1 Introduction

This report reviews business property market activity in the Scottish Enterprise Ayrshire area. Supply and take-up figures have been updated to 31st December 2000.

The profile of industrial supply and take-up in the Ayrshire area has been compared with SPN figures for Central Scotland[1] (CS) to highlight any significant variations from the average. Similarly, the report compares patterns of supply and market activity in the three local authority areas of East, North and South Ayrshire, and in the former new town of Irvine.

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

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[1] Central Scotland figures are derived from the following LEC areas: Scottish Enterprise – Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Lanarkshire and Renfrewshire.

2 Economic and Property Market Summary

The Scottish Executive provisionally estimate that GDP in Scotland increased by 1% in the fourth quarter of 2000 and by 1.5% over the whole year, as shown by Table 1. Despite a change of only 0.3% in the last quarter of the year, annual growth in UK GDP was stronger, at 2.9%.

Table 1

	% Change Q4 on Q3 2000	% Change Year to Q4 2000
Scotland	1% (0.3%)	1.5% (2.9%)
Production	-0.6%	0.2% (1.5%)
Construction	1.4%	5.6% (1.6%)
Services	1.7%	1.7% (3.4%)
		Note: UK figures in brackets. Source: Scottish Executive

Both the production and services sectors in Scotland under performed the UK as a whole in 2000. After an increase in Q2, the production sector has recorded 2 successive quarterly declines in output of 1% (Q3) and 0.6% (Q4). Over the year output rose by just 0.2% compared to 1.5% across the UK. Within the production sector, manufacturing output fell by 0.2% in the fourth quarter although, over the year to the same date, an increase of 0.4% was recorded. Comparative figures across the UK were increases of 0.6% and 1.6% respectively.

Despite an increase of 1.7% over the year to Q4, output in the services sector lagged behind the UK where the equivalent figure was 3.4%. After a fall in Q3, the construction sector recorded an increase of 1.4% in Q4. The annual increase of 5.6% is significantly higher than the equivalent figure of 1.6% for the whole of the UK.

The Fraser of Allander Institute cite the world economic slowdown and the future market prospects for the Scottish electronics sector as being reasons for reducing it's 2001 forecast for Scottish economic growth from 2% to 1.6%. This is lower than the 2.4% forecast for the whole of the UK.

The Bank of England's Monetary Policy Committee reduced the repo rate by 0.25% in early May, the third such reduction in 2001. They also point to weakening world economic prospects, with the extent and duration of the slowdown being uncertain, amongst the reasons for the reduction. The Bank also report that domestic demand has remained firm although UK output growth for the first quarter of 2001 was slower than expected and business confidence has weakened.

The ONS report that the employment rate in Scotland increased by 1.7% to 73.9% in the year to March 2001. The seasonally adjusted unemployment rate at the same date was 5.9% down 1.7% over the year.

Business Property Market

Industrial

Ryden[2] report that there has been limited industrial investment activity with yields stabilising after having fallen for a number of years. The RICS in Scotland[3] echo this view recording unchanged yields in most of the main markets in year 2000. According to Insignia Richard Ellis[4], total industrial returns in the year to February 2001 were 12.2% with rental growth of 1.3%.

Offices

Insignia Richard Ellis report that offices was the top performing sector in the year to February 2001 with total returns of 18.8%. Ryden suggest that the strong performance in 2000 has been led by activity in Edinburgh where rental growth is being driven by strong demand from good covenants and limited supply of Grade A space.

[2] The Scottish Property Review, April 2001 - Ryden
[3] Commercial Property Survey, December 2000 - RICS in Scotland
[4] Scottish Monthly Index, February 2001 - Insignia Richard Ellis

3 Industrial Stock

SPN now holds information on just over 975,000 sq m of 'standard' industrial accommodation in 1,396 units within the Ayrshire area. The proportion of total industrial stock in each of the three ULAs within Ayrshire is shown below:-

Table 2

	Units	Floorspace
East Ayrshire	34%	26%
North Ayrshire	42%	48%
South Ayrshire	24%	26%

The former new town of Irvine accounts for 45% of units and 67% of floorspace in the North Ayrshire Council area.

