

This report, prepared by SPN on behalf of Scottish Enterprise Dunbartonshire, reviews industrial and office market activity in 2006. The report begins with an overview of general economic conditions and of activity in Scottish industrial and office markets, before focussing on supply, take-up and market performance in the Dunbartonshire area.

Main Findings

Industrials

- Available floorspace in Dunbartonshire at December 2006 was 5% higher than at December 2005, but the number of available units fell by just 22% over the year to the lowest level recorded by SPN. Across Central Scotland in 2006, available industrial space rose by just 2%, with no change in the number of units.
- At December, available floorspace was 30% below the 5-year average and the number of units on offer was 27% below the 5-year average.
- Available floorspace in Dunbartonshire is relatively old, with 68% built pre-1980 and just 14% post-1990. In Central Scotland, 54% of available space was built pre-1980 and 25% post-1990.
- A high percentage of supply in Dunbartonshire is in small units, with 43% under 200 sq m, compared to an average in Central Scotland of 33% in this size band.
- Take-up of industrial floorspace in Dunbartonshire in 2006 was 42% below the high level recorded in 2005, but the number of transactions was 24% higher. Central Scotland recorded a fall of 6% in floorspace taken up and a 3% rise in take-up of units.
- Take-up of industrial floorspace in Dunbartonshire in 2006 was 7% above the 5-year average and the number of transactions was 12% above the 5-year average.
- Available floorspace in Dunbartonshire at December 2006 represented approximately 3.6 years' average take-up, which is close to the Central Scotland average of 3.4 years' supply.

Offices

- Available office space in Dunbartonshire grew by 128% in 2006 and the number of premises on offer increased by 53%. In Central Scotland, available office space decreased by 7%, with a rise of 9% in units.
- Supply of office space at December was 36% above the 5-year average and the number of available units was 33% above the 5-year average.
- Take up of office space in Dunbartonshire in 2006 was 49% below the level recorded in 2005 and the number of transactions was 21% lower. Take-up of floorspace in 2006 was 29% below the 5-year average.
- Available office space in Dunbartonshire at December 2006 represented around 3.5 years' average take-up, compared to a Central Scotland average of 2.7 years' supply.

Scottish Economic Summary

The Scottish economy performed well in 2006 and above trend growth is expected to continue into 2007.

Provisional figures published by the Scottish Executive in January 2007 show growth of 2.3% in seasonally adjusted Gross Domestic Product (GDP) over the year to Q3 of 2006. Although below the growth rate for the UK as a whole (2.6%), this was well above the long-term average and most analysts now expect this relatively strong performance to continue in 2007.

The Scottish construction sector recorded expansion of 5.5% in the year to September 2006, compared to just 0.3% across the UK as a whole. Growth was again strong in the service sector, which increased output by 2.8%, although this was below the UK growth rate of 3.6%.

Output in the Scottish production sector fell by 0.5% over the year, compared to a decline of 0.9% for the UK. Manufacturing output also fell in Scotland by 0.3%, compared to marginal growth in the UK of 0.1% for the year.

Table 1

GDP Seasonally Adjusted	% Change Q3 2006 on Q2 2006	% Change Year to Q3 2006
Scotland	0.5 (0.7)	2.3 (2.6)
Production	0.2 (0.2)	-0.5 (-0.9)
Construction	2.4 (0.7)	5.5 (0.3)
Services	0.4 (0.8)	2.8 (3.6)
Note: (UK Figure in brackets)		
Source: Scottish Executive, January 2007		

The most recent figures from the Royal Bank of Scotland PMI Scotland Report¹ indicate even stronger growth in Scottish private sector output towards the end of 2006, with December registering a 3-month high in manufacturing production and an 11-month high in service sector activity. Expansion has continued into 2007, with the service sector recording accelerated growth in January and February, although with slower growth in manufacturing.

In its latest commentary on the Index of Leading Economic Indicators², The Bank of Scotland predicts strong economic growth for Scotland in the first half of 2007, reaching 2.2% in Q2, but moderating in the second half of the year.

