eroded. In part, longer void periods more recently in Inner London has contributed to this.

In London, where multi-let ERVs are the highest in the UK, landlords have continually pushed to achieve record new headline rents and capture any potential reversion. Increasingly this might require holding out for a specialist tenant that inelastically requires an Inner London location that justifies the exceptional rent. This also may displace more footloose occupiers to take up space and push up multi-let rents in more peripheral Greater London or South Eastern markets.

The broader tick-up in the multi-let void rates since 2021 is predominantly a consequence of tenant churn and not due to current or pipeline development supply. The multi-let default rate was a record low 2.4% in 2021 and this stepped up to 4.3% in 2022. The UK company insolvency rate has a good correlation with the multi-let default rate, and the expected peak for both in 2024 is likely to be the bottom of the market in this cycle before falling back over 2025-27 as the economy gains some more traction.

Tenant churn and defaults are a relatively narrow channel to generate increased multi-let voids and thus the "peak" in vacancy rates anticipated in 2024 is likely to be moderate and come in at under 10%. This compares with void rates in the low to mid-teens in 2010 after the global financial crisis. From 2025 onwards we expect void rates to ease. This will particularly be the case in London & the South East, which benefits from the covenant strength of a relatively greater proportion of larger national and international occupiers.

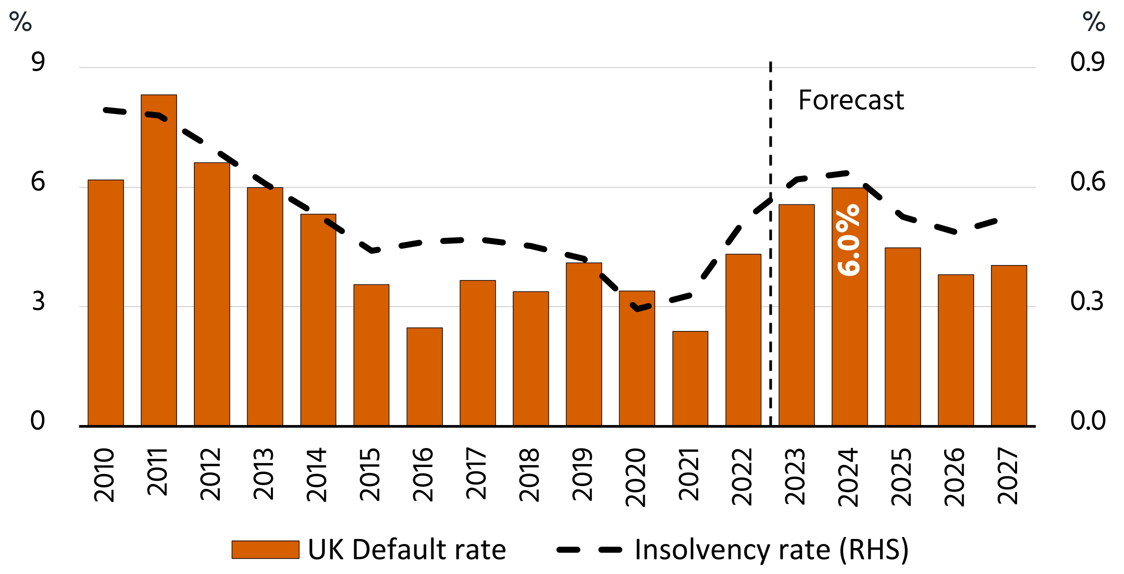
**Multi-let void rates by major region**
Source: Gerald Eve, MSCI



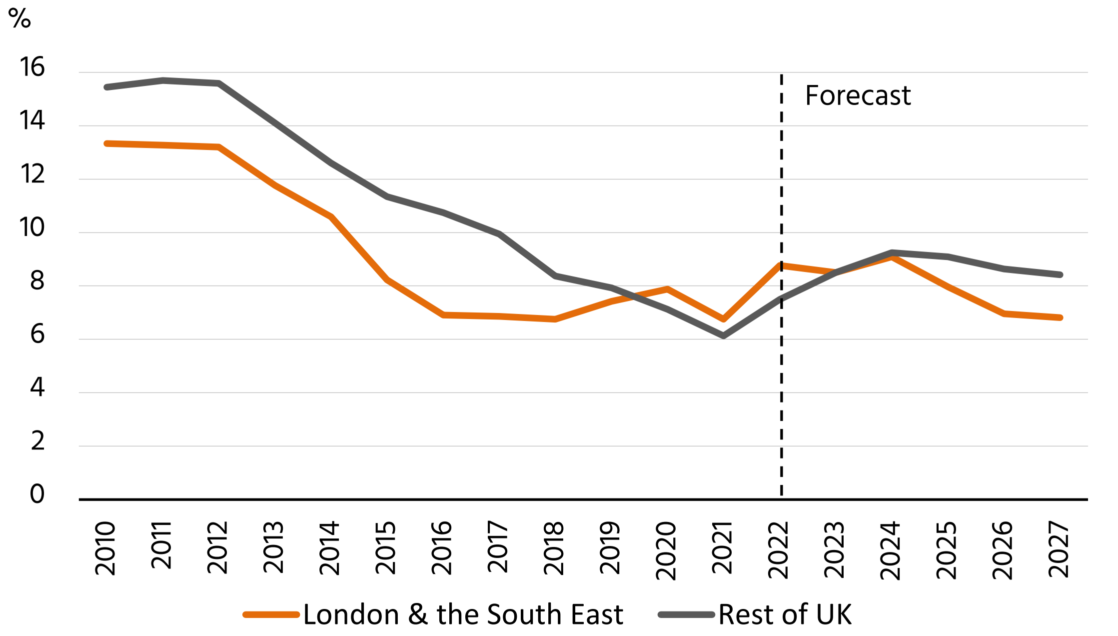

"This is challenging period for individual multi-let occupiers and the market is less of a one-way street than we've been used to. But it continues to be the case that the sheer volume and diversity of tenants set against the real limitations of undersupply has put a floor on any negative fallout. It continues to be important for many multi-let tenants to maximise the ESG credentials of the space they occupy where possible. Since grade A ratings are typically only offered through brand new development these remain relatively scarce. The demand/supply imbalance at the top end is only likely to increase and further polarise multi-let prime rents away from the rest of the market."

**- Josh Pater, Partner**

**Multi-let default rate and company insolvency rate**
Source: Gerald Eve, ONS, The Insolvency Service

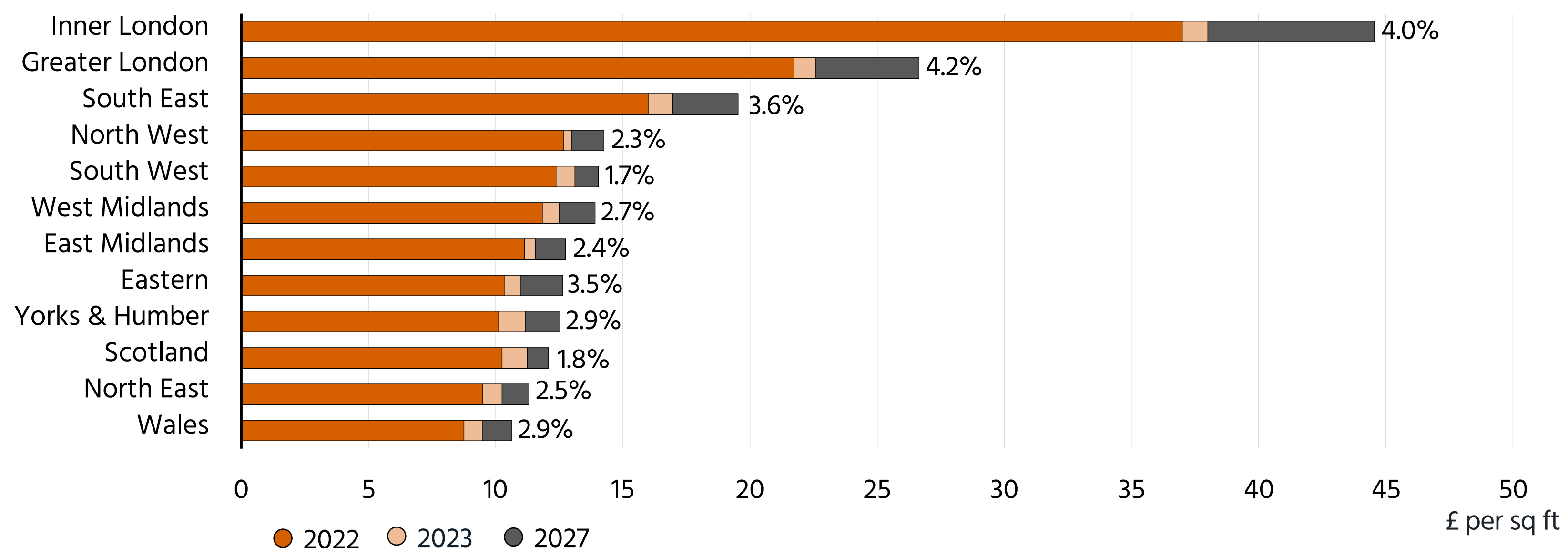



**Multi-let void rates by major region**
Source: Gerald Eve

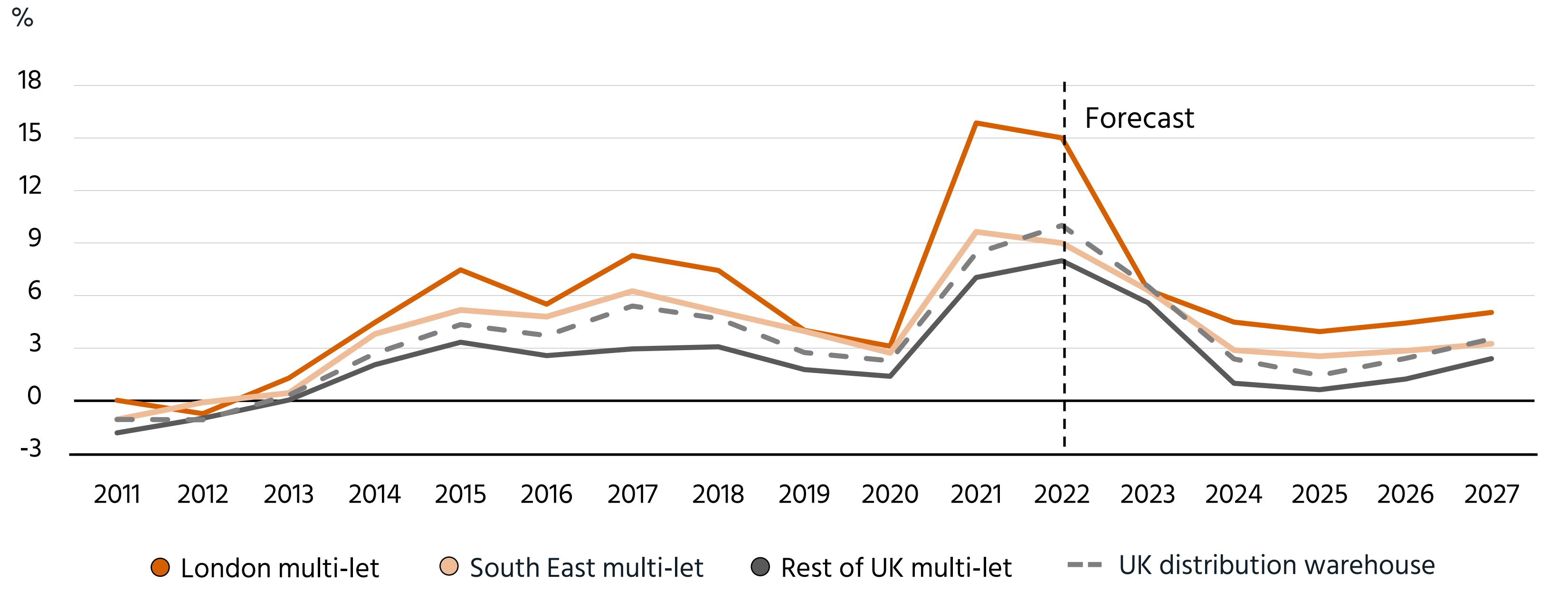


# RENTAL GROWTH OUTLOOK

**Prime multi-let rents and average annual growth 2023-27**
Source: Gerald Eve




**All-grades multi-let rental growth**
Source: MSCI, Gerald Eve

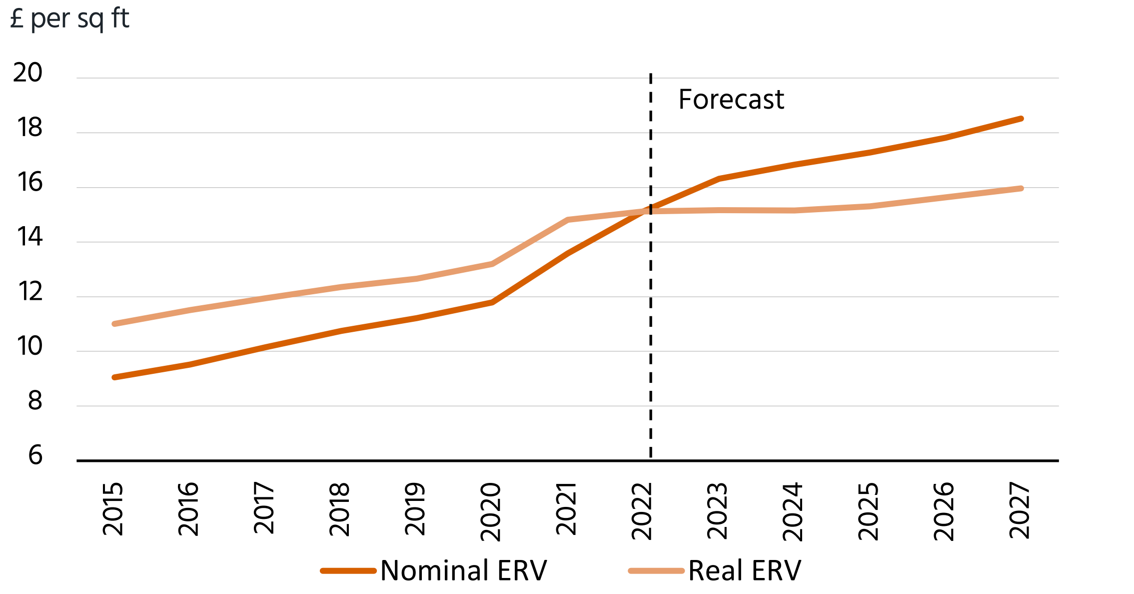



The moderate void rate peak expected in 2024 means that while we forecast a U-shape profile for nominal rental growth that is significantly lower than the exceptional highs of 2021 and 2022, the figures should remain positive for the entirety of 2023-27. Higher value and more resilient occupier activities in London and the South East means these locations are predicted to continue to outperform. Overleaf, rents in real terms (netting out inflation) shows that ERVs of both major UK regions have trended upwards since the trough in 2013 but by only a cumulative 50% in London & the South East and 27% in the rest of the UK. Real ERVs over 2023-25 can expect to flatline in London & the South East and even fall moderately in the rest of the UK. This arguably offers greater subsequent future rental headroom and affordability than the general perception of headline rents having increased to an almost unsustainable level. Passing rental growth over 2023-27 is forecast to be far stronger than ERV growth and potentially more than 7.5% on average per year in London & the South East as the exceptional amount of reversion built up over 2021 and 2022 is unwound.

# RENTAL GROWTH OUTLOOK

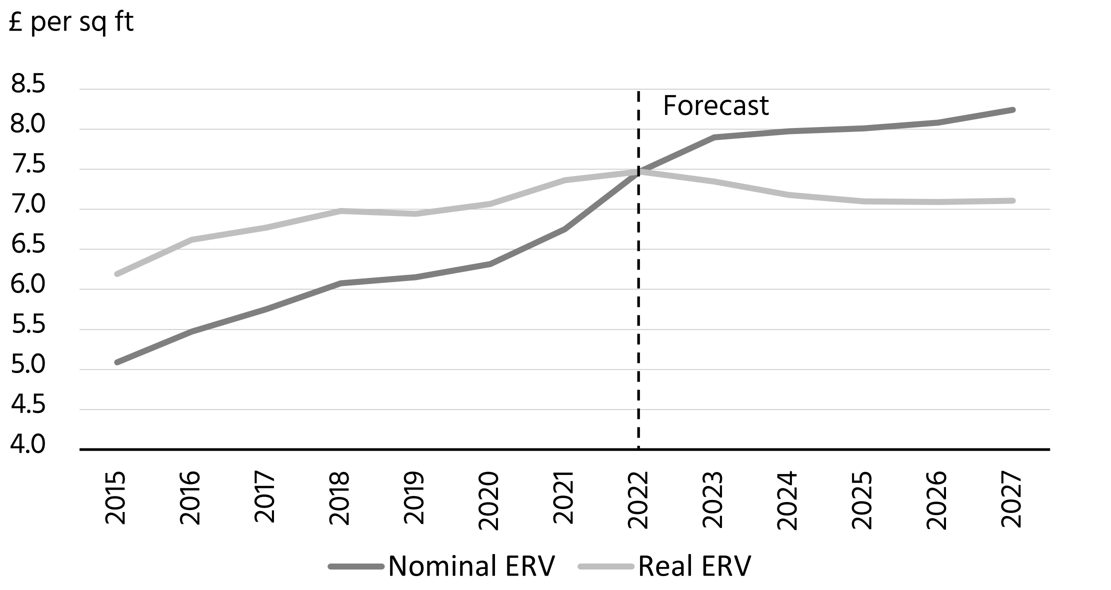
**London & the South East, Nominal and real ERV**