Figure 1 shows the overall distribution of stock by size and age. For smaller stock (<200 sq m), Ayrshire exhibits a similar profile to the average for Central Scotland with 46% post 1980. However, in the other size bands, Ayrshire displays an older profile with only around 20% of units post 1980 compared to around 31% in Central Scotland.

As shown by Figure 2, Ayrshire continues to exhibit a similar size profile to Central Scotland as a whole with 48% of units under 200 sq m and 16% over 999 sq m.

East Ayrshire has a slight bias towards smaller stock with 51% under 200 sq m while North Ayrshire is broadly similar to the LEC area as a whole. Irvine exhibits a particularly low proportion of small units (<200 sq m), at 28%, and a higher than average number (27%) in sizes over 999 sq m.

Ayrshire's industrial stock, at 32% post 1980, continues to be older than the Central Scotland average of 38%, as shown by Figure 3.

Within Ayrshire, there is a broadly consistent age profile across the ULAs within around 32% of units in each being post 1980. Irvine exhibits an older profile with only 26% of units post 1980 with 10% of the total being built post 1990.

Figure 1

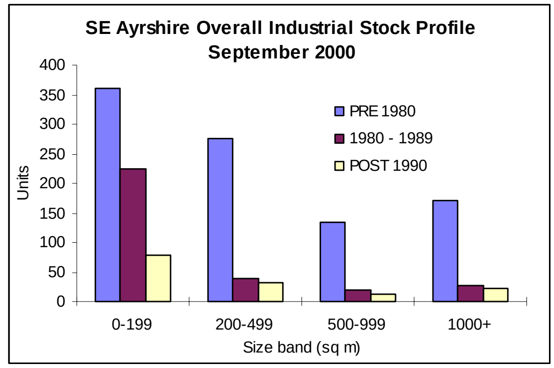


Figure 2

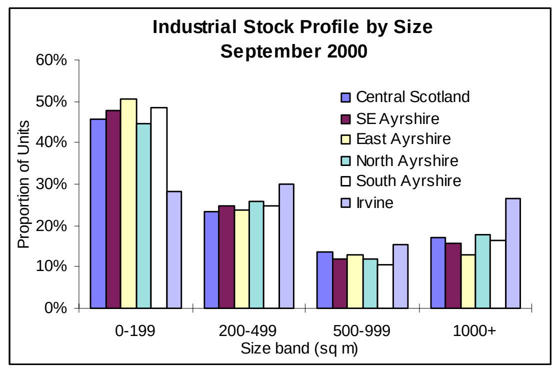
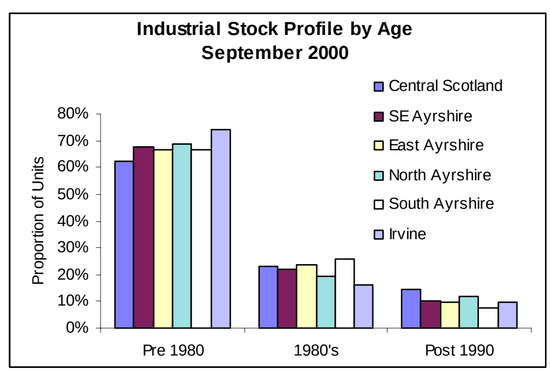


Figure 3



4 Industrial Availability

At 31st December 2000, SPN recorded 238 available units in the Ayrshire area, representing a total floorspace of just under 140,000 sq m. Since December 1999, the rate of availability has remained unchanged at 17% in terms of units and marginally fallen to 14% for floorspace. The average rate for Central Scotland is higher at 12% (units) and 11% (floorspace). The availability rate for each area within Ayrshire is shown in Table 3 below.

Table 3

Industrial Availability– Ayrshire		
	Rate of Availability	
	Units	Floorspace
Ayrshire	17%	14%
Central Scotland	12%	11%
East Ayrshire	21%	23%
North Ayrshire	16%	11%
South Ayrshire	14%	11%
Irvine	10%	5%

As shown by Figure 4, despite a sharp fall in the first half, the volume of available floorspace in Ayrshire remained unchanged in the year to December 2000, although the number of available units increased by 4%. Figure 4 also illustrates that the volume of available accommodation has been steadily increasing, by around 67% (units and floorspace), since September 1995. The increase is accounted for across all sizes, especially in larger units (>499 sq m), up by 141%.

