REVIEW OF BUSINESS PROPERTY MARKET ACTIVITY FOR

SCOTTISH ENTERPRISE

SCOTTISH PROPERTY NETWORK

September 2001

- Scottish GDP only increased by 1.1% in the year to the first quarter of 2001 compared to a rise of 2.7% across the UK. Provisional estimates suggest that UK year on year GDP will slow to 2.1% in the second quarter of 2001.

- The Bank of England cited the world economic situation and the strength of sterling as reasons for reducing interest rates, by 0.25% to 5%, in August 2001.

- In Scotland, GDP growth in the production sector declined by 2.2% in Q1 2001 compared to a fall of only 0.6% across the UK, although equivalent figures for the construction and service sectors in Scotland were stronger than for the UK.

- The availability of post 1990 floorspace increased by 30%, although the total supply of industrial floorspace increased by only 5%, in the year to June.

- Take-up of industrial floorspace declined by 18% in the year to June 2001. The fall has been more apparent in the second half of the year.

- The industrial investment market has been quiet although the RICS survey of members suggests a continued hardening of yields.

- Average rental levels increased in most industrial markets in the year to June 2001 with Livingston showing the steepest annual average growth over the last 2 years.

- SPN record falling supply of office floorspace in the year to June 2001, down by 9%.

- In the year to June, there was a 10% decline in the number of recorded office transactions with the volume of office floorspace taken up falling by 34%.

- Insignia Richard Ellis report that Scottish offices remain the top performing sector with total returns of 16.1% in the year to June.

- Growth in office rentals has been particularly strong in the year to June for open plan space in Glasgow, at 14.2%, according to the RICS in Scotland.

INTRODUCTION

This report is the ninth 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 June 2001. [1]

The report also includes analysis of office development activity and findings on rental and yield movements 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 Norman MacMillan or Janet Asquith-Charlton at SPN on 0141-561 7300.

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[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 and Property Market Summary

According to the Scottish Executive, seasonally adjusted Gross Domestic Product (GDP) in Scotland increased by 0.4% in the first quarter of 2001, marginally lower than the 0.5% recorded for the whole of the UK. However, over the year to March, GDP increased by only 1.1% compared to an equivalent figure of 2.7% for the UK, as shown by Table 1. The Office of National Statistics (ONS) provisionally estimate that UK GDP will grow by only 0.3% in Q2 of 2001 and by 2.1% in the year to the same quarter. The subdued performance of UK GDP in the last 3 quarters is attributed, by the ONS, to erratic energy figures in the last quarter of 2000, and weakening manufacturing and service sector performance in the first 2 quarters of 2001.

Table 1

	% Change Q1 (2001) on Q4 (2000)	% Change Year to Q1 2001
Scotland	0.4% (0.5%)	1.1% (2.7%)
Production	-2.2% (-0.6%)	-2.2% (1.3%)
Construction	2.4% (1.7%)	1.2% (-0.1%)
Services	1.4% (0.9%)	2.5% (3.5%)

Note: UK figures in brackets.
Source: Scottish Executive

The change in Scottish GDP over the year to Q1 is not consistent across the main sectors of the economy.

Output in the production sector declined by 2.2% compared to an increase of 1.3% across the UK. Within the sector, manufacturing declined by 2.9% in Q1 2001 and by 1.7% over the year suggesting a slowing down in activity. Equivalent figures across the UK for manufacturing were a fall of 0.7% (Q1 2001) and an increase of 1.5% (annual change).

Although the service sector performed better in Q1, the annual growth figure of 2.5% in Scotland was lower than the average of 3.5% across the UK.

However, in Scotland there was 1.2% growth in the construction sector over the year compared to a marginal fall of 0.1% across the UK.

Signs of weakening world economic activity and the persistent strength of sterling were cited by the Bank of England amongst the reasons for reducing interest rates by 0.25% to 5% on 2nd August 2001 following a similar cut made in May. The Bank view the outlook as uncertain but expect aggregate demand and output growth to be weaker than previous projections. The reduction in interest rates is also seen as a measure to keep inflation on track to meet the Government's 2½% target in the medium term. The Office of National Statistics reported in mid August that the underlying rate of inflation (excluding mortgage interest payments) fell by 0.2% to 2.2% in July.

Scottish seasonally adjusted unemployment fell by 1% in the year to June 2001 according to the ILO, while Labour Force Survey reported that seasonally adjusted total employment increased by 1% in the same period.

Business Property Market

Industrial

SPN record the supply of industrial units unchanged in the year to June 2001 although the volume of available floorspace increased slightly by 5% in the same period. The rise in floorspace over the year is particularly evident in post 1990 accommodation where an increase of 31% was recorded although the number of available units remained the same.

Glasgow recorded the highest increase in available floorspace, at 75%, although the increase in units was only 7%. By contrast, there was a 39% decline in available floorspace across Forth Valley, and a 15% fall in Fife and Lothian.