Source: Gerald Eve



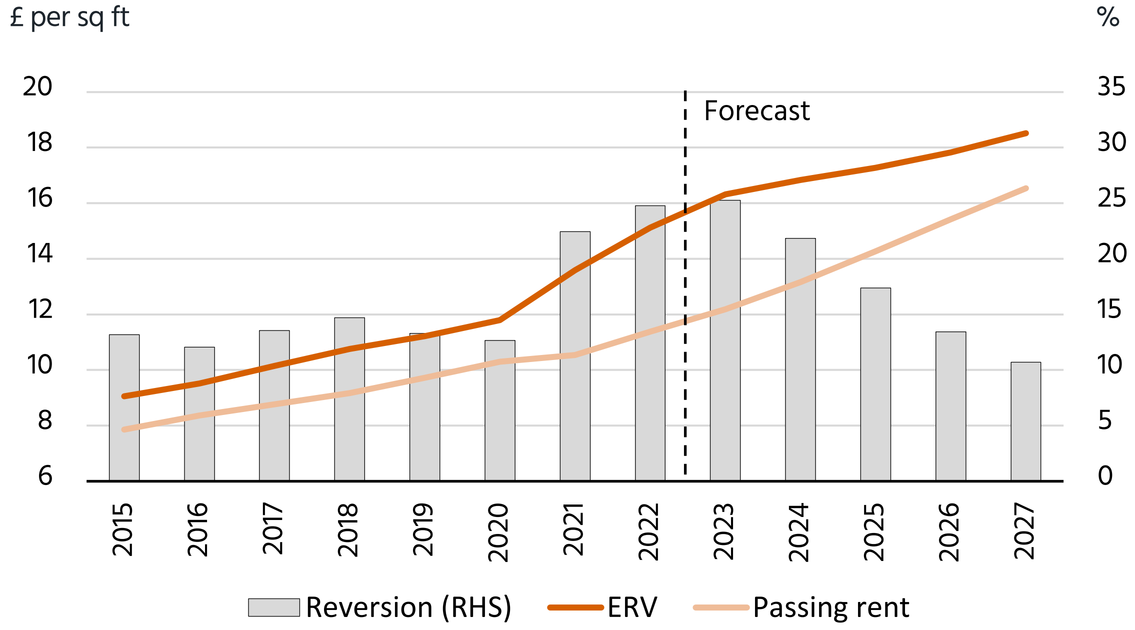

**Rest of UK, Nominal and real ERV**

Source: Gerald Eve



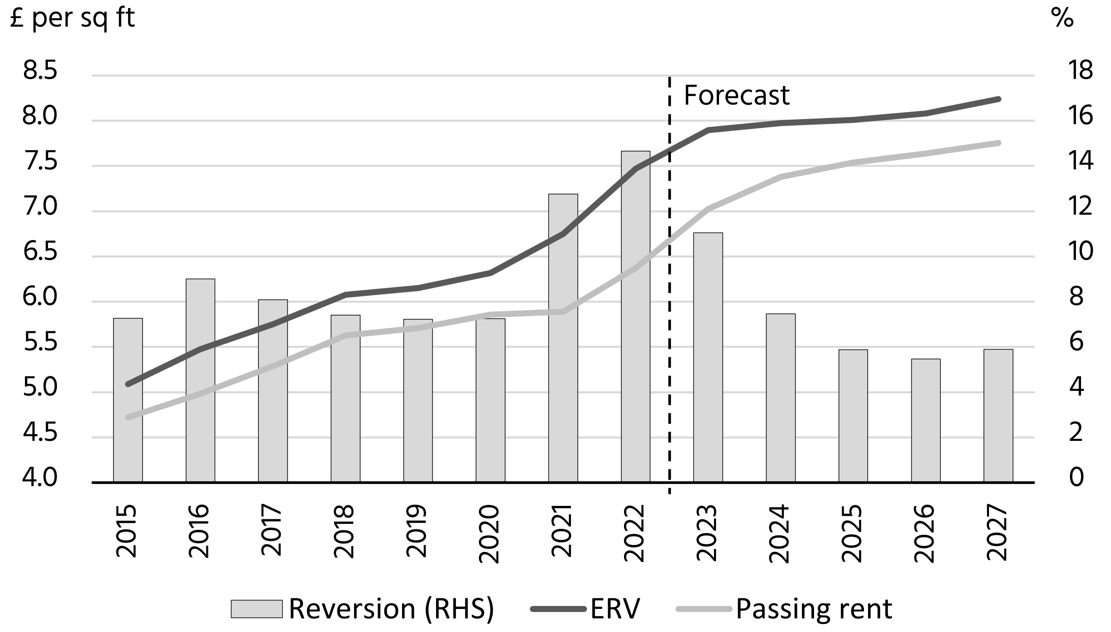

**London & the South East, ERV, passing rent and reversion**

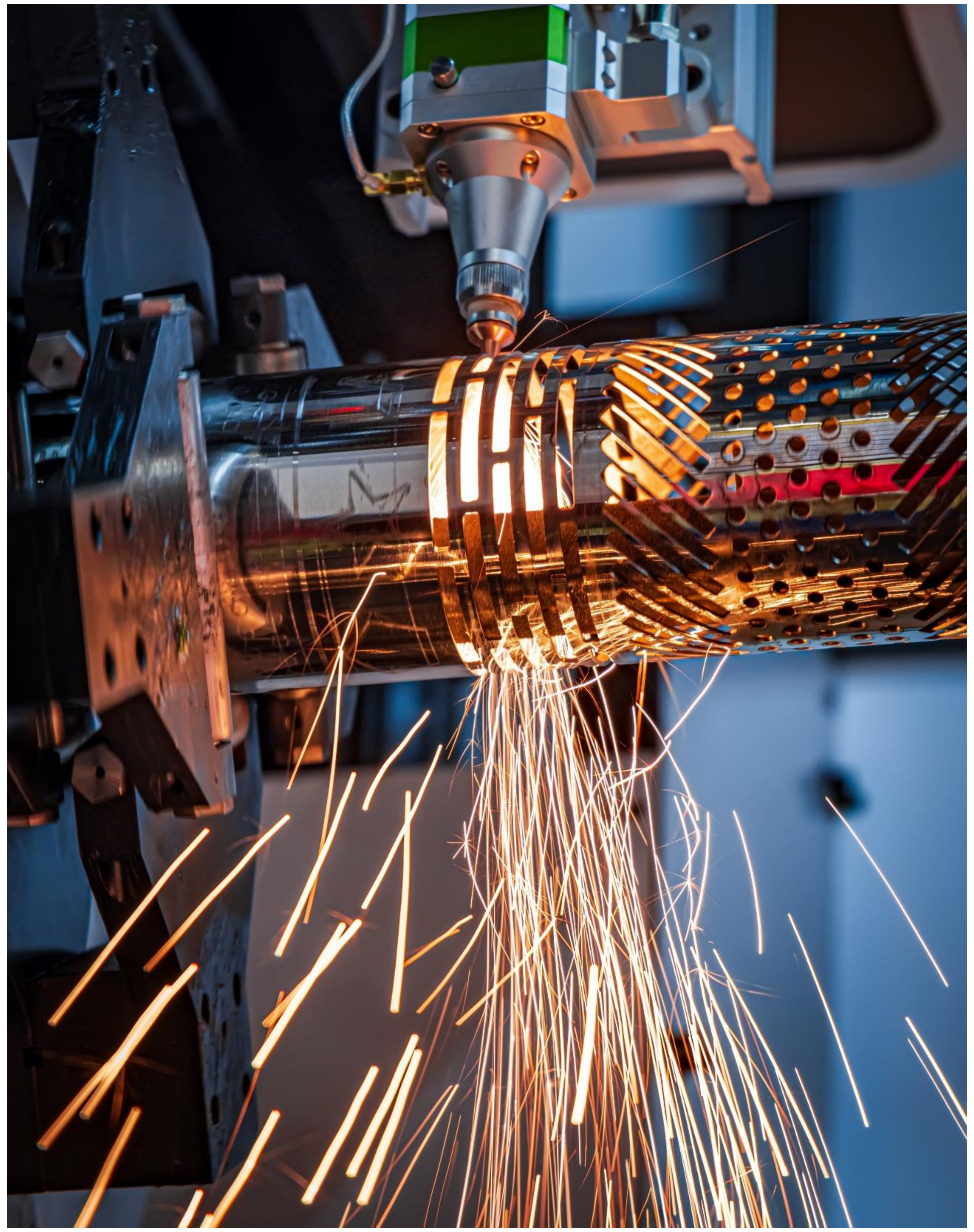
Source: Gerald Eve




**Rest of UK, ERV, passing rent and reversion**

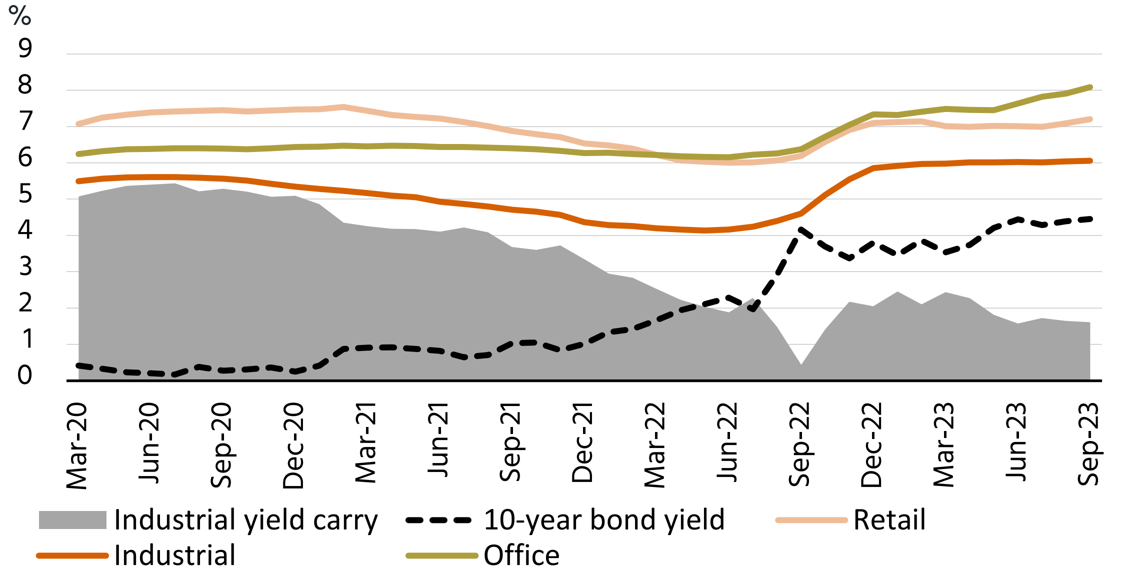
Source: Gerald Eve



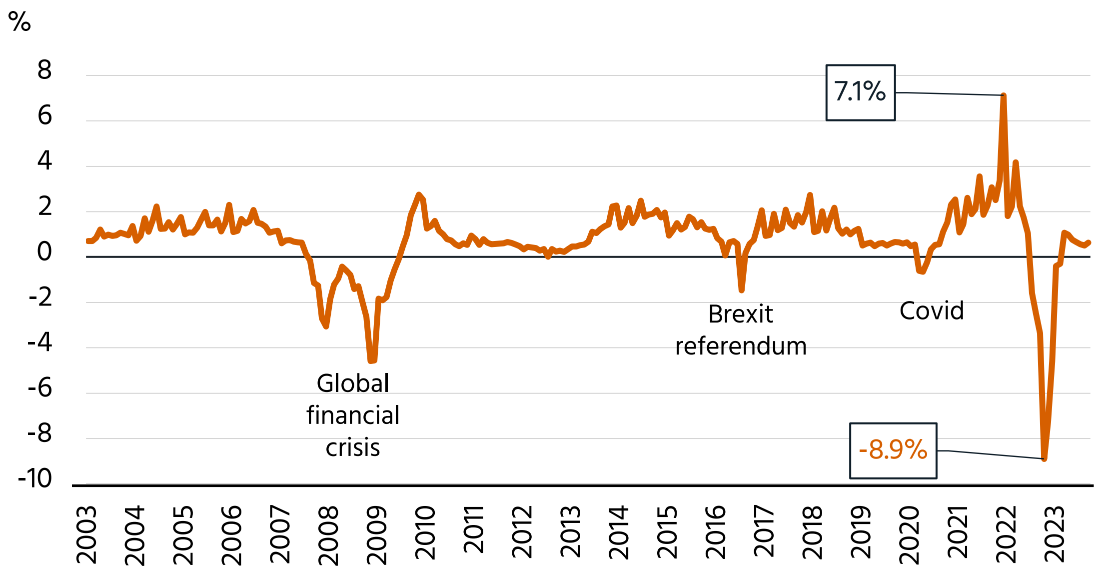



# INVESTMENT MARKET

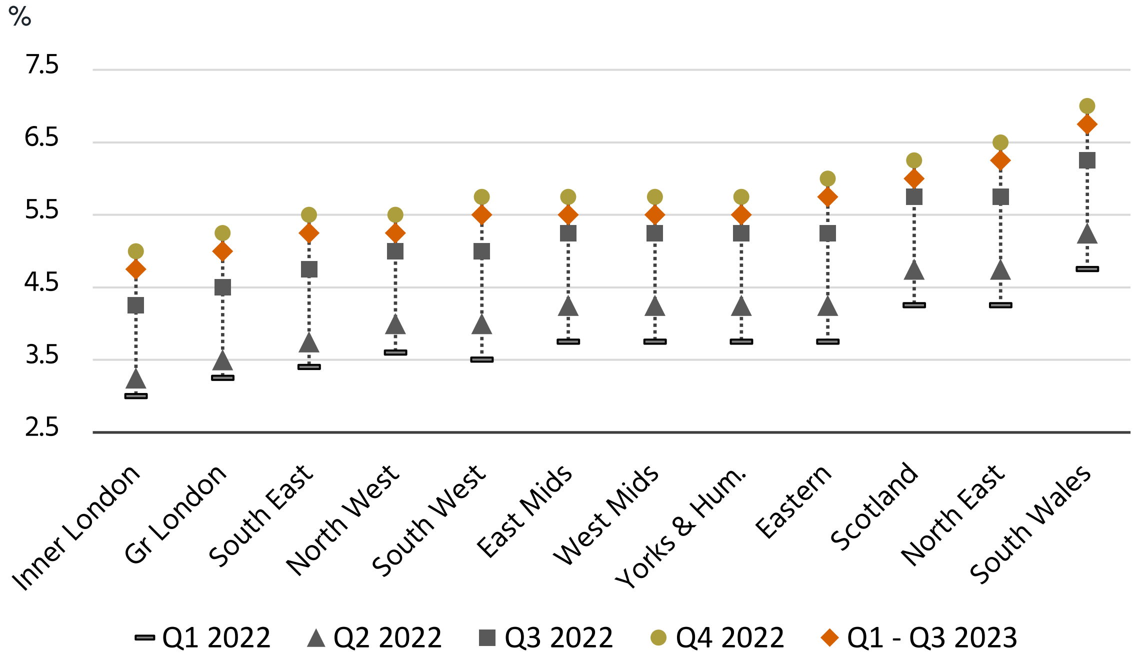
### Sector equivalent yields and 10-year bond yield
Source: Gerald Eve, Bank of England, MSCI



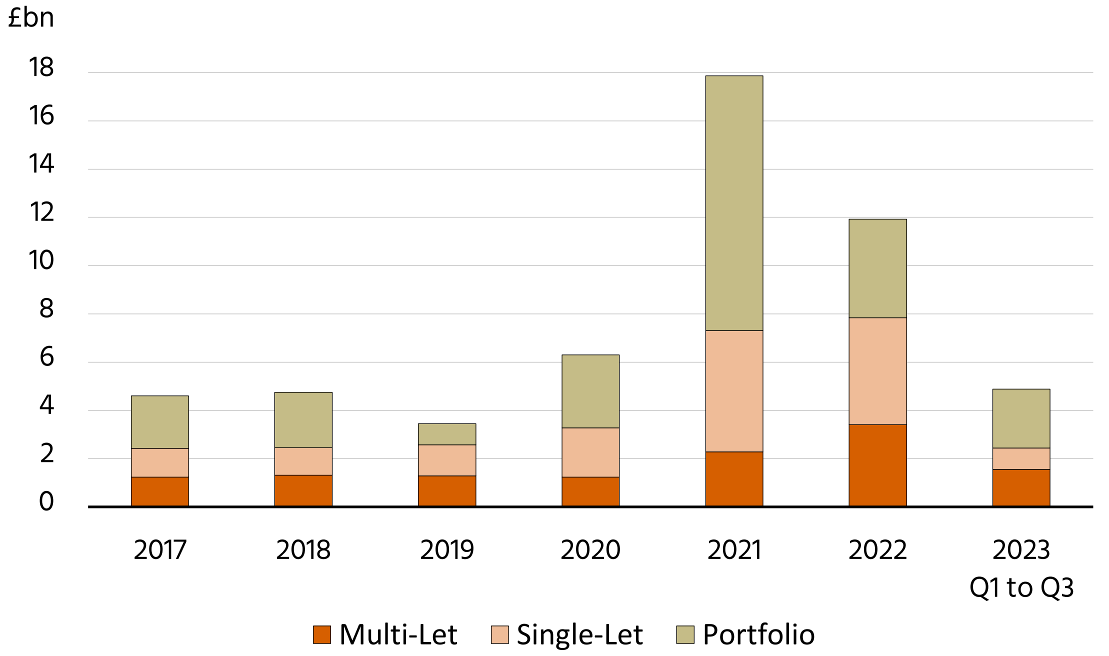

### UK multi-let monthly total return
Source: MSCI, Gerald Eve




### Prime multi-let yields by region
Source: Gerald Eve




### Industrial investment transaction volumes by segment
Source: Gerald Eve




Industrial equivalent yields moved out more significantly than the other property sectors in the great repricing of late 2022 – around 190bps compared with 110bps for retail and offices. Moreover, this was off a much lower yield base than the other sectors, so the resulting negative yield impact was far greater. On a monthly basis, multi-let suffered a record -8.9% total return in October 2022.

Early in 2023 the weight of global equity targeting industrial set against a lack of investment product caused industrial yields in the direct market to come back in a little, certainly at the prime end. However, this was smoothed out in the valuation yields, which have been remarkably flat over the entirety of 2023 so far. This stability has been driven by investor confidence in the occupier market. However, secondary pricing has been more significantly impacted by the increase in the cost of debt and yields have softened in 2023.

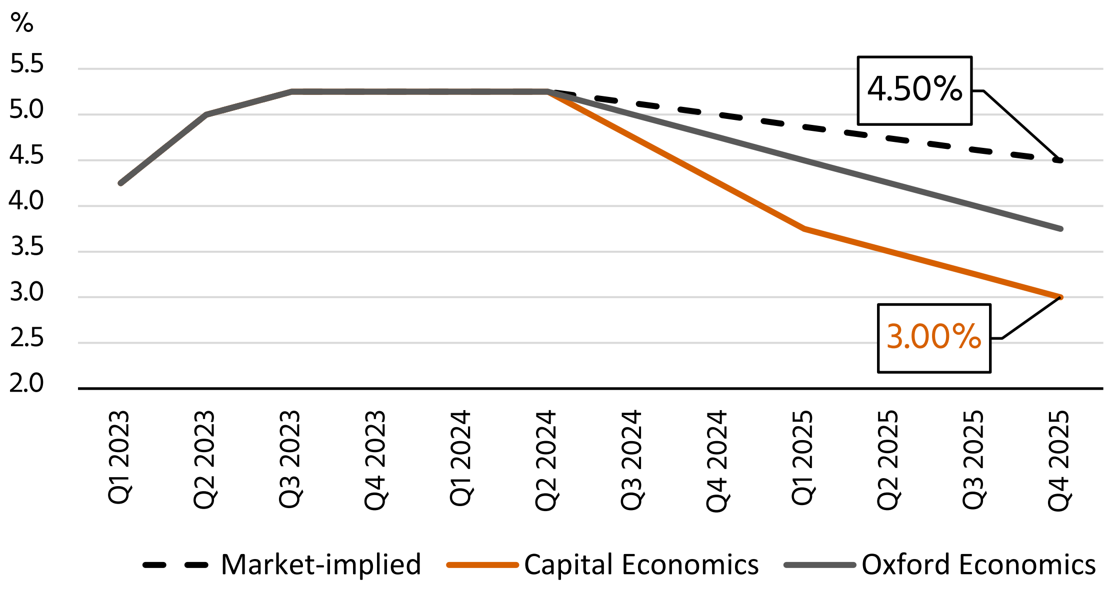
Transaction volumes are significantly down from the exceptional figures recorded in 2021 and 2022, but the first three quarters of 2023 are in line with 2017-2020. The final quarter of 2023 is likely to be weak, given the recent increased geopolitical volatility that has impacted sentiment and narrowed buy-side requirements further. Commodities and money markets from recent events have been relatively unaffected, but there is investor hesitation borne out of aversion to when, where and what magnitude the ultimate negative economic fallout might be.