There was an increase of around 44% in the availability of mid range accommodation (500-999 sq m) over the year, as shown by Figure 5. Smaller premises (200-499 sq m) recorded a decline of 10%. The fall of 15% in post 1990 units was mainly accounted for in sizes under 200 sq m. Across Central Scotland there was a fall of around 6% (units and floorspace) during 2000. Only North Ayrshire Council recorded a decline in unit availability over the year, by 10%, while a 25% rise in floorspace in larger sizes (>999 sq m) accounted for the overall increase in South Ayrshire (Figure 6).

Figure 4

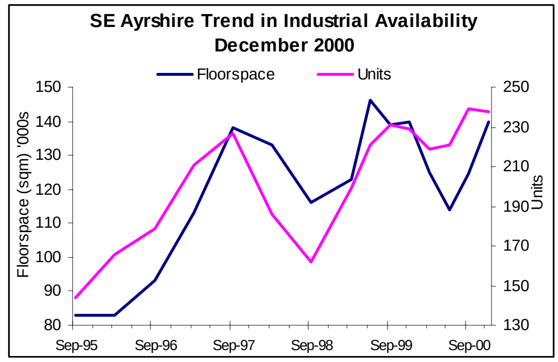


Figure 5

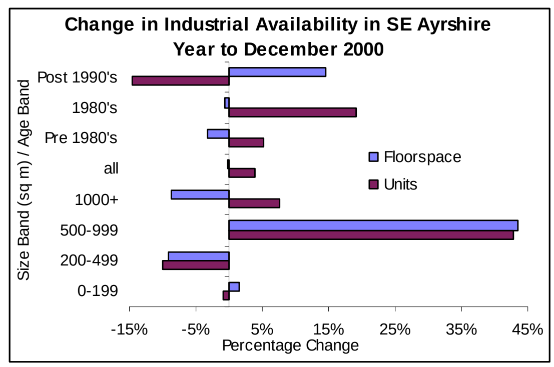
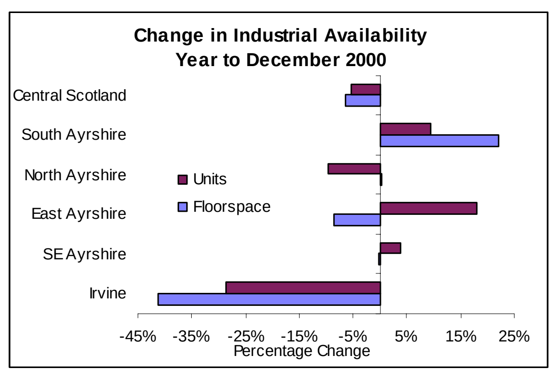


Figure 6



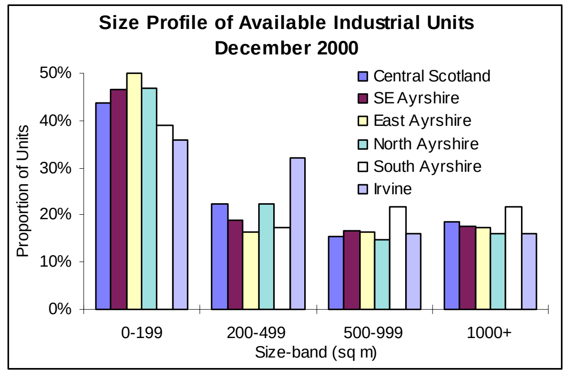
As shown by Figure 7, Ayrshire exhibits a slight bias towards availability in smaller sizes with 47% under 200 sq m compared to 44% across Central Scotland.

The pattern of availablity is not consistent across Ayrshire, with South Ayrshire having a higher than average proportion of units over 499 sq m, at 43%, compared to 34% for the LEC area as a whole. East Ayrshire has a higher than average proportion of available units in sizes under 200 sq m, at 50%. In Irvine, there is a particularly high availability of units in the 200-499 sq m range, at 32%, compared to 22% across Central Scotland.

The age profile of available units across Ayrshire is broadly similar to the average for Central Scotland at around 40% post 1980, as illustrated by Figure 8.