Across Central and Northeast Scotland, 59% of available units are pre 1980 and only 15% post 1990. Renfrewshire and Tayside exhibit the oldest age profile of available units, at around 70% pre 1980, compared to only 47% in Dunbartonshire, Grampian and Lothian.

The size profile of available units is now similar across Glasgow, Lanarkshire and Lothian with around 45% under 200 sq m and 20% over 999 sq m.

SPN record a fall in take-up of floorspace across Central and Northeast Scotland of 18% in the year to June 2001 and of 22% if measured in unit transactions. The fall has been more apparent in the second half of the year. The decline in unit transactions has been steepest in Central Scotland, at 24%, compared to falls of 15% and 5% in Grampian and Tayside.

In their April review[1], Ryden suggest that the industrial investment market has been quiet with yields stabilising after falling for a number of years. This view would seem to be echoed by the findings of The RICS in Scotland[2] who report that average yields in most main markets have only marginally fallen in the year to June. Insignia Richard Ellis[3] record that total industrial returns were 12.4% in the year to June, compared to 11.6% in the previous year.

The RICS in Scotland suggest that average rental levels increased in most main markets in the year to June 2001. Average annual growth over the 2 years to the same date has been highest in Livingston, at 4.5%, with Edinburgh and Glasgow recording equivalent figures of 4.1% and 2.3%.

Offices

The supply of office accommodation continued to decline in the year to June 2001, down by 9% for floorspace and 12% if measured in units. The fall in supply was particularly evident for post 1990 floorspace which declined by 25%.

However, SPN record that 65,861 sq m or 13% of the total availability was under offer at June, significantly less than the December 2000 figures of 95,212 sq m and 18% respectively, suggesting some slowing down in letting activity.

This trend is also apparent in take-up figures for the year to June 2001, down by 34% for floorspace and 10% for unit transactions. Only Tayside recorded an increase in floorspace taken up with both Glasgow and Lothian recording significant falls, of 40% and 44% respectively.

In the investment market, Insignia Richard Ellis[3] report that offices remains the top performing sector in Scotland, with total returns of 16.1% in the year to June, compared to 9.4% for all property (including offices). Ryden[1] suggest that strong investment interest in Edinburgh has positively influenced the whole Scottish market. They also note that developer interest in Glasgow is strong and yields, in general, are driven by debt capacity.

The RICS in Scotland survey[2] would suggest that there is still downward pressure on average yields in Aberdeen in contrast to Glasgow and Edinburgh where yields seems to be stabilising or rising. This would add support to Ryden's view that Aberdeen is being seen as a contra cyclical investment opportunity.

In letting markets, The RICS in Scotland[2] report that average rentals in Edinburgh (business park and open plan) have out performed other Scottish office markets in the 2 years to June 2001. However, in the year to the same date, growth in average rentals in Glasgow open plan space has been particularly strong, at 14.2%.

[1] The Scottish Property Review, April 2001 - Ryden
[2] Commercial Property Survey, March 2001 - RICS in Scotland
[3] Scottish Monthly Index, June 2001 - Insignia Richard Ellis

2 Industrial Stock

The composition of stock has not changed significantly since our last report. SPN now holds information on just under 15.3 million sq m of 'standard' industrial accommodation in 18,393 units[1] within the 10 LEC areas. As shown by Table 2, the Lanarkshire area provides the largest stock of industrial space with 21% of the total units and 24% of floorspace.

Table 2

Industrial Stock		
	% of Total Stock	
	Units	Floorspace
Ayrshire	8%	7%
Dunbartonshire	3%	2%
Fife	8%	7%
Forth Valley	6%	6%
Glasgow	14%	12%
Grampian	12%	12%
Lanarkshire	21%	24%
Lothian	14%	15%
Renfrewshire	6%	7%
Tayside	8%	8%

Figure 1 shows that total stock is still heavily biased towards smaller sizes with 44% of units under 200 sq m and 17% over 999 sq m. Only 14% of post 1980 accommodation is in the largest size band (>999 sq m).

Grampian, with 56% of units post 1980, continues to exhibit the youngest age profile, as shown by Figure 2. Renfrewshire, by contrast, only has 27% of units post 1980. In Renfrewshire, only 42% of units under 200 sq m and 18% in sizes over 999 sq m are post 1980 compared to average figures of 47% and 33% across Central and North East Scotland[2].

As shown by Figure 3, Grampian continues to exhibit the highest proportion of units over 999 sq m at 21% compared to 10% in Dunbartonshire. Glasgow, Lanarkshire and Lothian all exhibit a similar size profile with around 45% in sizes under 200 sq m and 18% over 1,000 sq m.

