

This report, prepared by SPN on behalf of Scottish Enterprise Dunbartonshire, reviews industrial and office market activity in the year to December 2004. 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 SE Dunbartonshire area.

Scottish Economic Summary

The latest provisional figures published by the Scottish Executive in January 2005 show growth of 0.9% in seasonally adjusted Gross Domestic Product (GDP) in Scotland in Q3 of 2004 and growth of 1.8% in the previous four quarters. Growth in Scotland continues to lag behind the UK average, which was 3.2% in the year to Q3.

The main source of growth was again the service sector, which increased output by 1.3% in Q3, but by only 1.8% in the year to September, well below the UK average of 3.8% for the year. Output in the Scottish production sector registered only marginal growth of 0.1% over the year, compared to 0.5% for the UK. Growth in Scottish manufacturing was just 0.4% over the year, compared to growth of 1.5% for the UK.

The construction sector in Scotland out-performed the UK average, recording growth in output of 8.4% in the year to September 2004, compared to 4.5% across the UK.

More recent figures from the Royal Bank's PMI Scotland Report¹ indicate twenty-one successive months of growth in Scottish private sector output to March 2004. Growth in manufacturing output in March was the strongest since the start of 2005, while the service sector recorded its sharpest increase for eight months. Both sectors reported increased business confidence and the strongest growth in new business since mid 2004.

Table 1

GDP Seasonally Adjusted	% Change Q3 2004 on Q2 2004	% Change Year to Q3 2004
Scotland	0.9 (0.5)	1.8 (3.2)
Production	-0.1 (-1.3)	-0.1 (0.5)
Construction	0.4 (1.2)	8.4 (4.5)
Services	1.3 (0.9)	1.8 (3.8)

Note: UK Figure in brackets.
Source: Scottish Executive January 2005

¹ Purchasing Managers' Index Scotland Report, Royal Bank of Scotland/ NTC Research, April 2005

In its commentary on the Index of Leading Economic Indicators², The Bank of Scotland highlights signs of economic improvement in Q4 of 2004 and predicts above trend growth into 2005, but easing back to the long-term average rate of 2% in the second half of the year.

Following a rise in base rate to 4.75% in August 2004, the Bank of England MPC has held this rate for the remainder of 2004 and through the first four months of 2005. This is the highest base rate amongst the group of seven industrial nations and while a number of economic commentators believe it has now peaked, opinion remains divided on whether the next move is likely to be up or down.

Official unemployment figures continue to fall. Claimant count unemployment fell by 0.4% in 2004 and stood at 3.3% in March 2005. The Labour Force Survey total employment rate for the second half of 2004 rose to 75%. The Royal Bank's PMI Report records a return to modest growth in private sector employment in March following a period of no change in the first two months of 2005

The unemployment rate in West Dunbartonshire fell by 0.3% in the year to March but remains well above the Scottish average at 4.8%. East Dunbartonshire recorded a smaller fall in unemployment of 0.1%, but the rate in March was still well below average at only 1.6%.

Table 2

	Claimant Count Unemployment February 05	Average Total Employment Q1-Q4 2004
Scotland	3.3%	75%
East Dunb.	1.6%	79%
West Dunb.	4.8%	71%

Source: Scottish Executive April 2005

² The Scottish Index of Leading Economic Indicators, Bank of Scotland, January 2005

Scottish Industrials - Overview

Available industrial floorspace fell by 11% in Q2 and Q3 2004, but increased again by 6% in Q4. Over the year, supply of floorspace fell 3% to stand marginally above the 3-year average and 7% above the 5-year average. However, the number of units on offer again fell to the lowest level recorded, 8% below the 5-year average, reflecting a continuing shift in supply towards larger units. Availability of units under 200 sq m fell over the year by 21%. Ryden's 55th Scottish Property Review³ reports an emerging shortage of good quality units in sizes of less than 1,393 sq m (15,000 sq ft).

In 2004, the Strathclyde region as a whole recorded almost no change in available floorspace, but Lanarkshire saw a 20% increase, while Ayrshire and Dunbartonshire recorded substantial decreases of 19% and 34% respectively. Edinburgh & Lothian and Fife recorded falls in available floorspace over the year of 19% and 13% respectively, while Tayside saw a substantial increase in supply of 23%.