Interest rates may have peaked but the Bank of England's "high-for-longer" narrative continues to dampen sentiment and impact pricing. However, there is reason to believe this wording reflects a policy tool rather than an explicit forecast, and interest rates could be cut more aggressively from late-2024 than is currently priced in (see overleaf).

# PERFORMANCE AND OUTLOOK

**UK Bank Rate forecasts**

Source: Bank of England, Oxford Economics, Capital Economics

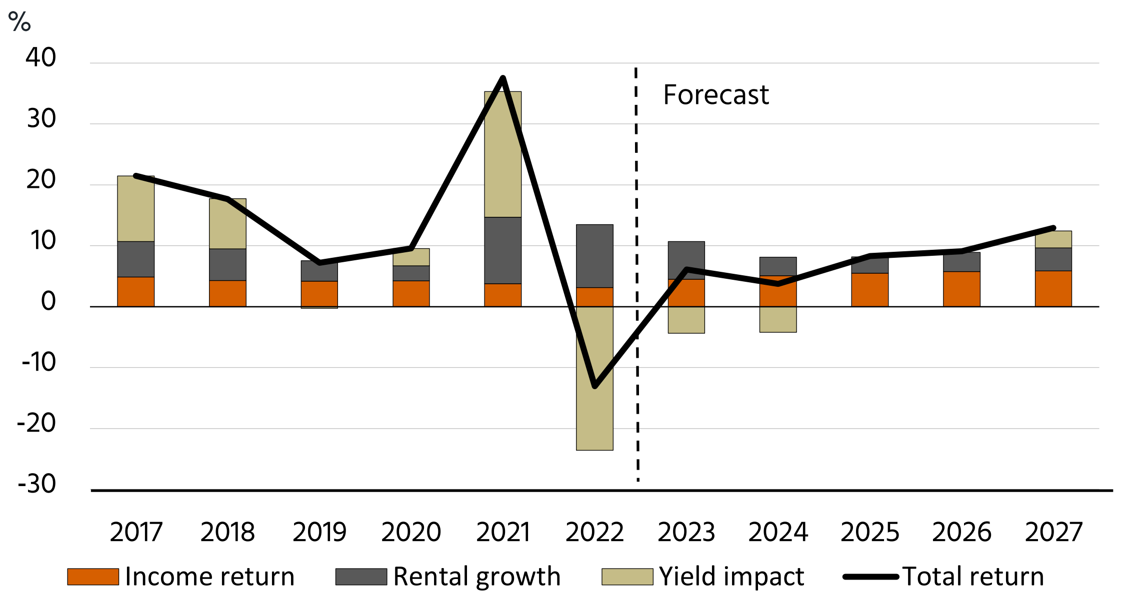



Market pricing of financial instruments implies that the Bank Rate will remain elevated and edge down only gradually to 4.5% by end-2025. The central bank narrative is that interest rates must be "sufficiently restrictive for sufficiently long" to comprehensively bring down core inflation. However, when the switch to monetary loosening to support the economy comes the expectation of many economic commentators is that it will be more aggressive than is priced in and thus provide upside potential for multi-let returns.

The base case forecast is for overall industrial yields to drift out marginally in 2023 and 2024 due to secondary softening. The mitigating factor is that property yields are below where the monetary fundamentals suggest they should be, and this will limit upside future returns over the medium term. Nevertheless, we expect industrial to continue to outperform the other sectors, albeit less emphatically than in the past.

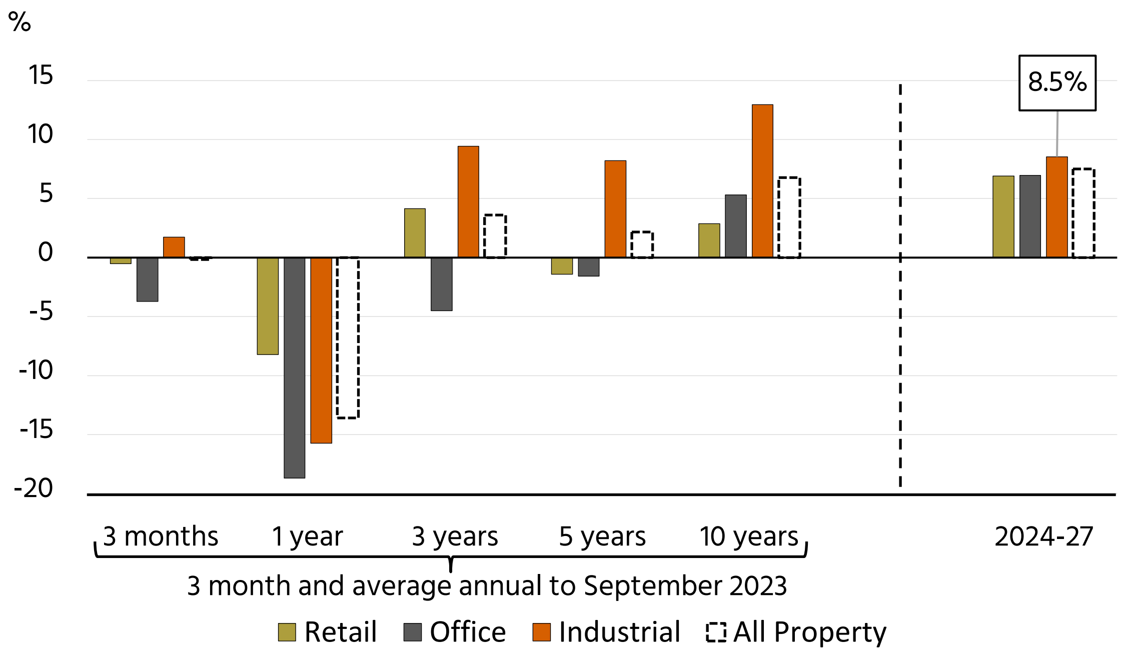
**Multi-let annual total return and components**

Source: Gerald Eve, MSCI




**Total return by sector**

Source: Gerald Eve, MSCI



# MULTI-LET REGIONS

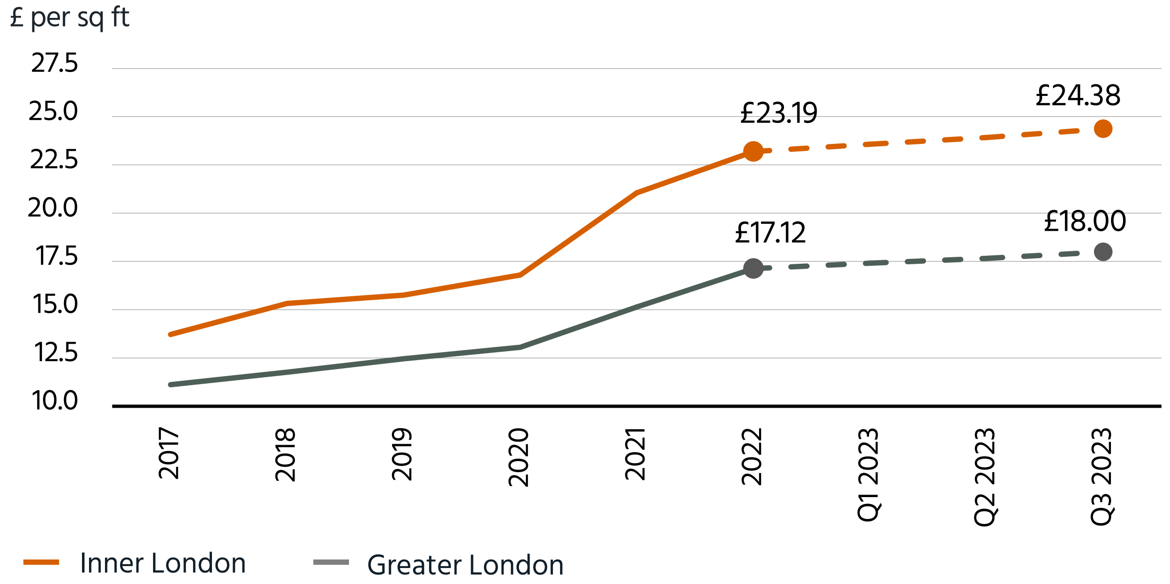
Click on a region to jump to the page for more detailed analysis and insight.

# LONDON

Continue with this region

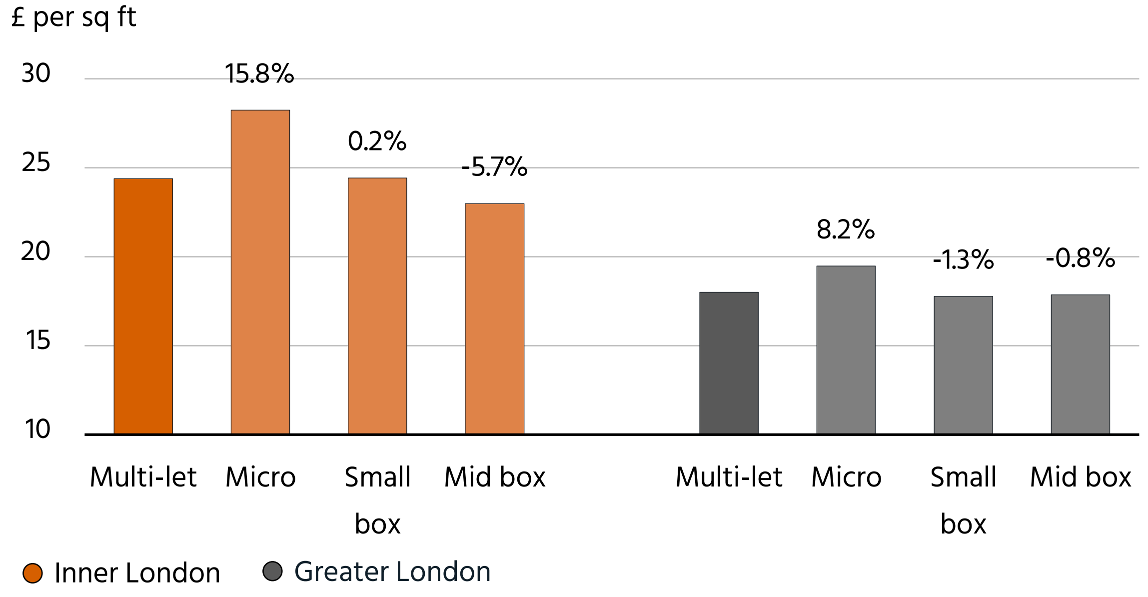
## All-grades ERV by area

Source: Gerald Eve



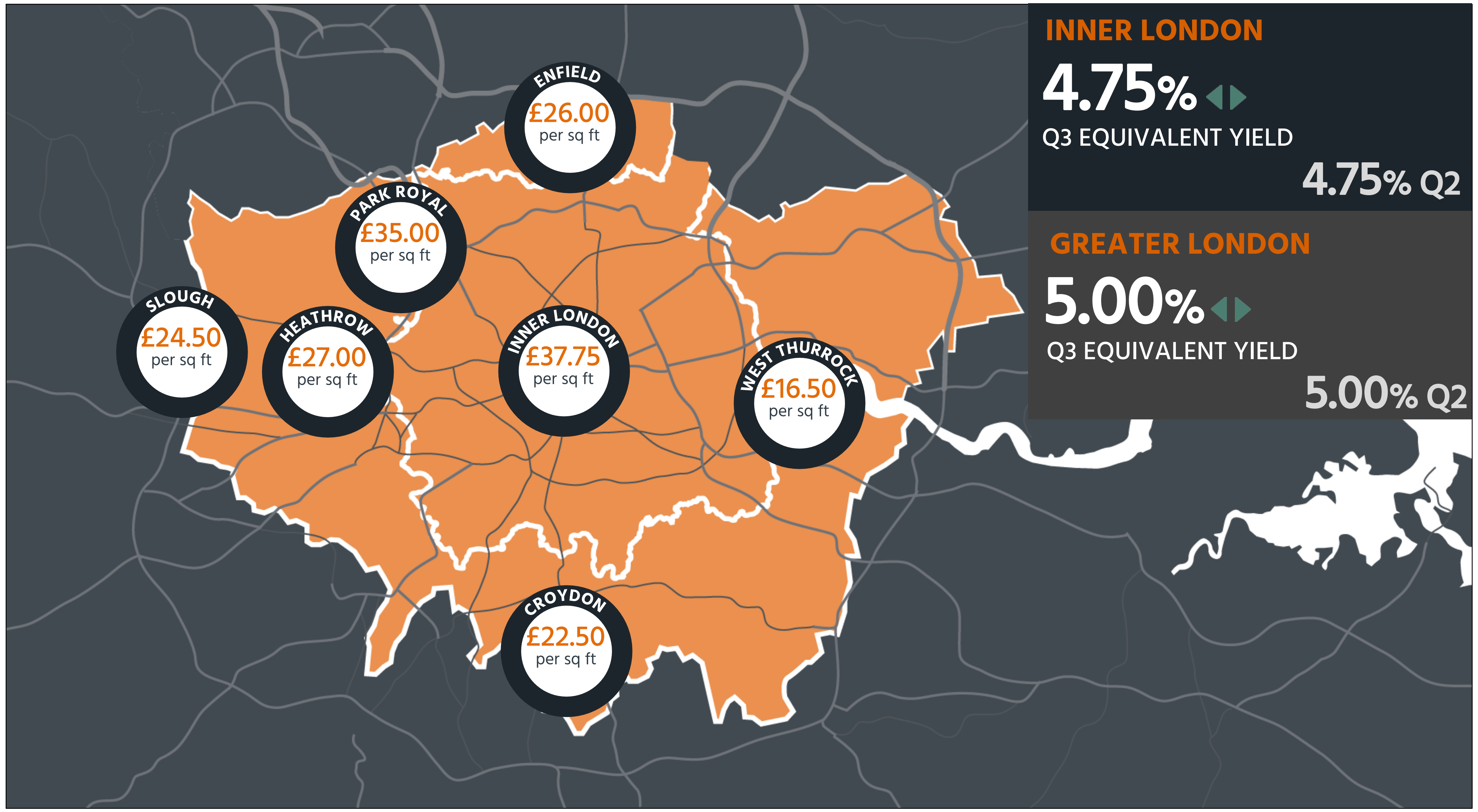

## Q3 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve



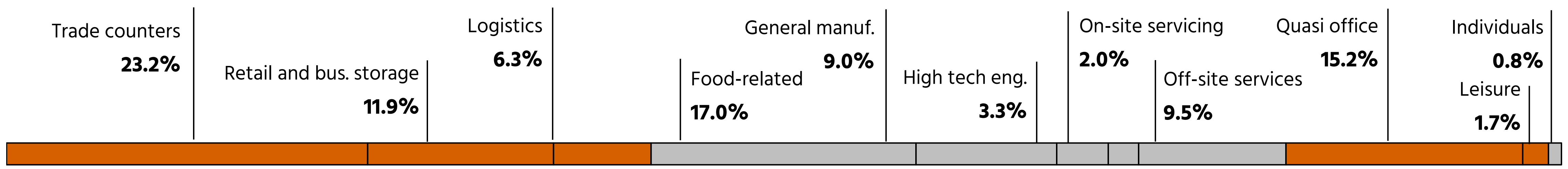

## Q3 prime rents and equivalent yields

Source: Gerald Eve

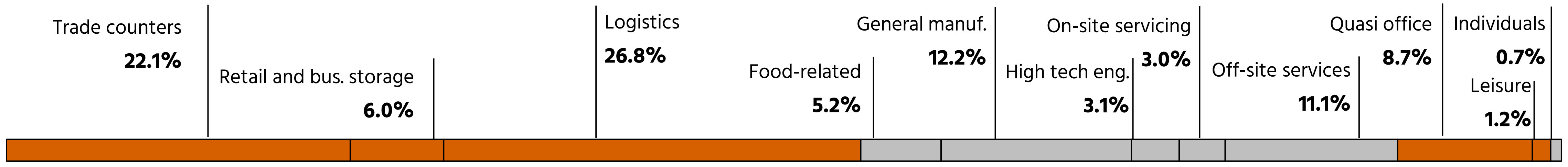


# LONDON

## Inner London



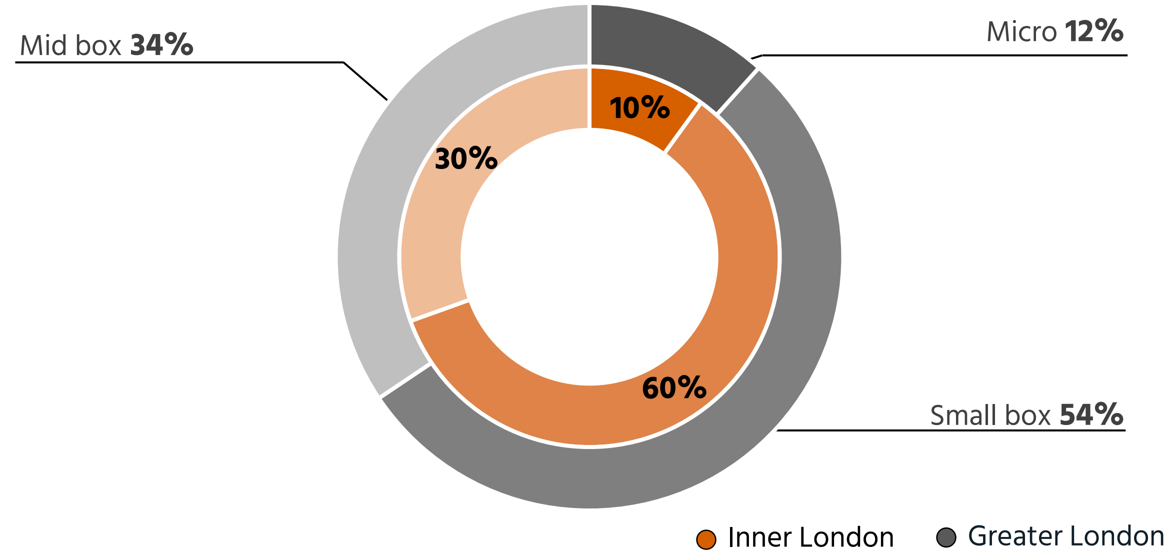

## Greater London




London is the UK's most densely populated city and has the largest prime multi-let market in the UK. Inner London is the most affluent, at £37.75 per sq ft and Park Royal has the premier and largest industrial cluster in the country. The occupier base has diversified and modernised significantly over the past decade and is characterised by an oversized proportion of food-related occupiers in Inner London and logistics operators in Greater London. The majority of occupied multi-let floorspace is by large nationals or multinationals and only a third is held by firms classified as micro or small. The EPC credentials are the best in the country, with the majority in the A-C range. There are a potential 37 schemes in the development pipeline, totalling 2.3m sq ft. However, the majority is at the site acquisition or planning stage. Only 277,000 sq ft is under construction and due for completion over 2023 and 2024, which is negligible in the context of the overall size of the London market.

