

**REVIEW OF BUSINESS PROPERTY
MARKET ACTIVITY
FOR
SCOTTISH ENTERPRISE**



**SCOTTISH
PROPERTY
NETWORK**

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February 2005

INTRODUCTION

This report is the latest in a series of half-yearly updates on property market activity in the ten Local Enterprise Company (LEC) areas across Central and North-East Scotland, based on an analysis of the SPN database as at December 2004¹. In this review, we also provide, for the second time, a supplementary report on the SE Borders and Dumfries & Galloway areas.

Details of the composition of any data set in this report or further analysis can be provided by SPN. For assistance, please contact SPN on 0141-561 7300.

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¹ Total figures are aggregated from the 10 LEC areas: Scottish Enterprise Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Grampian, Lanarkshire, Renfrewshire and Tayside.

1 Economic Background & Property Market Summary

The Scottish Economy

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.

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 2004

The construction sector in Scotland outperformed 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 Report² indicate eighteen successive months of growth in Scottish private sector output to December 2004. Growth in manufacturing output increased towards the end of 2004, but growth in services was at its weakest since mid 2003. The rate of new business growth in December was also reported to be at the lowest level since September 2003.

In its commentary on the Index of Leading Economic Indicators³, 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 into January 2005. This is the highest base rate amongst the group of seven industrial nations and while an increasing 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 stood at 3.3% in December 2004, down 0.4% on the year and the Labour Force Survey total employment rate for the period Autumn 2003 to Summer 2004 rose to 75%. The Royal Bank's December PMI Report² records a return to marginal growth in private sector employment in November and December following a slight decline in late Summer 2004.

² Purchasing Managers' Index Scotland Report, Royal Bank of Scotland/ NTC Research, January 2005

³ The Scottish Index of Leading Economic Indicators, Bank of Scotland, January 2005

Industrial Property Market

Available industrial floorspace fell by 11% in Q2 and Q3 of 2004, but increased again by 6% in Q4. Over the year, supply of floorspace fell 3% in 2004 to stand just 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 Review⁴ 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 in Grampian by 127% and 51% respectively. Edinburgh & Lothian recorded a more modest rise of 10% over the year.

The CBRE Quarterly Index⁵ 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.

Office Property Market

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% over 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.

⁴ 55th Scottish Property Review, October 2004, Ryden

⁵ Scottish Quarterly Index, 3rd Quarter 2004, CB Richard Ellis

2 Industrial Stock

SPN holds information on just over 17.8 million sq m of ‘standard’⁶ industrial accommodation in Scotland. Just over 17.2 million sq m of this space is within the 10 LEC areas shown in Table 2 below, with the largest proportion (22%) being located in Lanarkshire. The four Clyde Valley LEC areas account for 45% of total Scottish floorspace.

Table 2

All Industrial Stock Recorded by SPN September 2004		
	Units	Floorspace
SE Ayrshire	1,494	1,170,417
SE Dunbartonshire	659	455,052
SE Edinburgh & Lothian	2,821	2,699,355
SE Fife	1,486	1,219,680
SE Forth Valley	1,343	1,044,339
SE Glasgow	2,718	2,059,086
SE Grampian	2,365	1,884,386
SE Lanarkshire	4,015	3,948,127
SE Renfrewshire	1,395	1,459,049
SE Tayside	1,562	1,300,968
All Scotland	19,858	17,240,459

Around 2.4 million sq m, or 14%, of this stock was built post 1990 but only 2% was built since 2000, reflecting a relatively low level of recent development.

As illustrated by Figure 2, the proportion of modern stock varies significantly by location, from 18% post-1990 in Edinburgh & Lothian and in Renfrewshire, to only 9% in Ayrshire and Dunbartonshire. Grampian has the lowest proportion of pre 1980 space, but a high proportion of space built in the 1980s. Renfrewshire has a relatively high proportion of both post-1990 and pre-1980 floorspace, with relatively little 1980s space.

On average, 43% of all units are in sizes of less than 200 sq m and 18% over 999 sq m. As shown by Figure 3, Grampian has a comparatively low proportion of small units at 30%, while over half of all units in Dunbartonshire are less than 200 sq m.

