

This report is prepared by SPN on behalf of Scottish Enterprise Dunbartonshire. It reviews industrial and office market activity in the year to December 2001. 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 Summary

Seasonally adjusted Gross Domestic Product (GDP) in Scotland rose by 0.8% in the second quarter of 2001, marginally higher than the 0.4% recorded for the whole of the UK.

If measured over the year to Q2, Scottish GDP increased by only 0.3% compared to an equivalent figure of 2.5% for the UK, as shown by Table 1. Annual UK GDP is anticipated to slow to 2.2% in Q3 with a fall in manufacturing accounting for a decline in the production sector (not shown in Table 1).

The Scottish production sector declined by 5.3% over the year to Q2 while the construction and services sectors increased by 2.4%.

After 3 successive cuts in the wake of the terrorist attacks in the United States, the Bank of England has maintained interest rates at 4% since December 2001. The February minutes of the Monetary Policy Committee (MPC) indicates that there was concern that a cut in interest rates would encourage further borrowing, increasing the risk of an abrupt change in household consumption later.

The MPC also expressed concern regarding an upside risk to inflation. The Committee, on balance, preferred to maintain rates with the possibility for cuts later in the year if domestic demand growth slowed.

The Scottish Executive report that Scottish Claimant Count was 4.1% while average employment in the year to end December 2001 was 73%. The Claimant Count in West Dunbartonshire is higher than the Scottish average, at 6.1%, while the equivalent figure in East Dunbartonshire is only 2.2%.

Business Property Market – Central and Northeast Scotland¹.

Industrial

In the year to December, SPN recorded an increase of 11% in the volume of available floorspace, as shown by Figure 1, mainly accounted for by a 28% increase in the supply of post 1990 accommodation. However, there was a marginal decline in the supply of units.

Figure 1 also illustrates that, despite an increase in the second half of the year, take up of floorspace declined by 12% in 2001. The fall in unit transactions was similar, at 12%.

¹ Total figures are derived from the 10 LECs covered by SPN (Scottish Enterprise – Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Grampian, Lanarkshire, Renfrewshire and Tayside).

Table 1

	% Change Q2 (2001) on Q1 (2001)	% Change Year to Q2 2001
Scotland	-0.4% (0.3%)	0.8% (2.6%)
Production	-2%	-5.4% (-0.8%)
Construction	0%	3.2% (2%)
Services	0.1%	3.3% (4.1%)

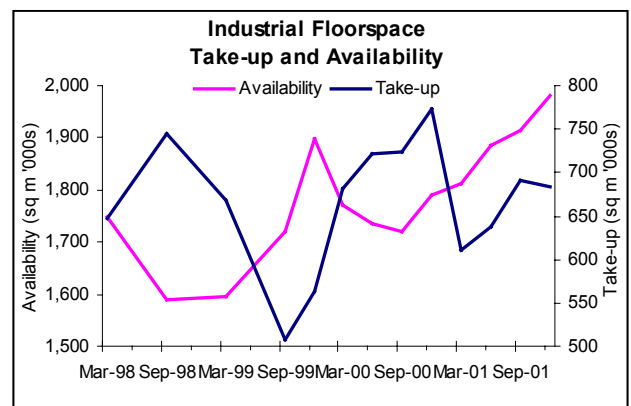
**Note: UK figures in brackets where available.
Source: Scottish Executive**

Table 2

	Claimant Count Unemployment March 2002	Total Employment Average for year to end December 2001
Scotland	4.1%	73%
East Dunbartonshire	2.2%	83%
West Dunbartonshire	6.1%	75%

Source: Scottish Executive and LFS

Figure 1



In their October review², Ryden report that returns on Scottish industrial property over the preceding 12 months compare favourably to the UK average with institutions seeking multi-let product as well as being prepared to participate in prime speculative schemes.

Insignia Richard Ellis³ recorded total industrial returns of 12.5% in the year to October, compared to 10.4% in the previous year, reflecting a fall in yield.