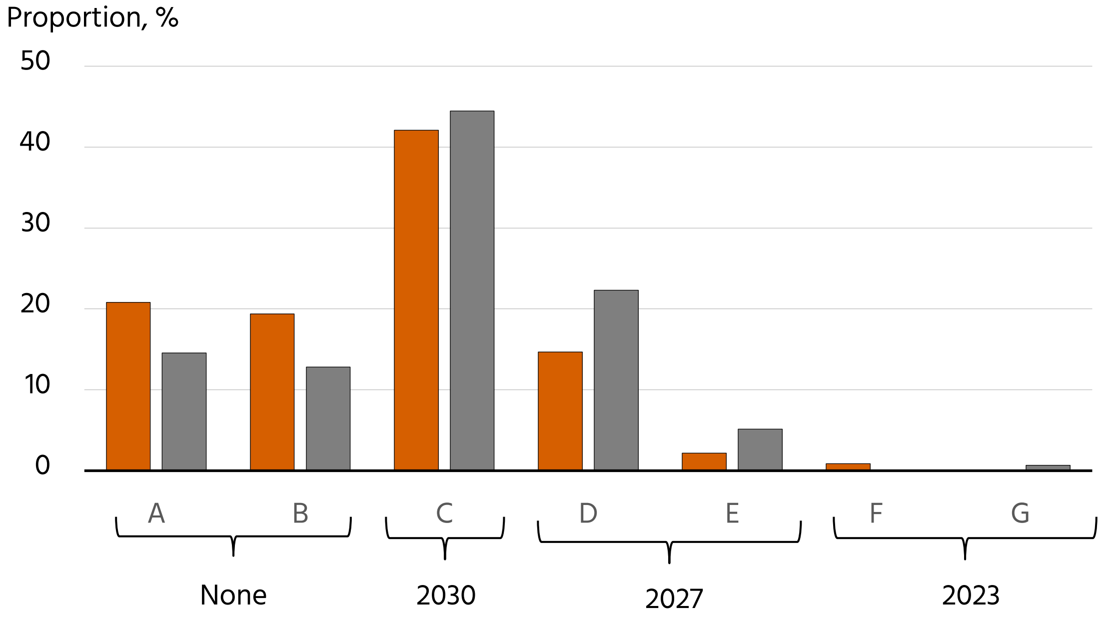
### Proportion of floorspace by unit size

Source: Gerald Eve



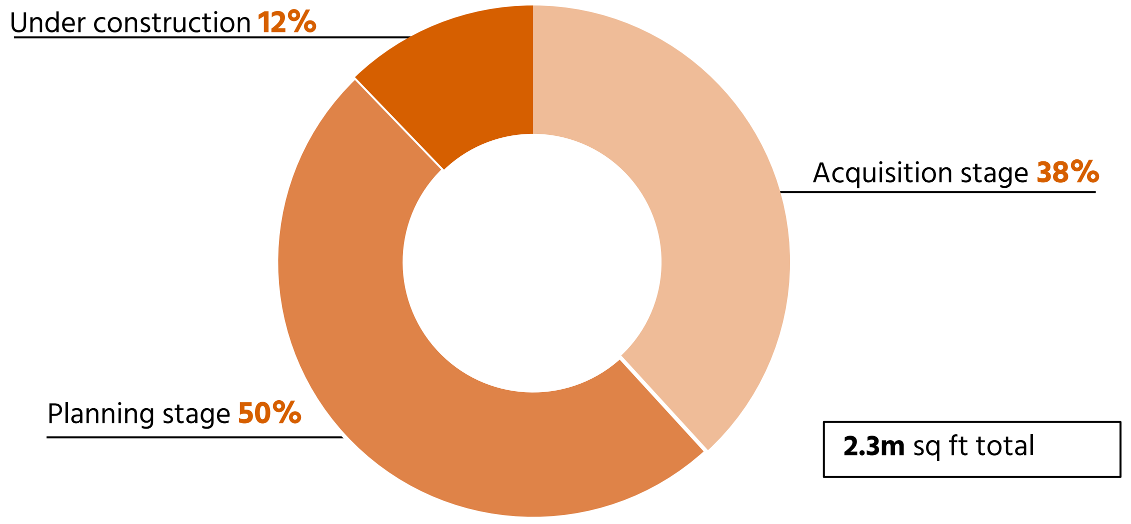

### Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve




### Development pipeline

Source: Gerald Eve, Property Data

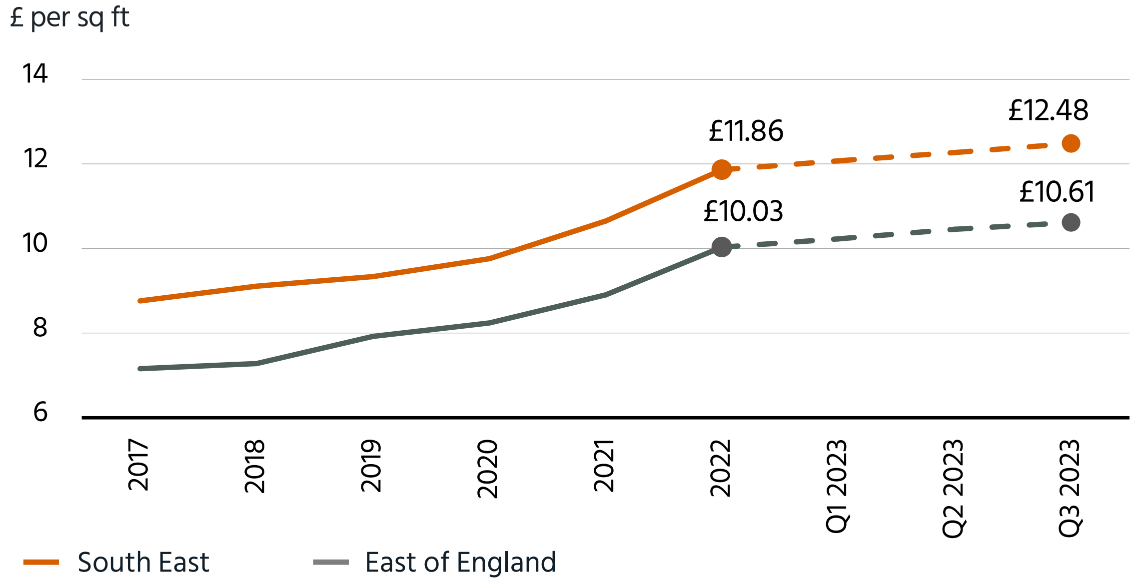


# THE SOUTH EAST AND EAST

Continue with this region

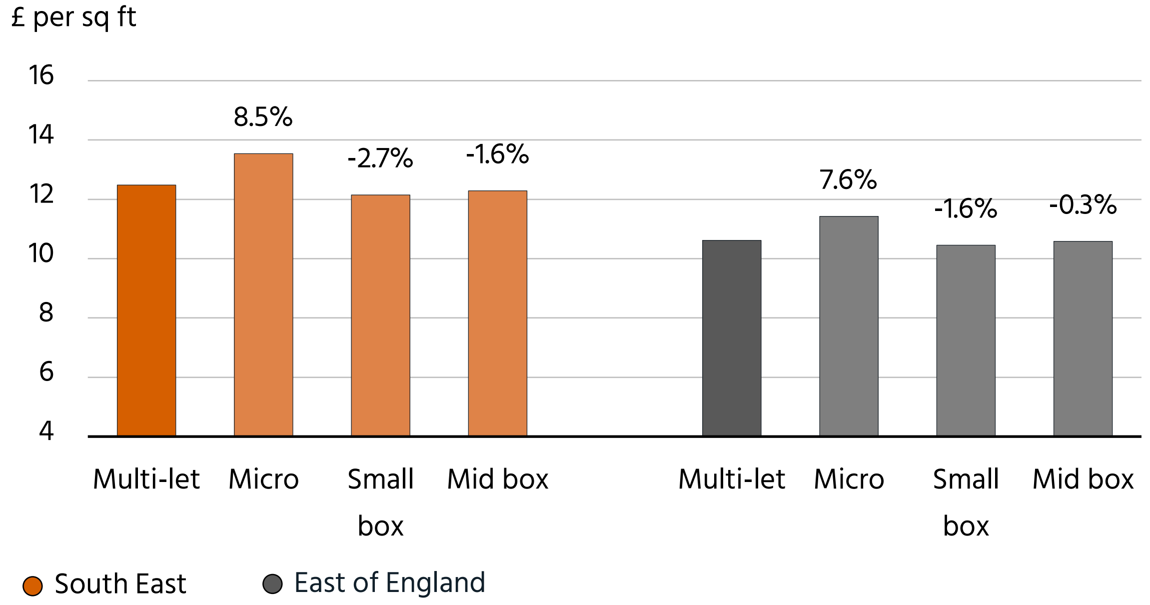
## All-grades ERV by area

Source: Gerald Eve



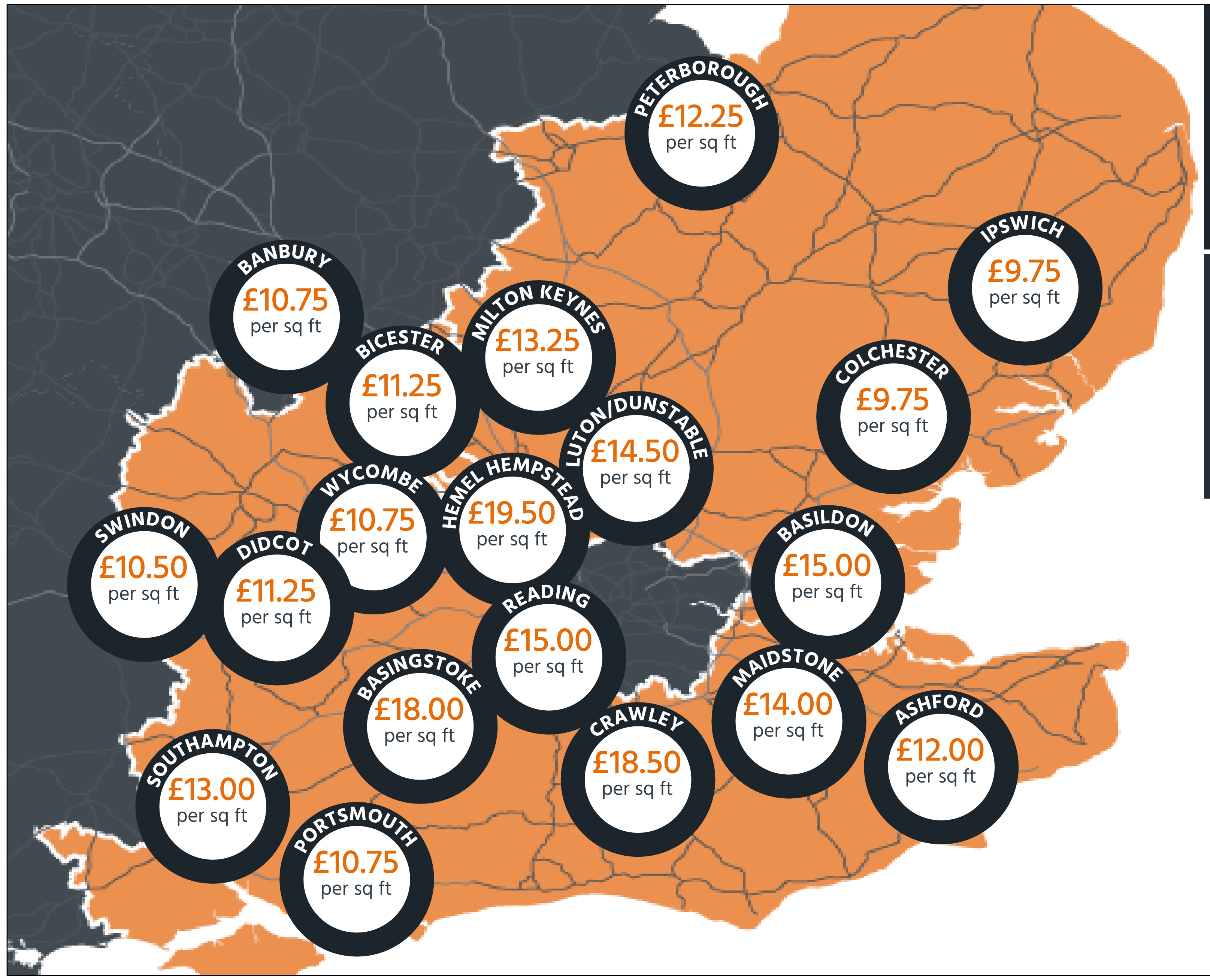

## Q3 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve




## Q3 prime rents and equivalent yields

Source: Gerald Eve




**SOUTH EAST**

5.25%

Q3 EQUIVALENT YIELD

5.25% Q2

**EAST OF ENGLAND**

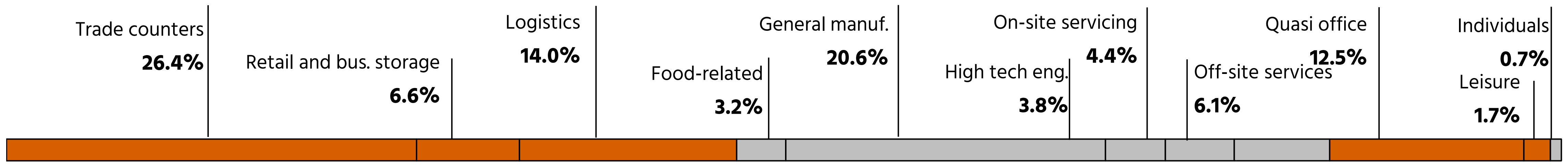
5.75%

Q3 EQUIVALENT YIELD

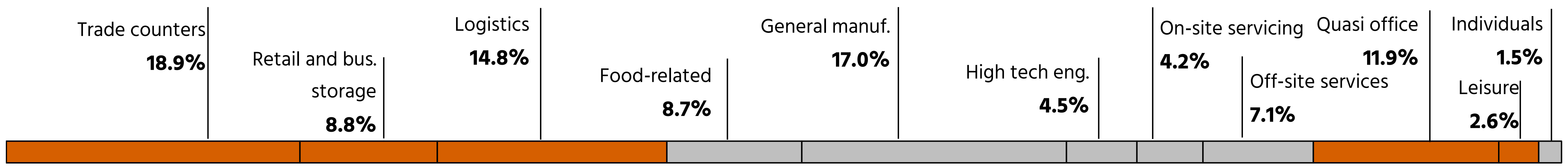
5.75% Q2

# THE SOUTH EAST AND EAST

## South East



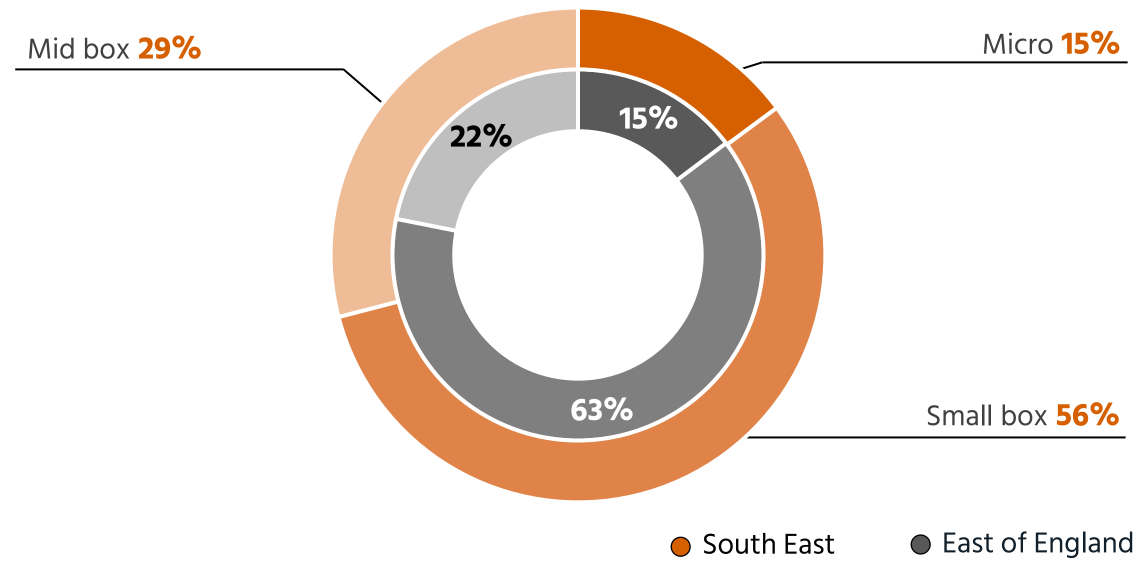

## East of England




The South and East multi-let markets contain affluent urban centres within commuting distance from London along with several key infrastructure hubs, including some of the UK's largest airports and a series of ports. These regions have benefitted from the ripple effect of London's exceptional rental growth as some more footloose occupiers have looked further afield. Rents range from £19.50 per sq ft in Hemel Hempstead to only £9.75 per sq ft further east in Ipswich. There is a sizeable but more moderate amount of multi-let logistics operations here than in Greater London, and a notably smaller proportion of trade counters in the East of England in favour of food and traditional manufacturing. There are 84 schemes in the potential pipeline, with 79% of it concentrated in the South East. There is a tiny amount under construction for such significant regions – only 10 schemes in all, totalling 510,00 sq ft to come online over 2023/24.

