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SCOTTISH ENTERPRISE DUNBARTONSHIRE

Business Property Review
March 2006

This report, prepared by SPN on behalf of Scottish Enterprise Dunbartonshire, reviews industrial and office market activity in the year to December 2005. 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.

Main Findings:

Industrials

- Industrial availability in Dunbartonshire continued its recent downward trend in 2005, with a further decrease of 39% in available floorspace and a 17% reduction in units. Across Central Scotland in 2005, the supply of industrial floorspace fell by 4%.
- At December 2005, available floorspace in Dunbartonshire was 34% below the 5-year average and the number of units on the market was 11% below the 5-year average.
- Available supply in Dunbartonshire is largely in small to medium sized units, with 41% of units under 200 sq m, compared to a Central Scotland average of 32%. Most modern space in Dunbartonshire is in small units.
- Take-up of industrial space in Dunbartonshire increased dramatically from the very low level recorded in 2004. The number of transactions increased by 38% and the volume of floorspace taken up rose by more than 500%.
- Take-up of floorspace in 2005 was 91% above the 5-year average, although the number of transactions was marginally below the 5-year average.
- Based on average take-up over the last three years, available floorspace in Dunbartonshire at December 2005 represented approximately 4.9 years' average take-up, however at the 2005 level of take-up there was only 2.6 years' supply.

Offices

- Available office space in Dunbartonshire decreased by 42% during 2005 to the lowest level recorded by SPN.
- Dunbartonshire has a relatively low supply of modern office space, with only 26% built post-1990 and only 2% post-2000. Across Central Scotland as a whole, 55% of available office space is post-1990 and 32% post-2000.
- Take up of office space in Dunbartonshire in 2005 was 13% above the level recorded in 2004 and the number of transactions was 36% higher. This contrasts with a slight fall in take-up across Central Scotland.
- Available office space in Dunbartonshire at December 2005 represented only 1.8 years' average take-up. By comparison, Central Scotland has approximately 3.2 years' supply of office floorspace.

Scottish Economic Summary

Provisional figures published by the Scottish Executive in January 2006 show growth of 1.7% in seasonally adjusted Gross Domestic Product (GDP) in Scotland over the year to Q3 of 2005. Growth in Scottish output matched the UK average over the year, but was slightly stronger in Q3 of 2005 at 0.5%, compared to 0.4% for the UK as whole.

The main source of growth was again the service sector, which increased output by 2.7% in the year to Q3, equalling the UK average.

Output in the Scottish production sector fell by 1.3% over the year, compared to a decline of 1.0% for the UK. Manufacturing output also fell in Scotland by 0.4%, compared to marginal growth in the UK of 0.1% for the year. Growth in the Scottish construction sector slowed to 1.2% in the year to September 2005, compared to 1.7% across the UK, although growth in Scottish construction was stronger in Q3 2005, at 1.4%.

Table 1

GDP Seasonally Adjusted	% Change Q3 2005 on Q2 2005	% Change Year to Q3 2005
Scotland	0.5 (0.4)	1.7 (1.7)
Production	-1.0 (-0.6)	-1.3 (-1.0)
Construction	1.4 (0.5)	1.2 (1.7)
Services	0.8 (0.7)	2.7 (2.7)
Note: (UK Figure in brackets)		
Source: Scottish Executive, January 2006		

More recent figures from the Royal Bank of Scotland PMI Scotland Report[1] indicate stronger growth in Scottish private sector output at the start of 2006, with February registering the biggest increase for eight months. Growth was strongest in the service sector, but manufacturing output also increased for the third consecutive month in February, at the fastest rate since July 2005. Over the twelve months to February, reported growth in private sector output in Scotland was close to the UK average and out-performed all regions except London and the South East.

In its commentary on the Index of Leading Economic Indicators[2], The Bank of Scotland predicts a modest slow-down in the Scottish economy in 2006, but suggests that Scotland is performing better than most areas of the UK and can expect a soft economic landing, with growth stabilising towards the end of 2006.

After twelve months without change, the Bank of England MPC cut base interest rates by 0.25% to 4.5% in August 2005 and has held that rate through Q1 2006. With UK inflation (CPI) having stabilised around the 2% target, but with pressure from manufacturers for further reduction in interest rates, commentators are now divided on whether a further cut in base rate can be expected in the short term.

