

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



**SCOTTISH
PROPERTY
NETWORK**

June 2002

Economic Background

- Provisional estimates of Scottish GDP published by the Scottish Executive indicate an increase of 0.6% in the year to the fourth quarter of 2001 compared to a rise of 2.0% across the UK. The Fraser of Allander Institute forecast growth of 1.2% for Scotland in 2002. The average forecast for UK growth is 1.9% as reported by the Office of National Statistics.
- Interest rates were gradually lowered by the Bank of England from 6% in January 2001 to 4% in November 2001, and have subsequently been maintained at this level during the first quarter of 2002. Annual inflation of 2.3% in March 2002 lies below the government target of 2.5%.
- In Scotland, manufacturing output is estimated to have declined by 8.2% in 2001 compared to a fall of only 1.9% across the UK. Over the same period, however, the service sector in Scotland grew faster than the UK as a whole at 4.4% compared to 3.8%.

Industrial Property

- In the year to March 2002, the total available supply of industrial floorspace increased by 12% while the supply of post-1990 floorspace increased by nearly 40%. However, there was no substantial increase in the number of available units.
- Take-up of industrial floorspace increased by 10% in the year to March 2002, but the number of units taken up declined by 8%, reflecting a shift in take-up towards larger units. Take-up of units over 999 sq m increased by 11%.
- The RICS in Scotland's survey of members suggests slowing rental growth in Glasgow and Aberdeen during 2001. Edinburgh and Livingston record the strongest rental growth at 4% and 4.3% respectively.

Office Property

- SPN recorded a 14% increase in the volume of available office floorspace in the year to March 2002, but with only a marginal increase in the number of available units. Available post 1990 floorspace increased by 30%.
- In the same period, recorded take-up of office floorspace fell by 30%. The decline in take-up was strongest for modern space and for large floor sizes.
- The RICS in Scotland report continued rental growth in most office markets during 2001, but at a slowing rate. Strongest growth is reported for Edinburgh traditional accommodation (7.2%) and business park space (6.9%). Glasgow business parks and city centre open plan accommodation also recorded significant rental growth at 6.6% and 6.4% respectively.

INTRODUCTION

This report is the tenth in a series of half yearly updates on property market activity in ten participating Local Enterprise Company (LEC) areas across Central and North East Scotland undertaken by Scottish Property Network (SPN) and based on an analysis of their database as at March 2002. ¹

The report also includes analysis of office development activity and comment on rental and yield movements mainly derived from the RICS in Scotland's Commercial Property Survey.

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

CONTENTS

1	Economic Background and Property Market Summary	page 3
2	Industrial Stock	page 5
3	Industrial Availability	page 6
4	Industrial Take-up	page 8
5	Industrial Rent and Yield	page 10
6	Office Supply	page 11
7	Office Take-up	page 13
8	Office Rent and Yield	page 14
	Definitions and Explanatory Notes	page 16

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).

1 Economic Background & Property Market Summary

The Scottish Economy

According to the Scottish Executive, seasonally adjusted Gross Domestic Product (GDP) in Scotland increased by 0.6% in the four quarters to 2001 Q4, significantly lower than the 2.0% recorded for the whole of the UK. GDP in Scotland rose by 0.1% in the final quarter of 2001, with the UK registering a fall of 0.1%, as shown by Table 1. The Office of National Statistics (ONS) note that UK GDP growth weakened during the latter half of 2001, reflecting the fact that the manufacturing sector had been in recession throughout the year, driven by the sharp contraction in the ICT sector. Imports and exports are also reported to have fallen to their lowest level in 10 years.

Table 1

GDP Growth	% Change Q4 (2001) on Q3 (2001)	% Change Year to Q1 2001
Scotland	0.1% (-0.1%)	0.6% (2.0%)
Production	-3.4% (-2.2%)	-7.8% (-2.1%)
Construction	-2.1% (1.8%)	-2.5% (3.6%)
Services	1.4% (0.6%)	4.4% (3.8%)
Note: UK figures in brackets. Source: Scottish Executive		

The overall performance of the Scottish economy has been weak compared to the UK as a whole, with falling output in all sectors except services. The annual growth rate of 4.4% in the Scottish service sector was higher than the equivalent UK figure at 3.8%. This relatively strong performance in services was maintained into the final quarter of 2001, as shown in Table 1.

Output in the production sector declined by 7.8% compared to a decrease of 2.1% across the UK. The manufacturing sector in Scotland declined by 3.8% in the final quarter of 2001, compared to a fall of 2.3% for the UK. During 2001, Scottish manufacturing output fell by 8.2% compared to a fall of 1.9% in the UK.

The construction sector in Scotland contracted by 2.5% during 2001 compared to an increase of 1.8% in this sector across the UK.

The Bank of England reduced interest rates to 4% in November 2001 and has subsequently maintained them at this level throughout the first quarter of 2002. Amongst the reasons given for their policy decisions were that estimates for GDP growth fell below expectations in the fourth quarter of 2001 and also in the first quarter of 2002. The Bank also noted that the prospects for the world economy appeared less strong, quoting a faltering of the US economy and limited evidence of a recovery in Japan and the Euro area. The Bank has, however, stated that inflation, which stood at 2.3% in March 2002, is expected to rise above target within a two-year period and that interest rates would need to rise eventually to counter this.

Scottish seasonally adjusted unemployment stood at 6.7% in March 2002, an increase of 0.7% over the year. The Labour Force Survey also reported that seasonally adjusted total employment decreased by 0.9% to 72.9% over the same period.

Industrial Property Market

The volume of available industrial floorspace recorded by SPN increased by 12% in the year to March 2002 while the number of available units was substantially unchanged. This reflects strong growth in the supply of units over 999 sq m at 16%. The supply of modern (post-1990) floorspace also increased substantially by almost 40%, while the number of units rose by only 3%.

By LEC area, the largest increase in available floorspace was recorded in Edinburgh and Lothian at 40%, followed by Glasgow at 34%. By contrast, there was a decline of 32% in available floorspace in Dunbartonshire, and a 23% fall in Forth Valley.

Across all LECs, well over half (57%) of available units at March 2002 were built pre 1980 and 18% built post 1990. As previously reported, Renfrewshire has the oldest supply, with almost

70% of units built pre 1980, compared to 43% in Dunbartonshire and 44% in Grampian. In Glasgow, and Lanarkshire just over 40% of available units are post 1980.