Figure 1

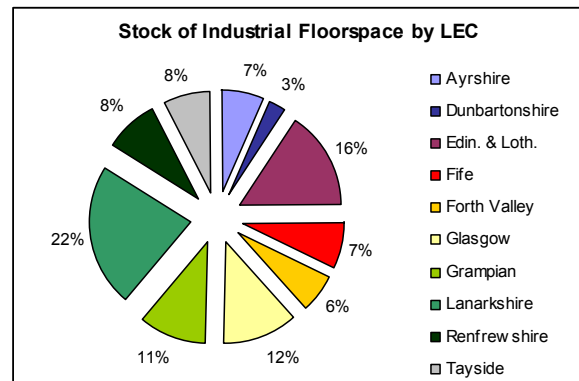


Figure 2

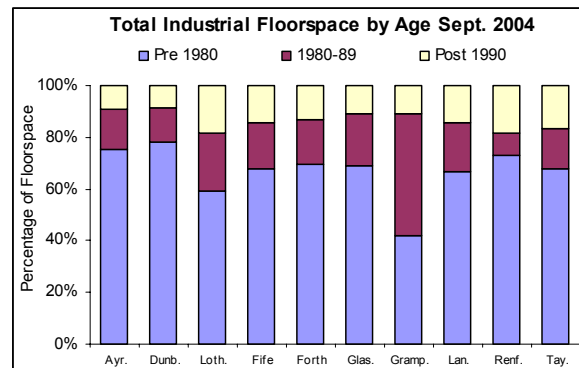
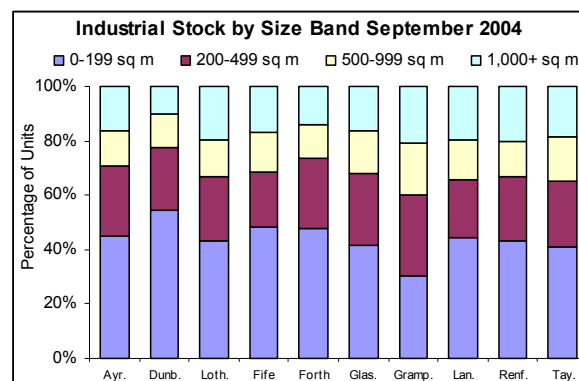


Figure 3



⁶ This includes all industrial units within recognised industrial estates or industrial areas, but excludes large single user facilities and ‘non standard’ premises. In addition, premises identified as ‘business units’, ‘yards’ and ‘open storage’ have been excluded from this analysis.

3 Industrial Supply

At December 2004, SPN recorded 1,875 available industrial units in the 10 LEC areas totalling 2,218,733 sq m.

The total supply of available industrial floorspace fell by 11% in Q2 and Q3 of 2004, but increased again by 6% in Q4. Over the whole year, supply of floorspace fell by 3% in 2004 to stand just marginally above the 3-year average and 7% above the 5-year average. However, the number of units on offer has again fallen 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%, while supply of units in larger sizes increased by 8%.

The supply of modern (post-1990) floorspace increased by 6% in 2004, while pre-1980 space fell by 10%. However, the supply of new (post 2000) floorspace fell by 12%, reflecting low levels of new development.

In 2004, the Strathclyde region as a whole recorded almost no change in available industrial floorspace, but Lanarkshire saw a 20% increase, while Ayrshire and Dunbartonshire recorded substantial decreases of 19% and 34% respectively. Edinburgh & Lothian and Fife recorded a decline in available floorspace over the year of 19% and 13% respectively, while Tayside saw a substantial increase in supply of 23%. In Glasgow available floorspace fell slightly by just 3%, while Forth Valley, Grampian and Renfrewshire all recorded small increases.

At December, Lanarkshire provided 24% of all available floorspace in the survey area, with 15% in Edinburgh & Lothian, 13% in Renfrewshire and 10% in Glasgow. Supply of floorspace in Forth Valley represents only 3% of the total, with 4% in Dunbartonshire. The four Clyde Valley LEC areas⁷ account for over half of the total (51%).

⁷ Dunbartonshire, Glasgow, Lanarkshire & Renfrewshire

Figure 4

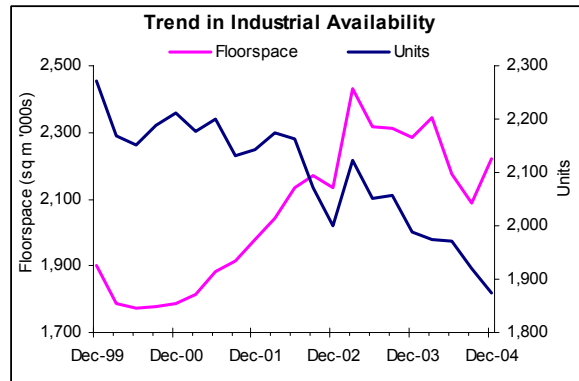


Figure 5

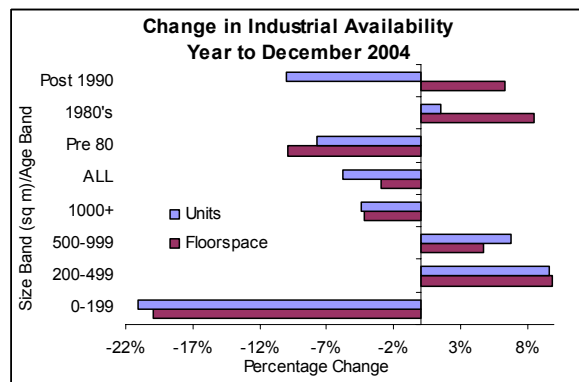


Figure 6

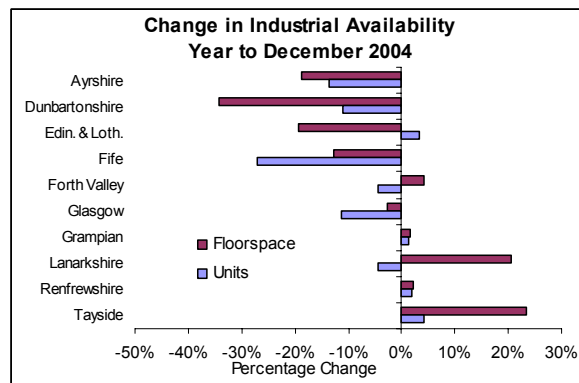
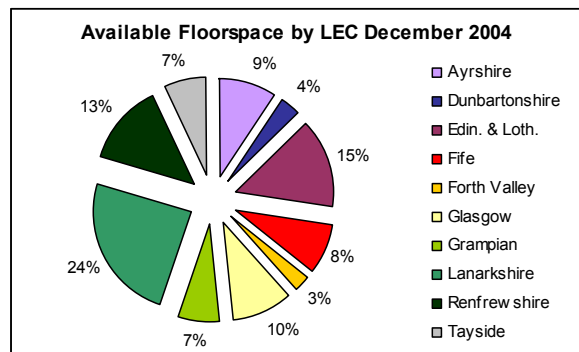


Figure 7



At December, 25% of all available floorspace was built post-1990 and 55% was pre-1980. Only 7%, on average, was built since 2000, although Forth Valley and Edinburgh & Lothian had a relatively high proportion of post-2000 space, at 19% and 15% respectively.