Contrary to the trend in parts of England & Wales, official unemployment figures continue to fall in Scotland, but at a slowing rate. Claimant count unemployment in Scotland stood at 3.2% in December 2005, down 0.1% on the year. The latest Labour Force Survey total employment rate for Scotland was unchanged at 75%. The Royal Bank's PMI Report records twelve consecutive months of increased employment in the Scottish private sector to February 2006, although job-creation was mainly in the service sector with falling employment levels in manufacturing.

Claimant Count Unemployment in East Dunbartonshire remains well below the Scottish average, falling by 0.1% over the year. During 2005, unemployment increased by 0.1% in West Dunbartonshire to 4.8%. (Table 2)

Table 2

	Claimant Count Unemployment January 06	Average Total Employment Mar 04-Feb 05
Scotland	3.2% (-0.1%)	75%
East Dunbartonshire	1.6% (-0.1%)	81%
West Dunbartonshire	4.8% (+0.1%)	71%
(figures in brackets show change over previous year)		
Source: Scottish Executive, February 2006		

[1] Purchasing Managers' Index Scotland Report, Royal Bank of Scotland/ NTC Research, February 2006

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

Scottish Industrials – Overview

Available industrial floorspace in the Scottish Enterprise area increased by 4% in the first half of 2005, but fell again by 8% in the second half. Recorded supply of available floorspace at the end of 2005 (2.19 million sq m) was 4% below the level recorded a year earlier and just 1% above the 5-year average.

The biggest decline in supply was in modern (post-1990) space, which fell by 13% over the year. There was a significant increase in the number of available units built post-2000, up by 50% to 157, but this growth was in small sizes and the total volume of post-2000 floorspace fell by 6%.

Industrial take-up increased strongly in the first half of 2005, but fell again in the second half of the year. Recorded take-up of floorspace in 2005 was just 2% higher than in 2004, but still 4% below the 5-year average. The number of transactions was 4% below the level recorded in the previous year. The decline was largely in take-up of small units of less than 200 sq m, which fell by 11% over the year.

Edinburgh & Lothian recorded growth of 30% in floorspace taken up, compared to a 20% increase in Glasgow and a 21% rise in Lanarkshire. Grampian, Tayside and Renfrewshire all recorded a significant fall in take-up over the year.

The CB Richard Ellis Quarterly Index[3] reports rental growth of 2.3% for Scottish industrials in 2005 and capital growth of 8%, taking the total annual return to 16.4%, compared to a UK average of 19%.

Scottish Offices - Overview

Available office floorspace at December 2005 was 3% higher than at the end of 2004 and 14% above the 5-year average. Most of the increase was, however, in older (pre-1980) space, which increased by 20%. Supply of post-2000 floorspace fell marginally over the year.

In Edinburgh City, available office space grew by 14% overall and the supply of floorspace built since 2000 increased by 38%. By contrast, Glasgow recorded an increase of just 2% overall and a fall of 50% in available post-2000 floorspace.

Available office space in Renfrewshire grew by 23%, while Lanarkshire recorded a fall of 18%.

Take-up of office floorspace in 2005 was substantially unchanged from the level recorded in 2004, but still 15% above the 5-year average. The number of recorded transactions was 7% down over the year.

Take-up of post-2000 floorspace increased by 14%, while take-up of pre-1980 space fell by 14%.

Glasgow recorded a dramatic rise in take-up of office space in 2005 of over 54,000 sq m and 86% overall, including a rise of over 42,000 sq m (189%) in post-2000 space. Most of the increased take-up in Glasgow was in large sizes, although there was 17% growth in the number of recorded transactions.

By contrast, office take-up in Edinburgh City fell by 52,000 sq m or 48% overall, with a 67% fall in take-up of post-2000 space. The fall in take-up in Edinburgh was mainly in larger sizes, with a 56% reduction in transactions and a 72% fall in floorspace taken up in sizes over 1,000 sq m.

Significant rises in take-up were recorded in Grampian (83%) and Tayside (35%), while take-up fell in Renfrewshire (-53%) and Lanarkshire (-12%).