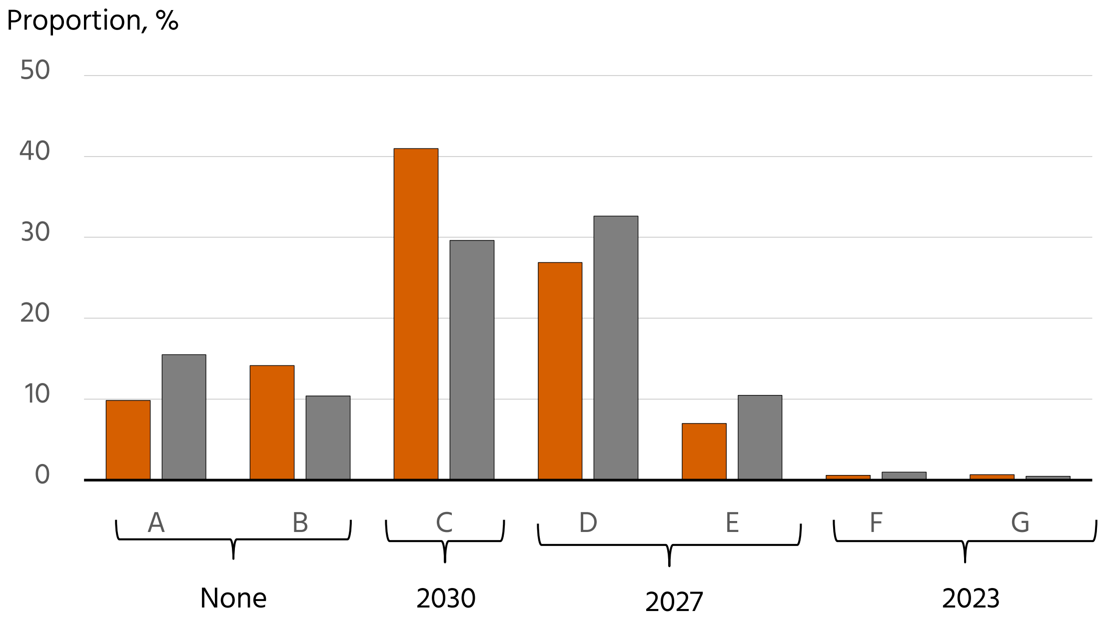
## Proportion of floorspace by unit size

Source: Gerald Eve



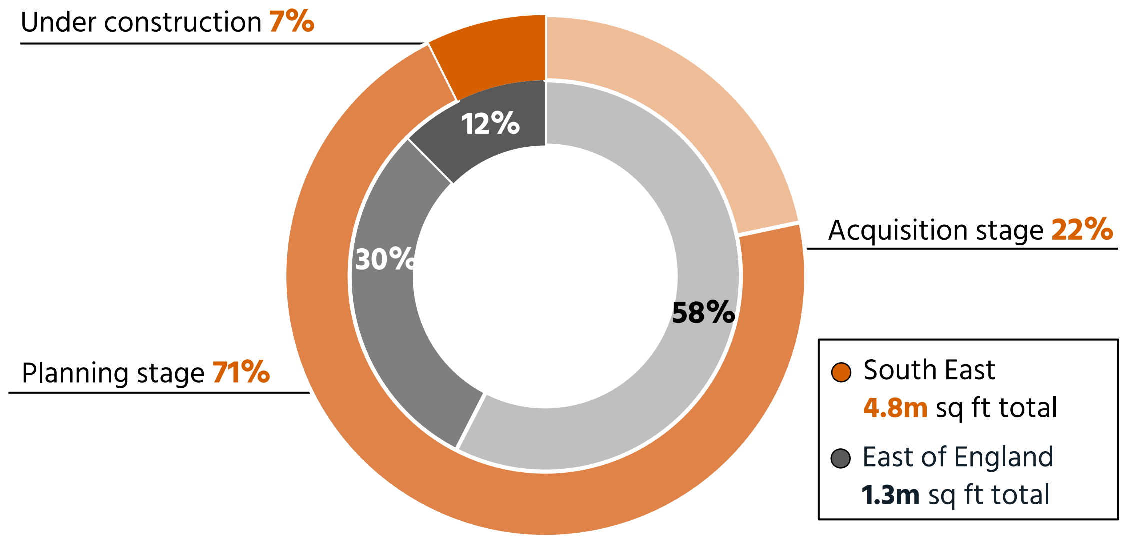

## Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve




## Development pipeline

Source: Gerald Eve, Property Data

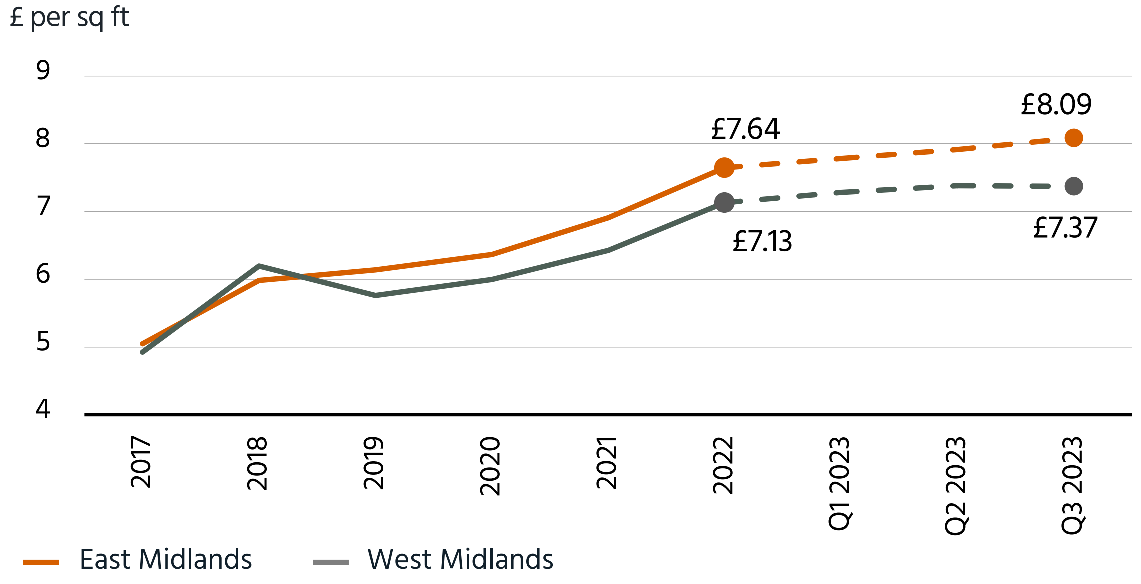


# THE MIDLANDS

Continue with this region

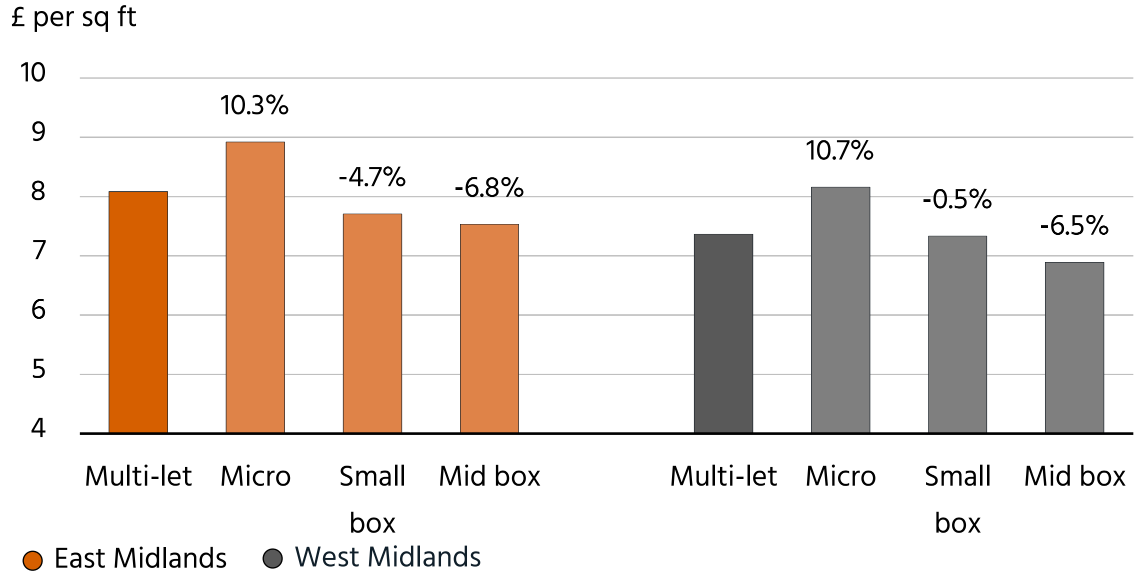
## All-grades ERV by area

Source: Gerald Eve



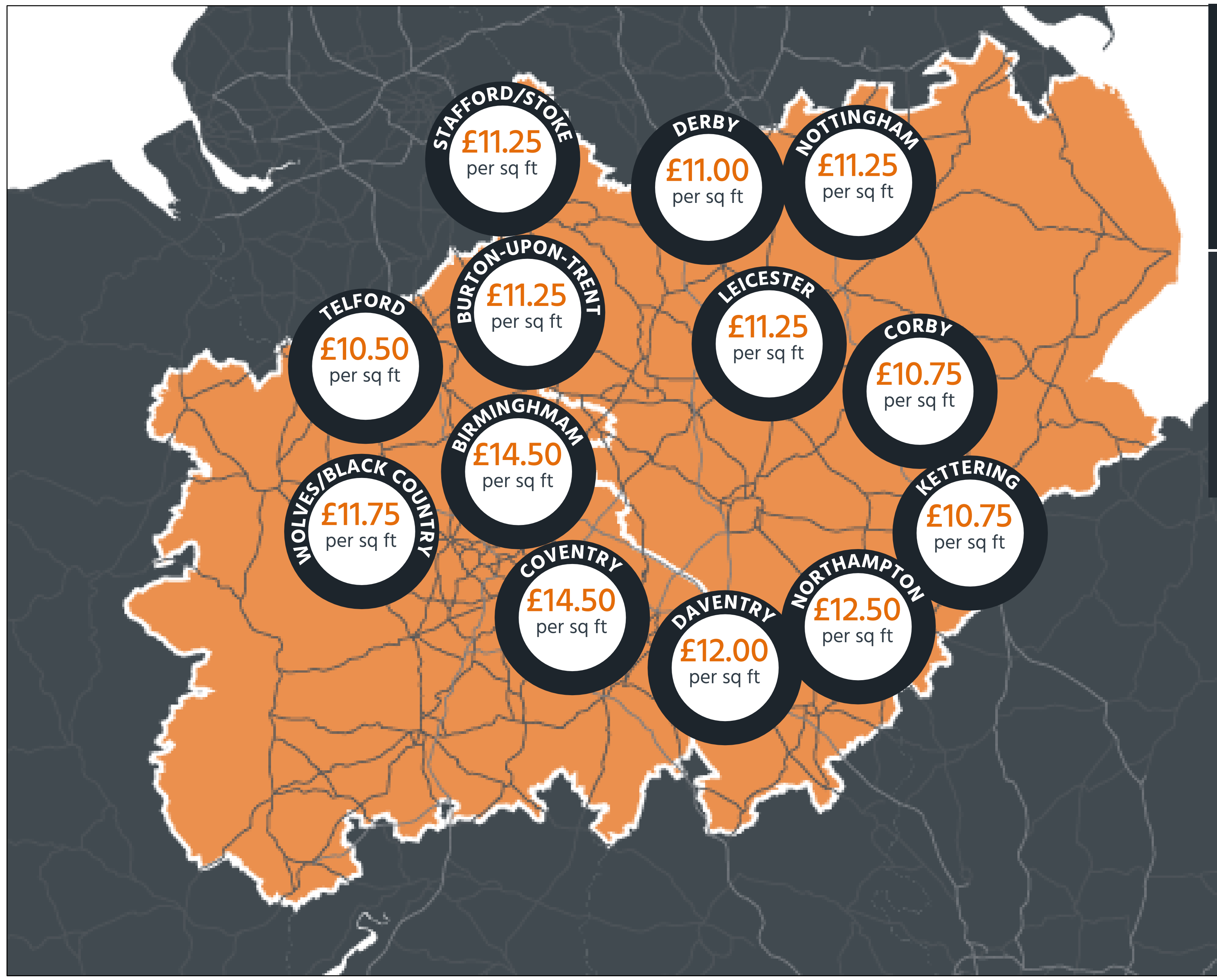

## Q3 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve




## Q3 prime rents and equivalent yields

Source: Gerald Eve




**EAST MIDLANDS**

5.50%

Q3 EQUIVALENT YIELD

5.50% Q2

**WEST MIDLANDS**

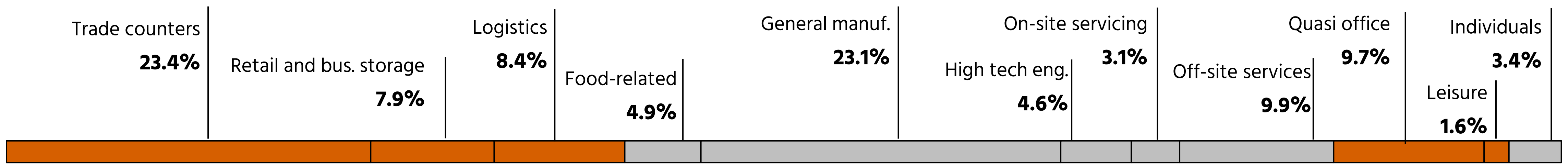
5.50%

Q3 EQUIVALENT YIELD

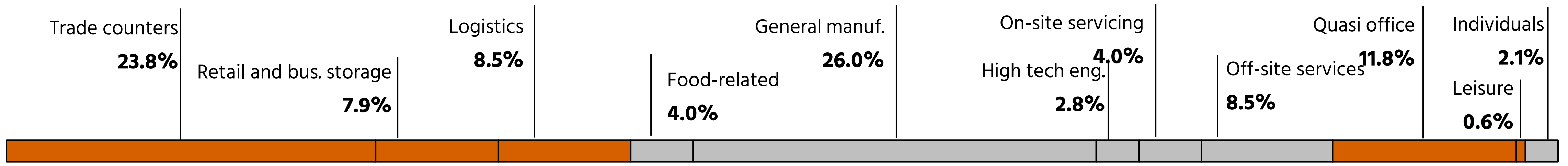
5.50% Q2

# THE MIDLANDS

## East Midlands



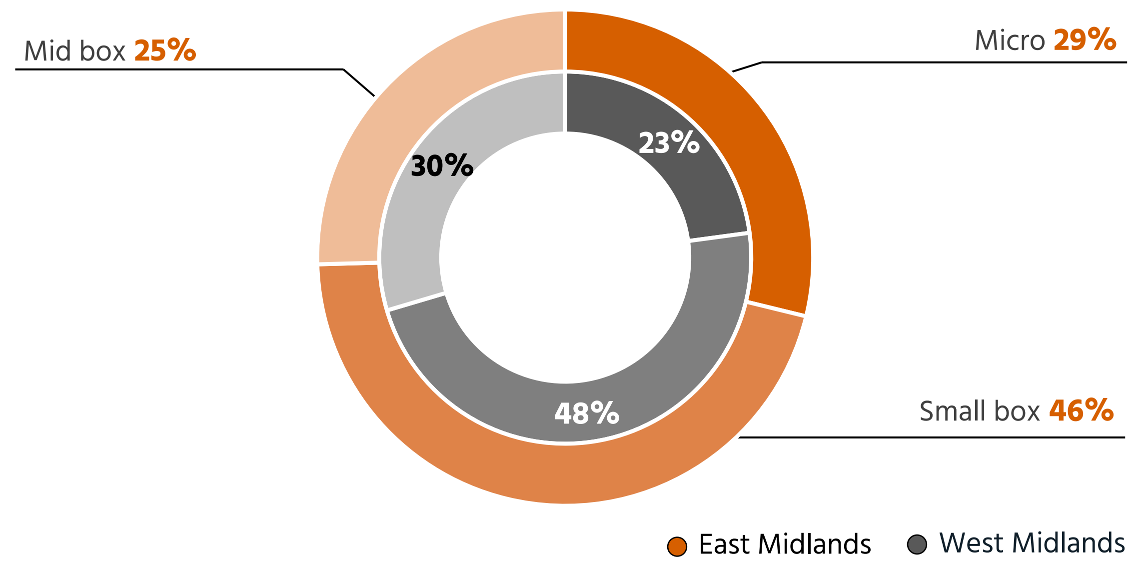

## West Midlands




The Midlands benefits from a large population and exceptional connectivity via the national motorway network. The region is serviced by the East Midlands Airport, which is the UK's number 1 airport for pure freight. Known more for its manufacturing hubs and big box industrial, multi-let has also proliferated. Prime rents vary relatively little, with Telford and Corby at £10.50 - £10.75 per sq ft and Birmingham the most expensive at £14.50 per sq ft. Multi-let space in the Midlands unsurprisingly has a relatively large amount of manufacturing occupiers, especially compared with the South and particularly in the West Midlands. There are 91 schemes in the potential pipeline, totalling 2.9m sq ft, but this is significantly lower than in the North West or South East. However, an unusually large 25% of schemes in the East Midlands are under construction and 391,00 sq ft over 14 schemes is to be delivered in 2023 and 2024. This makes it the second highest region after the North West.