With CPI inflation running well above the Treasury's 2% target, the Bank of England MPC has increased base interest rates three times since July 2006, taking the rate to 5.25% in January 2007, its highest level since May 2001.

The latest increase in January 2007 took financial markets by surprise and was not welcomed by the business community, but was narrowly supported on the MPC in order to bring inflation back within target in the medium term. Despite speculation that another rate rise will be needed to control short-term inflation, rates were unchanged in February and March.

Claimant count unemployment in Scotland at the end of 2006 was 3.2%, unchanged over the year and the ILO measure of unemployment, at 5.2% in November, was down 0.1% on the previous year. The latest Labour Force Survey total employment rate for Scotland in the period September to November 2006, was 75.3%, remaining above the average for the UK and for most EU countries.

The Royal Bank's PMI Report records twenty-three consecutive months of increased employment in the Scottish private sector to December 2006, with job-creation accelerating towards the end of the year. Growth in service sector jobs continued into 2007, with February recording the highest rate of job creation for almost 9 years.

Claimant Count Unemployment in East Dunbartonshire, at just 1.5%, remains well below the Scottish average of 3.1%. Despite a slight fall in 2006, unemployment in West Dunbartonshire remains well above average at 5.0% (Table 2).

Table 2

	Claimant Count Unemployment February 07	Average Total Employment Jul 05-Jun 06
Scotland	3.1% (0.0%)	75%
East Dunbartonshire	1.5% (-0.1%)	83%
West Dunbartonshire	5.0% (-0.1%)	71%
(figures in brackets show change over previous year)		
Source: Scottish Executive, March 2007		

¹ Purchasing Managers' Index Scotland Report, Royal Bank of Scotland/ NTC Research, January - March 2007

² The Scottish Index of Leading Economic Indicators, Bank of Scotland, February 2006

Scottish Industrials - Overview

The total supply of available industrial floorspace in the Scottish Enterprise area did not change substantially during 2006. Recorded supply of available floorspace at the end of 2006 was 2.23 million sq m, just 2% higher than the level recorded a year earlier and close to the 5-year average. However, the number of units on offer fell again during 2006 to 1,883, the lowest level recorded by SPN, reflecting a continuing trend towards supply in larger units. Since December 2000, the average size of available industrial unit has increased by 46% to approximately 1,200 sq m.

The biggest decline in supply was in units in the size-band 200–499 sq m (-8%), while the number of units of 1,000 sq m and above increased over the year by 6%. The supply of floorspace built post-1990 increased by 17% and post-2000 space increased by 19%, compared to a decrease of 6% in floorspace built pre-1980.

Industrial take-up in 2006, at 523,000 sq m, was 8% below the level recorded in 2005 and 6% below the 5-year average. The number of units taken up was, however, 2% higher than in 2005, reflecting an increase in take-up of smaller units and a fall in take-up of units over 500 sq m. Take-up of units built post-2000 increased by 85% over the year, but mainly in small sizes, so that the floorspace taken up in that age-band was just 2% higher than in 2005.

Most LEC areas recorded a fall in industrial take-up in 2006, but Lanarkshire saw a substantial increase of 47% in floorspace taken up, while Tayside and Forth Valley recorded more modest rises of 12% and 7% respectively. Take-up of floorspace in Glasgow fell only marginally by 2%, compared to a decline of 41% in Edinburgh & Lothian.

The CB Richard Ellis quarterly index³ reports rental growth of 2.4% for Scottish industrials in 2006, ahead of the UK average of 1.4%. Capital growth of 11.7%, raised total annual return on industrials to 18.6%, compared to a UK average of 17.7%.

Scottish Offices - Overview

Available office floorspace at December 2006 (837,000 sq m) was 7% below the level recorded a year earlier and close to the 5-year average. Most of the decrease was in older (pre-1980) space, which reduced by 17%. Supply of post-2000 floorspace fell by just 3% over the year.

In Edinburgh City, available office space fell by 16% overall from the high level recorded at the end of 2005 and the supply of floorspace built since 2000 decreased by 24%.