In the year to September, the RICS in Scotland also report that there was continuing evidence of downward pressure on average yields, as shown in Table 3

The RICS in Scotland suggest that average rental levels increased in most main markets in the year to September 2001. Average annual growth over the 3 years to the same date has been highest in Livingston, at 4.1%, with Edinburgh and Glasgow recording increases of 3.7% and 2.3% respectively (Table 3).

Offices

As shown by Figure 2, the volume of available office floorspace has generally declined from March 1998 to June 2001. SPN recorded a fall in supply of office floorspace in the first half of 2001, followed by a higher rise in the second half of the year.

Over the year to December 2001, take-up of office floorspace fell by 16% although the fall in unit transactions was less steep, at 9%.

Insignia Richard Ellis³ report that offices remain the top performing sector in Scotland, with total returns of 14% in the year to October 2001, compared to 8.2% for all property (including offices).

The RICS in Scotland September 2001 survey would suggest that average yields in Aberdeen fell marginally in contrast to Glasgow and Edinburgh where yields seems to be stabilising or rising.

In contrast to Aberdeen and Edinburgh, average rentals for city centre open plan space in Glasgow increased by 8.6% in the year to September 2001, higher than the 3 year average of 7.6% (Table 4).

Table 3

Industrial – Average Rent and Yield					
New Unit 5-15,000 sq ft	Rent £/psm (£/psf)		Average Growth (p.a.) Sept 98 – Sept 01	Yield	
	Sept 2000	Sept 2001		Sept 2000	Sept 2001
East Kilbride	£46.72 (£4.34)	£47.58 (£4.42)	1.2%	8.7%	8.6%
Glasgow	£52.31 (£4.86)	£54.36 (£5.05)	2.3%	7.9%	7.8%
Edinburgh	£63.72 (£5.92)	£64.48 (£5.99)	3.7%	7.1%	7%
Livingston	£50.48 (£4.69)	£51.67 (£4.80)	4.1%	8%	7.9%

Source: Royal Institution of Chartered Surveyors in Scotland

Figure 2

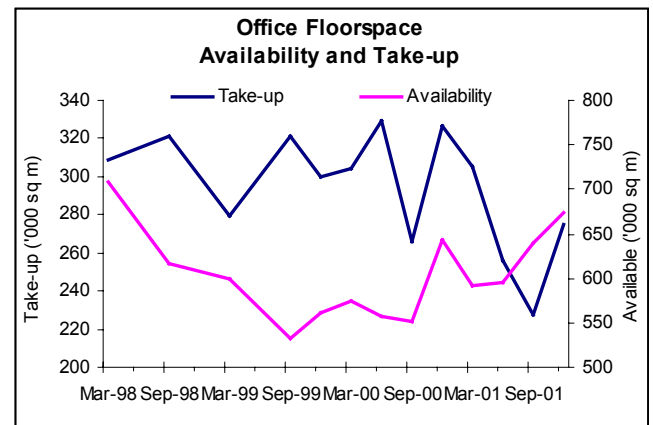


Table 4

Offices – Average Rent and Yield					
City Centre Open Plan	Rent £/psm (£/psf)		Average Growth (p.a.) Sept 98 – Sept 01	Yield	
	Sept 2000	Sept 2001		Sept 2000	Sept 2001
Aberdeen	£178.14 (£16.55)	£178.47 (£16.58)	1.7%	8.1%	8%
Edinburgh	£302.36 (£28.09)	£307.20 (£28.54)	9.1%	5.9%	6.2%
Glasgow	£213.13 (£19.80)	£231.43 (£21.50)	7.6%	6.7%	6.7%

Source: Royal Institution of Chartered Surveyors in Scotland

² The Scottish Property Review, October 2001 - Ryden

³ Scottish Monthly Index, October 2001 - Insignia Richard Ellis

Business Property Market – Dunbartonshire

Industrial Availability

At 31st December 2001, SPN recorded 76 available industrial units in the Dunbartonshire area providing a total floorspace of 45,457 sq m. The proportion of stock currently available in Dunbartonshire is similar to the Central Scotland average (Table 5).

Three quarters of the available floorspace in Dunbartonshire is located in the West Dunbartonshire Council area.

