

This report is prepared by SPN on behalf of Scottish Enterprise Dunbartonshire. It reviews industrial and office market activity in the year to June 2003. 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.

### Scottish Economic Review

Provisional estimates of seasonally adjusted Gross Domestic Product (GDP) for Scotland, published by the Scottish Executive in October 2003, indicate growth of 0.4% in the second quarter of 2003 and 0.5% over the year to Q2 2003. Published figures for the UK as a whole show stronger growth of 0.5% in Q2 and 1.8% over the year to Q2. It should be noted, however, that UK figures are now based on a new chainlinked index not yet implemented for Scotland and so the Scottish and UK figures are not strictly comparable. The new methodology will be implemented in the estimation of quarterly Scottish GDP for Q3 2003, to be published in January 2004.

Output in the production sector continued to decline in Scotland although at a slower rate, down by 6.5% over the year to Q2, compared to a decrease of 1.4% across the UK. Manufacturing in Scotland declined by 7.8% in the four quarters to Q2, compared to a fall of 1.4% for the UK.

The construction sector in Scotland returned to growth with a rise in output of 2.7% in the year to Q2, compared to growth of 6.2% across the UK.

Growth in the Scottish service sector, which performed strongly in 2002, slowed to 2.8% in the year to Q2, just slightly above the UK rate of 2.4%.

More recent figures from the Royal Bank of Scotland's PMI Scotland Report<sup>1</sup>, however, indicate significant improvement in all business sectors in the second half of 2003. The manufacturing sector shows five months of continuous growth, recording its biggest monthly increase in activity in November since May 2000. The Scottish service sector has also recorded strong growth in the five months to November, while 'new economy' output rose in November for the fourth successive month.

Table 1

<b>GDP</b>	<b>% Change</b>	<b>% Change</b>
<b>Seasonally</b>	<b>Q2 2003 on</b>	<b>Year to</b>
<b>Adjusted</b>	<b>Q1 2003</b>	<b>Q2 2003</b>
<b>Scotland</b>	0.4% (0.5%)	0.5% (1.8%)
<b>Production</b>	-1.8%	-6.5% (-1.4%)
<b>Construction</b>	2.7%	2.7% (6.2%)
<b>Services</b>	0.9%	2.8% (2.4%)

**Note: UK Figure in brackets.**  
Source: Scottish Executive October 2003

The Bank of England reduced interest rates further in July 2003 to 3.5%, reflecting concern over below trend economic growth in the UK and hesitant global economic recovery. However, the rate was raised on 6<sup>th</sup> November, for the first time in nearly four years, to 3.75% in the light of improving economic performance and underlying inflationary pressures. The MPC also raised its forecast for both growth and inflation in their November Inflation Report, predicting steady growth, marginally above trend and close to an annual rate of 3% in the second half of 2004.

Scottish claimant count unemployment rate in October 2003 was 3.8%, unchanged over the year. The Labour Force Survey average total employment in the year to August 2003 was also unchanged at 74%.

East Dunbartonshire's unemployment rate at 2.2% has fallen by 0.1% over the year to October and is well below the Scottish average. Unemployment in West Dunbartonshire is above average at 5.2%, but has also fallen by 0.5% over the year (Table 2).

Table 2

	<b>Claimant Count Unemployment October 2003</b>	<b>Average Total Employment Sept 2002-Aug 2003</b>
<b>Scotland</b>	3.8%	74%
<b>East Dunb.</b>	2.2%	77%
<b>West Dunb.</b>	5.2%	74%

Source: Scottish Executive Nov 2003

<sup>1</sup> Purchasing Managers' Index Scotland Report, Royal Bank of Scotland/NTC Research, November 2003

## Scottish Industrials – Overview

The upward trend in total supply of available industrial floorspace, which peaked in Q1 2003, reversed slightly in Q2 and has levelled off in Q3. Available floorspace at September 2003, at 2.3 million sq m, was 5% below the March level but 6% higher than at September 2002. In the year to September 2003, the number of available units did not change significantly.