Figure 1

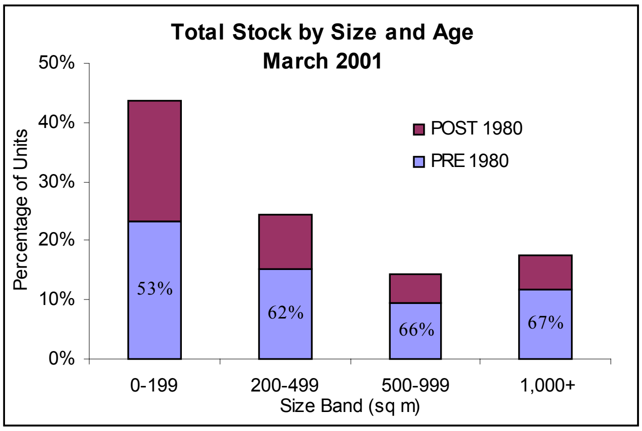


Figure 2

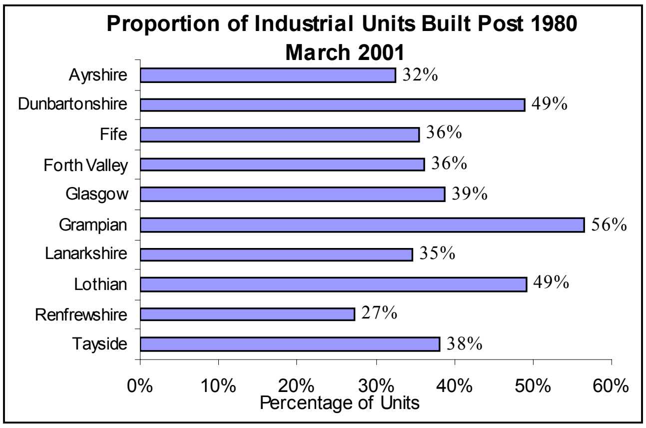
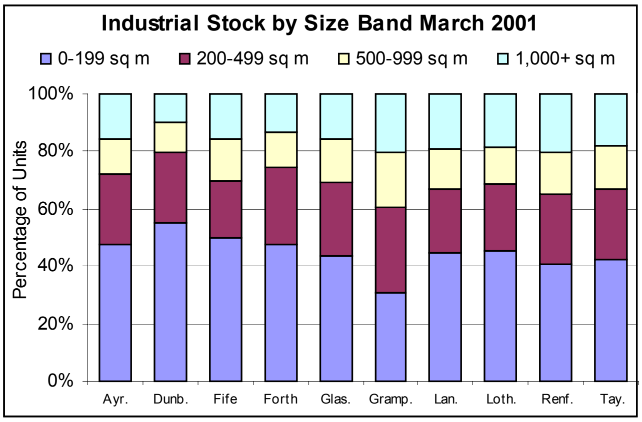


Figure 3



[1] 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

[2] 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

3 Industrial Availability

At 30th June 2001, SPN recorded 2,122 available units representing a total floorspace of just over 1.8 million sq m. As a percentage of total recorded stock, availability is marginally higher for both units and floorspace at 12% since June 2000. As Table 3 shows, the rate of availability ranges from only 6% of floorspace in Forth Valley to 19% in Dunbartonshire.

Table 3

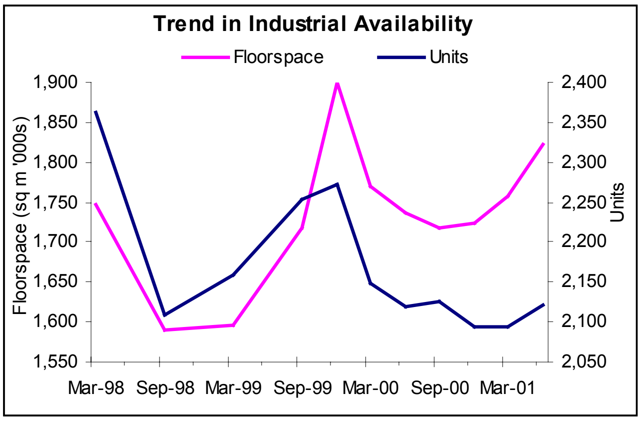
	Availability Rate (%)	
	Units	Floorspace
Total Area	12 (11)	12 (11)
Central Scotland[1]	11 (11)	12 (11)
Ayrshire	17 (16)	15 (12)
Dunbartonshire	12 (14)	19 (20)
Fife	13 (16)	13 (15)
Forth Valley	7 (6)	6 (10)
Glasgow	15 (15)	17 (10)
Grampian	11 (11)	10 (10)
Lanarkshire	9 (8)	9 (10)
Lothian	9 (10)	9 (11)
Renfrewshire	13 (11)	14 (12)
Tayside	14 (15)	18 (16)
Note: June 2000 figures in brackets		

Over the year to June, the volume of available floorspace increased by 5% with no change recorded in the supply of units, as shown by Figure 4.

Despite there being no change in the number of post 1990 units over the year to June, availability of post 1990 floorspace increased by 31%, as shown by Figure 5. Only accommodation in sizes over 999 sq m showed any significant increase over the period, up by 8% for floorspace and 5% for units.