Take-up of floorspace increased overall by 10% in the year to March 2002, but take-up of units declined by 8% over the same period. This reflects a shift in take-up towards larger units.

Central Scotland² recorded a decline of 7% in take-up of units but a 13% rise in floorspace taken up. In Tayside, the number of transactions was substantially unchanged but the volume of floorspace transacted increased by 18%. By contrast, Grampian saw a decline in take-up of both units (18%) and floorspace (23%).

The RICS in Scotland's Commercial Property Survey³ reports slowing rental growth in Aberdeen and Glasgow during 2001. Strongest growth was recorded in Livingston, at 4.3%, and in Edinburgh at 4.0%, equalling the three year average in both locations.

Insignia Richard Ellis⁴ record total returns of 10.6% in the year to December making industrials the best performing Scottish sector. In their April review⁹, Ryden suggest that the industrial investment market has seen limited activity for multi-let interests in general, with demand stronger for well-let distribution space.

Offices

The volume of available office floorspace across all LEC areas increased by 14% in the year to March 2002 although there was little change in the supply of units. Post 1990 accommodation recorded a particularly steep increase, up by 30% for floorspace and 17% if measured in units.

There was no substantial change in the volume of available floorspace in Glasgow in the year to March. By contrast, Edinburgh recorded an increase of 55%, mainly in large sizes.

SPN recorded a significant increase in development activity in the second half of 2001, with 68 schemes under construction at the end of the year, totalling 342,000 sq m.

Take-up of office floorspace fell steeply in the year to March 2002, down by 30% on the previous twelve months. The decline in Edinburgh of 34% was mainly due to reduced take-up in sizes under 500 sq m. In Glasgow, where take-up fell by 30%, the decline was mainly in sizes over 999 sq m.

The RICS in Scotland's survey suggests continued but slowing rental growth during 2001 in most main markets. Strongest growth was reported in Edinburgh traditional and business park space at 7.2% and 6.9% respectively. Glasgow open plan and business park accommodation also recorded strong growth at 6.4% and 6.6%.

The survey suggests that there is still a downward trend in average yields in Aberdeen (West End) and Dundee markets. Reported yields in Glasgow and Edinburgh business park markets increased over the year to December.

Insignia Richard Ellis⁴ report a total return on Scottish offices of 10.4% in 2001, compared to 6.6% for all property (including offices).

Ryden⁵ suggest that investment demand from institutions has largely been focused upon multi-let / asset management opportunities while prime product has been pursued more actively by overseas investors, syndicates and wealthy private concerns. They also report that the Edinburgh market will see around 28,000 sq m (300,000 sq ft) of new Grade 'A' accommodation during 2002.

² Central Scotland is comprised of SE-Ayrshire, Dunbartonshire, Edinburgh & Lothian, Fife, Forth Valley, Glasgow, Lanarkshire and Renfrewshire.

³ Commercial Property Survey, March 2002 - RICS in Scotland

⁴ Scottish Monthly Index, December 2002 - Insignia Richard Ellis

⁵ The Scottish Property Review, April 2002 - Ryden

2 Industrial Stock

SPN now holds information on just over 15.9 million sq m of 'standard' industrial accommodation in 19,130 units⁶ within the 10 LEC areas. As shown by Table 2, the Lanarkshire area provides 21% of units and 24% of all industrial floorspace.

Table 2

Industrial Stock		
	% of Total Recorded Stock	
	Units	Floorspace
Ayrshire	7%	7%
Dunbartonshire	3%	2%
Fife	8%	7%
Forth Valley	7%	5%
Glasgow	14%	12%
Grampian	12%	11%
Lanarkshire	21%	24%
Lothian	14%	16%
Renfrewshire	7%	8%
Tayside	8%	8%

As illustrated by Figure 1, total stock is heavily biased towards smaller sizes with 44% of units under 200 sq m and only 32% over 499 sq m. Just over 50% of post 1980 accommodation is in the smallest size band (0-199 sq m), whereas pre-1980 stock is more heavily weighted towards larger units.

The proportion of post 1980 units is 40%⁷ on average, but higher in Grampian, Lothian and Dunbartonshire as shown by Figure 2. In Renfrewshire, only 25% of units are post 1980.

As illustrated by Figure 3, Grampian stock is heavily biased towards larger units. Dunbartonshire exhibits the highest proportion of units under 200 sq m at 56% compared to only 31% in Grampian. Forth Valley also has a relatively low proportion of stock in sizes over 499 sq m.