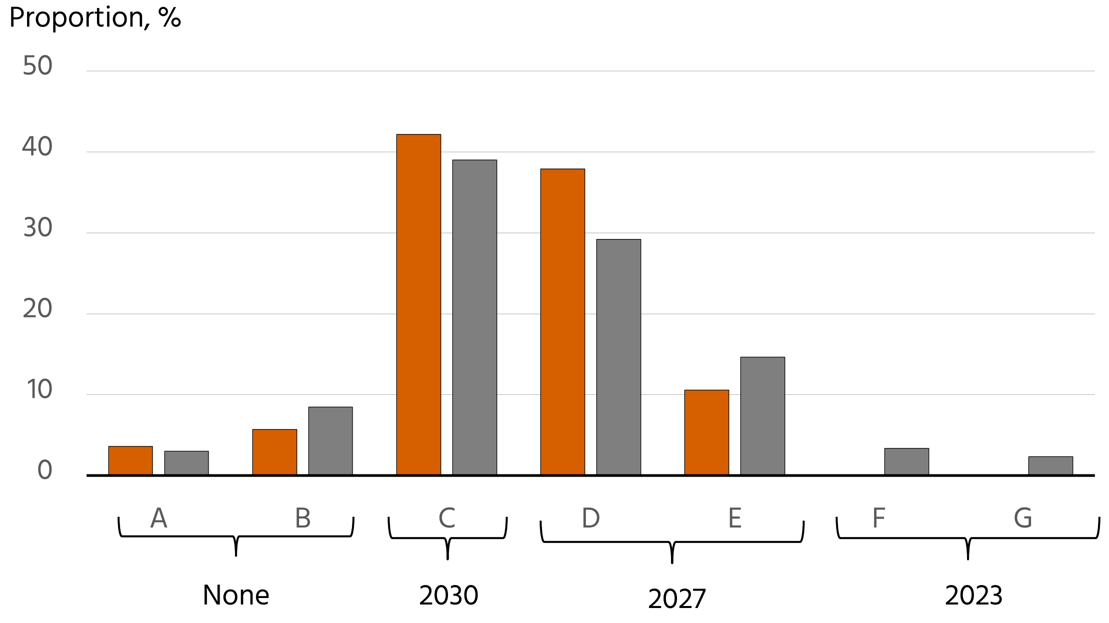
### Proportion of floorspace by unit size

Source: Gerald Eve



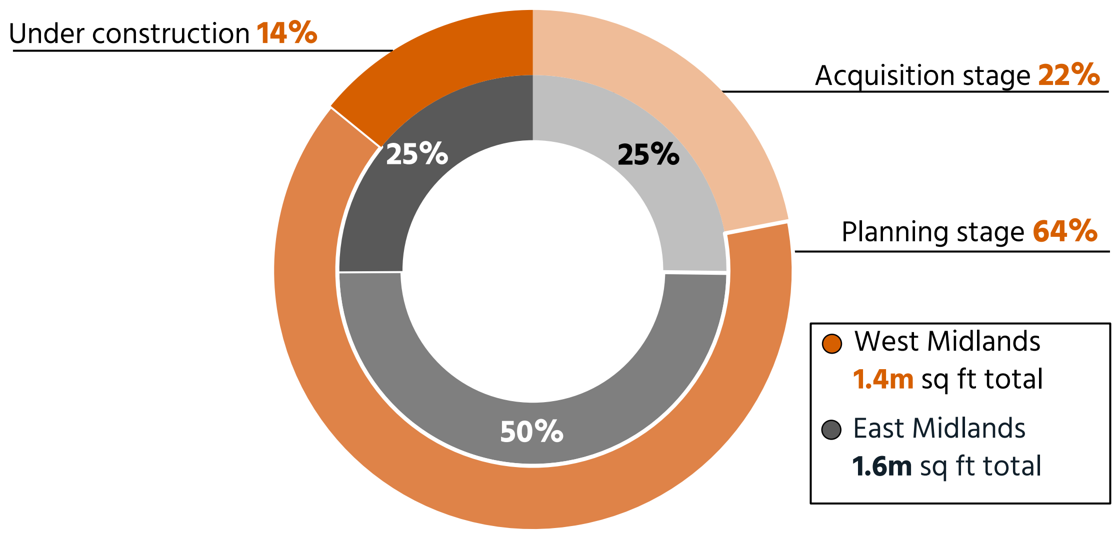

### Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve




### Development pipeline

Source: Gerald Eve, Property Data

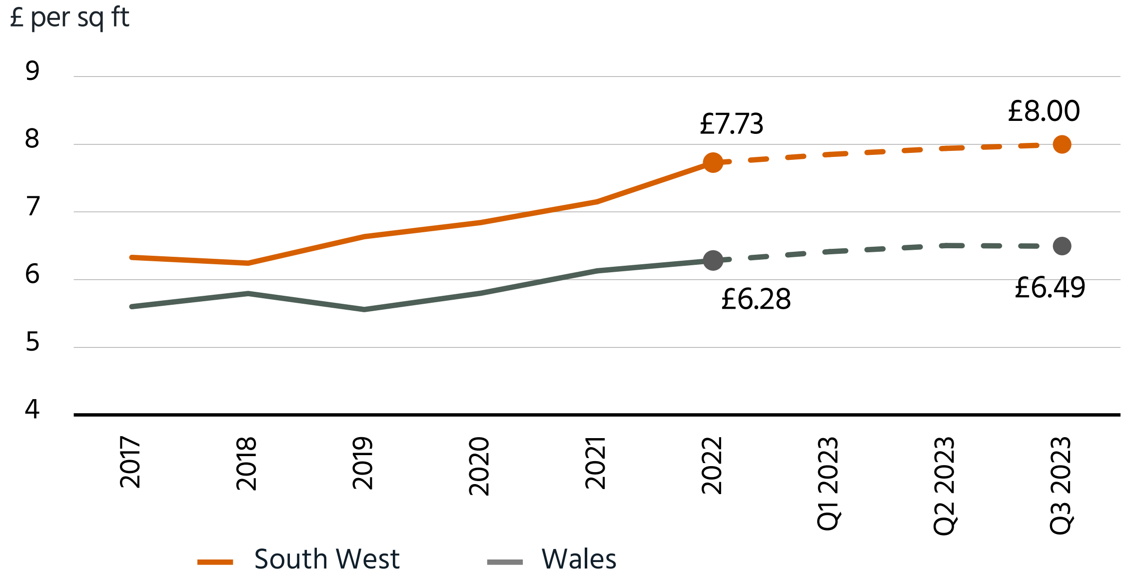


# SOUTH WEST AND WALES

Continue with this region

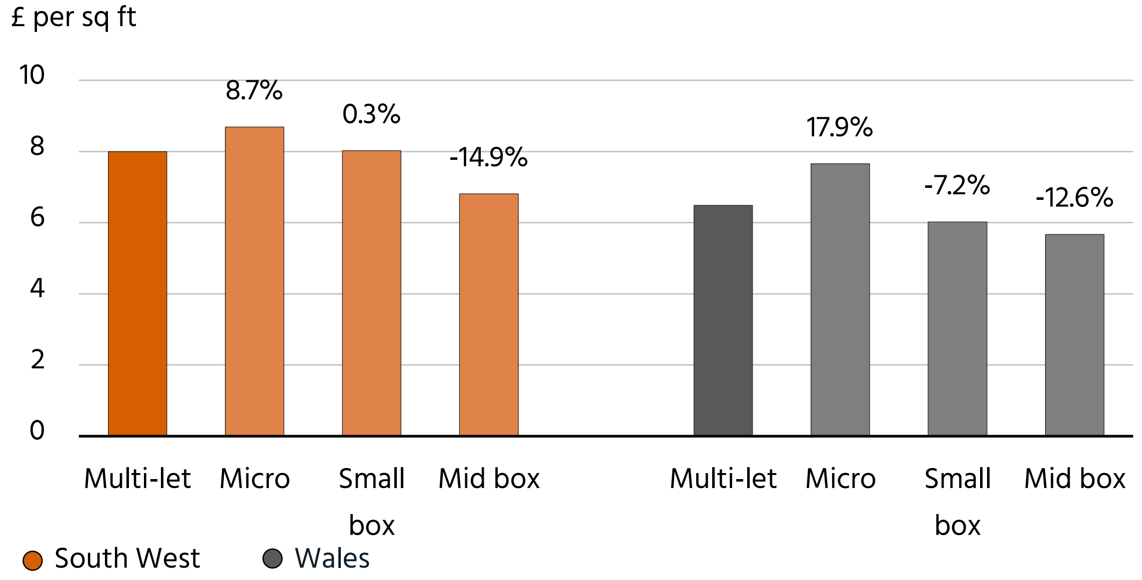
## All-grades ERV by area

Source: Gerald Eve



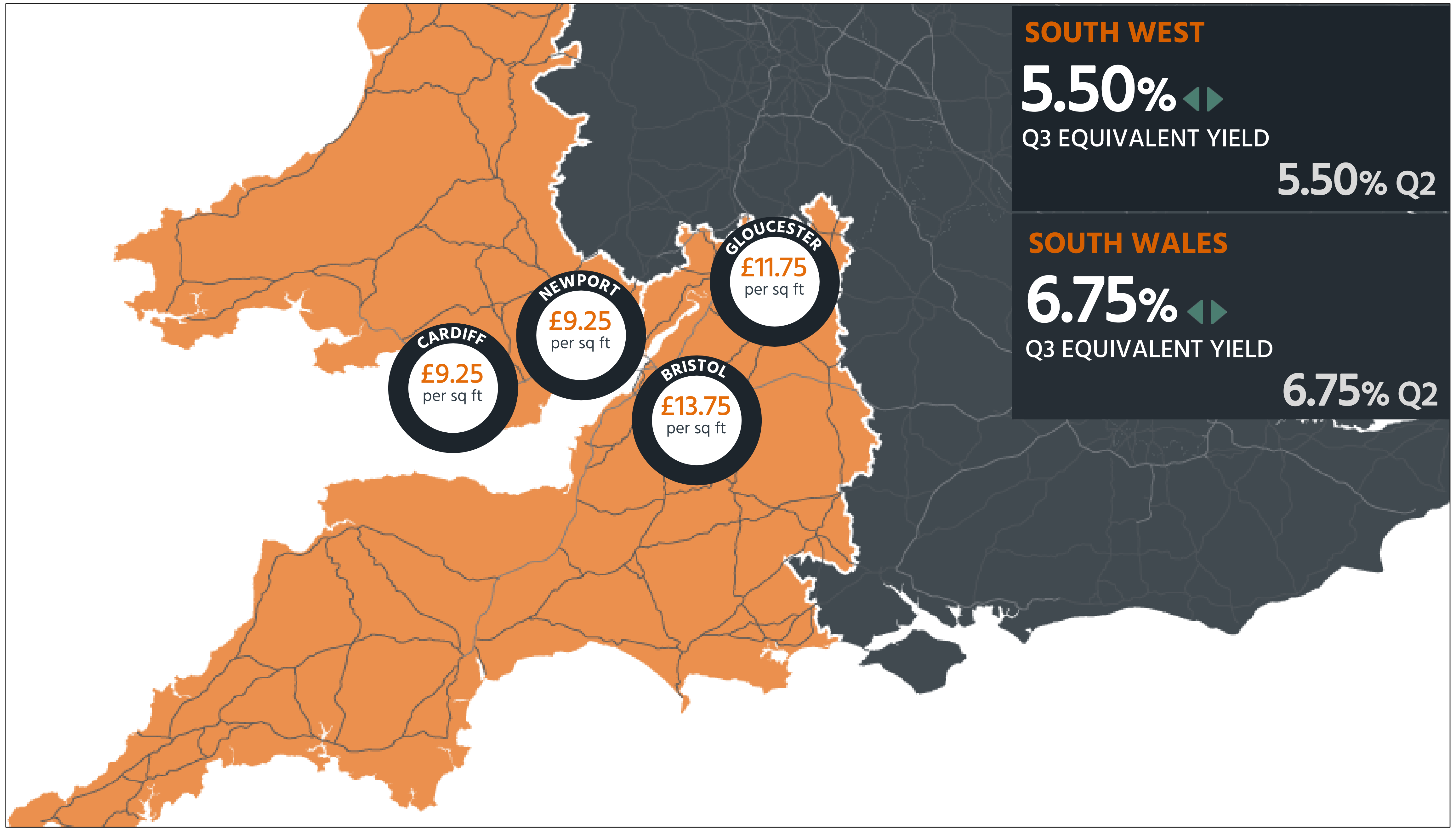

## Q3 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve

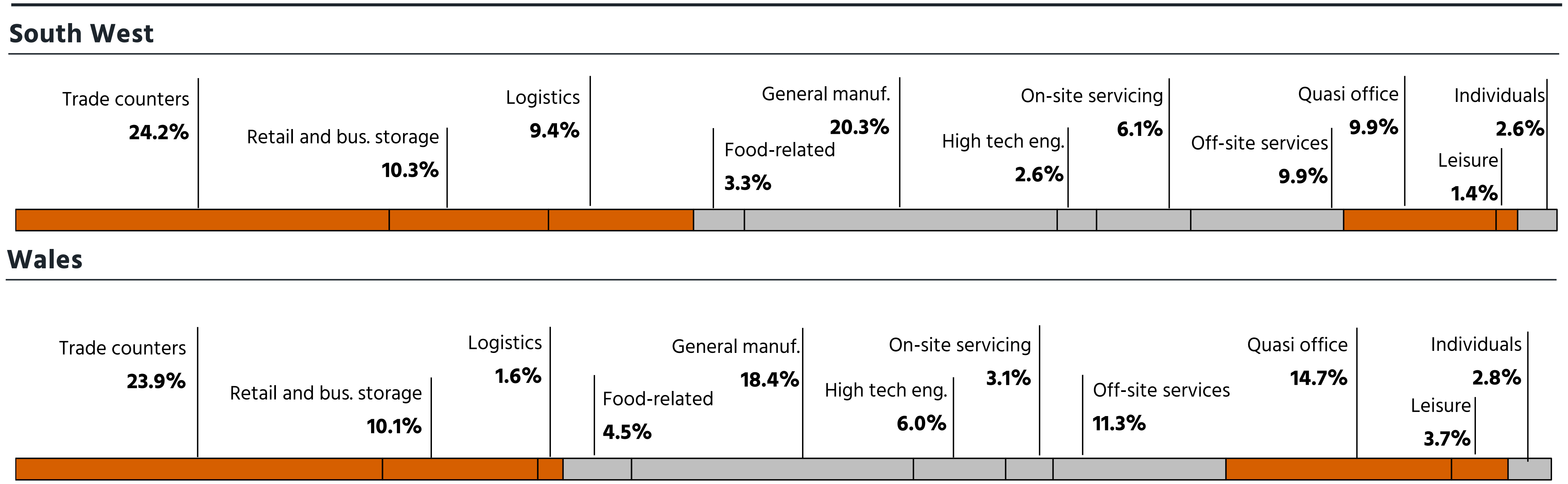



## Q3 prime rents and equivalent yields

Source: Gerald Eve

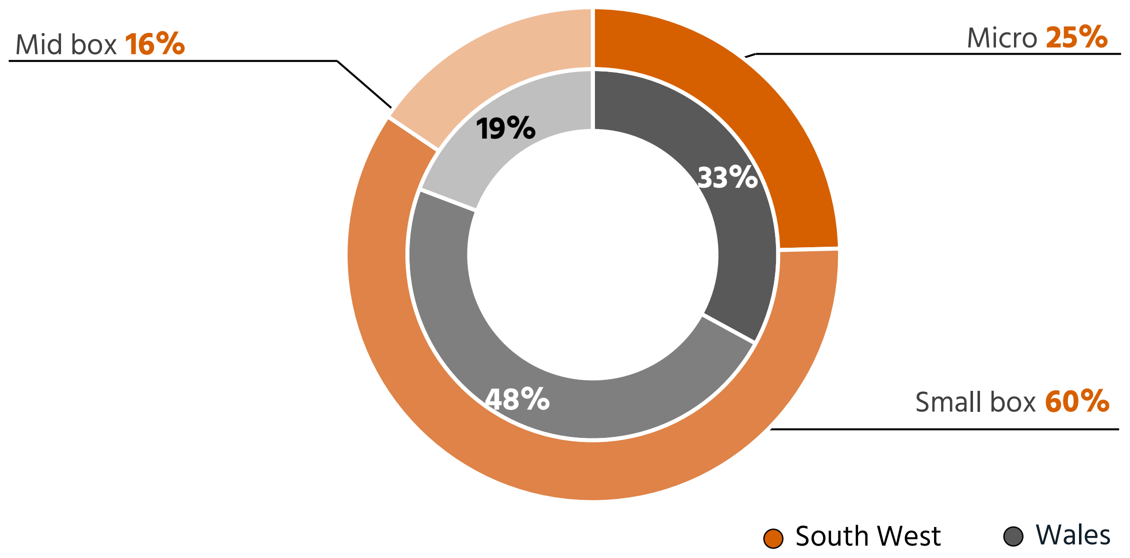


# SOUTH WEST AND WALES

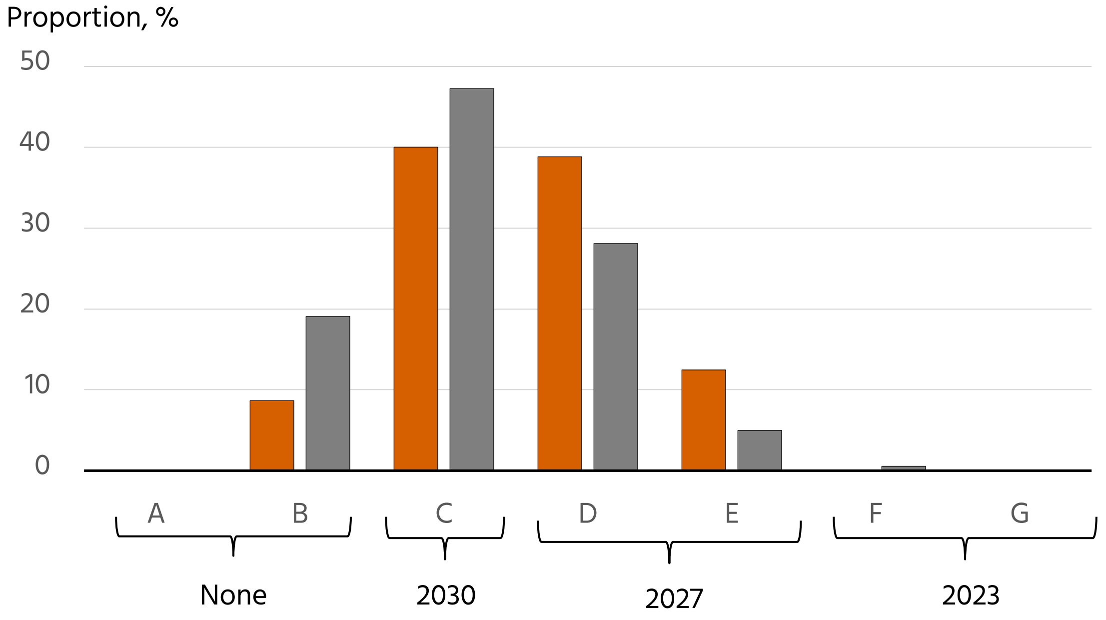



This region's north easterly section comprises a strong big box logistics location abutting the M5 motorway on the fringe of the West Midlands market that provides good connectivity to the wider UK motorway network. Bristol offers the region's highest multi-let ERVs, with a prime headline rent of £13.75. The city has a dense and affluent local population, with Avonmouth comprising the key industrial cluster. Wales multi-let, like Scotland, is characterised by a significantly lower proportion of logistics tenants than elsewhere in the UK. There are 41 schemes across 1.8m sq ft in the potential pipeline and generally a low level of development activity compared with the rest of the UK, particularly in Wales. The South West has greater potential development activity, but it is still only larger than in Scotland, Wales and the North East. There is currently only 96,000 sq ft under construction over 7 schemes.