Since March 1998 the availability of units under 200 sq m has fallen by 19%. In the same period, by contrast, the supply of units over 999 sq m has risen by 12% (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

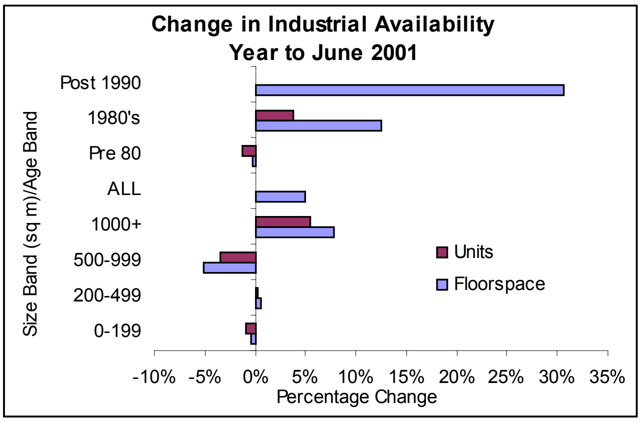
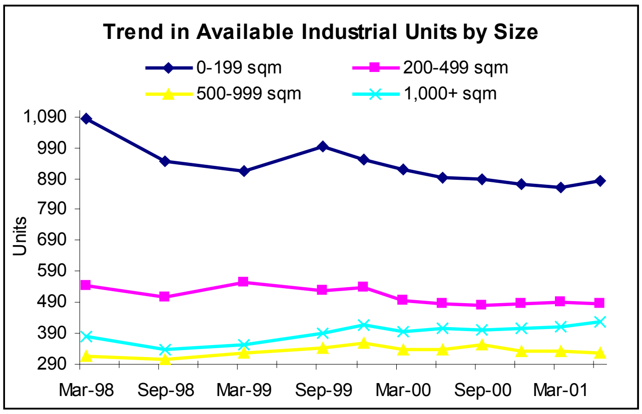


Figure 6



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

The change in availability over the year to June is not consistent across LEC areas, as illustrated by Figure 7. In Glasgow, there was an increase of 75% in floorspace availability, although the increase in units is less steep at only 7%. There was a 39% decline in the volume of available floorspace in Forth Valley and falls of around 15% in Lothian and Fife.

Across Central and Northeast Scotland, 59% of available units are pre 1980 and 15% post 1990. As shown by Figure 8, only 42% of units in Dunbartonshire are pre 1980 and 29% post 1990. Renfrewshire and Tayside have a higher than average availability in the pre 1980 age band, at around 71%. Available supply in both Grampian and Lothian is younger with around 53% of available units built post 1980.

On average, 42% of available units are under 200 sq m and 20% over 999 sq m. Figure 9 shows that the pattern is not consistent across the LEC areas. Grampian and Tayside display a relatively even distribution of available units across size bands. In Fife, 54% of available units are under 200 sq m and there is a lower than average availability in mid range sizes (200 – 999 sq m). Only 10% of available units in Forth Valley are over 999 sq m. Glasgow, Lanarkshire and Lothian exhibit a similar size profile with around 45% under 200 sq m and 20% over 999 sq m.

Figure 7

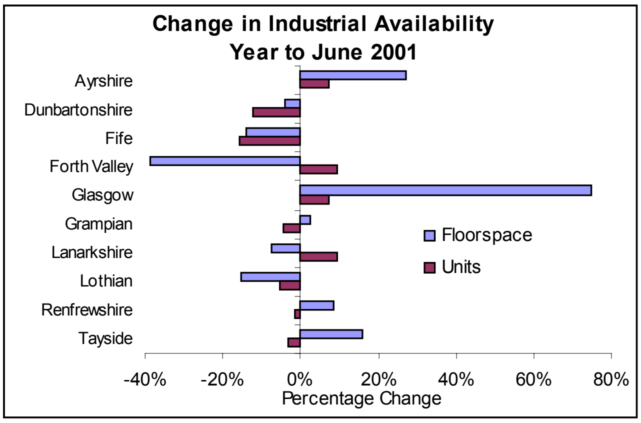


Figure 8

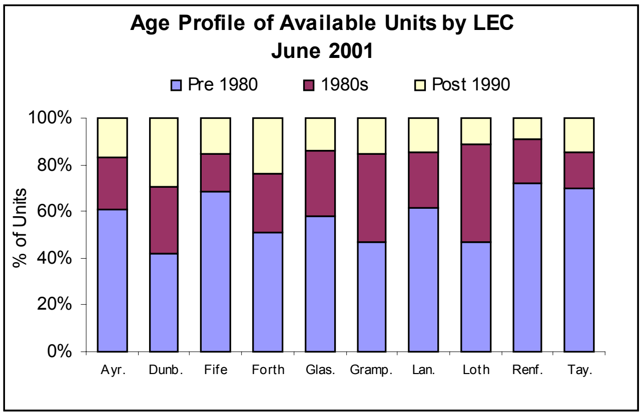
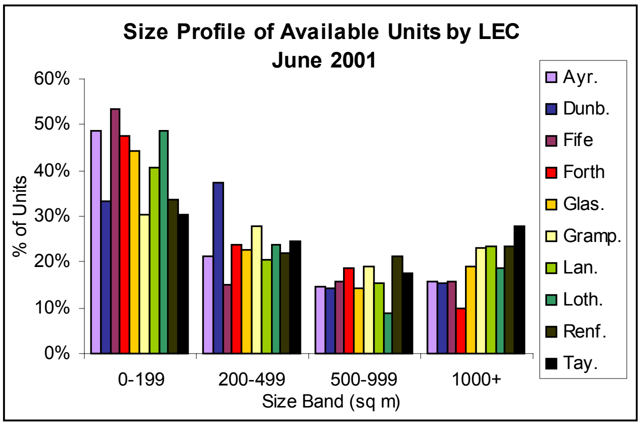