Take-up of industrial floorspace during 2004 was 2% higher than in the previous year, but 5% below the 3-year average. However, take-up of modern (post-1990) floorspace increased by 64% over the year and take-up of post-2000 floorspace grew by 22%, while take-up of pre-1990 space fell by 10%.

Take-up of floorspace in Strathclyde fell overall by 9%, due mainly to a fall of 20% in Glasgow and a smaller decline of 8% in Lanarkshire. Tayside and Forth Valley both recorded relatively low levels of take-up in 2004, down by 21% and 51% on the previous year. By contrast, take-up increased significantly in Fife and Grampian by 127% and 51% respectively. Edinburgh & Lothian recorded a more modest rise of 10%.

The CBRE Quarterly Index⁴ reports no rental growth in Q2 or Q3 of 2004 for Scottish industrials, and a marginal fall in rental values in the year to September of 0.4%. Weakening capital growth reduced the reported total investment return to 12.8% in the twelve months to September.

Scottish Offices – Overview

The steady rise in available office accommodation continued in the second half of 2004. Available floorspace at December was 5% higher than at December 2003 and 7% above the 3-year average. However, this increase was mainly in 1980s space, up 48%, while post-1990 space fell by 3%.

Available floorspace in Edinburgh City increased by 19% over the year, but mainly in 1980s space, while available space built post-2000 fell by 10%. Glasgow, by contrast, recorded an overall increase of just 2%, but with a rise of 36% in post-2000 space and a falling supply of older space.

In Aberdeen, available floorspace was up by 31% overall, but with a rise of 190% in post-2000 accommodation.

The growth in office take-up recorded in the second half of 2003 continued throughout 2004. Take-up of floorspace in 2004 was 30% higher than in the previous year and 11% above the 5-year average. Take-up of post-1990 floorspace increased by 34% and take-up of post-2000 space was up by 42%, compared to a marginal fall in take-up of 1980s floorspace.

Only the Grampian area recorded a significant fall in take-up in 2004, with take-up in Aberdeen down by 28%. Edinburgh city saw an increase of 82% in take-up, while Glasgow recorded a rise of 11%. Substantial increases were also recorded in Dunbartonshire, Forth Valley, Renfrewshire and Tayside.

The CB Richard Ellis Scottish Quarterly Index reports marginal rental growth for offices in Q2 and Q3 of 2004, continuing a slow return to positive growth, but for the year to September they report a small decline in rental values of 0.3%. CBRE also point to strengthening capital growth, raising total return on Scottish Offices to 9.9% in the year to September.

Figure 1

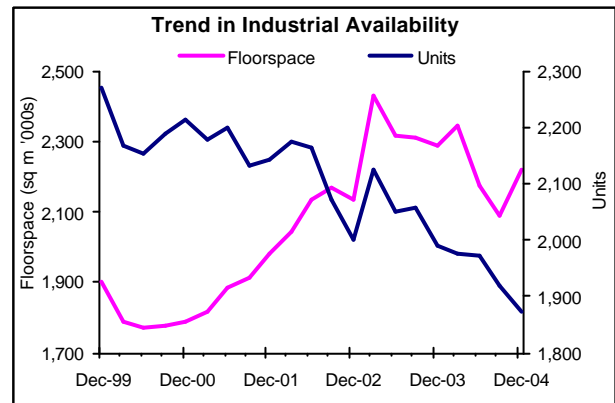
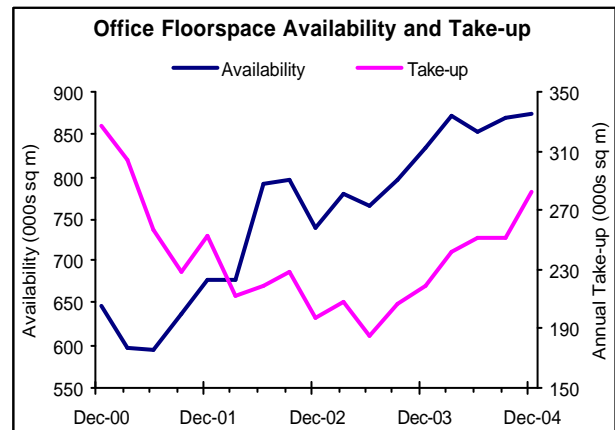


Figure 2



³ 55th Scottish Property Review, October 2004, Ryden

⁴ Scottish Quarterly Index, 3rd Quarter 2004, CB Richard Ellis

Business Property Markets in Dunbartonshire

Industrial Stock

SPN holds information on 455,000 sq m of standard⁵ industrial accommodation in 659 units in Dunbartonshire. West Dunbartonshire contains 80% of the total floorspace and 68% of the units.