The CBRE quarterly index[3] reports rental growth of 0.5% for Scottish offices in the final quarter of 2005, taking growth for the year to 0.6%. Despite this relatively low rental growth, capital growth of 13.9% in 2005 made offices the strongest performing sector in Scotland with an average total return of 21.7%.

Figure 1

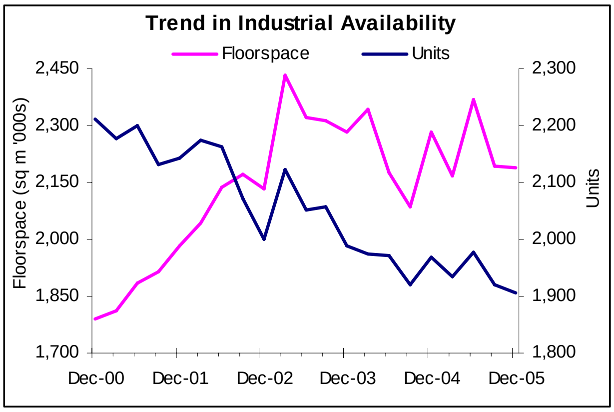
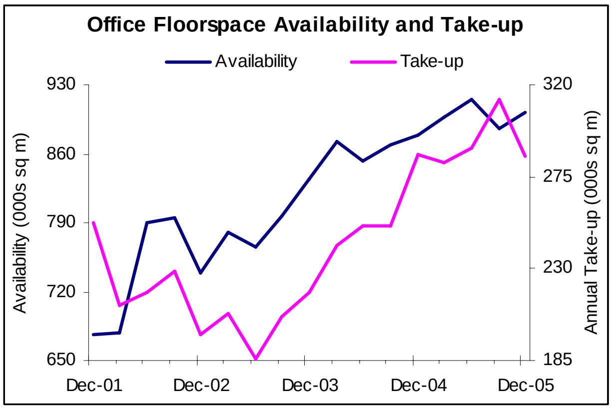


Figure 2



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[3] Scottish Quarterly Index, 4th Quarter 2005, CB Richard Ellis

Business Property Markets in Dunbartonshire

Industrial Stock

SPN holds information on 462,000 sq m of standard[4] industrial accommodation in 667 units in Dunbartonshire. West Dunbartonshire contains 79% of the floorspace and 71% of the units.

As illustrated in Figure 3, industrial stock in Dunbartonshire is heavily weighted towards small units, with 55% of units under 200 sq m and just 10% over 999 sq m. Across Central Scotland[5] 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.

Dunbartonshire has a high proportion of floorspace in pre-1980 buildings, at 79% and only 9% built post-1990. On average, across Central Scotland, 67% of floorspace is pre-1980 and 15% post-1990.

Post-1990 floorspace in Dunbartonshire is mainly provided in small units, so almost a quarter (23%) of all units were built post-1990, compared to just 17% on average across Central Scotland.

Industrial Availability

At December 2005, SPN recorded 68 available industrial units in Dunbartonshire totalling 47,715 sq m. The majority of this supply is in West Dunbartonshire, which has 90% of the available floorspace and 87% of the units.

Industrial availability in Dunbartonshire has continued its recent downward trend. At December 2005, supply of floorspace was 39% below the level recorded the previous year and the number of units on offer was 17% lower.

At December, available floorspace was 34% below the 5-year average and 45% below the 3-year average. The number of units on offer was 11% below the 5-year average and 16% below the 3-year average.

On average across Central Scotland, industrial supply fell slightly in 2005, by 4% in terms of floorspace and by just 1% in units.

The decline in supply in Dunbartonshire in 2005 was in medium to large sized units. Available space in units of 500 sq m or more fell by 46%. Supply of floorspace in units under 200 sq m increased by 11% and the 200-499 sq m band saw no substantial change.

