



BUSINESS RATES

Business Rates Revaluation 2026

Market Report

Chartered Surveyors and Property Consultants
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We value property

Introduction

Non-Domestic Rates are a form of property tax levied against the vast majority of commercial (or non-domestic) lands & heritages throughout Scotland. The Rateable Value is calculated by the local Assessor and is an estimate of the open market rental value of the lands & heritages at a statutorily defined fixed point in time. The amount payable is determined by multiplying the Rateable Value of the lands & heritage by the prevailing poundage rate.

Under the current system Rateable Values are reset every three years as part of the general Revaluation. The 2023 Valuation Roll is due to close on 31 March 2026 to be replaced by the 2026 Valuation Roll which will contain Rateable Values based on market evidence from around 1 April 2025.

Parties with an interest in a Valuation Roll entry may challenge the corresponding Rateable Value via formal proposals that must be submitted to the local Assessor. Following a Revaluation interested parties have four months between 1 April and 31 July in which to lodge a formal proposal; this deadline is strictly enforced.

The following is a summary of the Scottish property market and what we anticipate happening to Rateable Values following the 2026 Revaluation.

SCOTLAND SUMMARY

There is demand for high quality offices with a range of amenities which also offer flexibility (lease and space) and are situated in a good environment. This demand coupled with lack of supply and constrained development means it can be challenging to secure high quality office space. Therefore, landlords are diversifying their portfolios in order to attract tenants.

Lease flexibility is becoming a bigger market feature in the supply constrained environment as retaining tenants can be more valuable to the landlord than finding new ones. The landlord is keen to reduce void periods and the occupier can negotiate beneficial terms.

Due to the imbalance in supply and demand prime office rents have generally risen throughout Scotland.

The industrial sector in Scotland is dominated by distribution and manufacturing which drives demand. The Scottish manufacturing sector is diverse and ranges from food and beverages to pharmaceuticals and electronics. The manufacturing sector continues to grow and evolve with occupiers seeking modern, energy efficient properties in well connected locations close to motorway networks.

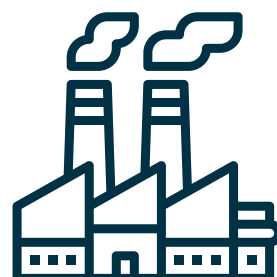
Since the pandemic there has been a shift in behaviours which has affected Scotland's real estate landscape. Occupiers now seek flexible, energy efficient space. Retail and hospitality are regaining momentum but consumers and therefore occupiers are pursuing engaging, mixed-use destinations to keep up with the ever-evolving preferences of occupiers and consumers.

With rents providing the evidence to support Assessor's Rateable Values, the following comment on rental change is relevant to the 2026 Revaluation.

- **Across Scotland** — The shift towards more energy-efficient and ESG-compliant space is creating a two-tier market. Businesses clinging to less efficient offices may see reduced market appeal, while higher quality Grade A office space is lacking due to increased demand.
 - **Glasgow** — Grade A offices remain in high demand, with rents for the very best now in the low-to-mid £40s per sq ft. Low supply, strong demand and stalled development mean the Assessor could be looking closely at these prime addresses come Revaluation.
 - **Edinburgh** — The office market within the city has generally remained steady, however there is a notable demand for smaller high quality office space. Grade A take up was 42% higher than take up during the first half of 2024 leading to a lack of prime stock being available. There was no further increase in Prime headline during Q2 2025 and so has remained at £48 per sq ft. It is expected that these prime rents will continue to grow over the coming years.
 - **Aberdeen** — A 29% fall in take-up over 2024 and an ongoing lack of new development may keep the office market constrained and rents relatively steady. We would be expecting rates to come down for office space in secondary markets but due to no new build space, prime space in the western corridor has seen some instances of rents holding up or increasing.
 - **Stirling, Falkirk and Clackmannanshire** — The office market has remained steady and so ratepayers may see fewer big increases in this sector.
 - **Inverness** — High demand for modern offices and particularly smaller units up to 2,000 sq ft. There is increasing activity in the Inverness office market and car parking is particularly sought after.
 - **Tayside** — Has performed well as it is generally more affordable. Tayside is seeing an increase in rental value due to increasing demand coupled with a lack of new space
 - **Perth** - There is now divergence in the office market, with strong demand for modern office space whereas demand for older space/traditional buildings remains challenging. Modern purpose-built office accommodation commands rents broadly between £13 to £16 per sq ft. The highest and best rents being achieved at the Broxden Business Park, closely followed by locations such as Whitefriars. Converted offices tend to command slightly lower rents of between £10 to £14 per sq ft.
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INDUSTRIAL

- **Glasgow/West** — Low availability, strong rental growth (£10-£12 per sq ft, £14 in top locations) and ongoing demand mean rental values are increasing.
- **Edinburgh/East** — Occupiers are pushing for higher-spec units and refurbishments. In general, the accepted rents are between £10-£12 per sqft.
- **Aberdeen** — Still a strong industrial market supported by the city's energy sector, which is likely to stay generally steady with some increase in rental value for the best modern, well configured properties. Current rents for workshops are in the range of £13 - £14 sq ft blended rate inclusive of office content (£9.00 per sq. ft for workshops in isolation). The Energy Transition Zone has significantly increased occupier take up in the area. Occupiers are seeking properties which support their sustainability goals while also meeting the operational requirements of the company.
- **Stirling, Falkirk and Clackmannanshire** — Industrial market continues to perform well with increasingly high demand, although with supply issues.
- **Inverness** — This sector remains strong with high demand and rising rents. There is a lack of new units and so older units are often refurbished. We are now seeing the prime rents regularly exceeding £10 sq ft.
- **Tayside** — Industrial sector has continued to perform well due to accessible trading estates located with good transport links.
- **Perth & Kinross** - Is a mid-sized submarket containing around 4.7 million square feet of industrial space. The local industrial market has remained relatively stable. Inveralmond is however recognised as Perth's premier commercial/industrial location. Some rents grew at a strong clip of 4.0% over the past year. While undoubtedly a solid result, this does represent the weakest rent growth observed in Perth & Kinross in several years. Industrial properties are typically being let for between £5 - £8 per sq ft.