Dunbartonshire industrial stock is heavily weighted towards small units, with 55% of units under 200 sq m and only 10% over 999 sq m, as illustrated by Figure 3. Across Central Scotland⁶ as a whole, 45% of units are under 200 sq m and 18% over 999 sq m. East Dunbartonshire has 59% of units under 200 sq m, while West Dunbartonshire has 53% in this size-band.

A high proportion of Dunbartonshire's industrial floorspace is in pre-1980 buildings, at 78%, and only 9% was built post-1990. On average across Central Scotland, 68% of floorspace is pre-1980 and 14% post-1990. However, post-1990 floorspace in Dunbartonshire is mainly concentrated in smaller units, with 23% of all units built post-1990, compared to only 17% on average across Central Scotland.

Industrial Availability

At December 2004, SPN recorded 82 available industrial units in Dunbartonshire totalling 78,190 sq m. West Dunbartonshire holds 87% of this floorspace and 79% of the units.

Industrial availability has fallen from the high level recorded in 2003, as shown in Figure 5. In 2004, the supply of floorspace fell by 34% and the number of units on offer decreased by 11%. However almost half of the decrease in available floorspace was due to the withdrawal from the market of the Harper Collins Warehouse in Bishopbriggs (18,580 sq m). Discounting the withdrawal of that one property, the decline in available floorspace was 22%.

At December, the supply of floorspace was close to the 5-year average and 7% below the 3-year average. The number of units on offer was 4% above the 5-year average and 6% above the 3-year average.

Available supply fell in all size and age-bands, as shown in Figure 6, with the biggest decrease being in the largest size-band (1,000+ sq m) and in pre-1980 accommodation.

Across Central Scotland as a whole, industrial supply decreased slightly in 2004, by 5% in terms of floorspace and by 8% in number of units.

⁵ This includes all industrial units in recognised industrial estates or industrial areas, but excludes large single-user facilities, business units, yards and open storage.

⁶ Central Scotland includes the SE LEC areas of Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Lanarkshire, and Renfrewshire.