Glasgow recorded a decrease of 21% overall, largely in older floorspace, while the supply of modern space was substantially unchanged.

Take-up of office floorspace recorded in 2006 (248,000 sq m) was 13% below the relatively high level recorded in 2005 and close to the 5-year average. The number of recorded transactions was just 3% down over the year.

In Glasgow, take-up of floorspace in 2006 was 18% below the high level recorded in 2005, but still 23% above the 5-year average. The reduction in take-up was exclusively in post-2000 floorspace (-38%), while take-up of older floorspace increased slightly.

Edinburgh City recorded a small increase in take-up of just 7%, but take-up in 2006 was 8% below the 5-year average. Reduced take-up in Edinburgh was confined to pre-2000 floorspace, with growth of 32% in the take-up of more modern space.

Office markets in Aberdeen, Dundee and Lanarkshire all recorded a fall in take-up during 2006.

The CBRE quarterly index³ reports rental growth of 1.2% for Scottish offices in the final quarter of 2006, taking growth for the year to 2.8%, compared to 7% across the UK. Capital growth of 14.1% took the average total return on Scottish offices to 20%, compared to 23.1% for the UK.

Figure 1

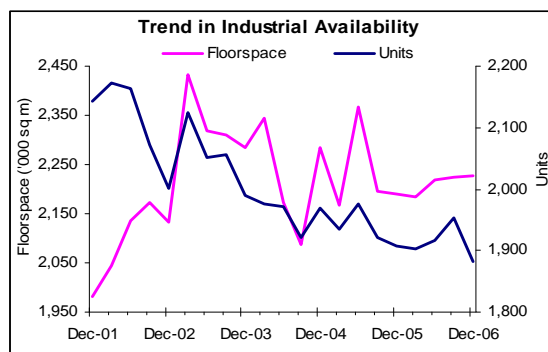
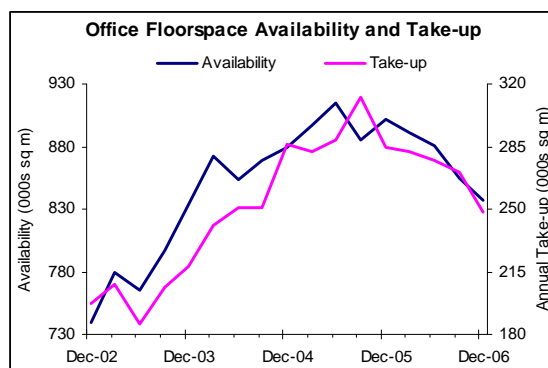


Figure 2



³ Scottish Property Quarterly, 4th Quarter 2006, CB Richard Ellis

Business Property Markets in Dunbartonshire

Industrial Stock

SPN holds information on 472,000 sq m of standard⁴ industrial accommodation in 693 units in Dunbartonshire. West Dunbartonshire contains 71% of the units and 79% of the floorspace.

As previously reported, a comparatively high proportion of industrial units in Dunbartonshire are in small sizes of less than 200 sq m, at 56%, and only 10% of premises are more than 999 sq m in size. Across Central Scotland⁵ as a whole, 44% of units are under 200 sq m and 18% over 999 sq m. In East Dunbartonshire, 59% of units are under 200 sq m, compared to 54% in West Dunbartonshire.

The age profile of Dunbartonshire stock is relatively old, with 78% of floorspace and 51% of units in pre-1980 buildings. Only 10% of floorspace is in post-1990 accommodation and only 1% is post-2000.

On average, across Central Scotland, 67% of floorspace is pre-1980, 15% post-1990 and 3% post-2000.

East Dunbartonshire has a slightly higher percentage of post-2000 floorspace at 2% (10 units).

Industrial Availability

At December 2006, SPN recorded 53 available industrial units in Dunbartonshire, totalling 50,019 sq m. West Dunbartonshire, had 83% of the available floorspace and 74% of available units.

Supply of floorspace at December was 5% higher than a year earlier, but the number of available units continued the recent downward trend, decreasing by 22% over the year to the lowest level recorded by SPN.