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

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

Figure 3

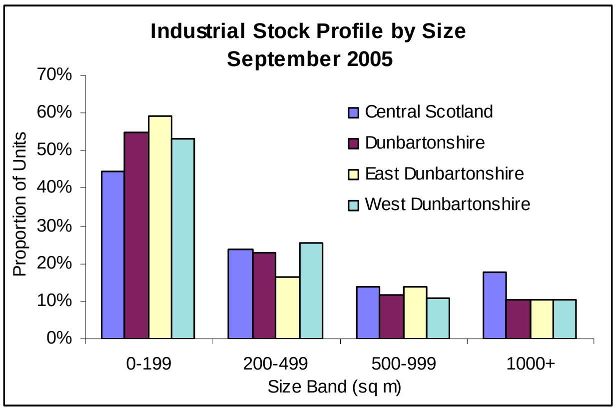
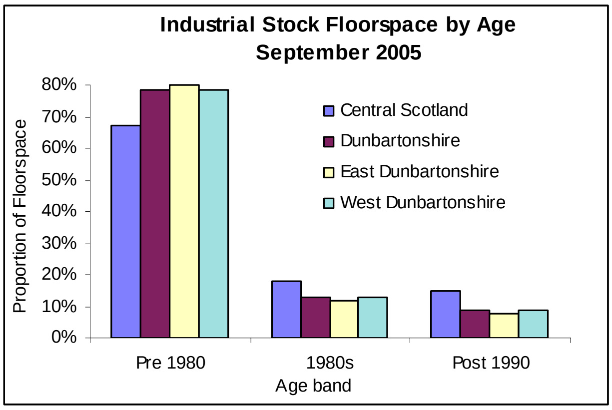


Figure 4



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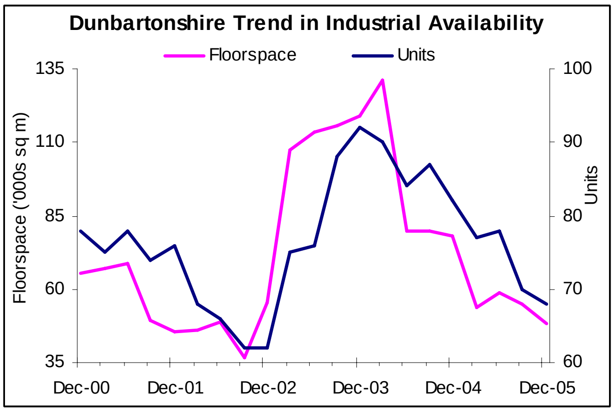

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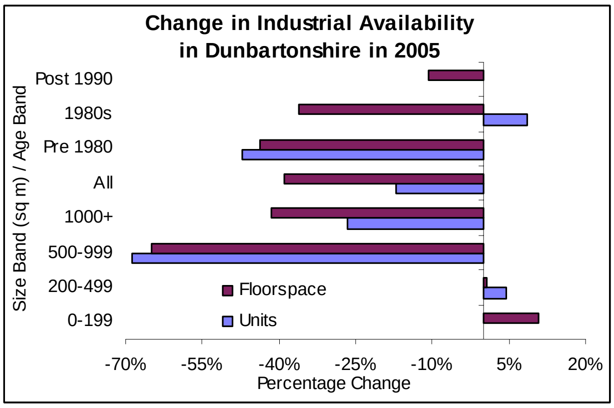


In East Dunbartonshire available floorspace fell by 53% in 2005 and the number of units on offer fell by 47%. West Dunbartonshire recorded a decrease of 37% in available floorspace and a fall of 9% in the number of available units.

As shown in Table 3, the proportion of recorded stock currently available in Dunbartonshire has decreased substantially since our last report, particularly in terms of floorspace, and is now close to the Central Scotland average. The availability rate is slightly higher in West Dunbartonshire and significantly below average in East Dunbartonshire.

Table 3

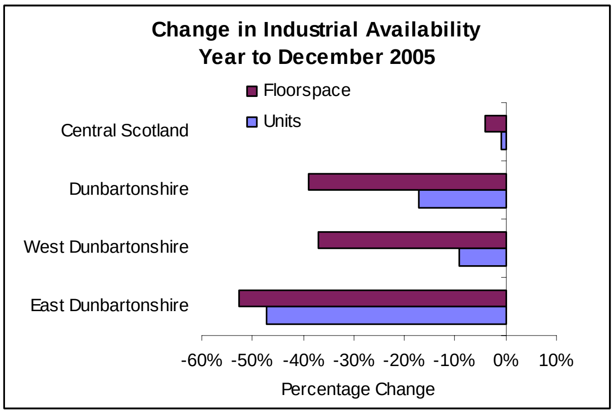
Industrial Availability - Dunbartonshire		
	Rate of Availability	
	Units	Floorspace
Dunbartonshire	10%	10%
Central Scotland	9%	13%
Glasgow	9%	11%
East Dunbartonshire	5%	5%
West Dunbartonshire	12%	12%