Figure 3

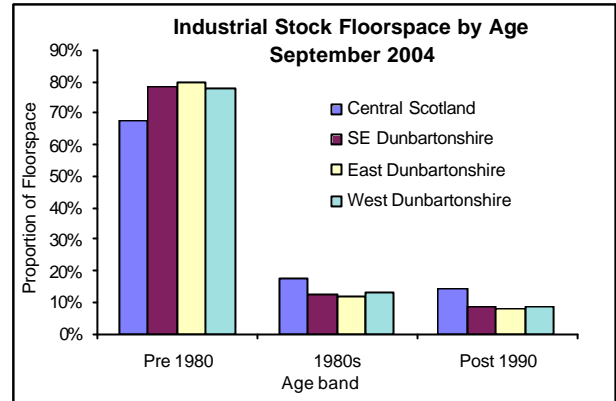


Figure 4

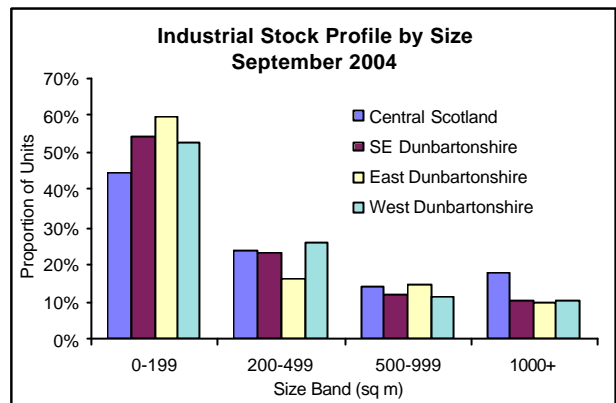


Figure 5

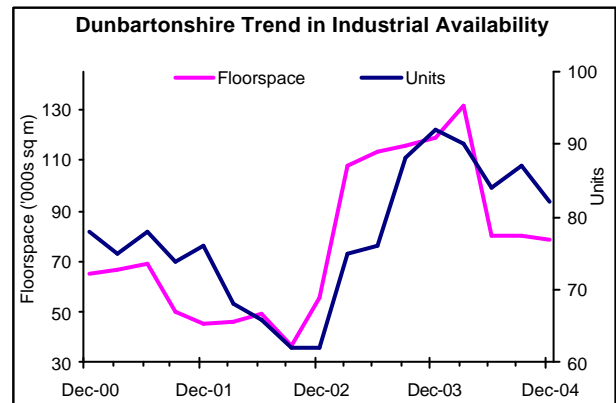
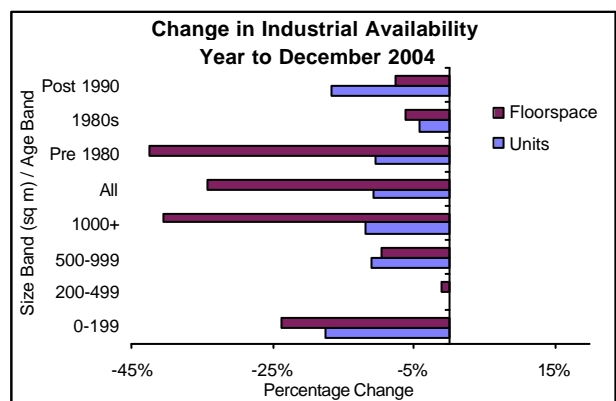


Figure 6



Most of the decrease in available floorspace was in East Dunbartonshire (-66%), but this was largely due to the withdrawal of the Harper Collins warehouse referred to above. Discounting that property, available floorspace in East Dunbartonshire fell by 11%, while West Dunbartonshire recorded a decrease of 23%. The number of units on offer in West Dunbartonshire was unchanged, while East Dunbartonshire saw a reduction of 37% in units (Figure 7).

The proportion of recorded stock currently available (Table 3) has decreased since our last report, particularly in terms of floorspace, but the rate of availability remains above the Central Scotland average.

Table 3

Industrial Availability - Dunbartonshire		
	Rate of Availability	
	Units	Floorspace
Dunbartonshire	12%	17%
Central Scotland	9%	14%
Glasgow	11%	11%
East Dunbartonshire	9%	11%
West Dunbartonshire	14%	19%

Mirroring the age distribution of the industrial stock, available floorspace in Dunbartonshire is relatively old, with just 9% built post-1990 and 67% pre-1980. Across Central Scotland as a whole, 25% of available floorspace is post-1990 and 56% pre-1980. However, because of the concentration of modern floorspace in small units, the proportion of available units in Dunbartonshire built post-1990 is relatively high at 30%, compared to a Central Scotland average of 23%.

East Dunbartonshire had only 1 post-1990 unit on the market at December, representing just 2% of the available floorspace.

As shown by Figure 9, available supply in Dunbartonshire is weighted towards smaller units, with 62% of units under 500 sq m and only 18% above 999 sq m. The averages for Central Scotland are 54% of available units under 500 sq m and 27% over 999 sq m.