Forth Valley and Fife had a high proportion of post-1990 space on offer at 41% and 43% respectively, compared to only 8% in Ayrshire, 9% in Dunbartonshire and only 12% in Glasgow. Both Dunbartonshire and Glasgow have over two-thirds of available supply in pre-1980 space. In Edinburgh & Lothian and in Tayside approximately a third of available floorspace is post-1990, compared to a quarter in both Lanarkshire and Renfrewshire and 16% in Grampian (Figure 8).

Of all available units, 35% are in sizes less than 200 sq m and 25% in sizes over 999 sq m.

Edinburgh & Lothian and Renfrewshire both have a relatively high proportion of available units in large sizes over 999 sq m at 34% and 40% respectively. Both areas have a correspondingly low proportion of small units, particularly Renfrewshire where the proportion of units under 200 sq m has fallen to 20%. The size distribution of available units in Forth Valley is heavily biased towards small units, with 41% under 200 sq m and only 16% over 999 sq m.

Figure 8

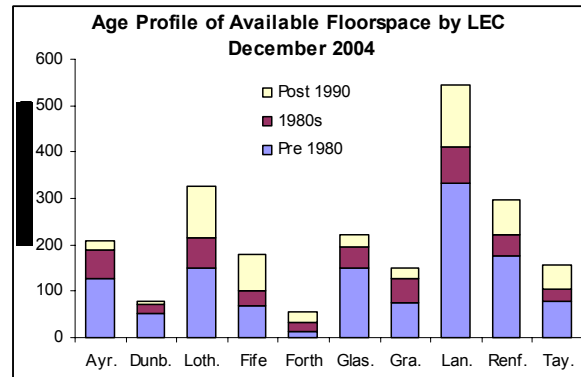
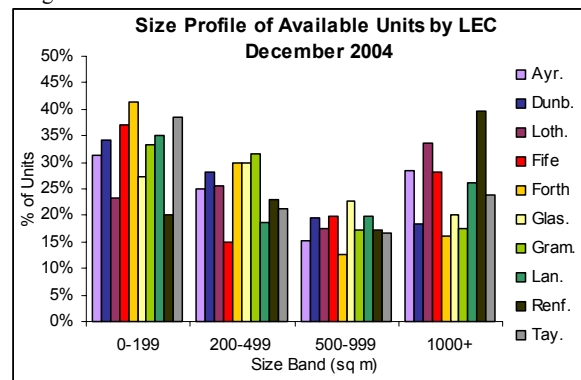


Figure 9



4 Industrial Take-up

The trend in take-up monitored directly by SPN⁸ is shown in Figure 10. Take-up of industrial floorspace in 2004 was just 2% higher than in 2003, although the number of transactions was 4% lower.

Recorded take up in 2004 was 541,000 sq m in 1,006 units.

The volume of floorspace taken-up in the year was 14% below the 5-year average but only 5% below the 3- year average. The number of transactions was 11% below the 5-year average and 4% below the 3-year average.

Most of the growth in take-up, by volume, was in Fife and Grampian, where take-up rose by 127% and 56% respectively over the year. Take-up also increased in, Edinburgh & Lothian (10%) and Renfrewshire (7%). The biggest fall in take-up was in Forth Valley, down by 51% from an unusually high level in 2003. Take-up also fell in Ayrshire (-15%), Dunbartonshire (-64%), Glasgow (-20%), Lanarkshire (-8%) and Tayside (-21%), although the number of transactions in Tayside was higher than in the previous year.

The four Clyde Valley LEC areas accounted for only 48% of total floorspace taken up in 2004, compared to 55% in 2003.

As shown by Figure 13, the increase in take-up over the year was mainly in large units over 999 sq m and in post-1990 floorspace. This was partly due to 2 large lettings totalling over 41,000 sq m (Amazon books in Gourrock and TDG Logistics in Bellshill).

Take-up of units fell in all size-bands under 1,000 sq m.