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

⁷ Just over 9% 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

Figure 1

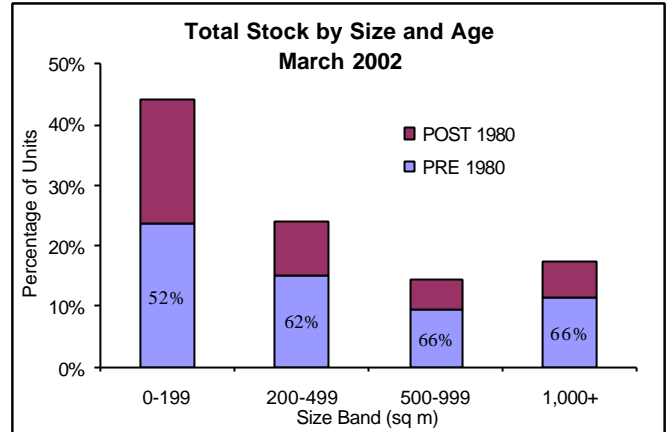


Figure 2

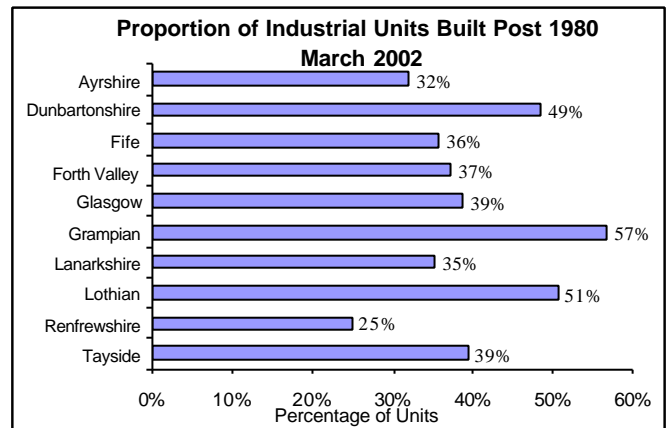
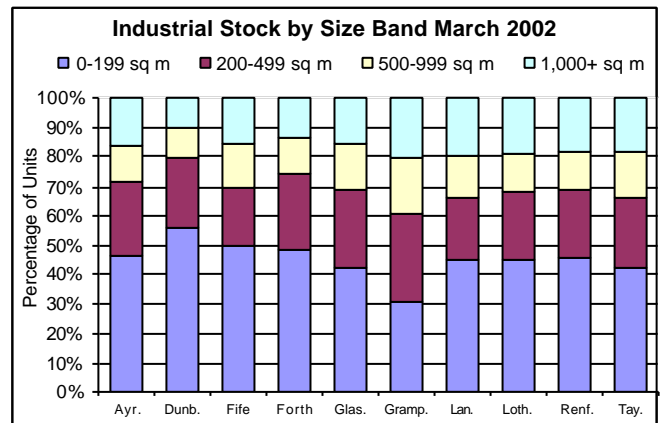


Figure 3



3 Industrial Availability

At 31st March 2002, SPN recorded 2,169 available units representing a total floorspace of just over 2 million sq m. Availability, as a percentage of total recorded stock, has fallen marginally if measured in units but is marginally higher in terms of floorspace since our last report as at June 2001. Table 3 shows the rate of availability by LEC area, ranging from only 7% of units in Forth Valley to 17% in Ayrshire.

Table 3

	Availability Rate (%)	
	Units	Floorspace
Total Area	11 (12)	13 (12)
Central Scotland	11 (11)	13 (12)
Ayrshire	17 (17)	16 (15)
Dunbartonshire	11 (12)	13 (19)
Fife	16 (13)	13 (13)
Forth Valley	7 (6)	7 (6)
Glasgow	13 (15)	17 (17)
Grampian	11 (11)	10 (10)
Lanarkshire	8 (9)	9 (9)
Lothian	10 (9)	13 (9)
Renfrewshire	12 (13)	16 (14)
Tayside	14 (14)	17 (18)

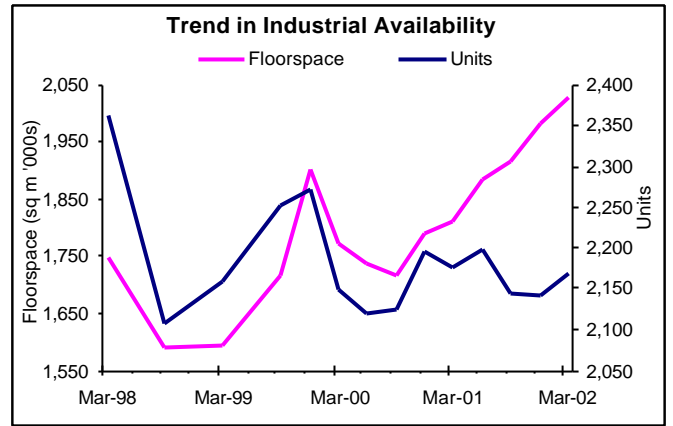
Note: June 2001 figures in brackets

Over the year to March 2002, the volume of available floorspace increased by 12% with substantially no change in the supply of units, as shown by Figures 4 and 5.

For modern (post-1990) accommodation, floorspace increased by just under 40% in the year to March, although the number of units increased by only 3%, reflecting a shift in supply towards larger sizes (Figure 5). For sizes under 1,000 sq m there was little change in available floorspace, but SPN recorded a rise of 16% in available floorspace in units over 999 sq m.

Since March 1998 the supply of units over 999 sq m has risen by just over 21%, while the supply of units under 200 sq m has fallen by 21% (Figure 6).

Figure 4



Note: in Fig. 4 change in availability is plotted at half-yearly intervals to Sept '99, then quarterly thereafter.

Figure 5

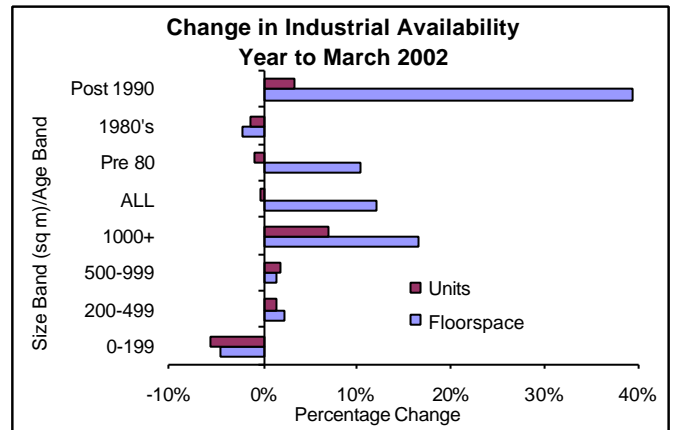
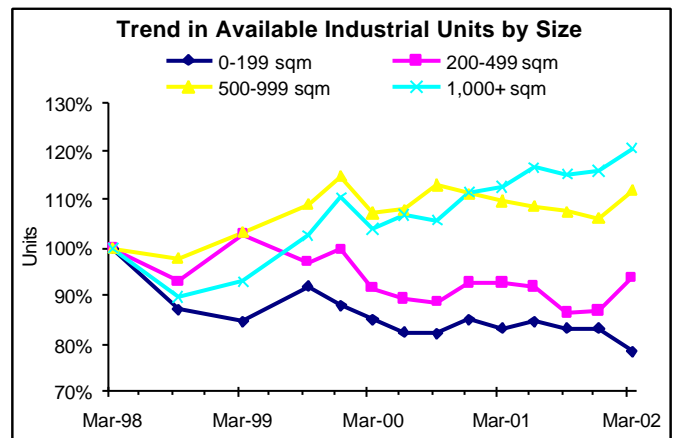


Figure 6



Most LEC areas saw an increase in supply over the year to March as illustrated by Figure 7. In Edinburgh and Lothian available floorspace increased by 40%. Glasgow also recorded a significant increase in supply of floorspace at 34%, but unit availability fell by 7%. Available supply fell slightly in Lanarkshire while Dunbartonshire and Forth Valley recorded declines in available floorspace of 32% and 23% respectively.