A relatively high proportion of available units in Dunbartonshire are modern (post-1990) at 37%, compared to a Central Scotland average of 25%. However, these units are mostly in small sizes and account for only 13% of the available floorspace. On average across Central Scotland, 22% of available floorspace was built post-1990. Only 4% of Dunbartonshire's available floorspace was built post-2000, compared to 7% across Central Scotland

As illustrated in Figure 8, East Dunbartonshire has a particularly low proportion of floorspace in post-1990 accommodation at 7%, and a correspondingly high proportion in pre-1980s space (75%). East Dunbartonshire has just 1 available unit built since 2000.

Available supply in Dunbartonshire at December was largely in small to medium sized units, with 76% of units under 500 sq m and 41% under 200 sq m. Central Scotland, by comparison, had 57% of units under 500 sq m and 32% under 200 sq m (Figure 9).

Figure 7



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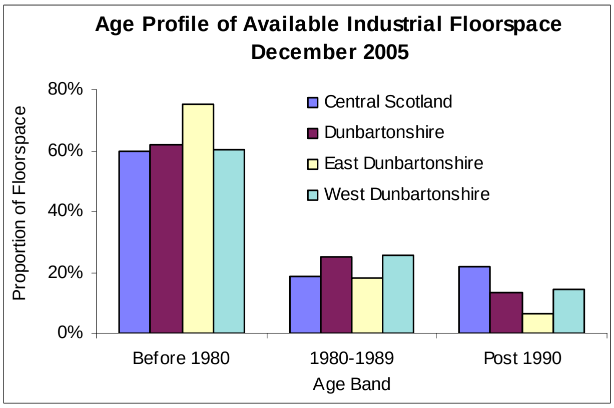

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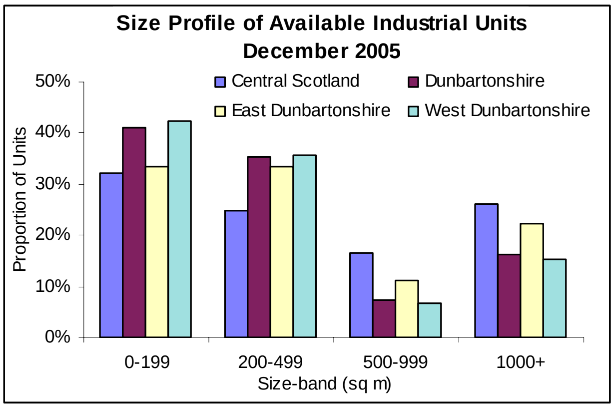


Industrial Take-up

SPN recorded take-up of 29 industrial units in Dunbartonshire in 2005, totalling 18,501 sq m.

Take-up increased dramatically from the very low level recorded in 2004; up by 38% in number of transactions and by a massive 529% in floorspace.

Take-up of floorspace in 2005 was 87% above the 3-year average and 91% above the 5-year average. The number of recorded transactions was just 5% above the 3-year average and 3% below the 5-year average.

As shown by figure 11, growth in take-up was strongest in larger size bands and in older premises, particularly in 1980s floorspace. Take-up of post-1990 floorspace increased by 189%, but with just 1 additional transaction recorded in this age-band.

Take up of units under 200 sq m declined slightly, but units in this size-band still accounted for over half of all transactions in 2005. Only 3 transactions were recorded above 999 sq m, but this was 3 more than in 2004. It should be noted, however, that in a relatively small market, significant fluctuation in levels of take-up would be expected.

Both local authority areas recorded strong growth in take-up in 2005, particularly in floorspace. Almost three-quarters (74%) of floorspace taken up and over half (55%) of transactions were in West Dunbartonshire.

In Central Scotland as a whole, take–up of floorspace increased by 10% in 2006 and there was a marginal increase in the number of transactions.

Average annual take-up for Dunbartonshire, estimated from the total recorded take-up over 3 years to September 2005, is shown in Table 4 below.