Glasgow, Grampian and Tayside all recorded a significant fall in industrial availability over the year to September. Forth Valley also recorded a decline in available floorspace, but with a slight increase in the number of units on the market. Available floorspace increased in all other areas, although only marginally in Renfrewshire and by just 5% in Edinburgh and Lothian.

Overall take-up of industrial floorspace continued to decline in Q3 (-7%), although the number of transactions rose slightly. Over the year to September take-up of floorspace decreased by 28% and the number of transactions fell by 12%. Take-up of large units over 1,000 sq m reduced by 32% over the year.

Most areas recorded a fall in take-up over the year to September, the exceptions being Renfrewshire and Forth Valley where take-up increased in terms of both floorspace and transactions.

The RICS in Scotland's Commercial Property Survey to March 2003<sup>2</sup> indicates little change in industrial rents over the previous year, with negative or just marginal positive growth in most areas. Glasgow continues to show steady, but modest, growth in rental values. Despite this poor rental performance, the survey suggests hardening investment yields in most areas with Edinburgh yields holding steady at 7.1%. The CB Richard Ellis Scottish Quarterly Index<sup>3</sup> confirms zero rental growth in Q1 of 2003, followed by a decline in Q2 of 0.6% and growth in Q3 of 0.1%. Over the year to Q3, annualised rental growth for Scottish industrials is quoted by CBRE at -0.5%, although they point out that total return on Scottish Industrials remains strong, and above the UK average, at 11.2%.

## Scottish Offices - Overview

Overall office supply increased by 3% in Q3 2003, taking available floorspace in September to the highest level recorded in the last five years, although only marginally above the September 2002 level. In the year to September, supply of floorspace in sizes over 1,000 sq m fell by 6%, increasing in all smaller size bands.

Available floorspace in Glasgow fell only slightly in the year to September (-2%), while Edinburgh City recorded an increase of 4%.

Over the year to September 2003, office take-up fell by 10%, although most of this decline was at the end of 2002. Take-up appears to have levelled off in the first three quarters of 2003 but remains around 7% below the three-year average at 206,000 sq m per annum.

The RICS in Scotland's Commercial Property Survey records the opinion of local valuers as at March 2003. This indicates continuing decline in Edinburgh rental values, particularly for business park space, with moderate growth in other centres. The survey also suggests a continued hardening of anticipated investment yields. The CB Richard Ellis Scottish Quarterly Index reports negative rental growth in the first three quarters of 2003 for Scottish offices, resulting in a fall in rental values in the 12 months to Q3 of -2.5%. Despite this, total return on Scottish offices, at 7.2% for the year was considerably better than the UK return of 3.0%.