At December, available industrial floorspace in Dunbartonshire was 30% below the 5-year average and 23% below the 3-year average. The number of units on offer was 27% below both the 3-year and 5-year averages.

On average across Central Scotland, supply of industrial floorspace increased by just 2% in 2006 and the number of available units was substantially unchanged.

As illustrated in Figure 6, there was some limited growth in supply of large units over 999 sq m, but availability fell in smaller sizes.

The number of available units built post-2000 doubled, but this was an increase of just 3 units.

⁴ This includes all industrial units in recognised industrial estates or industrial areas, but excludes large single-user facilities, 'business units', 'open storage' and 'yards'.

⁵ Central Scotland includes the SE LEC areas of Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Lanarkshire and Renfrewshire.

Figure 3

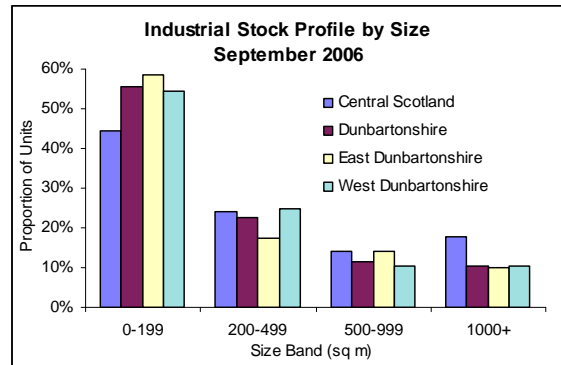


Figure 4

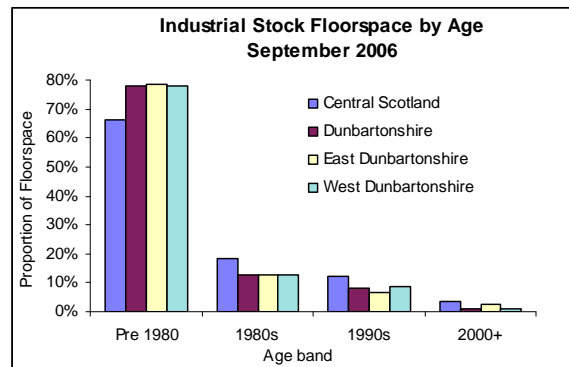


Figure 5

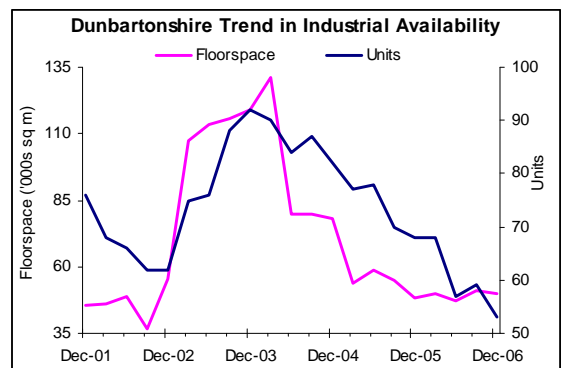
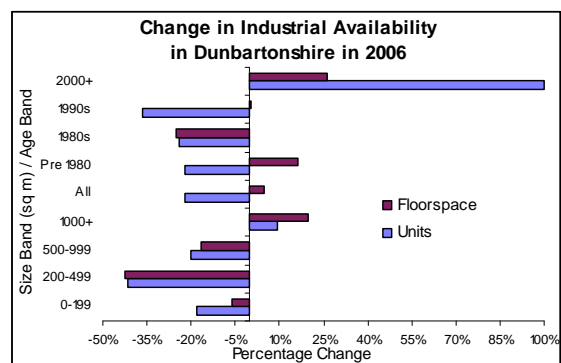


Figure 6



East Dunbartonshire recorded strong growth in supply in 2006, with a rise of 70% in available floorspace and of 56% in available units, as shown by Figure 7. In West Dunbartonshire, supply of floorspace fell slightly by just 3%, while the number of available units decreased by 34%.