On average, at March 2002, 57% of available units were built pre 1980 and 18% post 1990. However, as shown by Figure 8, almost 70% of units in Renfrewshire and around 2/3rds of units in Fife and Forth Valley are pre-1980. Dunbartonshire and Tayside have a relatively high proportion of supply in post 1990 units at 34% and 27% respectively. In Glasgow, and Lanarkshire just over 40% of available units are post 1980.

As Figure 9 shows, supply in Renfrewshire is strongly biased towards larger units with 48% over 499 sq m, compared to 37% on average across all LECs. Lanarkshire and Tayside also have a relatively high proportion of supply in sizes over 499 sq m.

Fife and Forth Valley have a high proportion of supply in small units of less than 200 sq m, at 56% and 52% respectively, compared to an average of 39% across all LECs and only 32% in Renfrewshire.

Figure 7

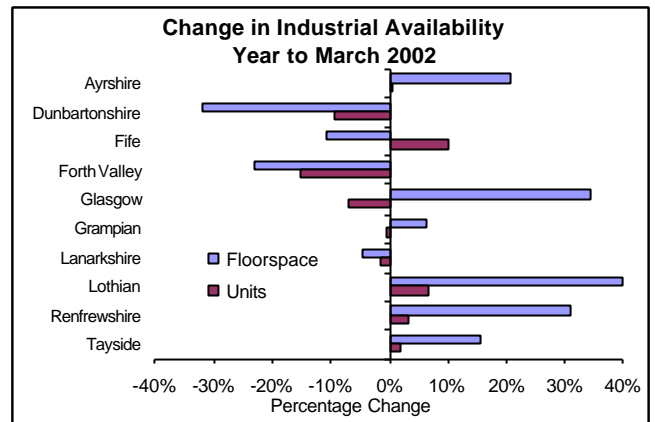


Figure 8

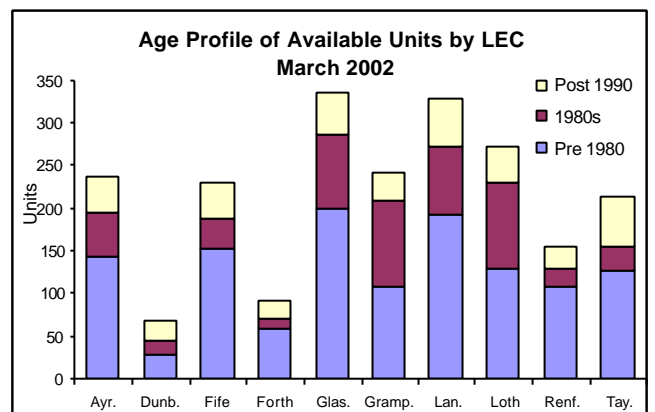
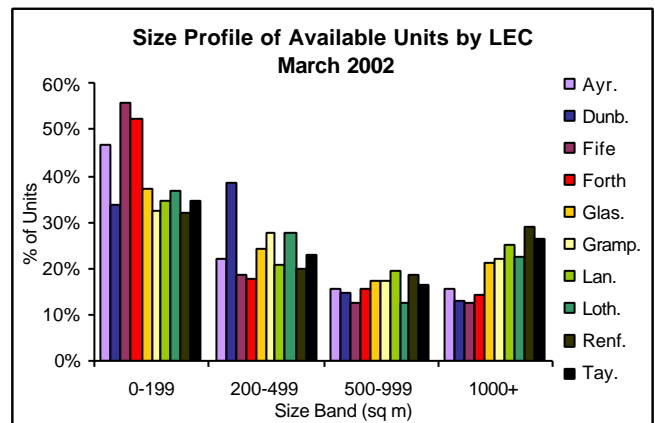


Figure 9



4 Industrial Take-up

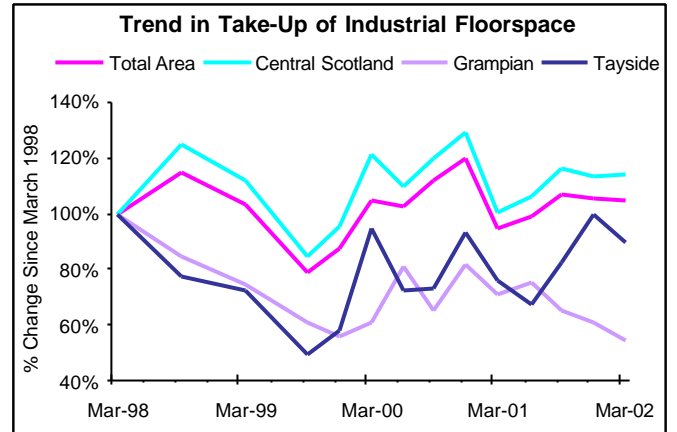
The trend in take-up directly monitored by SPN is shown by Figures 10 (Floorspace) and 11 (Units)⁸. There was a general rise of 10% in take-up of floorspace in the year to March 2002, however this reflects a shift in take-up towards larger sizes. The number of units taken up fell by 8% over the same period, and now lies at the lowest level recorded since March 1998.

The reduction in unit transactions over the year to March was mainly accounted for by a fall of around 10% in sizes under 1,000 sq m. In the same period, there was an increase of 11% in take-up of units over 999 sq m.

In Central Scotland there was an average decline of 7% in take-up of units but an increase of 13% in the volume of floorspace transacted. Grampian recorded a decline in both unit transactions (18%) and floorspace taken up (23%). In Tayside take-up increased by 18% in terms of floorspace, but the number of transactions was substantially unchanged.

Figure 12 illustrates that only Ayrshire, Lanarkshire and Tayside recorded small increases in take-up of units over the year to March. Take-up in Fife fell by 38% in unit numbers, but was 41% higher in terms of floorspace. The rise in floorspace transacted was greatest in Ayrshire (101%), Fife (41%) and Lothian (48%), reflecting a strong shift towards take-up in larger sizes.

Figure 10



Note: in Fig.10 change in take-up is plotted at half-yearly intervals to Sept '99, then quarterly thereafter.