Figure 1

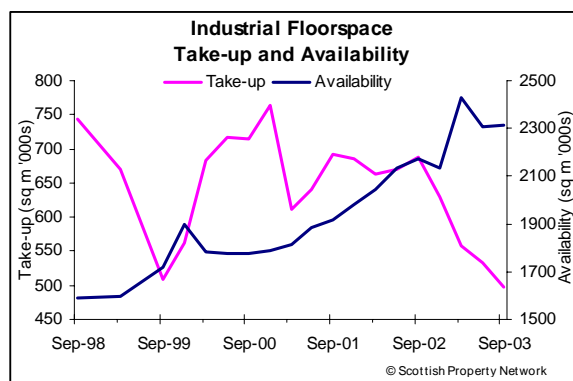


Figure 2

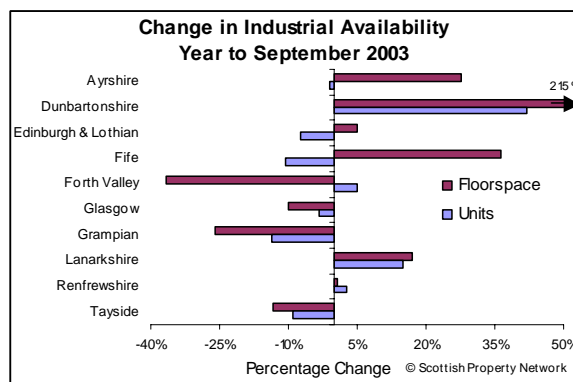
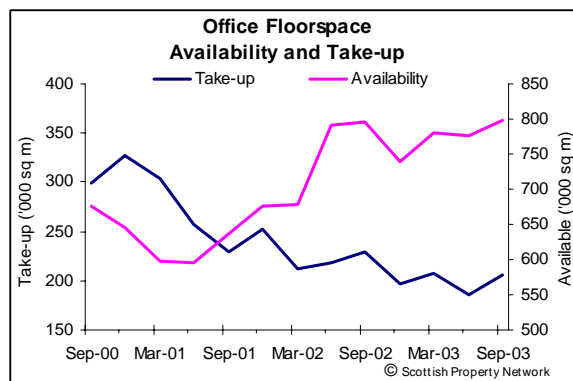


Figure 3



<sup>2</sup> Commercial Property Survey, March 2003, The RICS in Scotland

<sup>3</sup> Scottish Quarterly Index, CB Richard Ellis

## Business Property Market – Dunbartonshire

### Industrial Stock

SPN holds information on 470,800 sq m of 'standard'<sup>4</sup> industrial accommodation in 649 units in Dunbartonshire. Almost three quarters (73%) of this stock is located in West Dunbartonshire.

Dunbartonshire industrial stock is heavily weighted towards small units with 55% of units under 200 sq m and only 11% over 999 sq m. Across Central Scotland 45% of units are under 200 sq m and 17% over 999 sq m. East Dunbartonshire has 61% of units under 200 sq m in size whilst West Dunbartonshire has 53%.

A relatively high proportion of units in Dunbartonshire are post 1990 at 23%, but most of these are in small sizes and this age band accounts for only 8% of the total floorspace. In Central Scotland as a whole 16% of units are post 1990, but 13% of floorspace.

### Industrial Availability

At June 2003 there were 76 available industrial units in Dunbartonshire totalling 113,258 sq m. The proportion of total floorspace currently available is relatively high as shown in Table 3.

Table 3

Industrial Availability - Dunbartonshire		
	Rate of Availability	
	Units	Floorspace
Dunbartonshire	12%	24%
Central Scotland	11%	15%
Glasgow	12%	14%
East Dunbartonshire	12%	29%
West Dunbartonshire	12%	23%

In Dunbartonshire, available floorspace increased by 132% over the year to June 2003, due to a few large properties coming onto the market, including a 28,000 sq m distribution centre at Gooseholm Crescent, Dumbarton and 19,000 sq m at the Harper Collins warehouse, Bishopbriggs. The number of available units increased less steeply at 15% as shown in Figure 5.

The number of available units in East Dunbartonshire more than doubled to 20, increasing available floorspace by 140%. In West Dunbartonshire the number of available units fell marginally to 56, but floorspace increased by 129% to 84,196 sq m. Central Scotland in the same time period recorded a marginal 2% decrease in units but a 16% increase in available floorspace.

<sup>4</sup> This includes all industrial units within recognised industrial estates or industrial areas, but excludes single user facilities and 'non-standard' premises. In addition, premises identified as 'business units', yards and open storage have been excluded from this analysis.