Figure 10

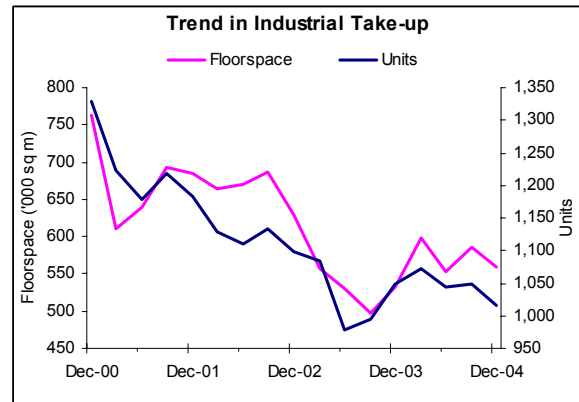


Figure 11

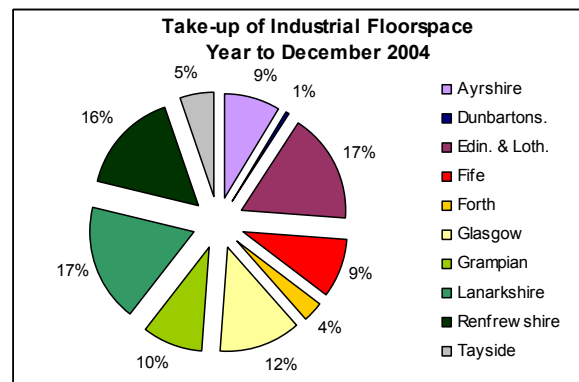


Figure 12

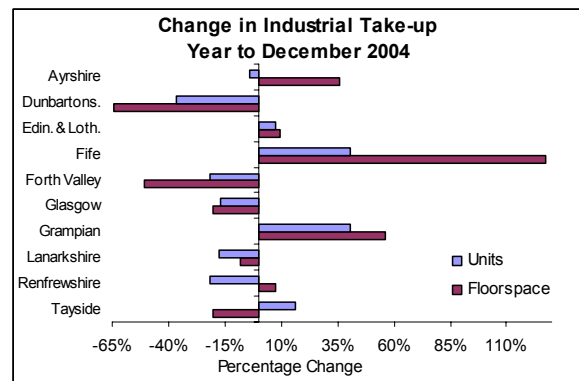
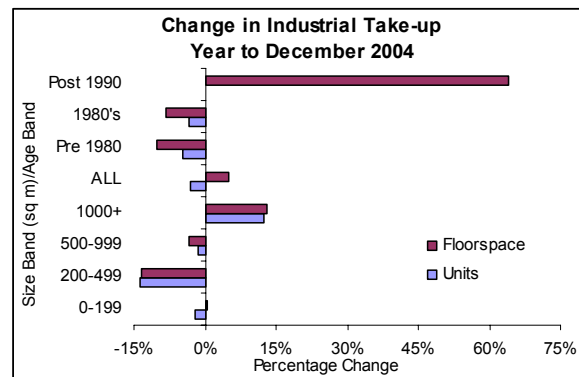


Figure 13



⁸ Take-up is based on change in recorded availability identified as a lease or sale by the marketing agent.

The average annual take-up for each LEC area, estimated from the total recorded take-up over the 3 years to September 2004, is shown in Table 3.

Availability at December 2004 is expressed in Figure 14 as a number of years' potential take-up, based on the estimated average take-up. Available supply at December in the study area represented 1.7 years' take-up of units and 3.5 years' take-up of floorspace.

Despite the relatively high overall supply of floorspace, there is now just 1.0 year's supply of small units (<200 sq m) and 1.5 years' supply of post-1990 units.

Dunbartonshire and Fife both have a high supply of industrial floorspace relative to average annual take-up, at around 8 years' supply. Forth Valley, by contrast, has only 1.5 years' supply of floorspace overall and only 9 months' supply of units under 200 sq m.

The supply of small units (<200 sq m) is also low, compared to average take-up, in Glasgow and in Edinburgh & Lothian.

Some of the most significant industrial letting deals in recorded in 2004 are shown in Table 4 below.

Figure 14

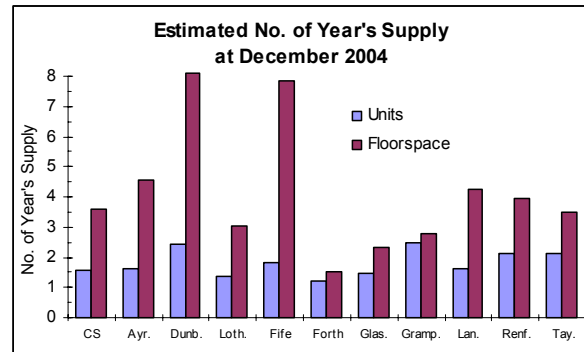


Figure 15

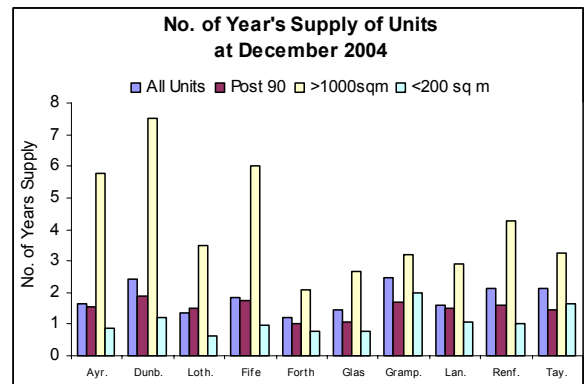


Table 3

Average Annual Take-up*	Units	Floorspace (sq m)
Central Scotland	934	535,530
Ayrshire	108	45,376
Dunbartonshire	34	9,678
Edinburgh & Lothian	183	107,340
Fife	66	23,044
Forth Valley	73	36,754
Glasgow	175	96,601
Grampian	100	53,741
Lanarkshire	207	128,334
Renfrewshire	80	75,519
Tayside	71	44,400