Available units in East Ayrshire are older than average, at 69% pre 1980 compared to only 50% in South Ayrshire.

Figure 7



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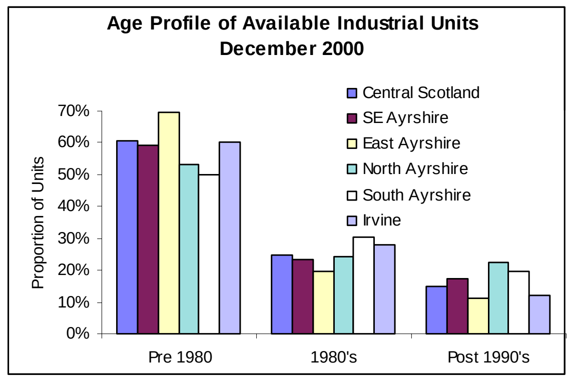


5 Industrial Take-Up and Year's Supply

Take-up directly monitored by SPN (i.e. based on change in recorded availability identified as a lease or sale by the marketing agent) is shown by Figure 9. These figures confirm a continuing downward trend in take-up of industrial floorspace in Ayrshire over the year to December 2000, declining by 17%, with the number of unit transactions recording a steeper fall, at 26%. Since September 1998, take-up of units has halved.

There is a significant time-lag in gathering all relevant transaction information, some of which is derived from the Registers of Scotland. The take-up recorded for the year to December 2000 is, therefore, not yet complete and would be expected to increase as transaction information is received.

As shown by Figure 10, take-up of post 1990 accommodation declined by around 58% (units and floorspace) over the year 2000. Take-up of smaller accommodation (<200 sq m) also fell, by around 40%. The only increase in unit transactions was for mid range accommodation (500-999 sq m).

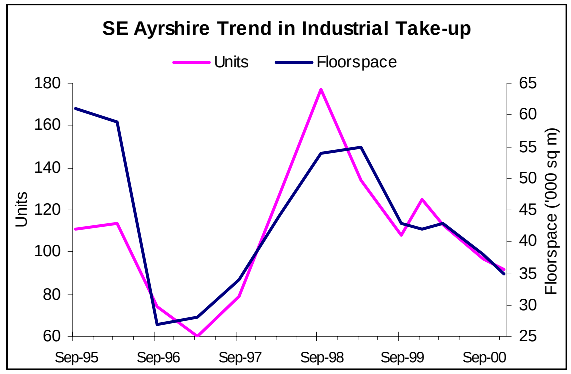
Across Central Scotland there was a 38% increase in the volume of floorspace taken-up although a fall in transactions of accommodation in sizes under 500 sq m accounted for a decline of 6% in take-up of units.

Take-up fell in each of the 3 ULAs in Ayrshire over the year, as shown by Figure 11, with South Ayrshire recording a decline of 67% for floorspace and 44% for unit transactions.

The letting, on a 3 year term, of a 7,293 sq m unit at Crompton Way mainly accounted for the 203% increase in floorspace taken up in Irvine.

Average annual take-up for the Ayrshire area has been estimated from total recorded take-up over 3 years to March 2000 and is shown in Table 4 overleaf. These estimates of average annual take-up are higher in most areas than previously recorded with increases of 16% for units and 7% for floorspace across Ayrshire since September 1999.

Figure 9



Note: December figures are plotted for 1999 and 2000 only.