Figure 9



4 Industrial Take-up

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 Figures 10 (Units) and 11 (Floorspace). These figures confirm a decline in take-up in Central and Northeast Scotland of 18% for floorspace and 22% in unit transactions in the year to June 2001. The fall in take-up of industrial accommodation has been steeper in the first six months of 2001.

The fall in unit transactions over the year to June was mainly accounted for by a fall of around 25% in sizes under 500 sq m. In the same period, there was also a decrease, of 14%, in take-up of units over 999 sq m.

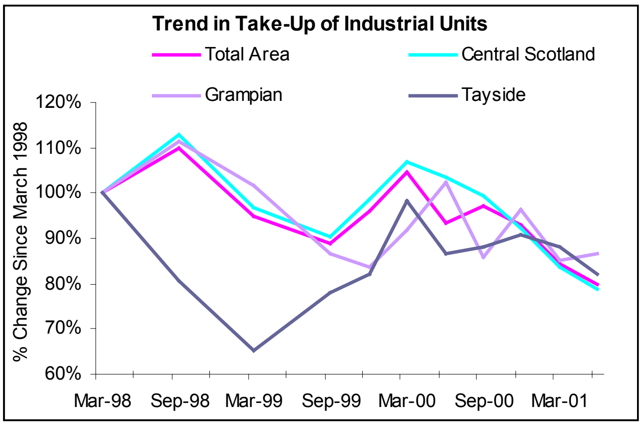
There is a significant time-lag in gathering all relevant transaction information, some of which is derived from the Registers of Scotland. The take-up recorded for the year to June 2001 is, therefore, not yet complete and would be expected to increase as transaction information is received.

On average, across Central Scotland there was a decline in take-up of 24% for units and of 20% in the volume of floorspace transacted. Figures 10 and 11 also illustrate that the decline in transactions was less steep, at 15%, in Grampian compared to Central Scotland and the fall in volume of floorspace taken-up was lower, at 8%. Comparable figures in Tayside were falls of 5% (units) and 7% (floorspace).

As shown by Figure 12, all LEC areas recorded a decline in take-up of industrial units over the year to June. The decline was steepest in Forth Valley, at 38%, with Lanarkshire and Lothian recording falls of around 30%. In terms of the volume of floorspace transacted, only Renfrewshire recorded a significant increase, of 66%, mainly accounted for in sizes over 999 sq m.

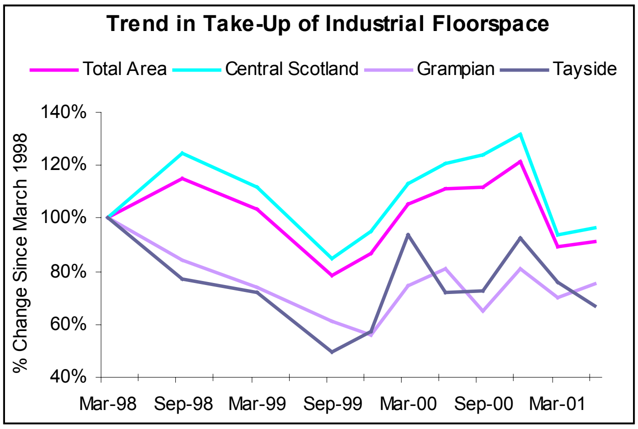
Average annual take-up for each LEC area has been estimated from total recorded take-up over 3 years to September 2000 and is shown in Table 4.

Figure 10



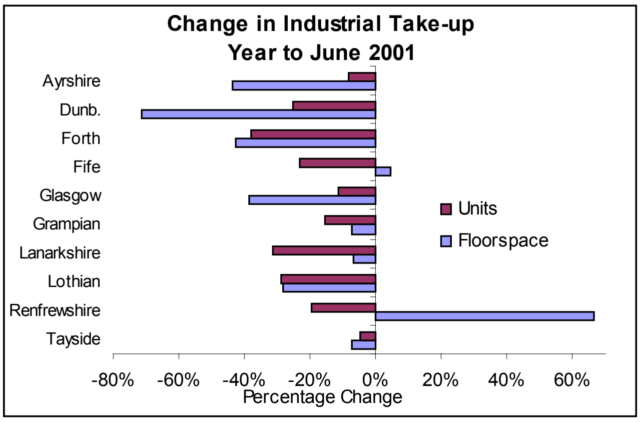
Note: in Fig.10 change in take-up is plotted at half-yearly intervals to Sept '99, then quarterly thereafter.