Table 5

Industrial Availability– Dunbartonshire		
	Rate of Availability	
	Units	Floorspace
Dunbartonshire	12%	13%
Central Scotland	11%	13%
Glasgow	13%	17%
East Dunbartonshire	9%	10%
West Dunbartonshire	13%	14%

As illustrated by Figure 3, Dunbartonshire saw a decrease in overall floorspace availability during 2001 of 30%, while the number of available units was almost unchanged. The supply of units under 200 sq m actually increased while supply of units over 499 sq m fell (Figure 4). It should be noted, however, that the numbers of units in individual size bands are quite small and these changes might be regarded as normal market fluctuations.

The supply of modern (post 1990) floorspace fell by 33% although the number of units in this age band did not change significantly.

In West Dunbartonshire, available floorspace fell by around 36%, while in East Dunbartonshire, floorspace availability has remained relatively unchanged.

Across Central Scotland, there was an increase of 11% in the volume of available floorspace in 2001 but a marginal fall in the supply of units.

The age profile of available units in Dunbartonshire, with 32% built post 1990, is more modern than the average for Central Scotland at only 18%, as shown in Figures 5.

West Dunbartonshire has a relatively high proportion of available units in the 200 to 499 sq m band compared to the Central Scotland average, and a correspondingly lower proportion of small units. East Dunbartonshire has a very high proportion of units under 200 sq m, but in a very small market this represents only 12 units out of a total of 15 available.

Figure 3

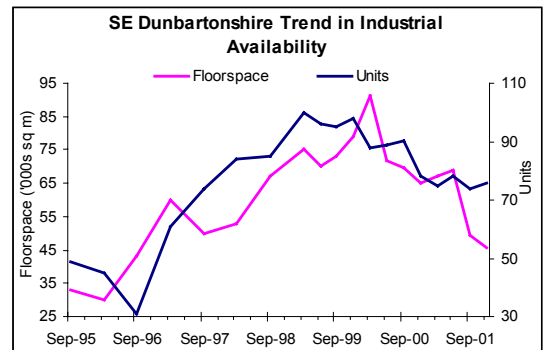


Figure 4

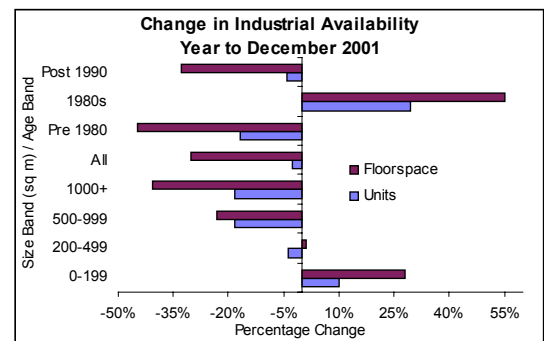


Figure 5

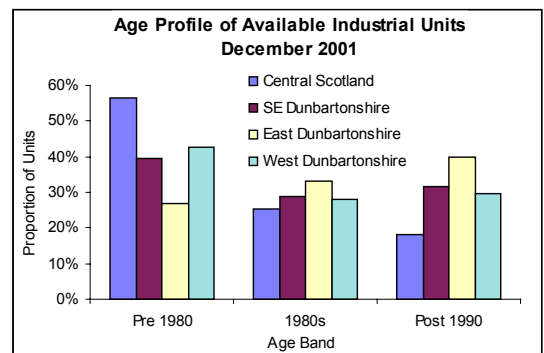
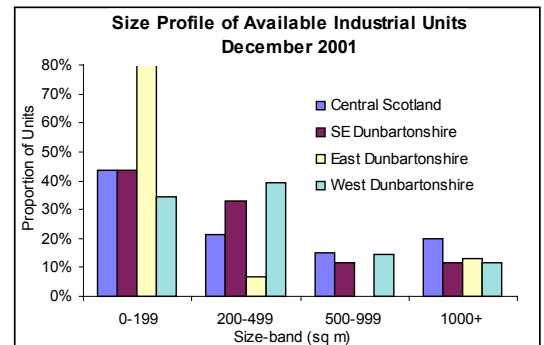


Figure 6



Industrial Take-up

There has been a sharp reduction in take-up within Dunbartonshire from the relatively high levels recorded in the second half of the year 2000 (Figure 7). The take-up of units fell by 56% and volume of floorspace taken-up was down by 80% on the levels of the previous year. This is partly a reflection of unusually high take-up in the year 2000, as noted in our last report.