Figure 7

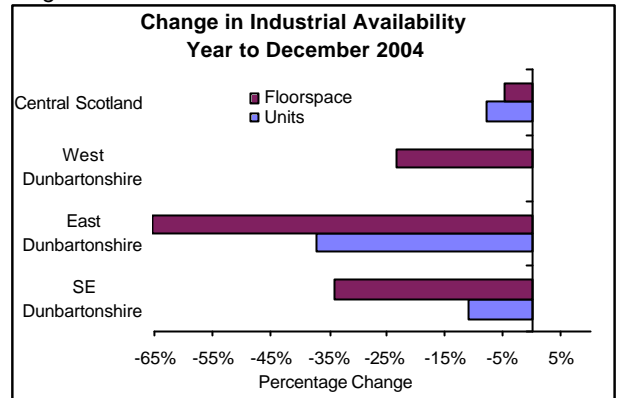


Figure 8

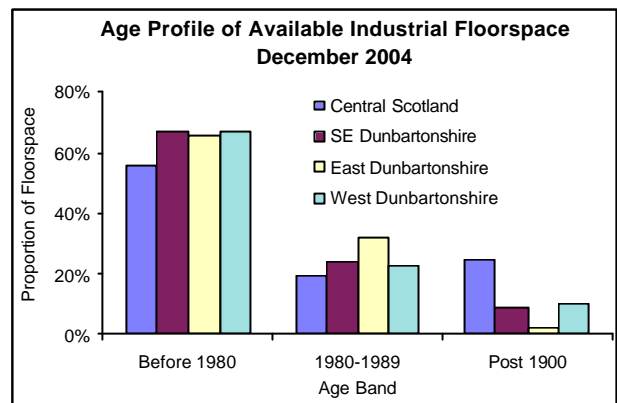
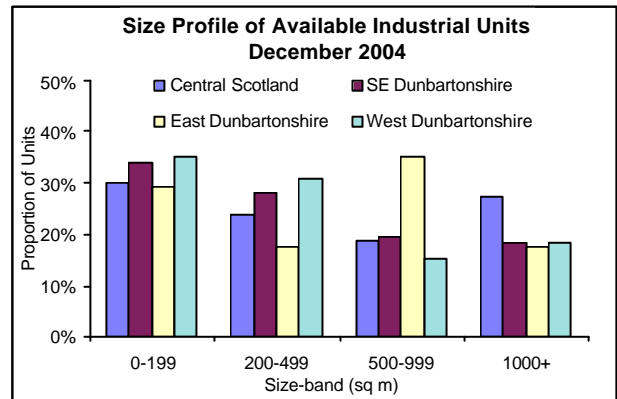


Figure 9



Industrial Take-up

In the year to December 2004, SPN recorded take-up of 21 industrial units in Dunbartonshire totalling 2,943 sq m. This is the lowest level of take-up recorded in five years and is 80% below the 5-year average in terms of floorspace.

Take-up in 2004 was 64% below the 2003 level in terms of floorspace and 36% down in the number of transactions.

As shown by Figure 11, there was a decline in floorspace taken up in all age-bands, although one additional 1980s unit was taken up.

During 2004, no units of more than 999 sq m were taken up, only 1 unit of over 500 sq m was taken up and only 3 units were taken up in the 200 to 500 sq m size-band. The remaining 17 transactions were all for less than 200 sq m.

Both local authority areas experienced a fall in take-up in 2004, as shown by Figure 12. The decline was steepest in West Dunbartonshire, where take-up of floorspace fell by 68%. In East Dunbartonshire, take-up of industrial floorspace was down by 55%.

In Central Scotland as a whole, there was no significant change in recorded take-up of floorspace over the year to December 2004, while the number of transactions fell by 9%.

Average annual take-up for Dunbartonshire, estimated from the total recorded take-up over 3 years to September 2004 is shown below.

Table 4

Average Annual Take-up	Units	Floorspace (sq m)
Dunbartonshire	34	9,678
East Dunbartonshire	10	1,441
West Dunbartonshire	24	8,237

Availability at December 2004 is expressed in Figure 13 as a number of years' average take-up. On this basis, Dunbartonshire had 2.4 years' supply of units and 8 years' supply of floorspace at December 2004. Central Scotland as a whole had 1.6 years' supply of units and 3.6 years' supply of floorspace.