* 3 years to September 2004

Table 4

Property	Size sq m	Lessor	Occupier	Approx. Date	Headline rental rate * £/sq m (£ sq ft)
1Dunnswood Road, Wardpark South Ind Est, Cumbernauld	7,826	Keiller Estates	Pilkington Glass	Q4 2004	Undisclosed
Nexus 1, Drumhead Place, Cambuslang Investment Park	7,883	Credit Suisse	United Freight Distribution	Q4 2004	£32.34 (£3.00)
Unit 5, Gateside Commerce Park, Haddington	7,165	Premier Property Group	Edinburgh Removals	Q3 2004	£29.94 (£2.78)
Pitreavie Way, Pitreavie Business Park, Dunfermline	5,515	Palmer & Harvey	Wincanton Logistics	Q3 2004	£23.57 (£2.19)
2 Faulds Park Road, Faulds Park, Gourrock	27,870	Barclays Bank	Amazon	Q2 2004	Undisclosed
25 Coddington Crescent, Eurocentral, Bellshill	13,218	Scottish Power	TDG Logistics	Q2 2004	Undisclosed
Buildings 1&2, 29-31 Murrayburn Rd. Longstone, Edinburgh	2,011	James Brown & Sons	MKM	Q2 2004	£59.67 (£5.54)
Block G (Part) Sir Harry Lauder Road, Portobello, Edinburgh	1,460	Edinburgh Industrial Estates	Dingbro	Q2 2004	£55.43 (£5.15)
Unit 2, Canyon Rd, Excelsior Park, Wishaw	2,323	Scot Sheridan Properties	Astute Electronics	Q1 2004	£51.12 (£4.75)

* headline rental rate is estimated from the initial rent reported by the letting agent and cannot be warranted accurate by SPN

5 Office Supply

At December 2004, SPN recorded 873,000 sq m of available office and business floorspace in 2,079 premises in the 10 LEC area. This reflects only accommodation that is immediately available for occupation and excludes over 450,000 sq m that is offered in advance of construction or still under construction.

The total available floorspace logged by SPN includes premises that are 'under offer'. At the end of December 2004 these totalled 61,000 sq m or 7% of total supply.

Following a slight fall in Q2 of 2004, the steady increase in office supply recorded during 2003 continued, albeit less strongly, in the second half of 2004. At December, available floorspace was 5% higher than at December 2003 and 16% above the 5-year average. However, the number of premises on offer fell in 2004 by 4% and is now close to the five-year average.

Growth in available office floorspace in 2004 was mainly in Edinburgh & Lothian, Grampian and Tayside. Ayrshire also recorded a big percentage rise, but in a relatively small market, while Forth Valley and Renfrewshire recorded significant falls.

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.

Edinburgh & Lothian now provides a third of all available office space (26% in Edinburgh City), with 26% in Glasgow, 12% in Lanarkshire and 10% in Grampian. All other LEC areas each contribute less than 5% of the total.

Most of the overall rise in available space was in 1980s accommodation, up by 48%, while the supply of post-1990 space fell by 3%.

As shown in Figure 19, availability fell in sizes under 200 sq m, but increased in larger floor areas.

Figure 16

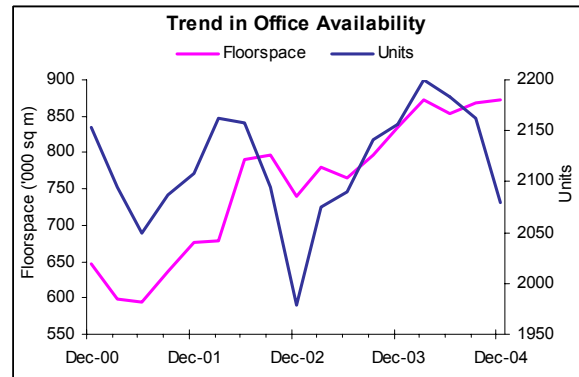


Figure 17

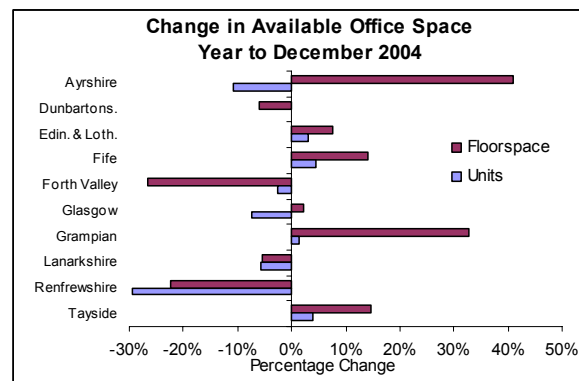


Figure 18

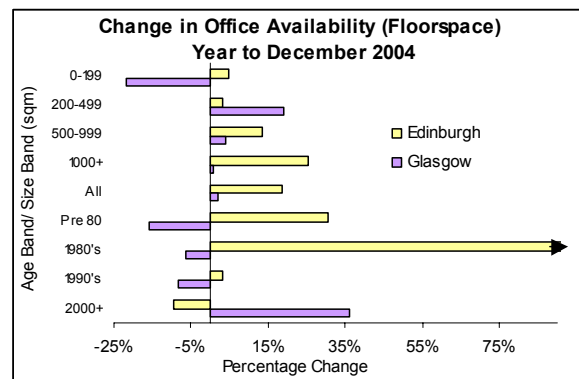
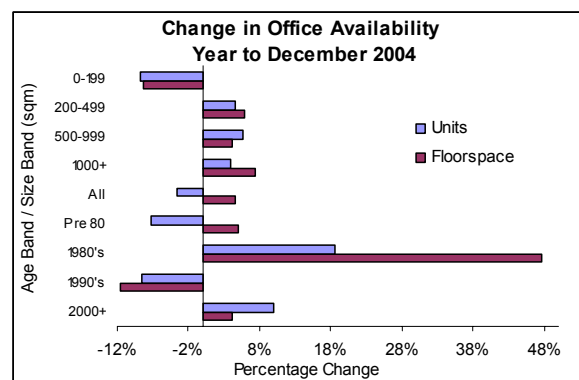


Figure 19



6 Office Take-up

The growth in office take-up recorded in the second half of 2003 has continued throughout 2004. Take-up of floorspace in the year to December totalled 283,000 sq m, 30% higher than in the previous year and 10% above the 5-year average.