As shown in Table 3, the proportion of recorded stock currently available in Dunbartonshire is just below the Central Scotland average. The availability rate in East Dunbartonshire is significantly below average.

Table 3

Industrial Availability - Dunbartonshire		
	Rate of Availability	
	Units	Floorspace
Dunbartonshire	8%	11%
Central Scotland	9%	13%
Glasgow	9%	11%
East Dunbartonshire	7%	8%
West Dunbartonshire	8%	11%

Available floorspace in Dunbartonshire at December was relatively old, with 68% built pre-1980; just 14% post-1990 and 5% post-2000. This compares to Central Scotland averages of 54% pre-1980; 25% post 1990 and 8% post-2000 (Figure 8).

East Dunbartonshire now has 8% of available floorspace in post-2000 buildings, but this is in just 4 units, totalling 707 sq m. Only one available unit in East Dunbartonshire was built in the 1990s, accounting for just 2% of the available floorspace.

West Dunbartonshire has only 2 post-2000 units totalling 1,575 sq m, or 4% of the total available floorspace in the area. A third of the units in West Dunbartonshire were built in the 1990s, but these account for only 11% of the floorspace

Supply in Dunbartonshire is heavily weighted towards small and medium sized units, with 70% of all available properties in sizes under 500 sq m and 43% under 200 sq m. Central Scotland, by comparison has 56% of units under 500 sq m and 33% under 200 sq m.

At December there were only 4 available units in Dunbartonshire in the 500-999 sq m size-band.

Figure 7

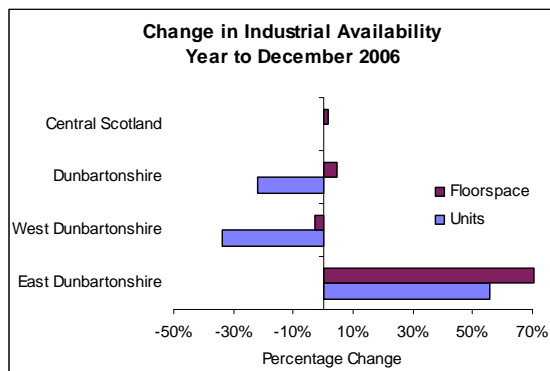


Figure 8

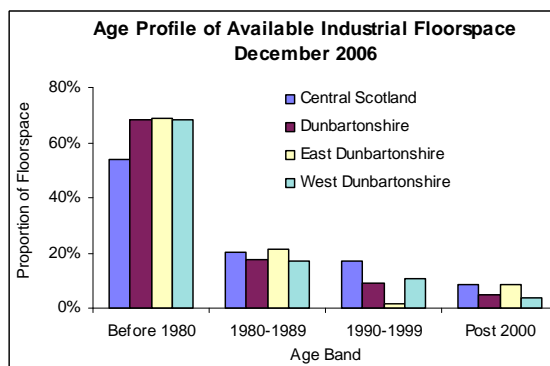
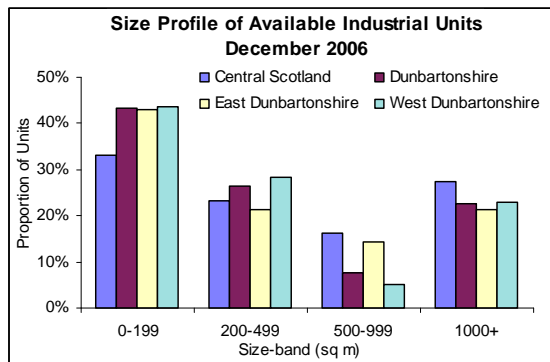


Figure 9



Industrial Take-up

SPN recorded take-up of 36 industrial units in Dunbartonshire in 2006, totalling 10,814 sq m.

The take-up of industrial floorspace in 2006 was 42% below the level recorded in 2005, but the number of units taken up was 24% higher.

Take-up of floorspace in 2006 was 7% above the 5-year average and similar to the 3-year average. The number of transactions recorded in 2006 was 12% above the 5-year average and 26% above the 3-year average.

As shown by figure 11, decline in take-up was restricted to units of more than 499 sq m, while take-up increased in smaller sizes.