Figure 4

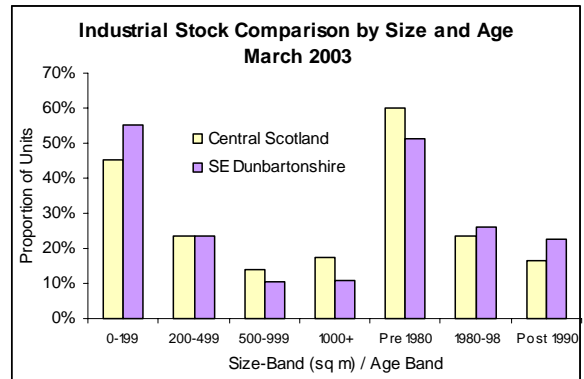


Figure 5

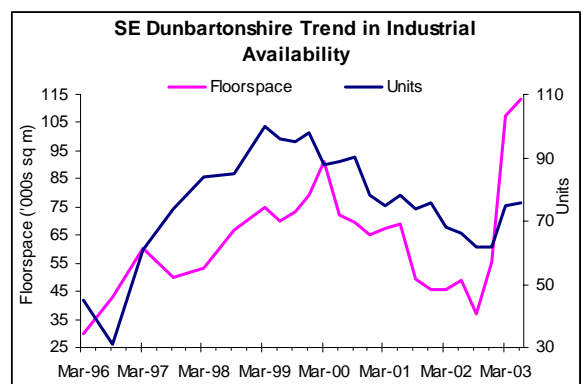


Figure 6

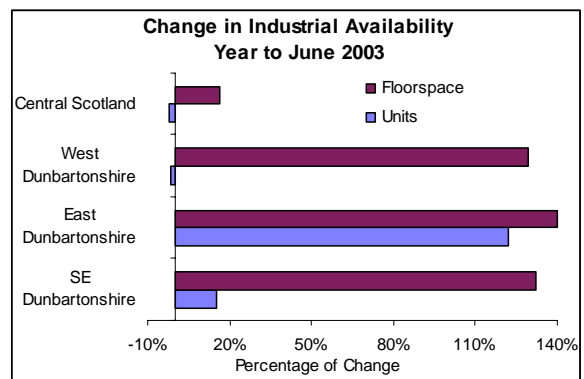
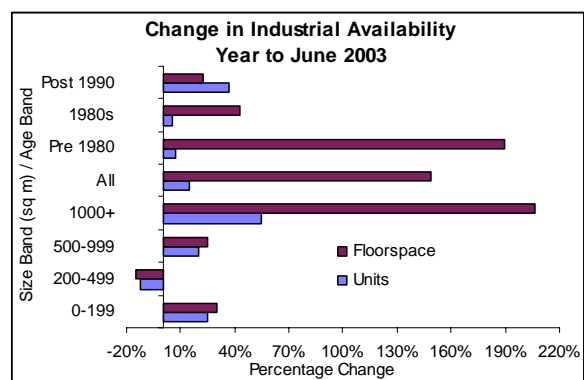


Figure 7



Supply of post 1990 units increased by 37% to 26, and available floorspace in this age-band rose by 22% to 6,651 sq m.

Despite the increased supply of large units, Dunbartonshire still has a lower than average proportion of units over 999 sq m at 22%, compared to 26% across Central Scotland. Only one of the units over 999 sq m in Dunbartonshire is in modern, post 1990 accommodation.

West Dunbartonshire has a high proportion of available units in the 200-499 sq m size-band at 34% and a low proportion in the 0-199 sq m band at 31%. Comparable figures for Central Scotland as a whole are 21% in the 200-499 sq m band and 37% under 200 sq m.

### Industrial Take-up

In the year to 30<sup>th</sup> June 2003 SPN recorded take-up in Dunbartonshire of 38 units totalling 7,932 sq m. This was an increase on the previous year of 27% in terms of units, but a decrease of 39% in floorspace taken up.

All of the growth in unit transactions was in sizes under 500 sq m and mostly under 200 sq m, up by 50% on the previous year. Only two transactions were recorded for units over 499 sq m.

Take-up of post 1990 units rose by 31%, with a 15% increase in floorspace taken up in this age-band.

In West Dunbartonshire, transactions increased by 45% to 29, but there was a fall of 12% in floorspace taken up to 10,188 sq m. East Dunbartonshire recorded a marginal fall in take-up of 1 unit.

Across Central Scotland as a whole, take-up fell in the same period by 8% for units and by 19% for floorspace.