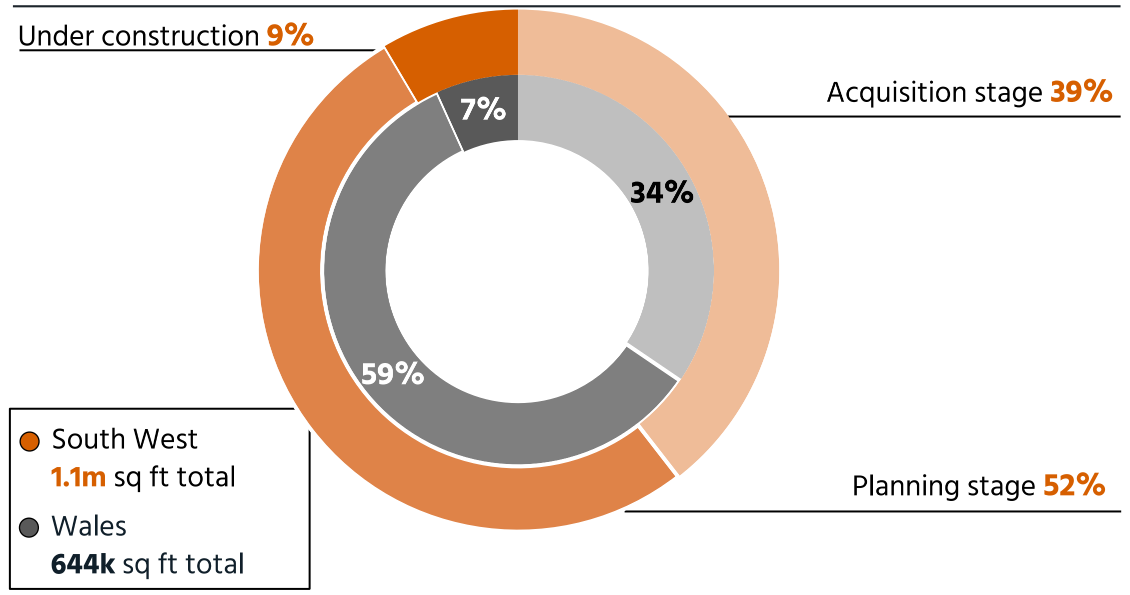
**Proportion of floorspace by unit size**
Source: Gerald Eve




**Floorspace by EPC grade (& deadline to non-compliance)**
Source: Gerald Eve



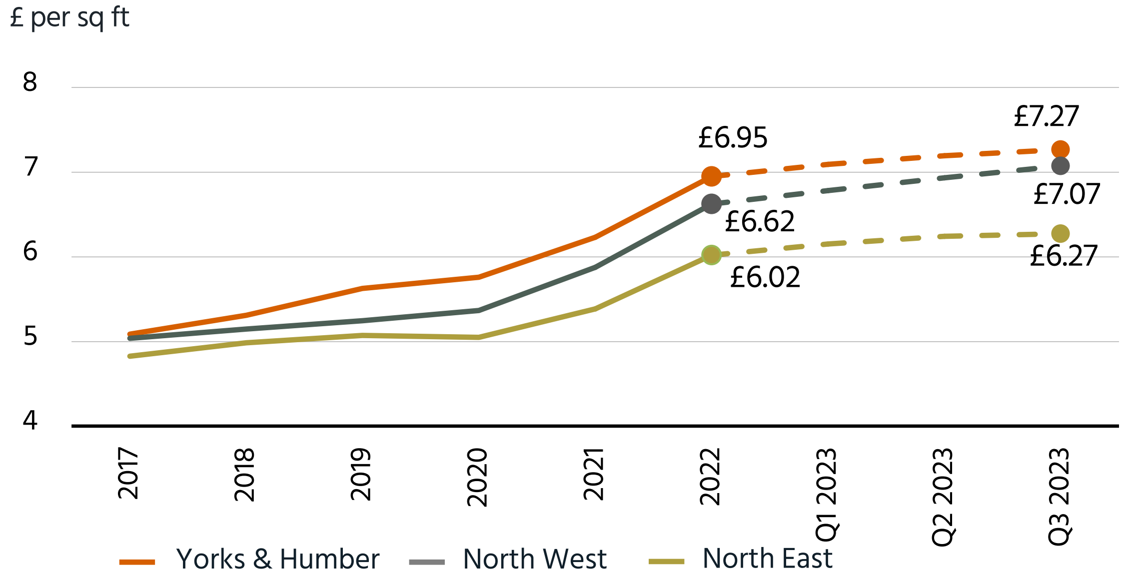

**Development pipeline**
Source: Gerald Eve, Property Data



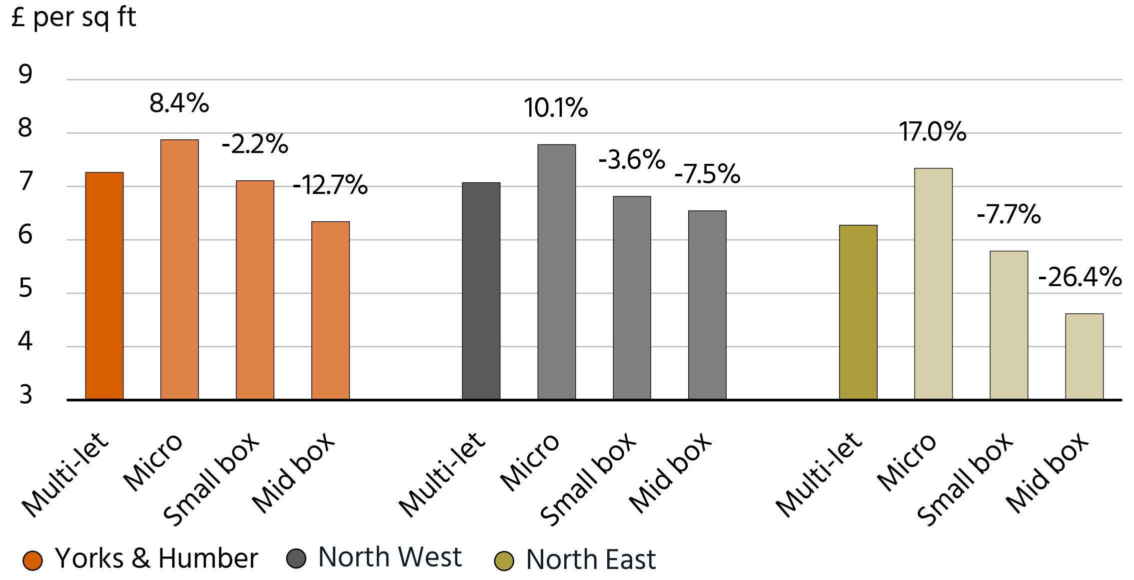
# THE NORTH

Continue with this region

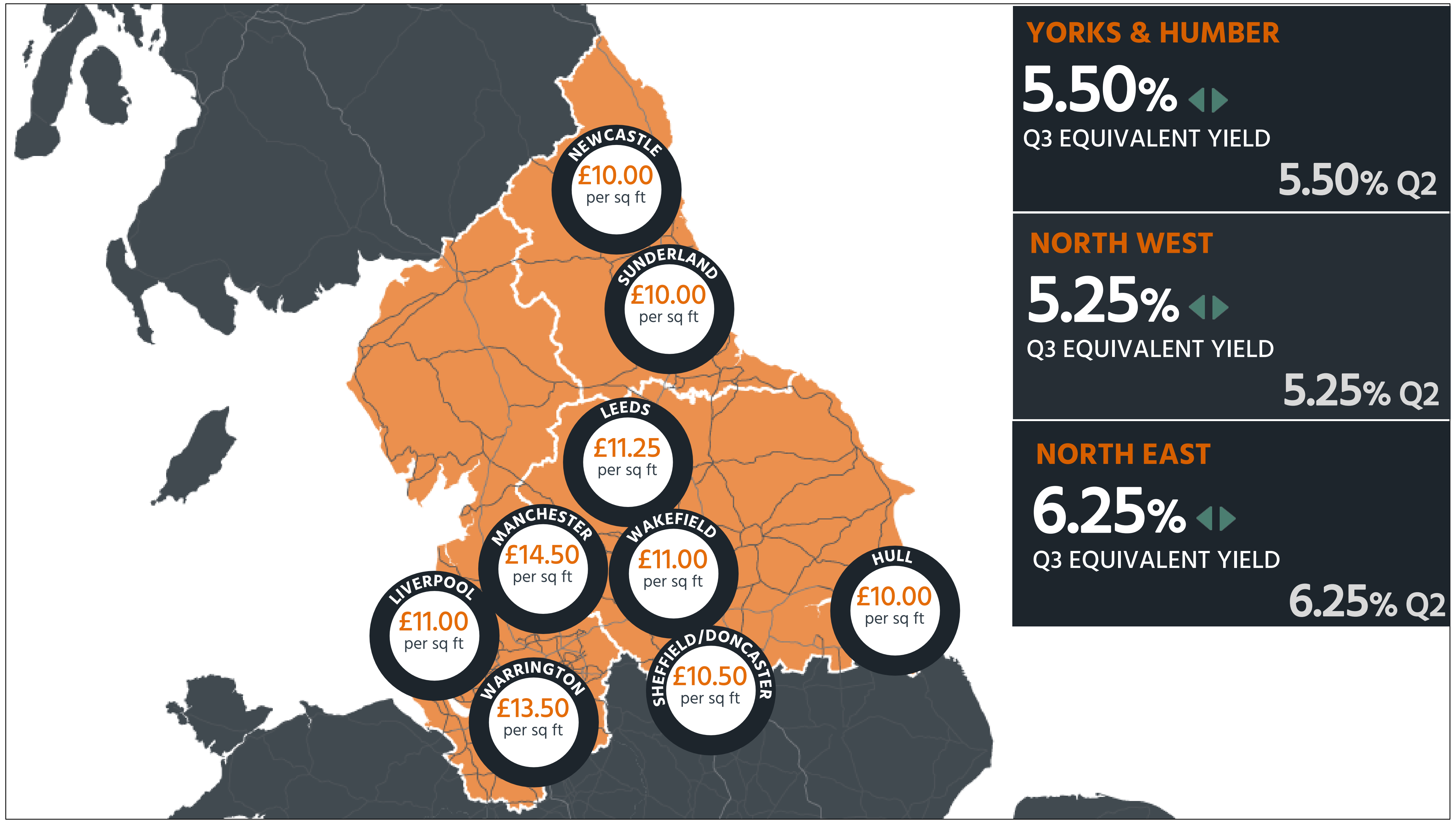
## All-grades ERV by area
Source: Gerald Eve



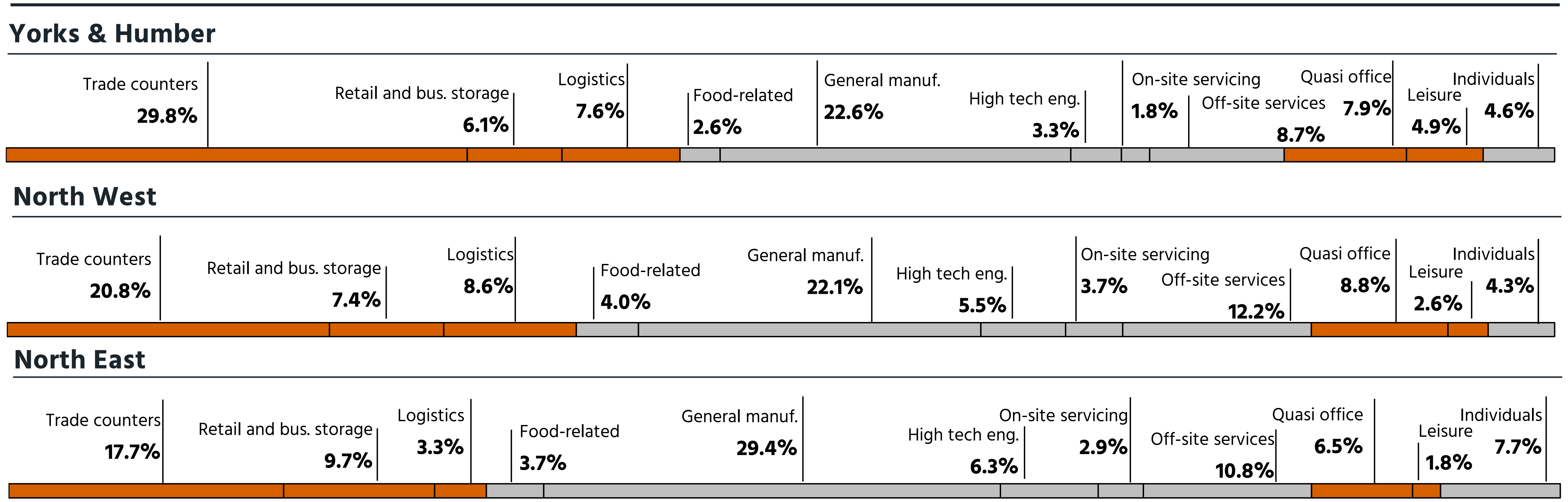

## Q3 all-grades ERV by unit size and % premium/discount
Source: Gerald Eve




## Q3 prime rents and equivalent yields
Source: Gerald Eve



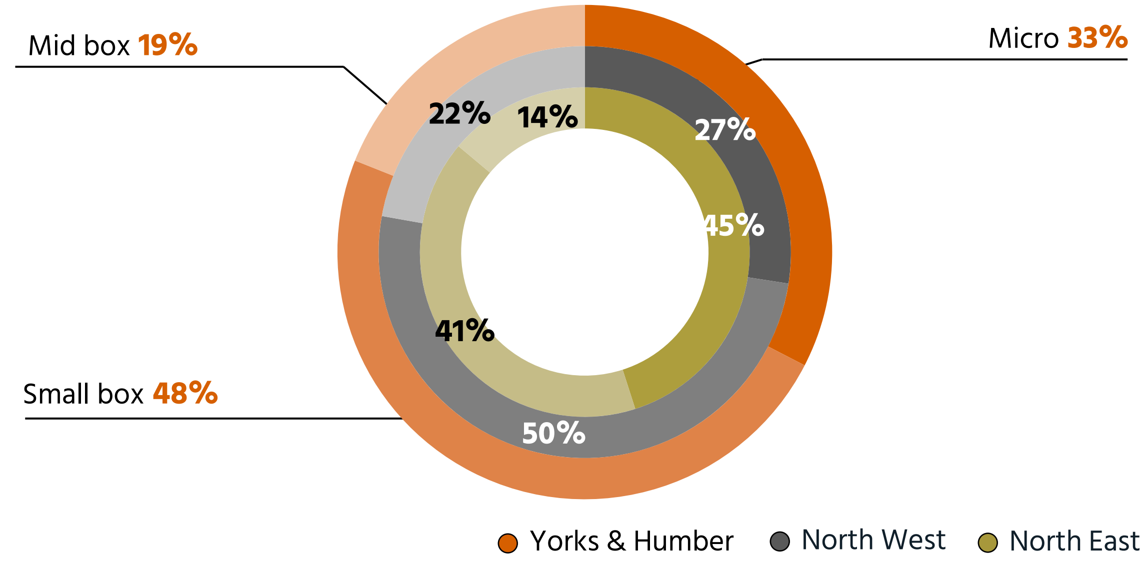
# THE NORTH




Multi-let in the North of England is characterised by diversity. Relatively expensive prime space in the North West contains several urban logistics locations and key clusters on arterial motorway networks including the M6 corridor, M65, M60 and M53. There is undersupply for SMEs, further squeezed by higher value alternative uses. The North East has lower ERVs and is a key industrial hub with the highest value of goods exports relative to the size of its economy. The region’s primary industrial sectors include manufacturing, rail, aerospace and electronics, with a well-connected supply chain. The proportion of so-called ‘Individuals’ is also high here, with most firms occupying multi-let space classified as small or micro. Multi-let is supply-constrained across the North of England, but relatively speaking the North West has the strongest development pipeline in the UK. There is a potential 5.4m sq ft, with 878,000 sq ft under construction across 20 schemes for delivery across 2023 and 2024.

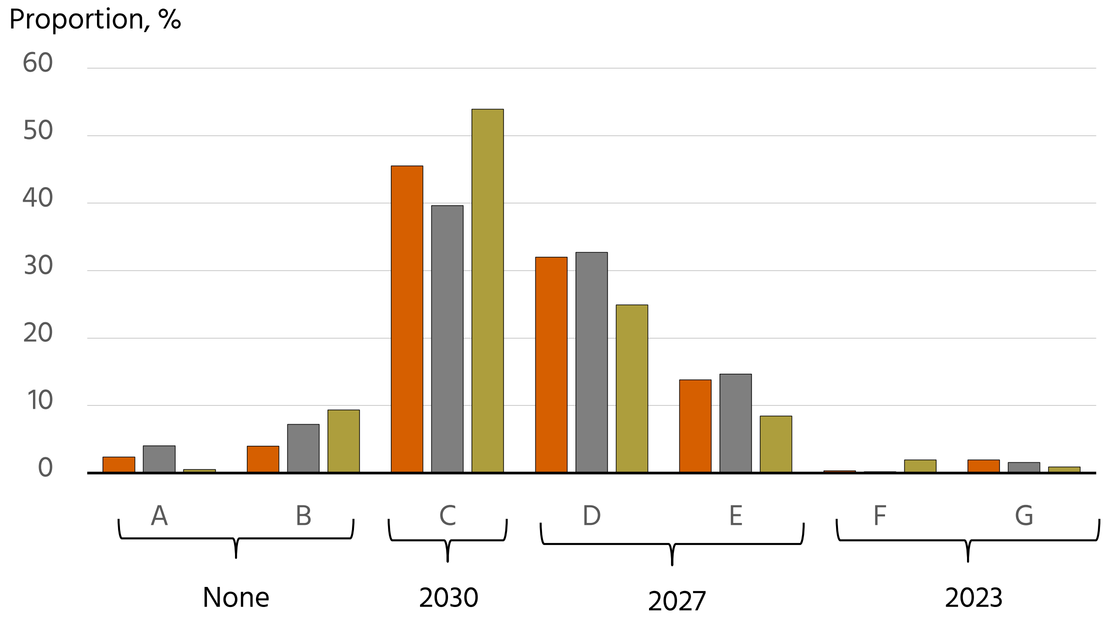
## Proportion of floorspace by unit size