Take-up of post-1990 floorspace increased by 23% in 2006, while the number of transactions doubled (from 11 to 22). Take-up of units built post-2000 increased from zero in 2005 to 11 in 2006, however, these transactions were all in small sizes and totalled just 765 sq m.

In East Dunbartonshire, take-up of floorspace fell by 86%, to the lowest level recorded by SPN. Only 4 transactions were recorded in East Dunbartonshire in 2006.

Take-up of floorspace declined in West Dunbartonshire by 26%, but the number of transactions doubled, from 16 in 2005 to 32. It should be noted, however, that in relatively small markets, significant fluctuation in levels of take-up would be expected.

In 2006, 94% of floorspace taken up and 89% of all transactions in the SE Dunbartonshire area were in West Dunbartonshire.

In Central Scotland as a whole, take-up of industrial floorspace fell by 6% in 2006, although there was a marginal increase of 3% in the number of transactions.

Average annual take-up for Dunbartonshire, estimated from the total recorded take-up over 3 years to September 2006, is shown in Table 4 below.

Table 4

Average Annual Take-up	Units	Floorspace (sq m)
Dunbartonshire	34	13,994
East Dunbartonshire	11	2,476
West Dunbartonshire	23	11,518

Availability at December 2006 is expressed in Figure 13 as a number of years' average take-up. On this basis, Dunbartonshire has 1.6 years' supply of units and 3.6 years' supply of floorspace. This is close to the Central Scotland averages of 1.6 years' supply of units and 3.4 years' supply of floorspace.

Figure 10

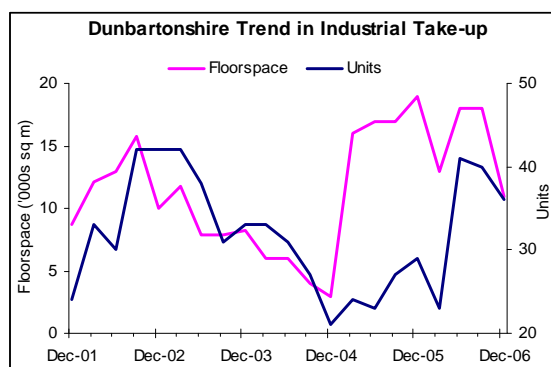


Figure 11

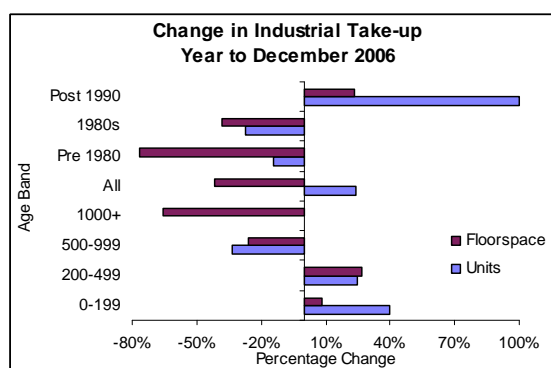


Figure 12

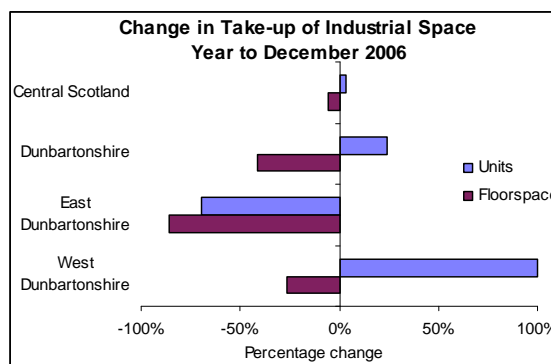
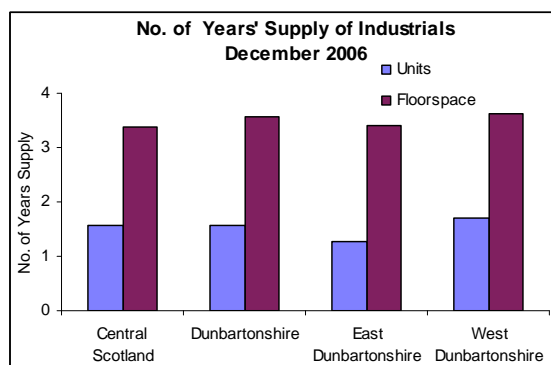