Average annual take-up for Dunbartonshire, estimated from the total recorded take-up over 3 years to March 2003 is shown in Table 4 below.

Table 4

Average Annual Take-up	Units	Floorspace (sq m)
Dunbartonshire	41	19,045
East Dunbartonshire	14	9,130
West Dunbartonshire	27	9,914

Availability at June 2003 is expressed in Figure 11 as a number of years average take-up. Dunbartonshire has approximately 1.9 years supply of units and 6 years supply of floorspace. Central Scotland by comparison has 1.7 years supply of units and 3.6 years supply of floorspace.

Figure 8

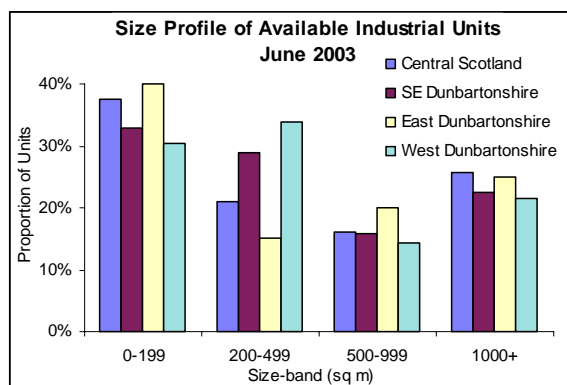


Figure 9

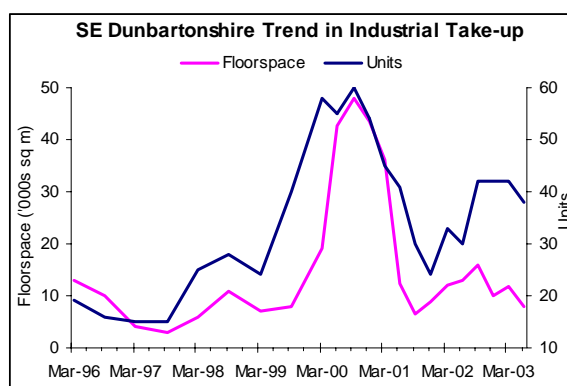


Figure 10

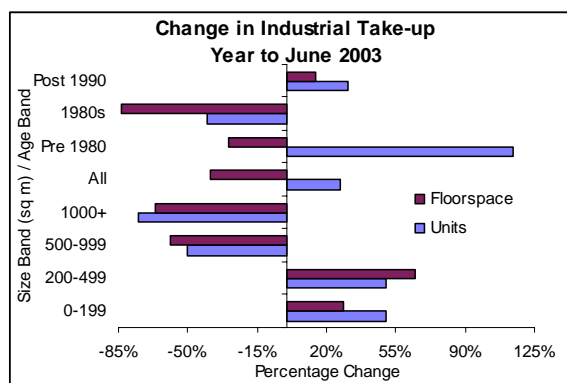
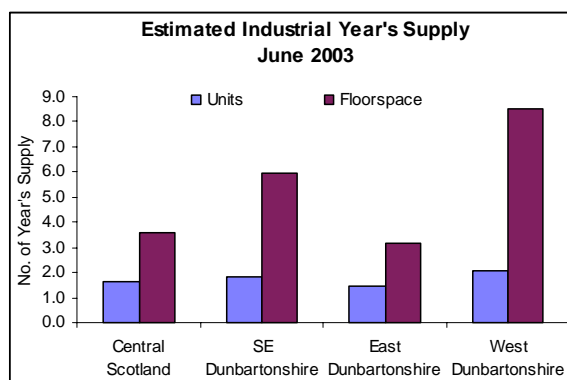


Figure 11



## Office Availability

On the 30<sup>th</sup> June 2003, SPN recorded 29 available office and business units totalling 11,560 sq m in Dunbartonshire. Approximately 53% of all available floorspace was built post 1990, but there were no new-build or newly refurbished premises on the market.

Total availability includes 3 units (508 sq m) that were under offer.