RETAIL + LEISURE

- **Glasgow** — Glasgow is the highest ranked regional retail market in Scotland and has the most retail floorspace compared to the other UK regional cities. An active market with increasing footfall at shopping centres. Prime rents on Buchanan Street are now bouncing back to the levels seen pre-pandemic.
- **Edinburgh** — Zone A rents are at an all-time high and vacancy rates are falling. Whilst George Street and St James Quarter are showing high resilience and strong rental growth, Princes Street has gone through a decline. Edinburgh has the lowest vacancy rate out of the UK's major regional cities.
- **Aberdeen** — The shopping centres remain an attractive investment and as rents have been rebased it can be a more affordable option for occupiers. Despite a smaller retail scene, Aberdeen enjoys a 59% retention rate. Prime zone A rents fell due to the pandemic however they are now stable at around £105 sq ft.
- **Stirling, Falkirk and Clackmannanshire** — Largely has been take-up of smaller units which have qualified for Small Business Bonus Scheme.
- **Inverness** — Undergoing a transitional period after facing various challenges; landlords are therefore offering more flexible lease terms to encourage occupation.
- **Tayside** — Despite the uncertainty of the future of the retail market, Tayside is seeing an increase in rental value due to lack of new space and increasing demand.
- **Perth** — The retail market is suffering from increasing vacancy rates caused by increased online shopping, change in consumer habits and the impact of COVID-19 has seen many retailers vacate High Streets within the last 12-18 months. Properties that are deemed to be small and compact, falling below the rates threshold still do perform well in commercial centres such as Perth. The high street and secondary trading locations are typically seeing rents of £16 to £25 per sq ft. While poorer trading locations are seeing lower rental levels between £10 to £14 per sq ft.



HOTELS + HOSPITALITY

- This sector has remained extremely resilient surviving turbulent times due to the pandemic, inflation and rising operational costs. This turbulence can be seen in the total sales of hotels during that period, which dropped from £4bn in 2021, to £2bn in 2023. This has since bounced back in 2024, to £6.3bn. However, of the sales in 2024 some 57% were portfolios and £3.1bn of the sales occurred in London. This meant that there was only a 7% increase in single asset sales between 2023 and 2024. Within Q1 of 2025, there was an increased level of enquiries from serious buyers being received for a variety of opportunities. However, the turn from enquiry to viewing and then purchase remains as a slightly difficult process. This could be attributed to the lack of appetite from banks to lend in the sector. Buyers are having to put down a higher level of cash up front, with lower loan to value ratios which coupled with higher interest rates will continue to cause some anxiety for buyers.
- **Sector-wide** — Scottish hotels saw gross operating profits rise from 28.2% in April 2024 to 30.3% in April 2025 despite growing pressure in rising employment costs. Key investment areas are the west coast, A9 corridor and NC500. Contrary to this, hospitality is experiencing growing cost pressures, low footfall and staffing challenges affecting outlets, 75% of which seeing reduced profitability.
- **Occupancy & Performance** - The hospitality market in Scotland is, on the whole, buoyant with Scotland destinations generally outperforming the rest of the UK. Hotels in Scotland are also achieving improving Average Room Rates although whilst combating with the challenges of operational costs and impact on profit margins. Edinburgh remains a top UK destination for hotel investment and Edinburgh now boasts the highest average annual occupancy in the UK (85%), superseding that of London (83%). This is followed closely by Inverness also at around 83%. Other cities across Scotland are also generally achieving occupancy in the mid to high 75% to 79% range, in line with the UK average (77%). Scotland benefits from Internationally renowned attractions, scenery and golf tourism.
- **Valuation for Rating** - The fact that the Assessors still value gross takings to arrive at Rateable Value still causes consternation in the market. The announcement that the valuation basis is being reviewed for the 2029 Revaluation is welcomed



COST BASED VALUATIONS

For properties where rental evidence is limited, valuations will be driven by the cost of construction (and adjusted for age and obsolescence) rather than market rents. This will affect schools, specialist industrial sites, hospitals and museums.

For ratepayers, this can mean that rateable values are less influenced by rental trends and can therefore result in significant changes at Revaluation dependent on the fluctuation of construction costs.

Market uncertainty (war), inflation and higher borrowing rates have also driven costs for developers.

SUMMARY

The general overview is that market values will support the retention or increase in current Rateable Value. However, with an increase in the total Rateable Value for Scotland this should provide the Scottish Government with the opportunity to reduce the rate poundages — although still generating the same level, or inflation increased, total income.

The concern is the retention of current rates relief packages so that will reflect the number of challenges to new values.

The geographic spread and local knowledge within our numerous Graham + Sibbald offices is of significant benefit in challenging Rateable Values throughout Scotland.

Local network, national resources

Our network of offices covers the country and allows us to deliver local expertise and service.

It also speeds up decision making and helps us to build long-lasting client relationships. Each office is fully supported by the resources and expertise of our head-office management team.

The team can undertake business rates services across the UK.

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Find out more www.g-s.co.uk

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