Figure 11

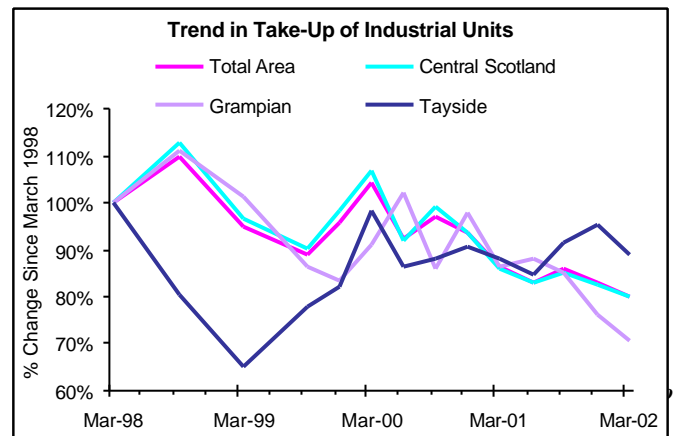
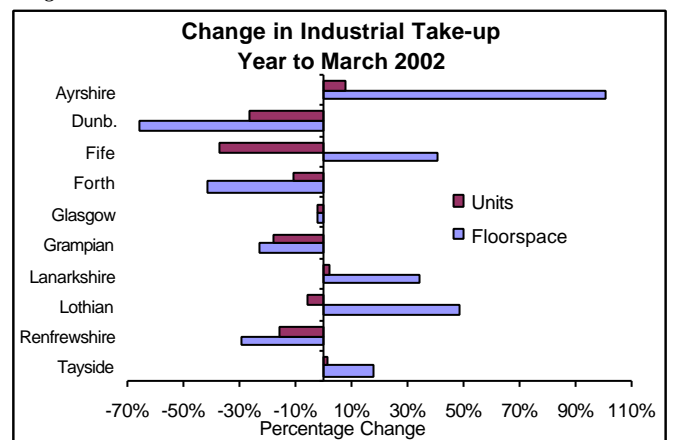


Figure 12



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

Average annual take-up for each LEC area has been estimated from total recorded take-up over 3 years to September 2000 and is shown in Table 4. These estimates are based on historical take-up to avoid discrepancies resulting from time-lag in capturing all relevant information and from short term fluctuations in activity.

Table 4

Average Annual Take-up	Units	Floorspace (sq m)
Central Scotland	1,261	600,000
Ayrshire	134	52,500
Dunbartonshire	46	23,500
Fife	135	49,000
Forth Valley	79	33,000
Glasgow	246	107,500
Grampian	134	59,000
Lanarkshire	317	161,500
Lothian	216	114,500
Renfrewshire	88	60,000
Tayside	113	57,500

Note: The average is derived from take-up for the 3 years to September 2000

Availability at March 2002 is expressed in Figure 13 as a number of years' potential take-up, based on the estimated average take-up. The estimated number of years' supply of units across Central Scotland has increased slightly from 1.3 to 1.4 since our last report. Floorspace has risen from 2.4 to 2.7 years' supply, but this does not reflect the recent rise in volume of floorspace taken up. Supply of units, relative to take-up, is lowest in Lanarkshire and Forth Valley, while supply of floorspace is lowest in Dunbartonshire and Lanarkshire.

As shown by Figure 14, there is potentially less than a year's supply of post 1990 units in Glasgow, Lanarkshire and Lothian.

Figure 13

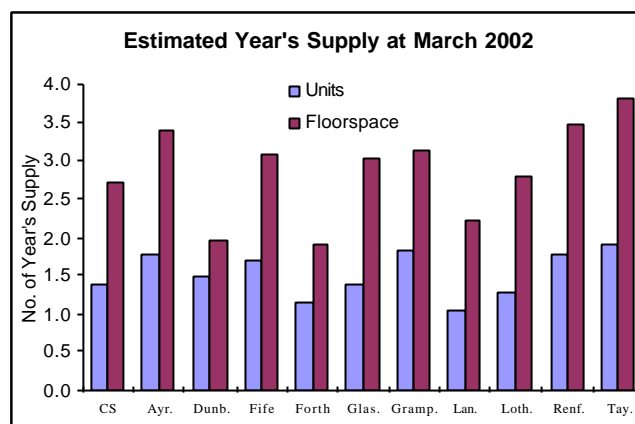
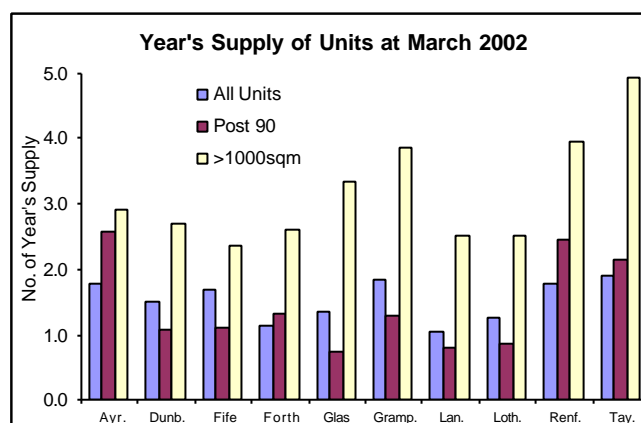


Figure 14



5 Industrial Rent and Yield

The figures shown in Table 5 are extracted from the RICS in Scotland's Commercial Property Survey reporting the opinion of local property valuers. The survey suggests slowing rental growth in Aberdeen and Glasgow, during 2001, compared to the three-year average, and no growth in Perth. The strongest rental growth in the year to December 2001 was recorded in Edinburgh at 4.0% and Livingston at 4.3%, equalling the three-year average.

Table 5 also shows little change in average yields in the year to December 2001, with agents suggesting a marginal rise of 0.1% only in Edinburgh and Livingston.

In their April review⁹, Ryden suggest that the industrial investment market has seen limited activity for multi-let interests in general, with demand stronger for well-let distribution space.

Insignia Richard Ellis¹⁰ report total returns from industrials of 10.6% during 2001, making this the best performing Scottish sector.

Table 6 shows a number of the key letting deals recorded in the second half of 2002, based on returns from letting agents.