Figure 11



Note: in Fig.11 change in take-up is plotted at half-yearly intervals to Sept '99, then quarterly thereafter.

Figure 12



Despite the recent decline, these estimates of average annual take-up are marginally higher in most areas than last recorded.

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 three years to September 2000

Availability at June 2001 is expressed in Figure 13 as a number of year's potential take-up, based on the estimated average take-up. The estimated number of year's supply at June 2001 across Central Scotland is unchanged since our last report at 1.3 for units and only marginally higher at 2.4 for floorspace. Supply of units relative to take-up ranges from 1 year's supply in Forth Valley to 1.8 year's supply in Ayrshire and Grampian.

As shown by Figure 14, the supply of post 1990 units is particularly low in Lothian at only 6 months take-up with Fife, Glasgow and Lanarkshire having around 10 months supply.

Forth Valley and Lothian have the lowest year's supply of large units (>999 sq m) at around 1.7 compared to 2.6 across Central Scotland.

Figure 13

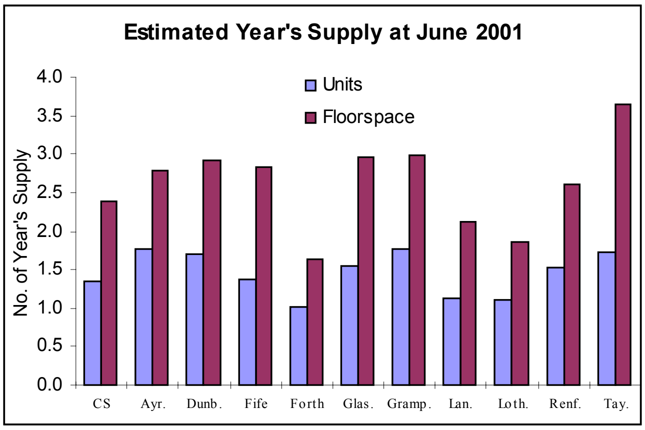
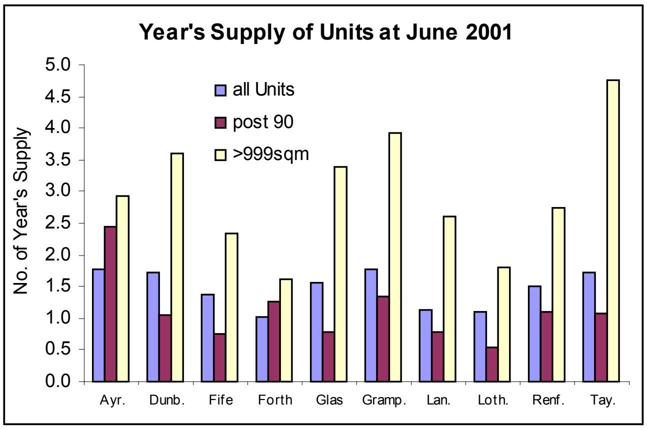


Figure 14



5 Industrial Rent and Yield

Table 5

Industrial	Average Rent							Average Yield		
Town	Jun-99		Jun-00		Jun-01		Average Annual Growth 2 years to Jun-01	Jun-99	Jun-00	Jun-01
	£/psm	£/psf	£/psm	£/psf	£/psm	£/psf				
Aberdeen (eg Altens)	**£51.45**	£4.78	**£53.39**	£4.96	**£53.93**	£5.01	**2.4%**	9.1%	9.0%	8.9%
Dundee (eg Kingsway)	**£40.04**	£3.72	**£39.72**	£3.69	**£41.23**	£3.83	**1.5%**	9.7%	9.6%	9.5%
East Kilbride	**£46.29**	£4.30	**£46.93**	£4.36	**£47.47**	£4.41	**1.3%**	8.8%	8.7%	8.6%
Edinburgh (eg Sth Gyle)	**£59.31**	£5.51	**£62.22**	£5.78	**£64.26**	£5.97	**4.1%**	7.3%	7.1%	7.0%
Glasgow (eg Helen St)	**£51.88**	£4.82	**£52.53**	£4.88	**£54.25**	£5.04	**2.3%**	8.0%	7.9%	7.7%
Livingston	**£46.82**	£4.35	**£49.84**	£4.63	**£51.13**	£4.75	**4.5%**	8.1%	8.0%	7.9%
Perth (eg Muirton)	**£38.21**	£3.55	**£38.54**	£3.58	**£39.29**	£3.65	**1.4%**	9.8%	9.9%	9.8%

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

The figures shown in Table 5 are extracted from the RICS in Scotland's Commercial Property Survey and reflect the opinion of local property valuers. There have been increasing rental levels in most areas over the 2 years to June 2001. As last reported, average annual growth was strongest in Edinburgh and Livingston.

Table 5 also shows that average yields have fallen marginally across the markets monitored in the year to June 2001.