Figure 10

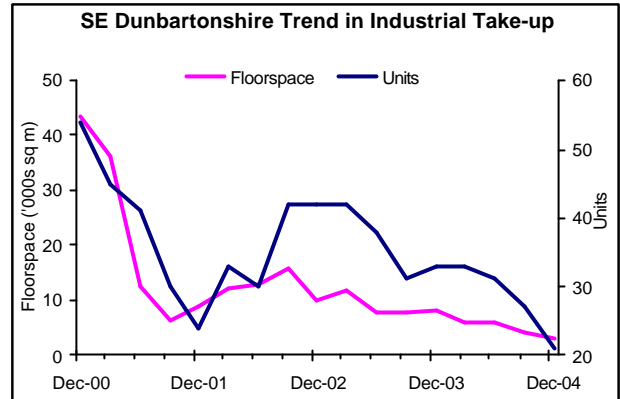


Figure 11

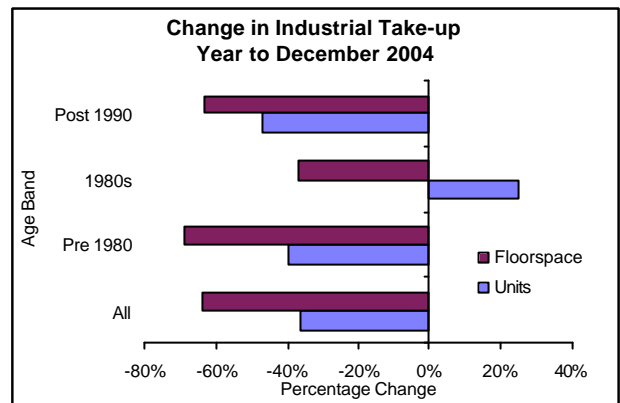


Figure 12

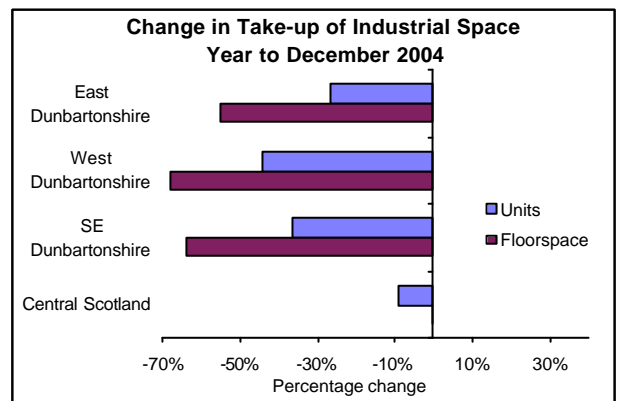
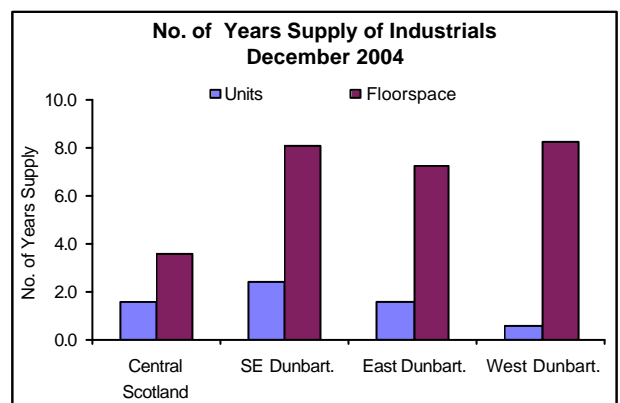


Figure 13



Office Availability

At December 2004, SPN recorded 31 available office and business units in Dunbartonshire that totalled 11,458 sq m. This reflects only accommodation that was immediately available for occupation at December and excludes around 2,600 sq m that was offered in advance of construction or was still under construction.

Approximately three-quarters of Dunbartonshire's office floorspace are in West Dunbartonshire.

Total availability at December includes 5 units that were under offer totalling 1,005 sq m, or 9% of the available supply.

The volume of available office space fell slightly by 6% over the year, but the number of properties on offer was unchanged. Supply of floorspace at December is just 7% below the 5-year average, but the number of premises on offer is 27% below the 5-year average.

The decline in availability was confined to West Dunbartonshire, which recorded a decrease of around 9% in supply of both units and floorspace. The very small East Dunbartonshire market recorded an increase of 5% in available floorspace. During 2004, Central Scotland recorded an increase in available floorspace of just 2% and a fall of 5% in available units.

Just 43% of available office space in Dunbartonshire was built post-1990 and only 14% post-2000. This compares to a Central Scotland average of 57% post-1990 and 35% post-2000.

Office Take-up

In the year to December 2004, SPN recorded take-up of 3,924 sq m of office space in 25 transactions in Dunbartonshire. This represents an increase in floorspace of 149% and a rise of 32% in the number of transactions from the low level recorded in 2003. It should be recognised, however, that in such a small market significant volatility would be expected.

Over the same period Central Scotland recorded a rise of 20% in transactions and a 35% increase in take-up of office floorspace.

Recorded take-up of floorspace in Dunbartonshire in 2004 was 27% above the 3year average and 3% above the 5-year average.