Given the small size of the market in Dunbartonshire such large fluctuations can result from a relatively small number of transactions. Indeed in the year 2001, around 65% of total take-up resulted from four transactions involving large pre-1980 units. There were no recorded lettings of post-1980 units in excess of 500 sq m during the year.

Across Central Scotland, there was a decline of around 12% in take-up of industrial accommodation (units and floorspace) in 2001, as shown in Figure 8.

Average annual take-up for Dunbartonshire has been estimated from total recorded take-up over the 3 years to September 2000 and is shown in Table 6. It should, however, be noted that take-up in the year 2000 was unusually high.

Table 6

Average Annual Take-up	Units	Floorspace (sq m)
Dunbartonshire	46	23,633
East Dunbartonshire	22	13,657
West Dunbartonshire	24	9,976

Availability at December 2001 is expressed in Figure 9 as a number of year's potential take-up, based on this estimated average take-up. Supply at December 2001 in Dunbartonshire as a whole, represented just under 1.7 year's take-up of units and just under 2 year's take-up of floorspace. By comparison, Central Scotland has on average 1.4 year's supply of units and 2.7 year's supply of floorspace.

Within the LEC area, supply of both units and floorspace, relative to average take-up, appears more limited in East Dunbartonshire, but this likely to result from an over-estimate of average take-up, due to the very high level recorded in 2000.

Figure 7

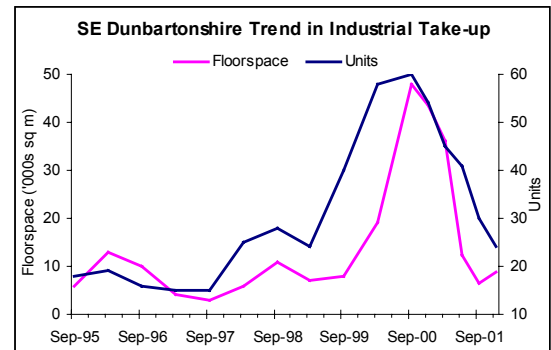


Figure 8

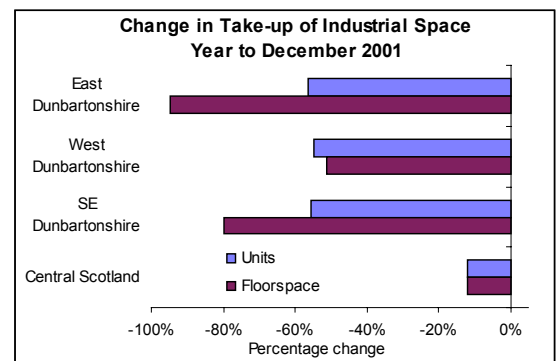
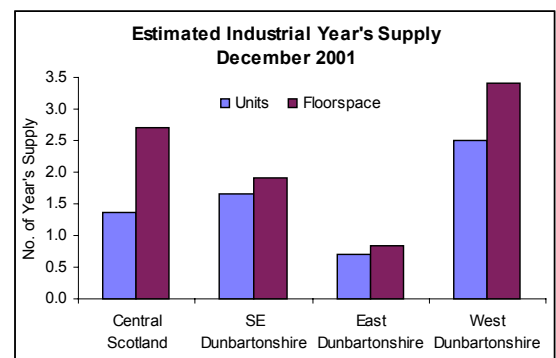


Figure 9



Office Availability

It should be noted at the outset that the office market in Dunbartonshire is very small. At December 2001, SPN recorded a total of just over 13,450 sq m of available office and business floorspace in 45 units.

The total available floorspace logged by SPN includes premises that are 'under offer'. At the end of December 2001 these totalled 3,880 sq m or just under 29% of the total availability. The equivalent figure for December 2000 was 1,765 sq m, representing 17% of total available floorspace.