Table 6 shows key letting deals in the first six months of 2001 based on information supplied to SPN by Agents.

Table 6

Key Letting deals : Industrial - Q1 & Q2 2001

Property	Size – sq m (sq ft)	Occupier	Headline rental rate £per sq m (£ per sq ft)
J4M8 Distribution Park, West Lothian	13,935 sq m (149,996 sq ft)	Scottish Courage	£54.90 psm (£5.10 psf)
Burnbrae Road, Linwood	11,756 sq m (126,540 sq ft)	Geo-Logistics	£59.20 psm (£5.50 psf)
Collussus, Eurocentral, Bellshill	8,733 sq m (94,000 sq ft)	P & O Trans European	c £53.82 psm (£5 psf)
Axis :Park, Westfield Industrial Estate, Cumbernauld.	3,716 sq m (40,000 sq ft)	Anglo Overseas Ltd.	£48.44 psm (£4.50 psf)
Phase 4, Unit B, Hamilton International Technology Park.	3,187 sq m (34,305 sq ft	CTS Corporation (UK) Ltd.	£56.51 psm (£5.25 psf)
Unit BP9, Riverside Business Park, Irvine	2,340 sq m (25,188 sq ft)	Excel Multimedia	£48.44 psm (£4.50 psf)
Clocktower Estate, Edinburgh (Phase 4)	2,011 sq m (21,650 sq ft)	ScoLocate	In excess of £64.58 psm (£6.00 psf)

Source: SPN Survey of Agents

6 Office Supply

At the end of June 2001, SPN recorded a total of just over 507,000 sq m of available office and business floorspace in 1,944 units. An estimated 24% (121,062 sq m) of all available office floorspace was built in the 1990s and approximately 19% (95,625 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 June 2001 these totalled 65,869 sq m or 13% of the total availability. The equivalent figures for December 2000 were significantly higher at 95,212 sq m and 18% respectively.

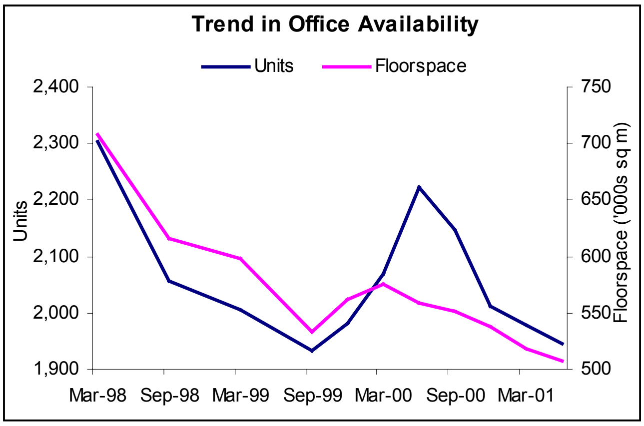
As shown by Figure 15, the declining trend in the supply of office floorspace noted since March 1998 continued in the year to June 2001 with a further fall of 9%. The number of units also declined, by 12%. The fall in supply of post 1990 accommodation is steeper at 30% for units and 25% in the volume of floorspace.

The decline in the supply of office accommodation is accounted for across all size bands, as shown by Figure 16.

As shown by Figure 17, Glasgow recorded a fall of 28% in the volume of available floorspace, mainly as a result of a halving of supply in larger sizes (>999 sq m) over the year. The decline in supply in Lothian was less steep at 17%. However, in Edinburgh City (not shown in Figure 17) there is now around only 7,444 sq m of post 1990 accommodation available.

The rise of 60% in available floorspace in Forth Valley, results mainly from the agent’s marketing of the former Compaq premises at Hillfoot Road, Stirling, extending to just over 12,000 sq m, as business space.