Figure 10

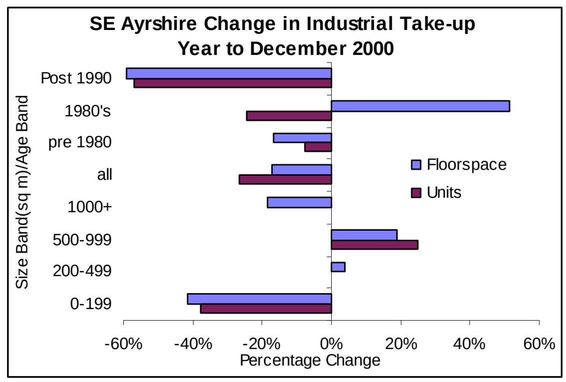


Figure 11

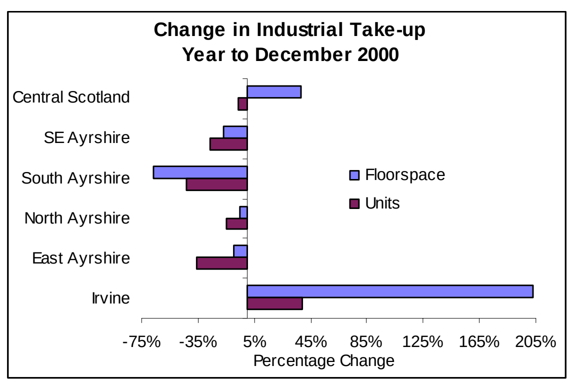


Table 4

Average annual take-up 3 Years to September 2000		
	Units	Floorspace (sq m)
Ayrshire	131	51,100
East Ayrshire	48	10,573
North Ayrshire	57	23,216
South Ayrshire	25	11,734

A comparison of estimated average annual take-up with availability at December 2000 is shown in Figure 12. Supply in the Ayrshire area now represents 1.8 year's take-up of units and 2.7 year's take-up of floorspace compared to the last reported figures of 1.7 and 2.3. Supply relative to take up is lowest for smaller units (<500 sq m) at 1.4 years.

Across Central Scotland, supply is lower at 1.3 years take-up for units and 2.3 years for floorspace, as shown by Figure 13. Supply relative to take up is particularly low in Irvine for post 1990 accommodation at 8 months (units and floorspace) and only 4 months for premises under 200 sq m in this age band.

Figure 12

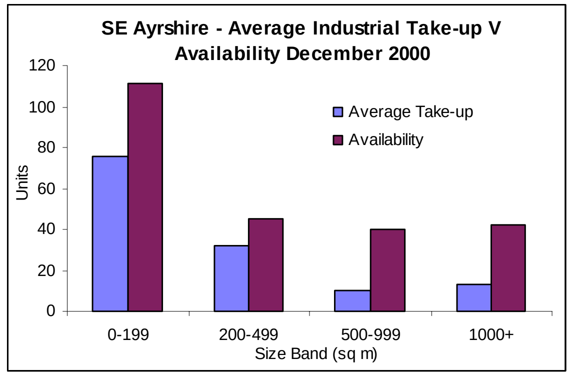
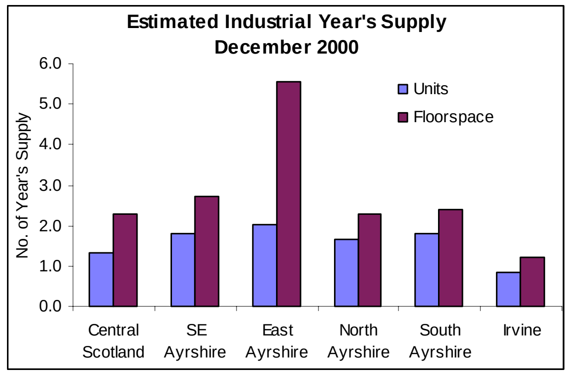


Figure 13



6 Office Supply

The office market in Ayrshire is small. As at 31st December 2000, SPN recorded a total of just over 19,000 sq m of available office and business floorspace in 108 units. This included 437 sq m in 8 'business units'. An estimated 11% (2,159 sq m) of all available office floorspace was built in the 1990s. The total available floorspace logged by SPN includes premises that are 'under offer'. At the end of December 2000 these totalled 2,228 sq m, or 12% of the total availability.

As shown by Figure 14, the volume of available office floorspace in Ayrshire increased by 4% in 2000 with the total number of available units also rising, by 23%. There was a fall of 8% in floorspace availability across Central Scotland although the number of units remained largely unchanged.

Only larger office accommodation (>999 sq m) recorded a decline in availability over the year, by around 40% (units and floorspace), as shown by Figure 15. The number of available post 1990 units also declined, by 33%, although the volume of available floorspace only fell by 5%.

Ayrshire has a higher than average proportion of pre 1980 available units, at 90%, compared to 74% across Central Scotland (Figure 16)

Table 5 shows the office development pipeline in Ayrshire at December 2000[5]. Proposals include 16,000 sq m of business units at Zone BP11, Riverside Business Park, Irvine. Agents report that the only speculative completion in 2000 was the 604 sq m building also at Riverside Business Park.