⁹The Scottish Property Review, April 2002 – Ryden

¹⁰Scottish Monthly Index, December 2002 – Insignia Richard Ellis

Table 5

Industrial Town	Average Rent								Average Yield		
	Dec-99		Dec-00		Dec-01		Annual Growth		Dec-99	Dec-00	Dec-01
	£/psm	£/psf	£/psm	£/psf	£/psm	£/psf	Year	3 yr. Ave			
Aberdeen (eg Altens)	£52.96	£4.92	£54.25	£5.04	£54.47	£5.06	0.4%	2.1%	8.8%	8.8%	8.8%
Dundee (eg Kingsway)	£40.15	£3.73	£40.37	£3.75	£41.44	£3.85	2.7%	0.9%	9.5%	9.4%	9.4%
East Kilbride	£45.96	£4.27	£47.25	£4.39	£48.44	£4.50	2.5%	1.5%	8.7%	8.6%	8.6%
Edinburgh (eg Sth Gyle)	£61.14	£5.68	£62.65	£5.82	£65.12	£6.05	4.0%	4.0%	7.0%	7.0%	7.1%
Glasgow (eg Helen St.)	£52.21	£4.85	£53.28	£4.95	£53.60	£4.98	0.6%	1.6%	7.9%	7.8%	7.8%
Livingston	£48.98	£4.55	£50.05	£4.65	£52.21	£4.85	4.3%	4.3%	7.9%	7.9%	8.0%
Perth (eg Muirton)	£38.10	£3.54	£39.29	£3.65	£39.29	£3.65	0.0%	0.9%	9.8%	9.9%	9.9%

Source: Royal Institution of Chartered Surveyors in Scotland Commercial Property Survey

Table 6

Key Letting Deal - Industrial Q3 & Q4 2001				
Property	Size sq m (sq ft)	Occupier	Quarter	Headline rental rate £/sq m (£ sq ft)
Eurocental, Mossend, Bellshill	8,468 sq m (91,150 sq ft)	British Bakeries Ltd.	Q4	£64.05 psm (£5.95 psf)
Unit A, Melford Park, Righead Industrial Estate, Bellshill.	649 sq m (6,928 sq ft)	Howden Joinery/MFI	Q4	£59.20 psm (£5.50 psf)
Unit 4A, The Apex, Tannochside Park, Uddingston	701 sq m (7,456 sq ft)	Lloyds Equipment Group	Q3	£47.36 psm (4.40 psf)
Unit E, Helen Street, Glasgow	650 sq m (6,997 sq ft)	Watt Brothers (Glasgow & Edinburgh) Ltd	Q3	£53.82 psm (5.00 psf)
Kinning Parkway, Glasgow	929 sq m (10,000 sq ft)	MCL	Q3	£53.82 psm (5.00 psf)
Unit 2 Cliftonhall Road, Edinburgh Interchange, Newbridge	2,429 sq m (26,150 sq ft)	Bridisco	Q3	£64.58 psm (£6.00 psf)
Unit 3 Cliftonhall Road, Edinburgh Interchange, Newbridge	2,963 sq m (31,900 sq ft)	Direct Auto Finance Ltd	Q3	£64.58 psm (£6.00 psf)

6 Office Supply

At 31st March 2002, SPN recorded a total of just under 678,000 sq m of available office and business floorspace in 2,160 units. An estimated 39% (265,630 sq m) of all available office floorspace was built Post 1990, the proportion having risen from 27% at December 1999. Approximately 16% of supply (106,630 sq m) is new-build or newly refurbished floorspace.

The total available floorspace logged by SPN includes premises that are 'under offer'. At the end of March 2002 these totalled 73,607 sq m or 11% of the total availability.

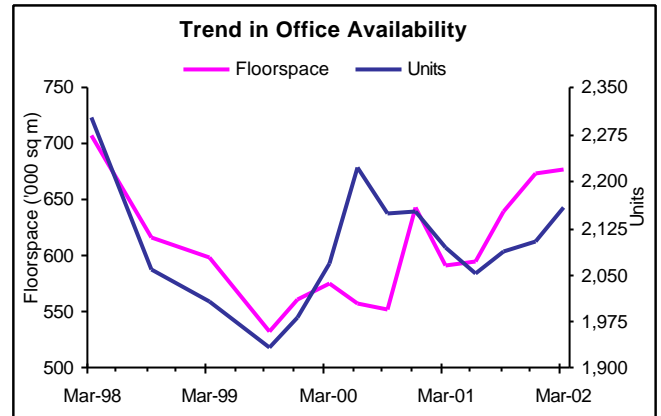
As shown by Figure 15, the general rise in the supply of office floorspace noted since September 1999 continued in the year to March 2002 with a further increase of 14%. However, this increase is mainly accounted for by a shift towards availability in larger sizes, with a rise of one third in the supply of units over 999 sq m. There was only a marginal rise in unit availability, as shown by Figure 16.

The supply of modern (Post-1990) accommodation rose by 30% in terms of floorspace and by 17% if measured in units (Figure 16).

Across Central Scotland, the supply of floorspace increased by 11% over the year to March. As shown by Figure 17, the increase was steepest in Lothian, up by 44%. In Edinburgh City available floorspace rose by 55%, mainly in sizes of 1,000 sq m or more, including 4,516 sq m at Westfield House and 1,338 sq m at The Tun. On the west side of Edinburgh, floorspace totalling 15,800 sq m became available at Edinburgh Park and at The Clocktower, South Gyle. By contrast, there was little change in the supply of floorspace in Glasgow over the year to March.

As shown by Figure 17, both Grampian and Tayside recorded increases in supply of office floorspace, up by 34% and 14% respectively.

Figure 15



Note: in Fig. 15 change in availability is plotted at half-yearly intervals to Sept '99, then quarterly thereafter.

Figure 16

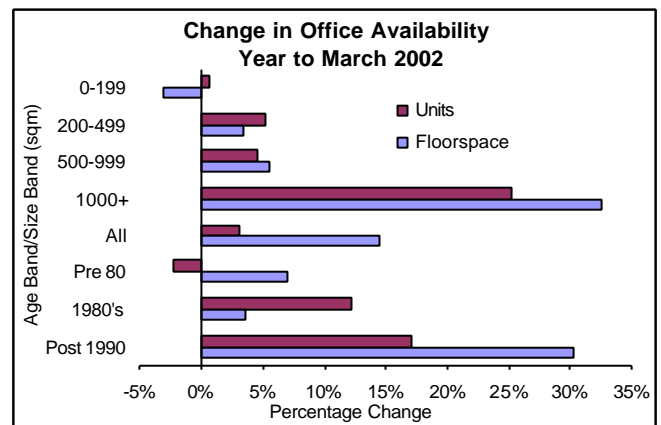


Figure 17

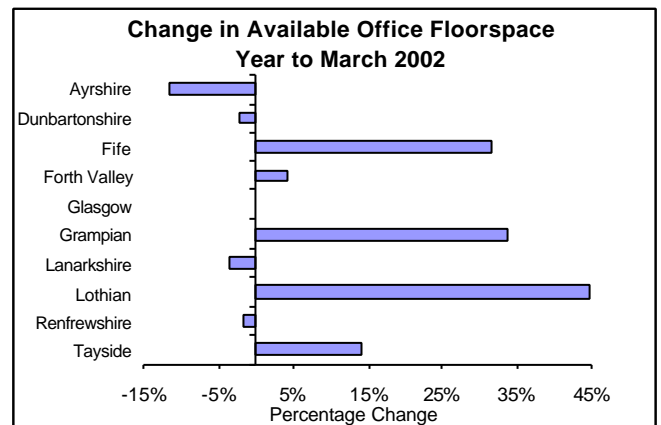


Table 7 below indicates the scale of office development in the pipeline for each LEC area, based on office proposals with planning consent as at December 2001.¹¹