As shown by Figure 10, available floorspace within Dunbartonshire increased by 12% over the year, while the number of available units fell by 20%. In East Dunbartonshire the number of available offices fell by 64% to only eight units, but available floorspace increased. By contrast, West Dunbartonshire recorded an increase of approximately 10% in both floorspace and units. On average, Central Scotland recorded little change in office availability over the same period.

As might be expected, given the predominance of business park space, available office supply in Dunbartonshire is more modern on average than across Central Scotland as a whole (Figure 11).

Office Take-up

Take-up of office floorspace in Dunbartonshire during 2001 was 13% lower than in the previous year, as shown in Figure 12. By comparison, take-up in Central Scotland fell by 18%.

Within the LEC area, there were reductions in take-up across all age bands.

The fall in take-up was however limited to sizes under 500 sq m with a decline of 26% in floorspace taken up, compared to a rise of 8% in take-up of larger sizes. It should be recognised, however, that in a small market a few transactions can represent a big percentage change in overall activity.

Based on an estimate of average annual take-up over three years, the supply of office space in Dunbartonshire at December 2001 represents 1.1 year's take-up of units and 2.6 year's take-up of floorspace. This compares to 2 year's supply of floorspace in Glasgow and only 2.2 year's supply in Central Scotland.

Figure 10

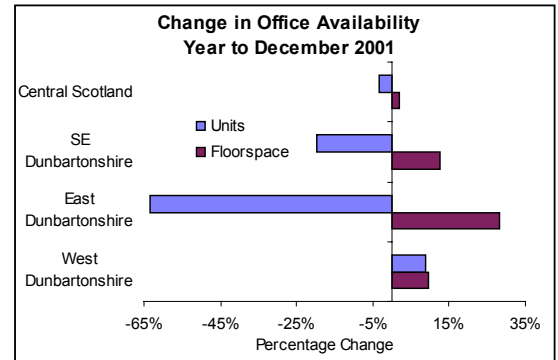


Figure 11

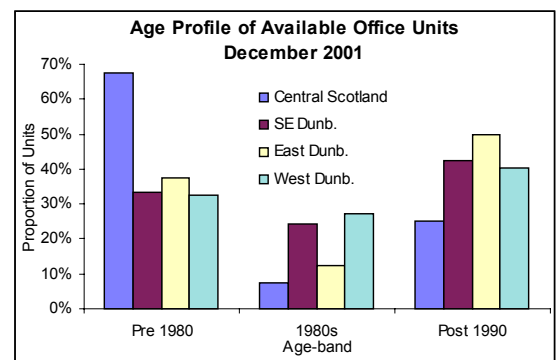


Figure 12

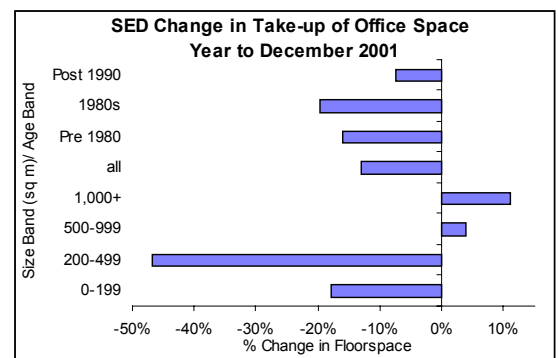
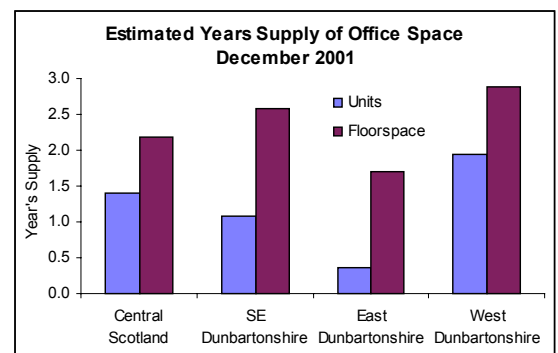


Figure 13



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