Table 5

Offices - December 2000				
Development Pipeline Ayrshire	Schemes	Floorspace (sq m)	% Speculative Floorspace	% Change from Dec 1999
Proposed	2	18,340	100%	5%
Under Construction	0	0	0%	-100%
Completions (Yr 2000)	4	2,738	22%	-56%
				Source: Glenigan/SPN

5 Information on Planning Consents on schemes costing over £100,000 is derived from Glenigan Ltd. SPN contacts the agents to monitor the construction programme.

Figure 14

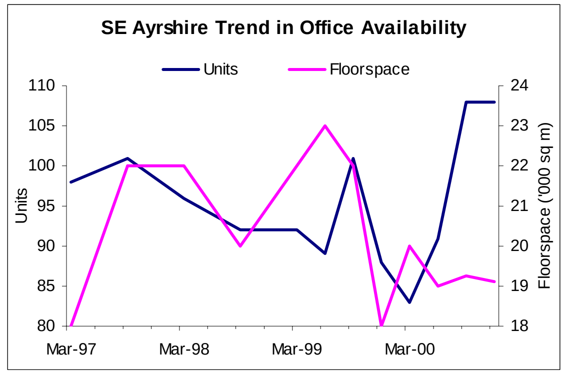


Figure 15

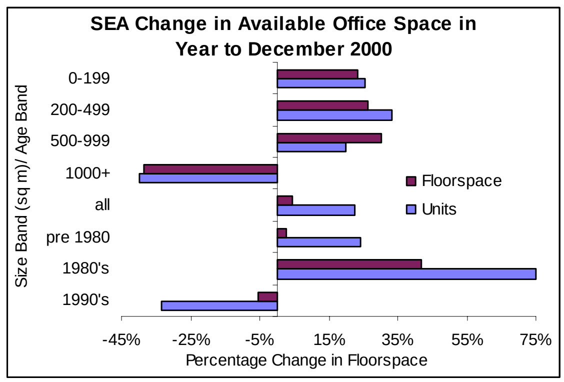
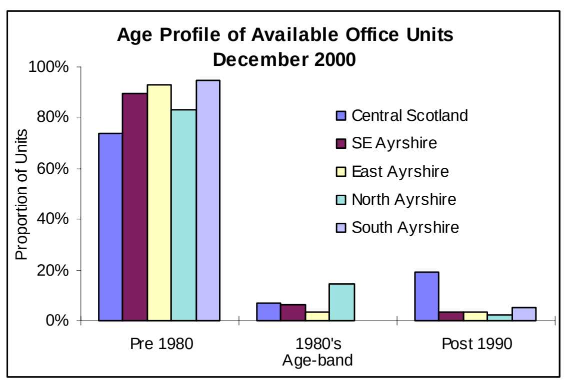


Figure 16



7 Office Take-up

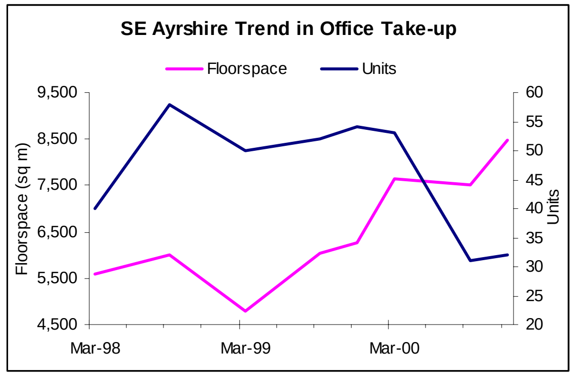
SPN recorded take-up of 8,479 sq m in 32 units across Ayrshire in 2000. This represented an increase of 35% in the volume of floorspace taken up over the year but a decline of 41% in unit transactions.

As shown by Figure 17, unit take-up across Ayrshire has fallen by 45% since September 1998 although the volume of floorspace transacted has risen by 41%.