Figure 13



Office Availability

At December 2006, SPN recorded 15,161 sq m of available office and business space in Dunbartonshire in 52 units. This reflects only accommodation that was immediately available for occupation at December 2006 and excludes around 3,100 sq m that was offered in advance of construction or was still under construction.

Total availability includes 6 units that were 'under offer' totalling 1,837 sq m.

Supply of office floorspace in the small Dunbartonshire market recorded significant growth during 2006, up by 128% on the level recorded a year earlier. This was, however, largely due to the addition of 1 unit, totalling 6,149 sq m in East Dunbartonshire. Excluding this one property, supply of floorspace increased by 36% over the year.

The number of premises on offer at December 2006 was 53% higher than a year earlier.

Central Scotland recorded a decrease of 7% in available office floorspace in 2006, but a 9% increase in the number of premises on offer.

Available floorspace at December was 52% above the 3-year average and 36% above the 5-year average. The number of premises on the market was 27% above the 3-year average and 33% above the 5-year average.

Office supply increased in both East and West Dunbartonshire, as shown by Figure 15, with East Dunbartonshire recording a 300% increase in available floorspace, due to the 1 large unit referred to above.

At December, East Dunbartonshire had 50% of the available office space in SE Dunbartonshire and 38% of the available units.

A high proportion of available office premises in Dunbartonshire are in small sizes, with 71% in sizes under 200 sq m and just 6% in sizes of 1,000 sq m or over. In East Dunbartonshire, 90% of all available units are less than 200 sq m in size and there are only 2 larger units available.

The supply of office floorspace in Dunbartonshire built post-2000 increased substantially from just 142 sq m in 1 unit at the end of 2005, to 3,284 sq m in 11 units at December 2006. Dunbartonshire now has 29% of available office space in post-1990 accommodation and 22% built post-2000. In Central Scotland as a whole, 58% of available office space was built post-1990 and 34% post-2000.