Take-up of post-1990 floorspace increased over the year by 34% and take-up of post-2000 space was up by 42%, compared to a marginal fall of 2% in take-up of 1980s floorspace.

Only the Grampian area recorded a significant fall in take-up of office floorspace in 2004, with take-up in Aberdeen down by 28%. Take-up of floorspace in Edinburgh & Lothian increased by 62%, while Edinburgh city recorded a rise of 82%. Glasgow recorded a rise of 11% and substantial increases were also recorded in Dunbartonshire, Forth Valley, Renfrewshire and Tayside.

Edinburgh & Lothian accounted for 42% of the total office take-up in 2004, with 37% in Edinburgh City. Glasgow's share of total take-up fell marginally to 22%, with only 9% in Lanarkshire and 8% in Renfrewshire.

Take-up in Edinburgh City increased in all age bands, with especially strong growth in take-up of 1990s space. Glasgow recorded more modest growth overall, but with strong growth in take-up of post -2000 floorspace (71%) and with declining take-up of 1990s and 1980s space.

Based on the average annual take-up over the 3 years to September 2004, available supply at December 2004 represented 1.9 years' take-up of units and 3.8 years' take-up of floorspace in the 10 LEC area.

Supply of office space, relative to average take-up, is high in Lanarkshire and Tayside. Available floorspace in Glasgow represents 3.5 years' average take-up, compared to 3.9 years' supply in Edinburgh.

Figure 20

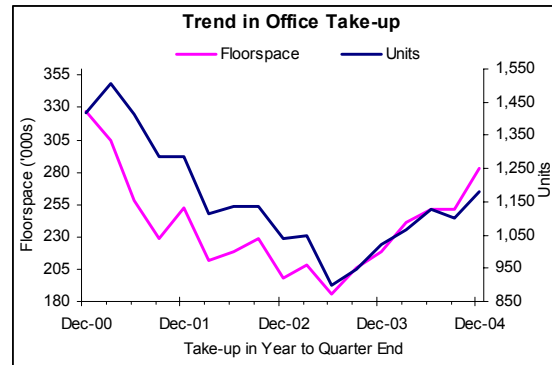


Figure 21

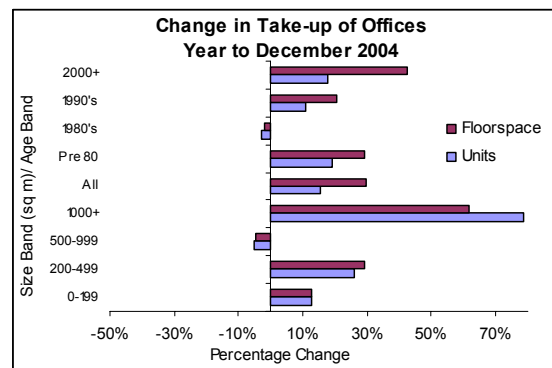


Figure 22

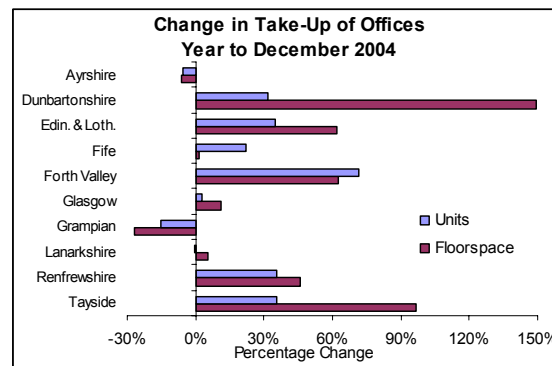
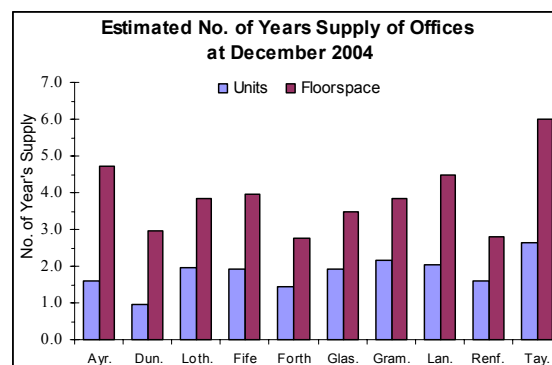


Figure 23



A number of the most significant letting deals recorded in the second half of 2004 are shown in Table 5 below.