Source: Gerald Eve



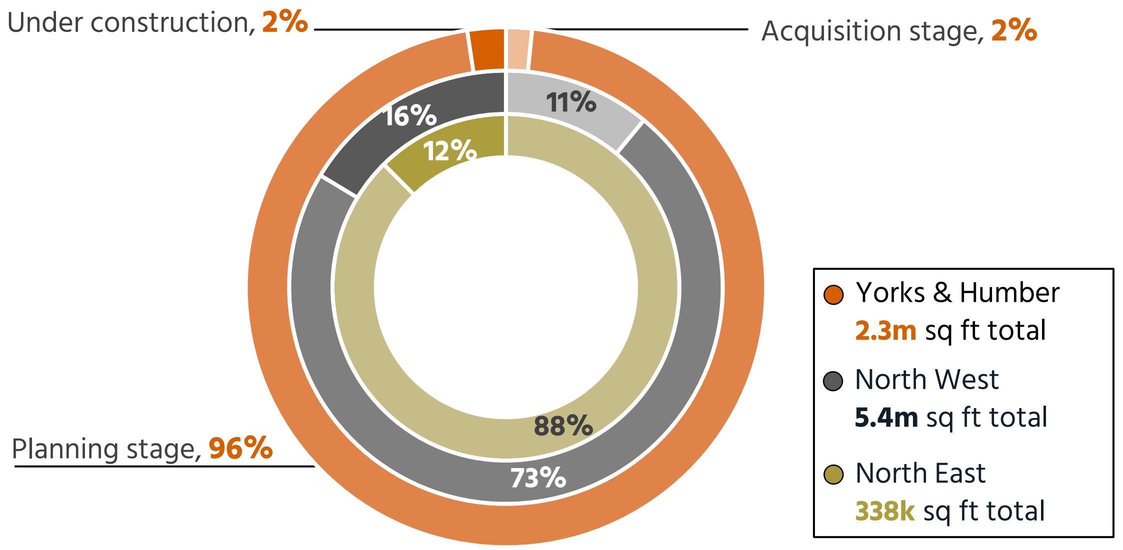

## Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve




## Development pipeline

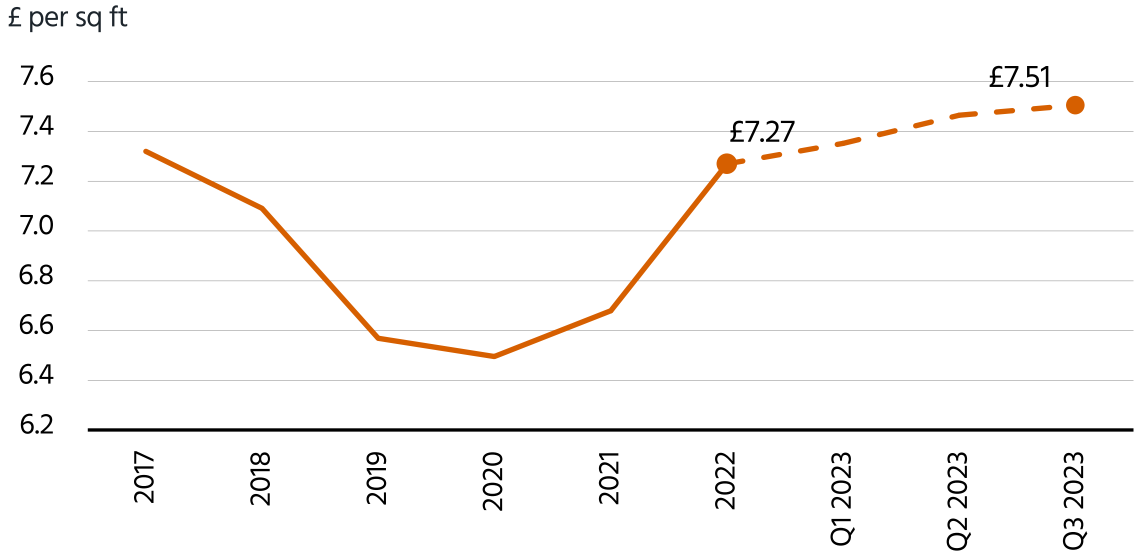
Source: Gerald Eve, Property Data



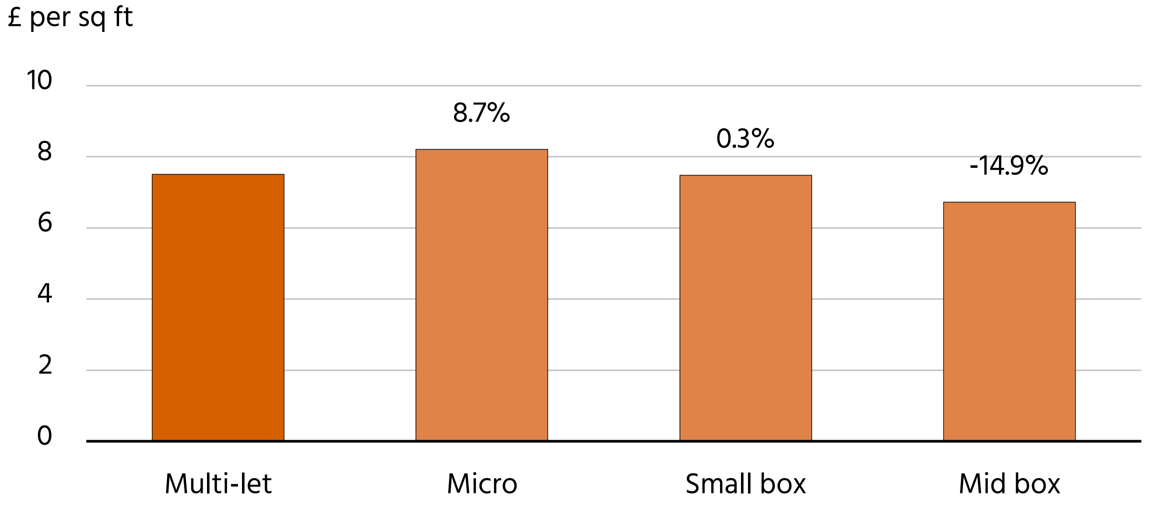
# SCOTLAND

Continue with this region

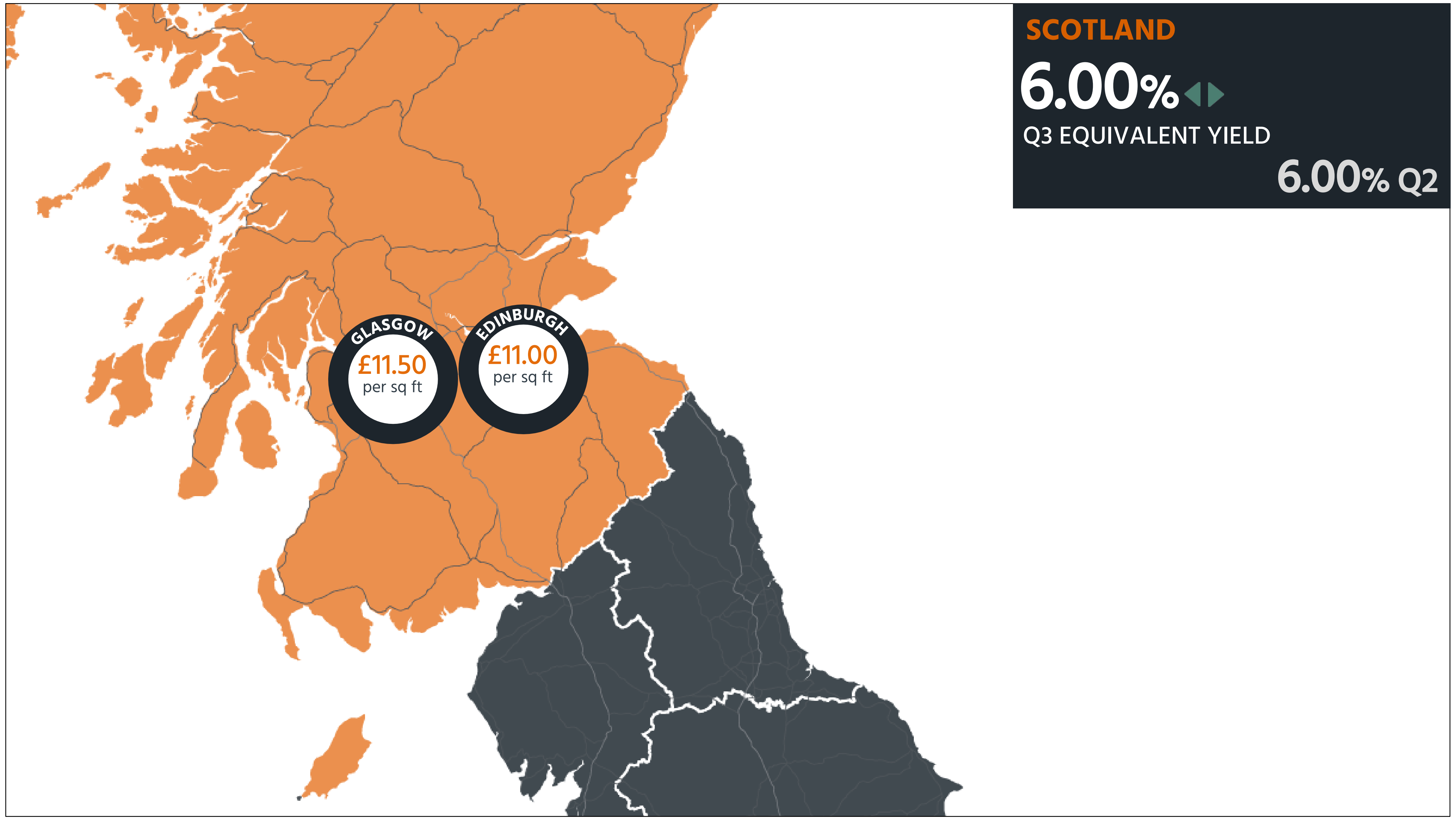
## All-grades ERV
Source: Gerald Eve




## Q3 all-grades ERV by unit size and % premium/discount
Source: Gerald Eve

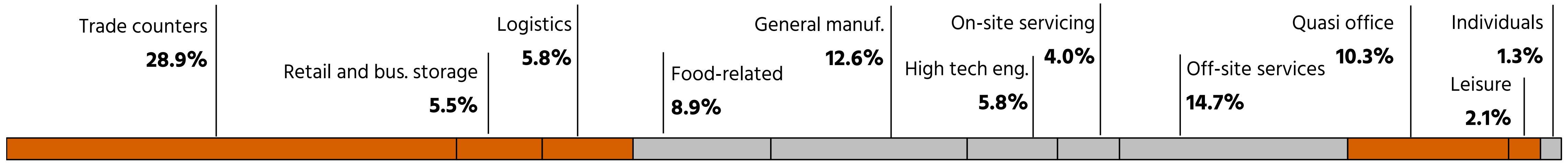



## Q3 prime rents and equivalent yields
Source: Gerald Eve



# SCOTLAND

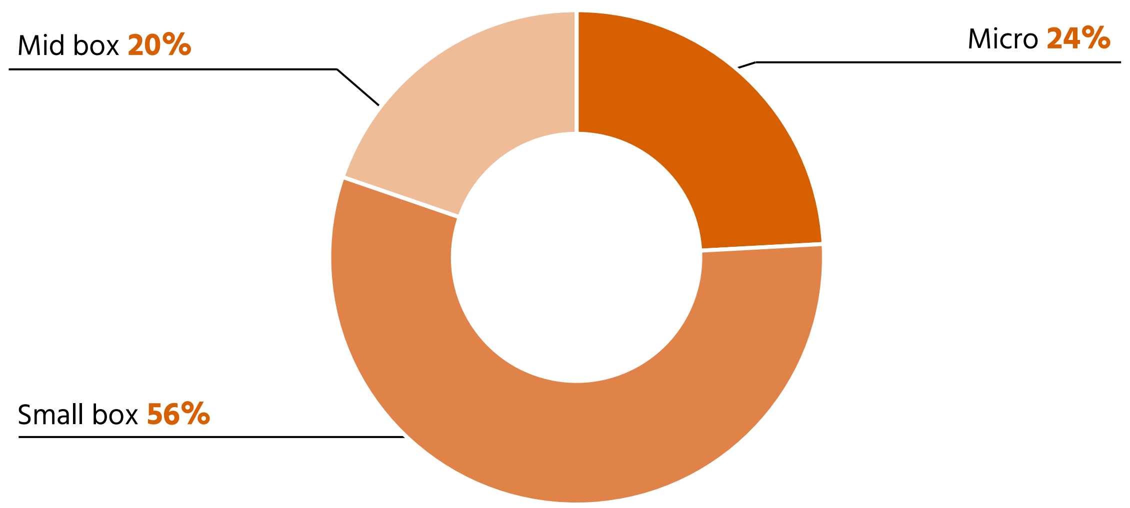
## Scotland




The Scottish multi-let industrial market is categorised by low stock availability. Moreover, there is the greatest proportion of large national firms occupying multi-let space than anywhere outside of the South East. This is particularly notable given the relative lack of multi-let logistics operators. This has maintained rental growth in the key markets of Edinburgh and Glasgow, but prime rents have not seen the kinds of stellar growth observed in other prime multi-let markets across the UK owing to the relative thinness of the market and lack of transactions. Inflationary cost pressures and rising interest rates have similarly limited the supply of new stock. Scotland has the smallest multi-let development pipeline in the UK, with a potential 302,000 sq ft across seven schemes, and only 45,000 sq ft currently under construction. There will need to be a step up in the refurbishment of secondhand space to improve Scotland's average EPC profile and stay ahead of the regulations.

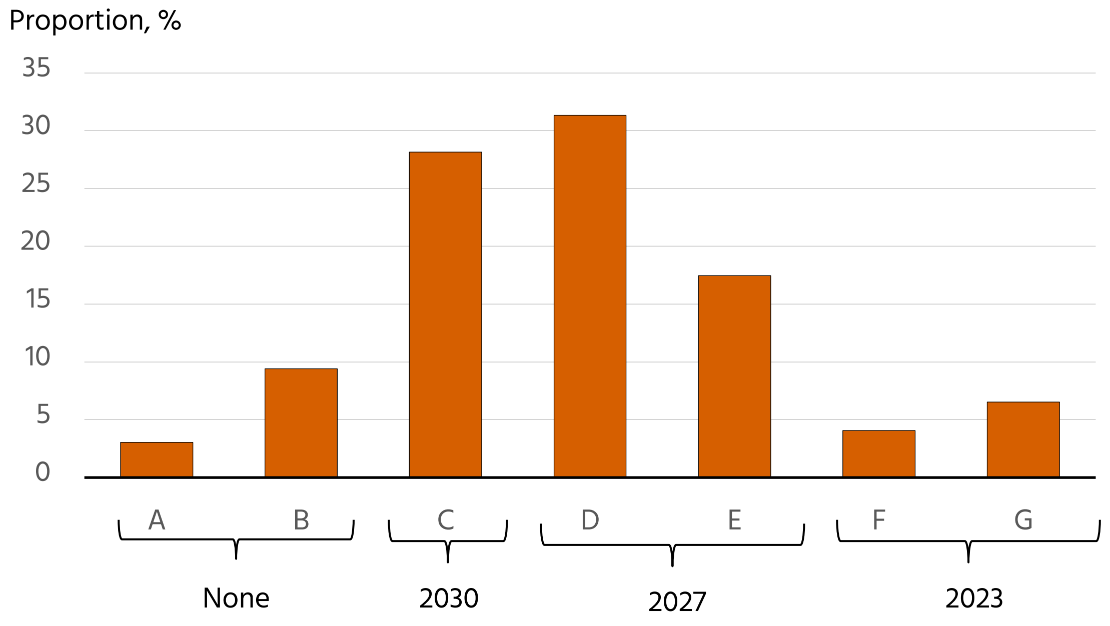
## Proportion of floorspace by unit size

Source: Gerald Eve



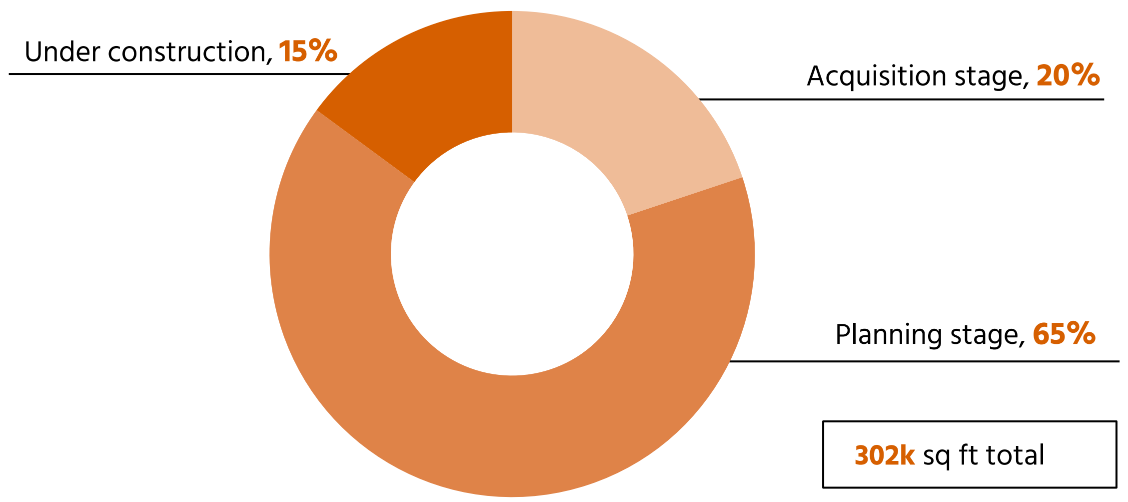

## Floorspace by EPC grade (& year of non-compliance)

Source: Gerald Eve




## Development pipeline

Source: Gerald Eve



# DATASET AND DEFINITIONS

**1,300+**
Estates

**12,400+**
Units

**£26.1bn**
Total capital value

**145.5m sq ft**
Total floorspace

**£1.5bn**
Market rent

**17**
Contributors

**Micro units**
500-5,000 sq ft

**Small box units**
5,001-25,000 sq ft

**Mid box units**
25,001-50,000 sq ft

A **micro-entity** occupier must meet at least <u>two</u> of the following conditions:

- turnover must be not more than £632,000
- the balance sheet total must be not more than £316,000
- the average number of employees must be not more than 10

A **small** company occupier must meet at least <u>two</u> of the following conditions:

- annual turnover must be not more than £10.2 million
- the balance sheet total must be not more than £5.1 million
- the average number of employees must be not more than 50

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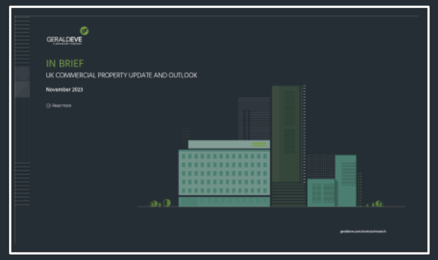
# FURTHER INSIGHT



**In Brief**
November 2023

**Prime Logistics**
Q3 2023

**London Markets**
Q3 2023

Gerald Eve, a Newmark Company, is a firm of international property consultants based in the UK. We operate a national network of nine offices and an international association covering 20 European countries and all major US markets. Whether you are a property owner, investor, occupier or developer, Gerald Eve provides independent, intelligent and relevant advice based on detailed market knowledge and sector understanding. Together we have the resource, experience and relationships to deliver the best property solutions for your business.