Table 4

Average Annual Take-up	Units	Floorspace (sq m)
Dunbartonshire	29	9,754
East Dunbartonshire	12	2,051
West Dunbartonshire	16	7,702

Availability at December 2005 is expressed in Figure 13 as a number of years' average take-up. On this basis, Dunbartonshire has 2.4 years' supply of units and 4.9 years' supply of floorspace. However, at the level of take-up recorded in 2005, Dunbartonshire has just 2.6 years' supply of floorspace.

Central Scotland as a whole had 1.6 years' supply of units and 3.3 years' supply of floorspace.

Supply, relative to average annual take-up, is significantly lower in East Dunbartonshire than in West Dunbartonshire

Figure 10

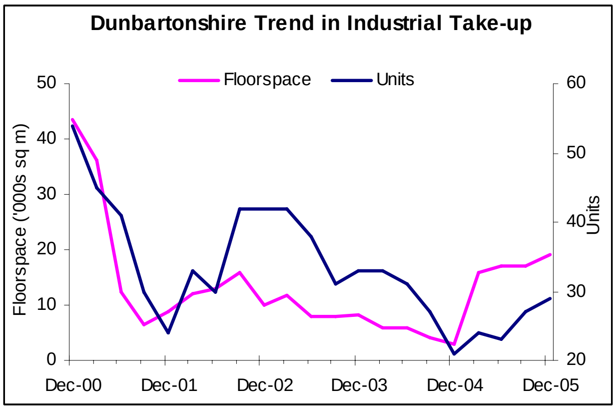
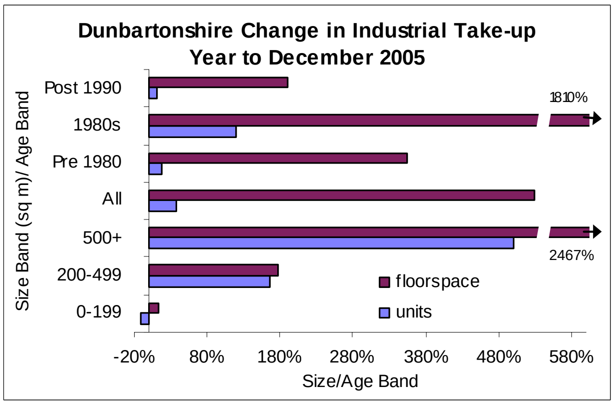


Figure 11



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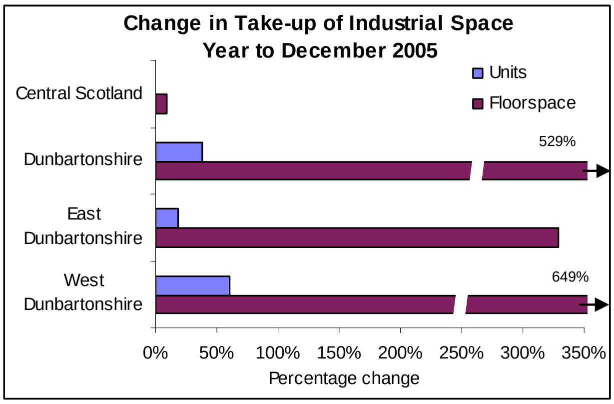
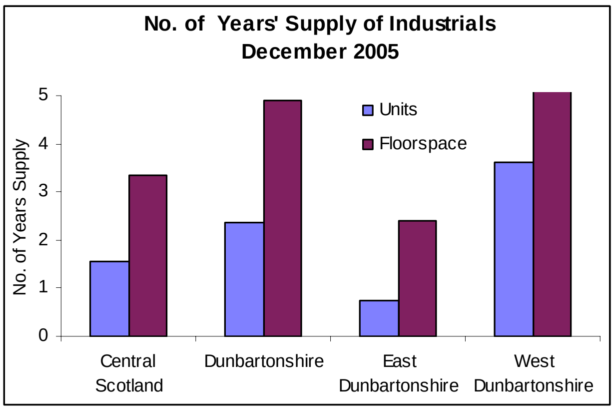


Figure 13



Office Availability

The Dunbartonshire office market is small. At December 2005, SPN recorded just 6,641 sq m of available office and business space in 34 units. This reflects only accommodation that was immediately available for occupation at December 2005 and excludes around 3,900 sq m that was offered in advance of construction or was still under construction.