The volume of available office floorspace fell by 18% over the year to June, and the number of units on offer decreased by 28%. Over the same period, Central Scotland recorded a marginal increase of 4% in supply of office floorspace, but a fall of 3% in units.

The decrease in supply was biggest in East Dunbartonshire, down by over 60% for both units and floorspace, leaving only 3 units available in June. West Dunbartonshire saw only a slight decrease in availability, down by around 10% to 26 units and 10,664 sq m.

The proportion of available office space in post 1990 accommodation in Dunbartonshire at June 2003 is close to the Central Scotland average at 53%. However, Dunbartonshire has no available floorspace in post 2000 accommodation, compared to 30% on average in Central Scotland.

## Office Take-up

In the year to June 2003, SPN recorded take-up of 3,277 sq m of office space in 30 units in Dunbartonshire. This represents a fall in take-up, compared to the previous twelve months, of 14% in terms of floorspace, but of only 2 units.

Office take-up in East Dunbartonshire increased from a relatively low level in the previous year to 1,330 sq m (+26%) in 14 transactions (+100%). West Dunbartonshire recorded a fall in office take-up of 29% in floorspace and of 36% in unit transactions

Central Scotland over the same period recorded decreases in take-up of 20% for units and 13% for floorspace.

Based on an estimate of average annual take-up over 3 years, the supply of office space in Dunbartonshire at June 2003 represents 0.7 years supply of units and 2.7 years supply of floorspace, which is lower than the average for Central Scotland at 1.6 years supply of units and 3.1 years supply of floorspace.

There is a very limited supply of available units in East Dunbartonshire at June 2003. West Dunbartonshire has an over supply of floorspace compared to recent take-up.

Figure 12

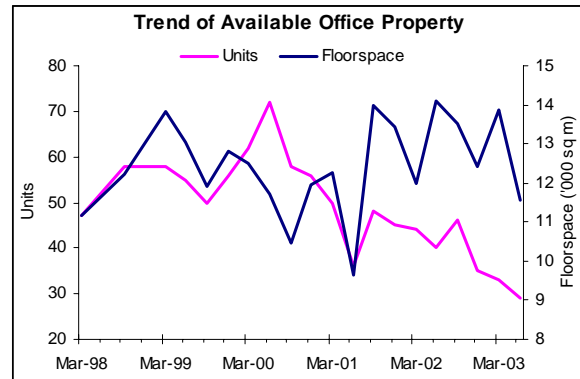


Figure 13

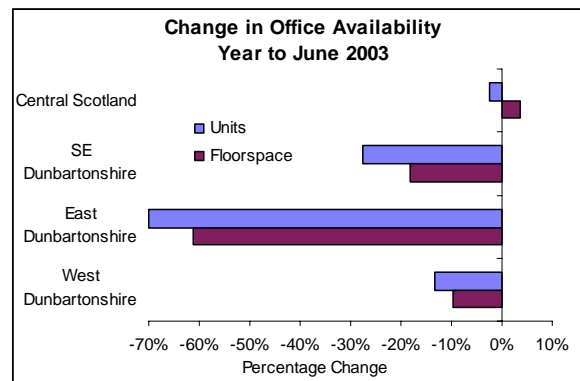


Figure 14

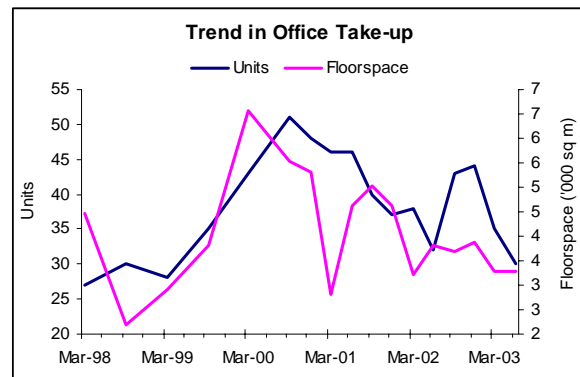


Figure 15