Over the year 2000, there was little change in take-up of floorspace across Central Scotland although there was a 12% increase in unit transactions. In South Ayrshire, the increase of 69% in floorspace taken-up in 2000 is mainly due to the letting of 2,590 sq m at Charlotte Street, Ayr. The letting of 1,018 sq m at Drummond Crescent, Irvine mainly accounts for a 48% rise in North Ayrshire.

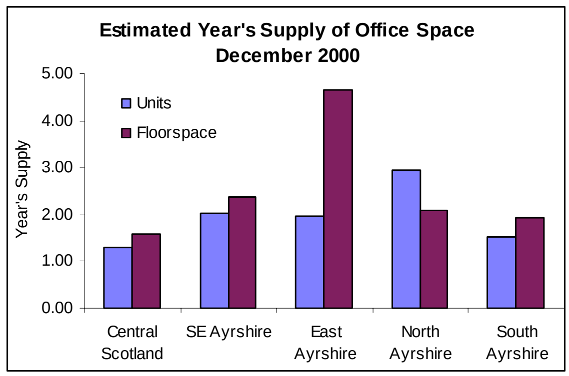
Based on the average annual take-up in the three years to September 2000, available supply as at December 2000 represented approximately 2.4 year's take-up of floorspace and 2 years for units. The number of years supply recorded at December 2000 across Central Scotland was around 1.6 (floorspace) and 1.3 (units) (Figure 18).

Figure 17



Note: December figures are plotted for 1999 and 2000 only.

Figure 18



Definitions and Explanatory Notes

Availability	Premises are recorded as 'available' when known to be on offer for sale or to let. This information is obtained primarily from marketing agents and is reviewed on a regular (monthly) cycle. Available industrial and business premises are recorded, when known, regardless of size or location. It is recognised, however, that SPN may not identify some smaller units that are not marketed through normal agency channels.
Age-Band	Properties are, where possible, classified according to age. For this analysis results have been grouped in three age bands - Pre-1980, 1980-89, Post-1990 or 'unknowns'. Just 6% of recorded properties are of unknown age but experience suggests that most of these 'unknowns' are older properties and are assumed to be pre 1980. The volume of 'unknowns' will diminish over time as the database is reviewed and updated.
Industrial Space	Premises classified as industrial would include manufacturing space, workshops, warehouse and storage units, distribution space and managed workspace. 'Business units' that are primarily office accommodation within industrial style buildings and sited in industrial locations are recorded as a sub-type of industrial but are excluded from the statistical analysis of supply and take-up. Similarly industrial yards are excluded from the statistics.
Industrial Stock	Measurement of industrial stock, by floorspace or numbers of units, is based on an aggregation of all units on the SPN database with the exception of any very large single user facilities (e.g. distillery premises). This would include all industrial units within recognised estates or industrial areas, plus any other standard industrial accommodation that has been logged as 'available' since data collection began. Premises which are identified as 'business units', having primarily office accommodation, are excluded from industrial stock, as are yards and open storage. This provides a reasonable estimate of the total stock of standard industrial space, which will become more accurate as the smaller accommodation, outwith estates, is picked up through monitoring availability.
Office Stock	Stock figures are held only for the central business districts of Edinburgh and Glasgow, totalling approximately 1.3 million sq m in each city, based on an aggregation of all known office premises. Numbers of office units are based on 'units of occupation' which are either in single occupation or offered for sale or lease as a single unit. This takes no account of potential for further subdivision or combination of units within a building.
Size-Band	For this analysis premises are allocated to one of the following size-bands according to either a known lettable floorspace or an estimated floorspace. Actual lettable floorspace is recorded usually where provided by a marketing or managing agent or by a landlord. Estimated sizes are derived in most cases by site inspection and by rough external measurement. In a minority of cases, size may be estimated from the assessed Net Annual Value. **Size-bands** (sq m): - **1** - up to 199; **2** - 200 to 499; **3** - 500 to 999; **4** - 1,000 +
Take - up	Measurement of take-up is based on an aggregation of units or floorspace known to have been let or sold for occupation within the specified period. This is derived primarily from monitoring available accommodation, but also through logging transactions through Registers of Scotland. Premises sold for investment (i.e. not for occupation) would not be included in take-up figures. Take-up statistics must be calculated in arrears, after allowing time for data collection, processing and verification.