Figure 14

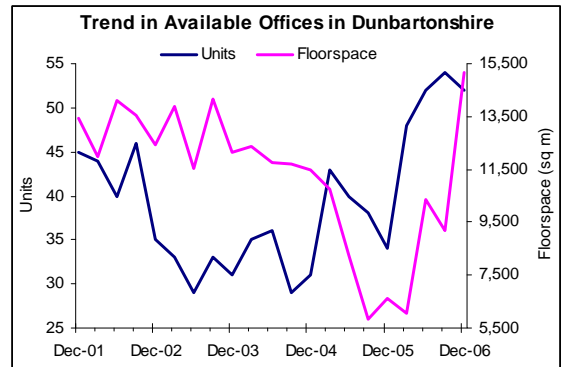


Figure 15

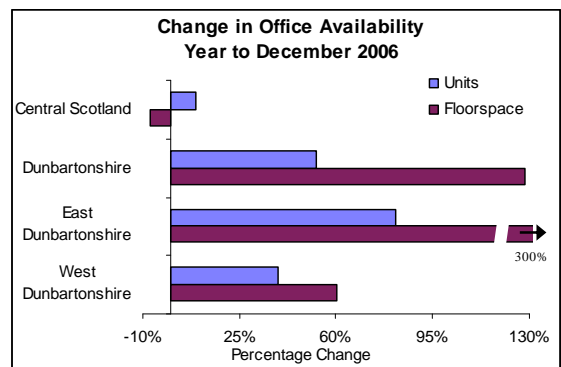


Figure 16

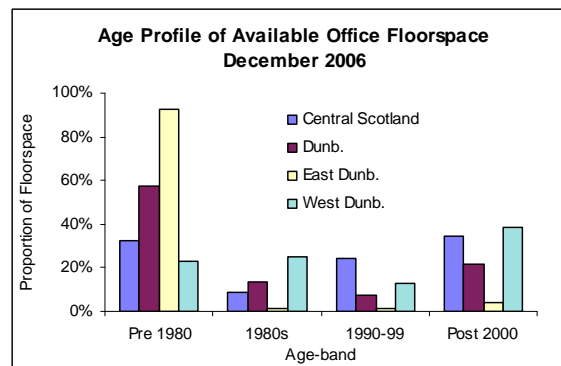
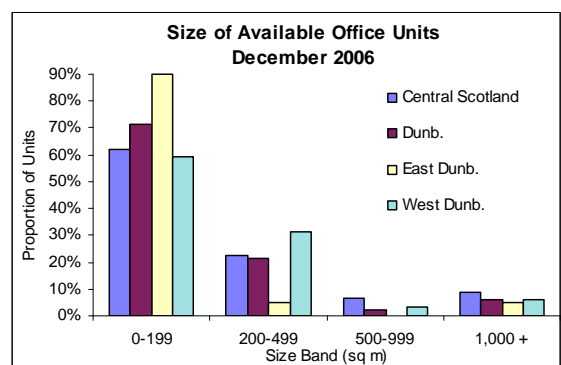


Figure 17



Office Take-up

In 2006, SPN recorded take-up of 2,270 sq m of office space in 27 transactions in Dunbartonshire. This represents a fall of 49% in floorspace taken up, compared with 2005, and a 21% reduction in transactions.

Across Central Scotland as a whole, take-up of office floorspace fell by 11% and the number of transactions fell by 5%.

Take-up of floorspace in Dunbartonshire in 2006 was 36% below the 3-year average and 29% below the 5-year average.

As can be seen from Figure 18, take-up has fluctuated widely over the past 5 years and in such a small market this level of volatility could be expected.

Most of the decline in take-up in 2006 was in West Dunbartonshire, where take-up of floorspace fell by 54%, compared to a decline of just 3% in East Dunbartonshire (Figure 19).

Based on an estimate of average annual take-up over 3 years to September 2006, the supply of office accommodation in Dunbartonshire at December 2006 represented 3.5 years' supply of floorspace and 2 years' supply of units. However if the one large unit of 6,149 sq m in East Dunbartonshire is excluded from the calculation, there was just 2 years' supply of floorspace.

Central Scotland had 1.8 years' supply of units and 2.7 years' supply of floorspace.

Supply of floorspace, relative to average take-up, is high in East Dunbartonshire at currently over 28 years' supply, due to the large premises previously referred to. Even if that one unit is discounted, however, East Dunbartonshire would have 5.2 years' supply of office space.

Figure 18

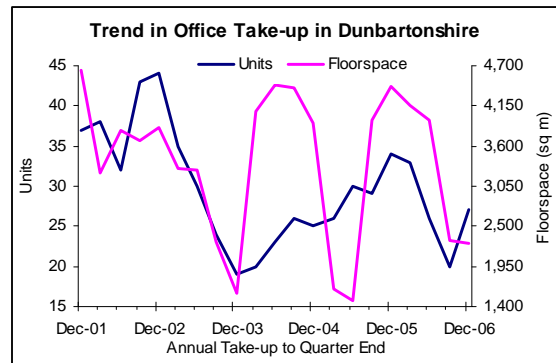


Figure 19

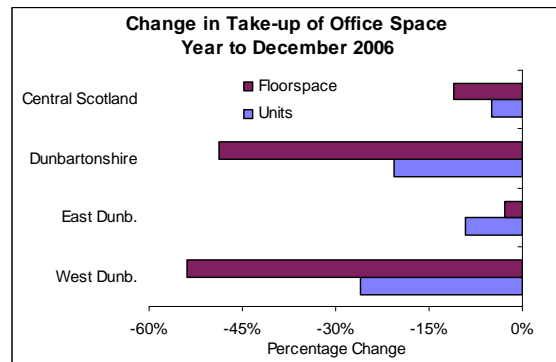


Figure 20