At December 2001, there were 68 schemes under construction totalling just under 342,000 sq m. This represents an increase of almost 21% since June 2001. SPN estimates around 76% of the floorspace under construction at December to be speculative.

In the six months from June to December 2001, SPN recorded 80 completed office schemes totalling just over 300,000 sq m, of which 62% was reported by agents to be speculative provision. This represents a significant increase in activity from the previous year when 72 schemes were completed totalling just under 200,000 sq m.

Table 7

Office Development Pipeline	Proposed December 2001			Under Construction December 2001			Completed June-December 2001		
	Schemes	Floorspace (sq m)	% Speculative Floorspace	Schemes	Floorspace (sq m)	% Speculative Floorspace	Schemes	Floorspace (sq m)	% Speculative Floorspace
Ayrshire	0	0	0%	0	0	0%	2	10,580	76%
Dunbartonshire	1	1,200	0%	0	0	0%	2	31,200	52%
Fife	4	8,948	100%	6	13,443	89%	3	4,518	100%
Forth Valley	7	12,075	84%	4	7,797	78%	6	30,001	94%
Glasgow	20	158,843	97%	15	93,551	87%	15	53,495	49%
Grampian	11	42,754	96%	5	9,932	100%	7	25,591	58%
Lanarkshire	12	79,928	93%	7	60,325	98%	3	1,313	92%
Lothian	39	499,921	95%	27	148,893	59%	37	139,104	66%
Renfrewshire	5	40,369	96%	1	4,000	0%	2	2,924	0%
Tayside	6	3,931	57%	3	3,965	68%	3	8,860	0%
Total	105	847,969	95%	68	341,906	76%	80	307,586	62%

Source: Glenigan / SPN

¹¹ Information on planning consents on schemes costing over £100,000 is derived from Glenigan Ltd. SPN contacts the agents to monitor the construction programme.

7 Office Take-up

SPN recorded a steep fall, of 30%, in take-up of office floorspace in the 12 months to the end of March 2002, as illustrated by Figure 18. There was a corresponding decline in the number of unit transactions, of 26%, across the ten LEC areas in the same period. As can be seen from Figure 19, the decline in take-up of office accommodation to March affected all age and size bands. The decline in take-up of modern (Post-1990) floorspace, and of units over 999 sq m was around 50%.

Table 8

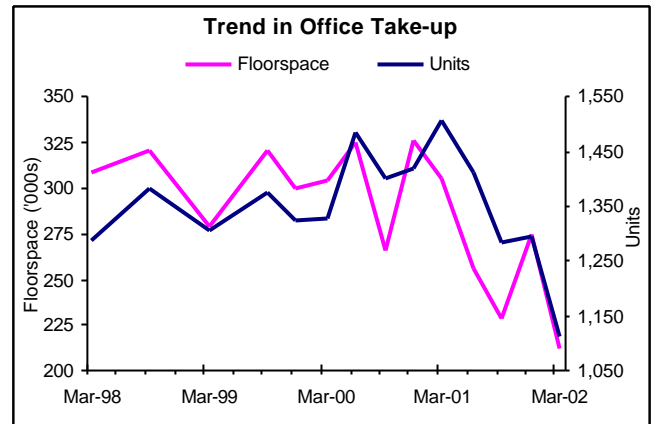
Change in Take-up of Offices Year to Mar 2002	Floorspace	Units
Ayrshire	-11%	0%
Dunbartonshire	37%	-15%
Fife	-48%	-34%
Forth Valley	-23%	1%
Glasgow	-30%	-15%
Grampian	-63%	-30%
Lanarkshire	-9%	-9%
Lothian	-31%	-50%
Renfrewshire	-28%	-44%
Tayside	42%	9%

In Lothian, take-up of floorspace fell by 31% although in Edinburgh City the decline was steeper at 34%, mainly due to reduced take-up in sizes under 500 sq m. In Glasgow take-up of floorspace fell by 30% overall and by 58% for post-1990 floorspace. In contrast to the pattern in Edinburgh, the fall in take up in Glasgow was predominantly in large sizes over 999 sq m.

Grampian recorded the largest decline in the take-up of floorspace, down by 63%, over the year (Table 8). Only Dunbartonshire and Tayside recorded increased office take-up, in both cases due mainly to a single large letting in a relatively small market.

Based on the average recorded take-up over the three years to March 2001, available supply at March 2002 represented 2.4 year's take-up of floorspace and 1.5 year's take-up of units. As shown by Figure 20, Glasgow and Lothian record just under two years' supply of office floorspace

Figure 18



Note: in Fig. 18 change in take-up is plotted at half-yearly intervals to Sept '99, then quarterly thereafter.

Figure 19

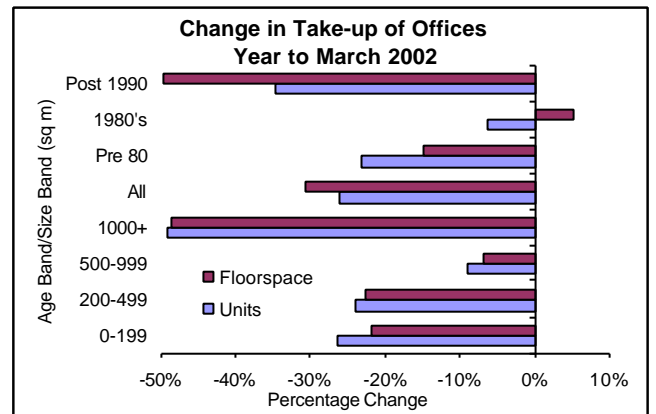
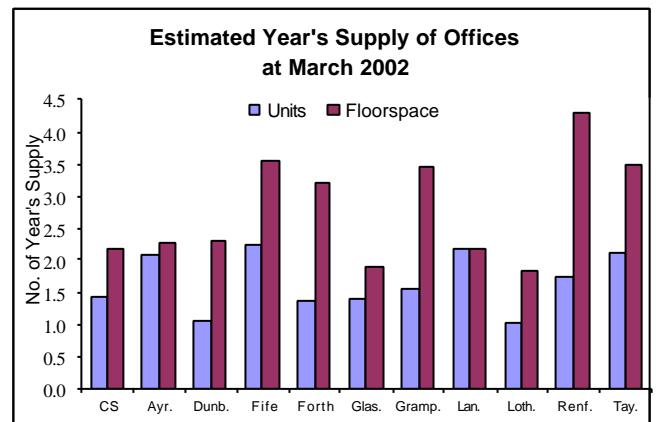