Table 5

Office Letting Deals					
Property	Size sq m	Lessor	Occupier	Approx. Date	Headline rental rate * £/sq m (£/sq ft)
East Market Street, Edinburgh	18,580	Morley Fund Managers / Network Rail	City of Edinburgh Council	Q4 2004	£269.10 (£25.00)
1st - 5th Floors, 1 Morrison Street, The Exchange, Edinburgh	5,285	Hermes Property Trust	Franklin Templeton	Q3 2004	£295.18 (£27.42)
Edinburgh House, 4 St Andrew Street North, Edinburgh	3,695	Aegon UK Plc	Royal Bank of Scotland Plc	Q2 2004	£251.34 (£23.35)
2nd & 3rd Flrs, Oracle House, 6 Lochside Ave, Edinburgh Park	3,716	Morley Fund Managers	BAE Systems	Q3 2004	£203.55 (£19.00)
2nd & 3rd Flrs Central Exchange, 20 Waterloo St, Glasgow	2,464	Cala Properties	Hymans Robertson & Co	Q3 2004	Undisclosed
SP1, 8 Elliot Place, Skypark, Glasgow	2,397	Allied London & Scottish Properties	Travel 2 Ltd	Q3 2004	£172.26 (£16.00)
Ground Flr, Cirrus, Sanderling Rd, Glasgow Airport Business Park	1,312	AXA Reim	Contact 4 Partnership Ltd	Q4 2004	£183.04 (£17.00)
Pacific Quay, Glasgow (Prelet)	5,941	Pacific Quay Developments	Scottish Television Plc	Q3 2004	£199.00 (£18.50)
Aspect House, Hamilton International, Hamilton	4,360	AWG Developments	Scottish Power Plc	Q4 2004	£153.41 (£14.25)
2nd - 5th Flrs, Gilmour House, Gilmour Street, Paisley	4,088	Coal Pension Properties	Renfrewshire Council	Q4 2004	£53.81 (£5.00)

* headline rental rate is estimated from the initial rent reported by the letting agent and cannot be warranted accurate by SPN

7 Dumfries & Galloway and Scottish Borders

This supplementary report covers the Dumfries & Galloway and Scottish Borders areas, which have not previously been included in the SPN analyses of market trends in Central and North-east Scotland.

Commercial property markets in both areas are small and levels of supply and take-up can fluctuate widely in response to a relatively small number of transactions or properties brought to the market. It is intended in future reports to incorporate the figures for these two areas into the overall analysis of market performance in the whole Scottish Enterprise area.

Industrial Supply

At December 2004, SPN recorded 64 available industrial units in Borders (32,490 sq m) and 31 in Dumfries & Galloway (33,897 sq m). Together this represents only 3% of the total available supply in the Scottish Enterprise area.

In 2004, available floorspace in Dumfries & Galloway increased by 12%, while floorspace in Scottish Borders fell by 24%.

Available supply in both areas is biased towards small units, although this is more marked in Borders where 75% of available units are under 500 sq m and 55% under 200 sq m. Dumfries & Galloway has 35% in sizes less than 200 sq m, and only 19% over 999 sq m, compared to averages in Central Scotland of 30% under 200 sq m and 27% over 999 sq m.

Dumfries & Galloway has a high proportion of its available floorspace in pre-1980 accommodation at 83% and only 11% built post-1990. Since our last report, the volume of post-1990 space on offer in Borders has doubled and now represents 19% of all available floorspace, but the proportion of pre-1980 space on offer remains relatively high at 80%, with very little 1980s space.

Comparative figures for Central Scotland at December were 25% of available floorspace post-1990 and 54% pre-1980. At December, there were four available units in Borders built since 2000 and none in Dumfries & Galloway.

Figure 24

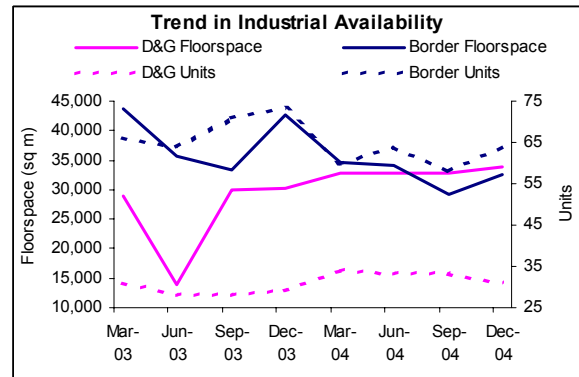


Figure 25

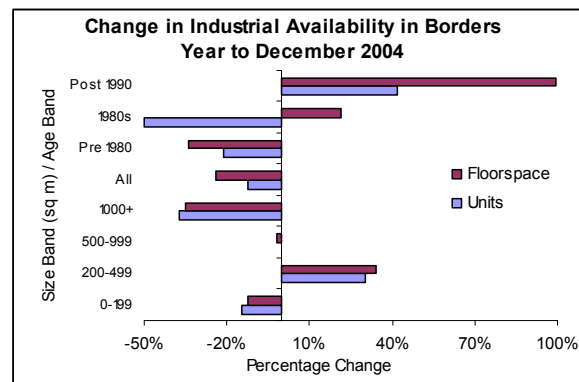
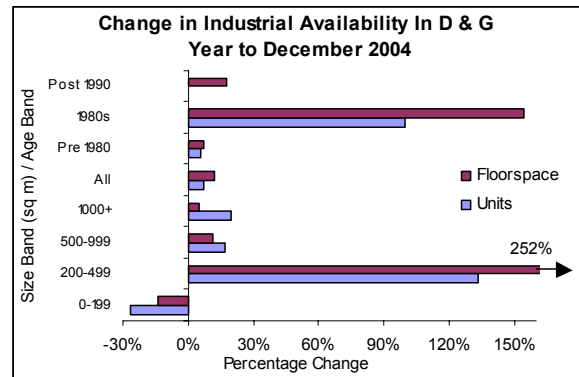


Figure 26



Industrial Take-up

In 2004, SPN recorded take-up of 35 industrial units in Borders totalling 16,924 sq m. This represents a fall of 29% in floorspace taken up compared to the previous year, although the number of transactions was 17% higher.