The increase in take-up was mainly in post-1990 floorspace, up 376% to over 3,200 sq m. Take-up of pre-1980 floorspace fell by 40% and, although take-up of pre-1990 floorspace totalled only 719 sq m, 60% of transactions were in this age range.

Although most transactions (80%) were for units of less than 200 sq m, 36% of the floorspace taken up in 2004 was in one transaction (1,394 sq m) at Blair Court, Clydebank Business Park.

Figure 14

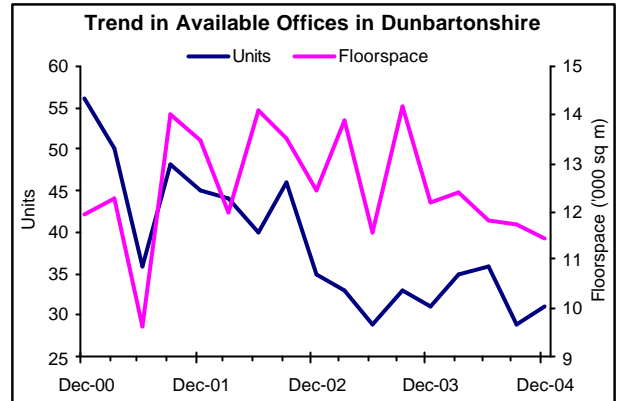


Figure 15

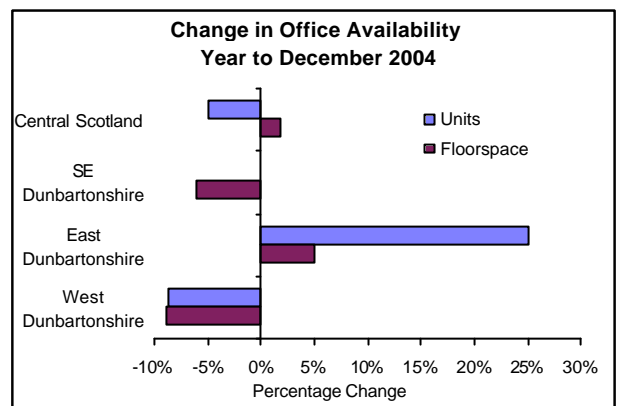


Figure 16

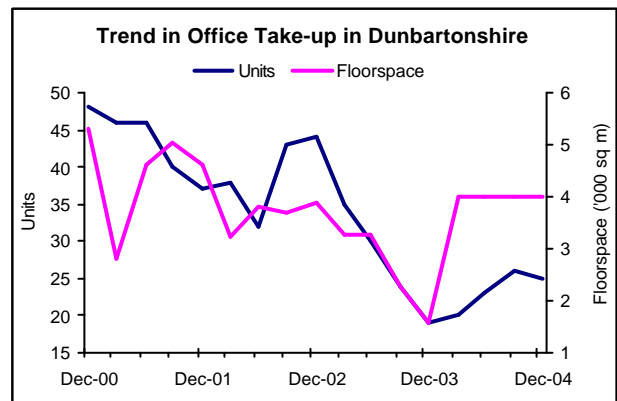
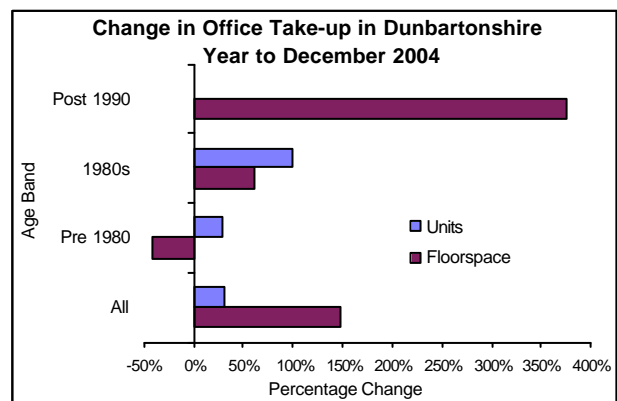


Figure 17



Based on an estimate of average annual take-up over 3 years to September 2004, the supply of office floorspace in Dunbartonshire at September 2004 represented 3 years' average take-up of floorspace and 1 year's supply of units. This remains below the averages for Central Scotland of 3.7 years' supply of floorspace and 1.8 years' supply of units.

Figure 17