Figure 20



8 Office Rent and Yield

The RICS in Scotland's Commercial Property survey (Table 9) suggests continued but slowing rental growth during 2001 in most main markets.

Business park accommodation in Edinburgh recorded strong growth at 6.9%, but below the three-year average of 11.3%. Rental growth for open plan accommodation in Edinburgh slowed to only 1.9%, although returns suggest continued strong growth for Edinburgh traditional space at 7.2%.

Survey returns for Glasgow open plan offices show 6.4% growth during 2001, compared to a three-year average of 7.8%. Glasgow business park accommodation appears to buck the trend with 6.6% growth in 2001, well above the three-year average of 3.9%.

The survey suggests that there is still a downward trend in average yields in Aberdeen (West End) and Dundee markets. Reported yields in Glasgow and Edinburgh business park markets increased over the year to December.

Insignia Richard Ellis⁴ report a total return on Scottish offices in the year to December of 10.4% compared to an average of 6.6% for all property (including offices).

Ryden⁵ suggest that investment demand from institutions has largely been focused upon multi-let / asset management opportunities, while prime product has been pursued more actively by overseas investors, syndicates and wealthy private concerns. They also report that the Edinburgh market will see around 28,000 sq m (300,000 sq ft) of new Grade 'A' accommodation during 2002.

Table 9

Office Town	Average Rent								Average Yield		
	Dec-99		Dec-00		Dec-01		Annual Growth		Dec-99	Dec-00	Dec-01
	£/psm	£/psf	£/psm	£/psf	£/psm	£/psf	Year	3 yr. Ave			
Aberdeen - West End	£163.83	£15.22	£164.37	£15.27	£165.23	£15.35	0.5%	1.0%	8.4%	8.3%	8.2%
Dundee - Central	£108.39	£10.07	£107.64	£10.00	£108.50	£10.08	0.8%	-0.2%	9.5%	9.4%	9.2%
Edinburgh (eg Melville St.)	£78.14	£16.55	£183.20	£17.02	£196.44	£18.25	7.2%	6.7%	7.0%	6.9%	6.8%
Glasgow (eg West George St.)	£150.70	£14.00	£153.82	£14.29	£158.02	£14.68	2.7%	3.9%	7.4%	7.4%	7.5%
Perth - Central	£128.95	£9.77	£104.52	£9.71	£104.95	£9.75	0.4%	0.3%	9.5%	9.2%	9.2%
Central - Business Park	£128.95	£11.98	£130.78	£12.15	£137.56	£12.78	5.2%	4.2%	8.7%	8.6%	8.3%
Dundee - Business Park	£115.28	£10.71	£118.83	£11.04	£120.02	£11.15	1.0%	2.2%	8.9%	8.8%	8.6%
Edinburgh - Business Park	£241.11	£22.40	£252.52	£23.46	£269.96	£25.08	6.9%	11.3%	5.9%	5.9%	6.4%
Glasgow - Business Park	£154.57	£14.36	£157.69	£14.65	£168.03	£15.61	6.6%	3.9%	7.1%	6.9%	7.1%
Aberdeen - cc Open Plan	£173.95	£16.16	£176.53	£16.40	£178.57	£16.59	1.2%	2.2%	8.0%	8.0%	8.0%
Edinburgh - cc Open Plan	£260.17	£24.17	£298.06	£27.69	£303.65	£28.21	1.9%	7.9%	6.0%	6.1%	6.3%
Glasgow - cc Open Plan	£194.51	£18.07	£217.97	£20.25	£231.96	£21.55	6.4%	7.8%	6.8%	6.7%	6.7%

Source: Royal Institution of Chartered Surveyors in Scotland Commercial Property Survey

Table 10

Key Letting Deal - Offices Q3 & Q4 2001				
Property	Size sq m (sq ft)	Occupier	Quarter	Headline rental rate £/sq m (£/sq ft)
Princes Gate, Hamilton	1,495 sq m (12,500 sq ft)	Scottish Executive	Q3	£135 psm (£12.50 psf)
Murdostoun House (Part) Avondale Campus, Strathclyde Business Park	615 sq m (6,623 sq ft)	Woolwich PLC	Q3	£183 psm (£17.00 psf)
123 St Vincent Street, Glasgow	6,759 sq m (72,754 sq ft)	Hutchison 3G	Q4	£239.50 psm (22.25 psf)
163 West George Street, Glasgow	579 sq m (6,235 sq ft)	James Finlay Group Ltd	Q4	£204.52 psm (19.00 psf)
The Piazza, Smithhills Street Paisley	1,511 sq m (16,269sq ft)	Scottish Executive	Q4	£135 psm (£12.50 psf)
Floors 5 & 6, 12A-13 St Andrew Sq, Edinburgh	5,806 sq m (6,250 sq ft)	Royal Bank of Scotland	Q4	£215.28 psm (£20 psf)
Fairways Business Park, Livingston	2,787 sq m (30,000 sq ft)	Scottish Courage (Pre-Let)	Q4	£161.46 psm (£15 psf)

Amendment August 2002

A large industrial transaction in Irvine, North Ayrshire has been removed from the statistics. Please note the following changes.

SE Ayrshire industrial Take-up year to March 2002 = 97 units totalling 50,142 sq m

Strathclyde industrial Take-up year to March 2002 = 630 units totalling 347,252 sq m

Central Scotland industrial Take-up year to March 2002 = 926 units totalling 560,317 sq m

Total industrial Take-up year to March 2002 = 1,126 units totalling 660,089 sq m