Over the same period Dumfries & Galloway recorded only 12 industrial transactions totalling 2,893 sq m. Take-up of floorspace was 57% lower than in the previous year, but the number of transactions was up by two.

Average annual take-up over the three years to September 2004 in Dumfries & Galloway has been 14 units totalling just over 6,000 sq m. Available supply at December represented 5.6 years' average take-up of floorspace and 2.2 years' supply of units.

In Borders, average recorded take-up over the three years to September 2004 was 17,700 sq m per annum in 31 transactions. On this basis Borders had only 1.8 years' supply of floorspace and 2 years' supply of units at December.

On average across Central Scotland, SPN recorded 1.6 years' supply of units and 3.6 years' supply of industrial floorspace.

Figure 27

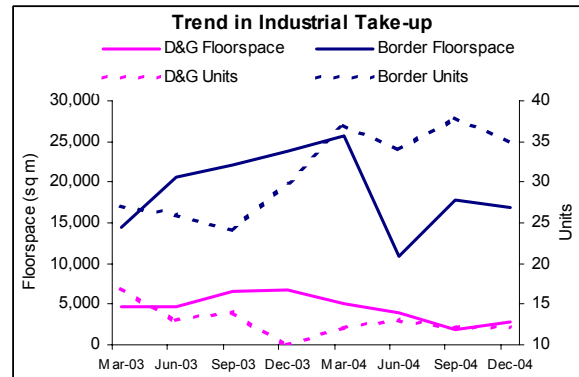
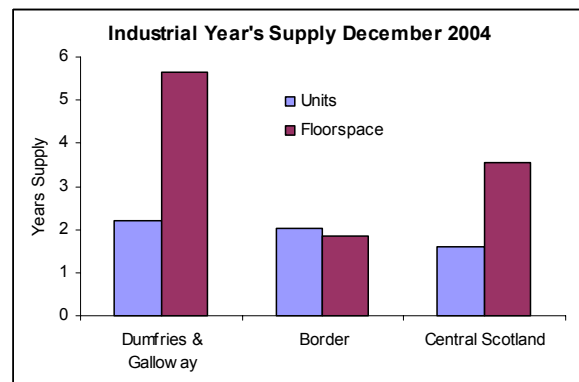


Figure 28



Office Supply

Office markets in Dumfries & Galloway and Borders are so small that meaningful analysis is difficult and volatility would be expected. Total available office space in both areas represents less than 1% of available floorspace in the Scottish Enterprise area.

At December 2004, SPN recorded only 1,132 sq m of available office space in Dumfries & Galloway in 10 available premises. Available floorspace fell by over 50% during the year.

Office supply in Borders was higher at 4,948 sq m in 41 units, but this was also down by 36%, in terms of floorspace, on the December 2003 level.

Most available office space in both areas is in pre-1980 accommodation (83% in Borders and 75% in Dumfries & Galloway). Only 6% of available floorspace in Borders is post-1990 and Dumfries & Galloway has none built since 1990.

Office Take-up

Recorded take-up of office floorspace in 2004 totalled just 608 sq m in Dumfries & Galloway and 1,895 sq m in Borders, which together represents just 0.9% of the total office take-up in the Scottish Enterprise area.

During 2004 take-up in Dumfries & Galloway rose by 22% compared to the previous year, while take-up in Borders fell by 29% over the year.

Based on estimated average annual take-up in the three years to September 2004, the supply of office floorspace in Dumfries & Galloway at December represented just 1.2 years' average take-up, while Borders had only 2.1 years' supply. This compares to an average of 3.6 years' supply of floorspace in Central Scotland.

Figure 30

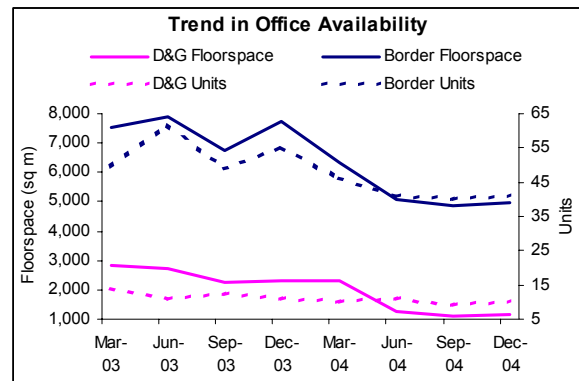


Figure 31

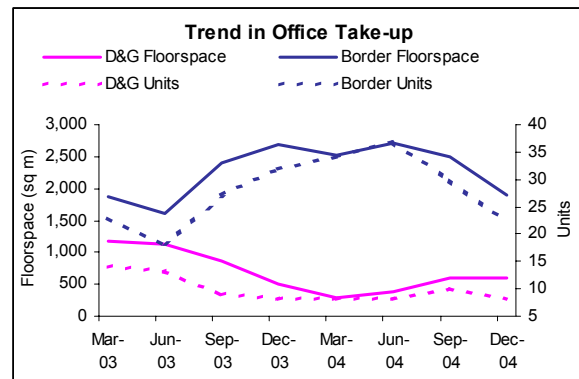


Figure 32