Total availability includes 3 units that were 'under offer', totalling 1,103 sq m.

The supply of office floorspace continued to fall steadily during 2005, ending the year 42% below the level recorded at the end of 2004. The number of premises on offer, however, increased by 10% (3 units).

The volume of available floorspace at December 2005 was 43% below the 5-year average and at the lowest level recorded by SPN.

Central Scotland recorded a slight rise in office availability during 2005, of 4% in floorspace and 2% in units.

Supply in Dunbartonshire is biased towards small sizes, with 65% of all available premises in sizes under 200 sq m, and with no properties offering over 999 sq m. East Dunbartonshire has very little supply in sizes above 200 sq m.

The proportion of available floorspace in Dunbartonshire built post-1990 has fallen to 26% and only 2% is post-2000. This compares to Central Scotland averages of 55% built post-1990 and 32% post-2000.

Office Take-up

In 2005, SPN recorded take-up of 4,422 sq m of office space in 34 transactions in Dunbartonshire. This represents an increase on 2004 of 13% in terms of floorspace and of 36% in the number of transactions.

Central Scotland recorded a fall in 2005 of 6% in the volume of floorspace taken up and a 4% reduction in the number of transactions.

Take-up of floorspace in Dunbartonshire in 2005 was 34% above the 3-year average and 20% above the 5-year average.

Almost three-quarters of all take-up (73%) was of post-1990 floorspace.

Based on an estimate of average annual take-up over 3 years to September 2005, the supply of office accommodation in Dunbartonshire at December 2005 represented only 1.8 years' average take-up of floorspace and 1.3 years' supply of units. Central Scotland had 3.2 years' supply of floorspace and 1.8 years' supply of units (Figure 17).

Figure 14

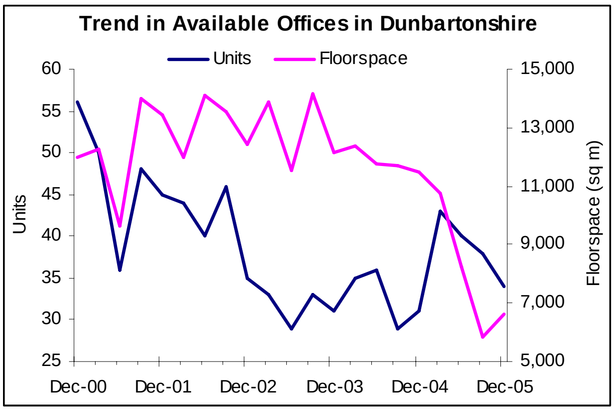


Figure 15

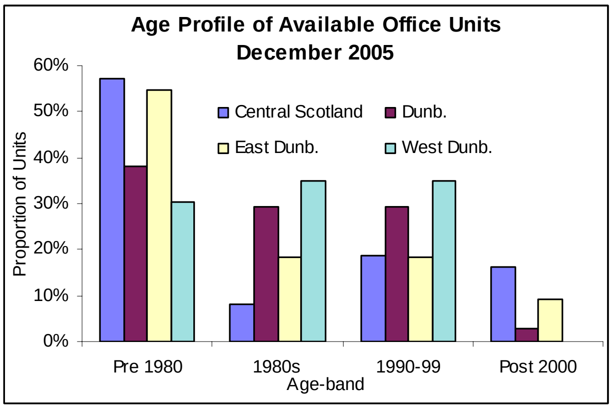


Figure 16

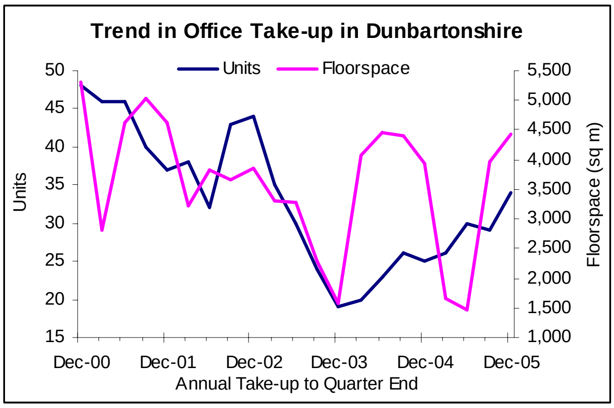


Figure 17