Figure 15



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

Figure 16

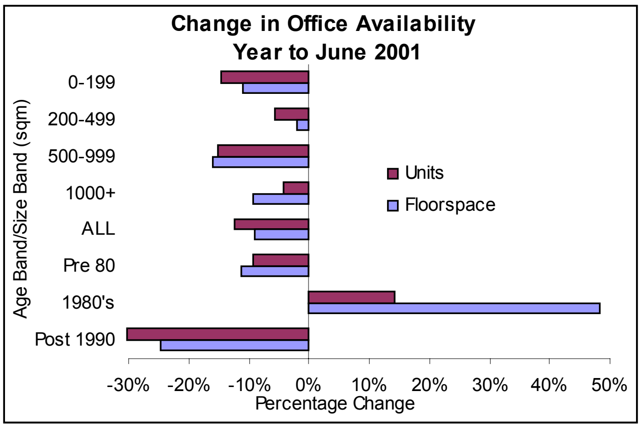


Figure 17

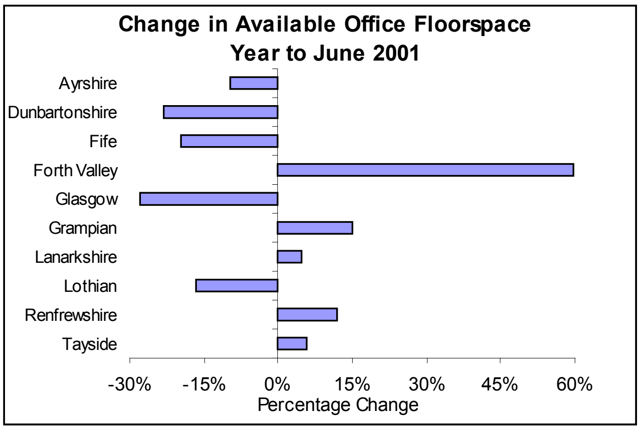


Table 7

Offices	Proposed - June 2001			Under Construction - June 2001			Completions - Year to June 2001		
Development Pipeline	**Schemes**	**Floorspace (sq m)**	**% Speculative Floorspace**	**Schemes**	**Floorspace (sq m)**	**% Speculative Floorspace**	**Schemes**	**Floorspace (sq m)**	**% Speculative Floorspace**
Ayrshire	1	2,580	100%	2	18,036	100%	0	0	0%
Dunbartonshire	1	600	0%	1	15,000	0%	2	15,765	0%
Fife	4	5,500	73%	1	3,762	100%	3	2,782	100%
Forth Valley	6	6,613	60%	3	5,972	72%	10	35,253	87%
Glasgow	21	173,274	83%	14	64,345	59%	16	60,672	65%
Grampian	9	42,055	94%	6	25,933	66%	14	24,662	55%
Lanarkshire	7	26,468	95%	1	300	100%	12	14,941	92%
Lothian	16	88,139	84%	30	144,972	65%	35	111,493	67%
Renfrewshire	5	22,858	68%	1	4,670	0%	1	1,200	0%
Tayside	5	3,517	64%	0	0	0%	6	18,570	0%
Total	**75**	**371,604**	83%	**59**	**282,990**	62%	**99**	**285,338**	61%

Source: Glenigan/SPN

Table 7 above shows the volume of proposed schemes with planning consent at December 2000 and having an estimated cost greater than £100,000.[1]

At June 2001, there were 59 schemes under construction totalling just under 283,000 sq m. This represents a fall of around 10% since December 2000. SPN estimates around 60% of the floorspace under construction at June to be speculative.

SPN records 99 schemes completed in the year to June 2001 totalling just under 290,000 sq m, of which 61% is reported by agents to be speculative activity. Corresponding figures for the year to December 2000 were lower at 72 schemes comprising 196,700 sq m.

[1] 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

In the 12 months to the end of June 2001, SPN recorded take-up of just under 218,000 sq m of office space in 1,304 units across the ten LEC areas. As shown by Figure 18, despite a small increase in the last quarter of 2000, take-up of floorspace has declined by 34% over the year to June. The fall in unit transactions has been less steep at 10%.

As can be seen from Figure 19, the decline in take-up of office accommodation over the affects all age and size bands. Post 1990 office floorspace recorded a fall in take-up of around 38% while transactions of accommodation in the largest size band (>999 sq m) declined by 48%.

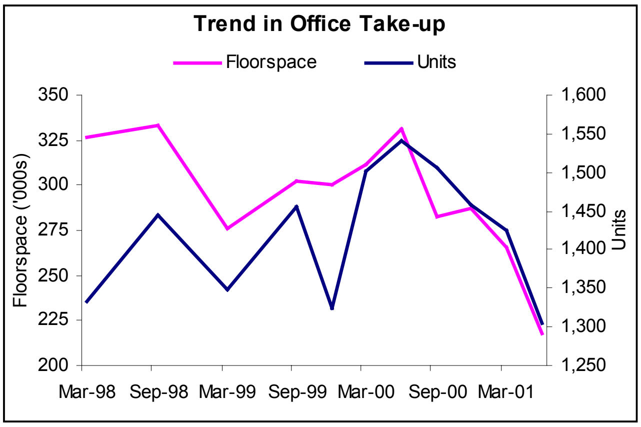
Table 8

Change in Take-up of Offices Year to June 2001	Floorspace	Units
Ayrshire	-21%	0%
Dunbartonshire	-11%	24%
Fife	-25%	-9%
Forth Valley	-9%	18%
Glasgow	-40%	0%
Grampian	-26%	-13%
Lanarkshire	-36%	-5%
Lothian	-44%	-33%
Renfrewshire	-10%	17%
Tayside	36%	16%

Only Tayside recorded an increase in floorspace taken up over the year to June, up by 36%, mainly in sizes under 200 sq m but also including the sale of the 2,759 sq m office at 7 Dudhope Crescent Road, Dundee in October 2000. In Glasgow, take-up of floorspace in sizes over 999 sq m fell by 60% over the year to June while the 44% decline in Lothian is mainly accounted for by a 61% fall in post 1990 floorspace taken up. (Table 8).

Based on the average recorded take-up over the three years to March 2001, available supply represented 1.8 years take-up of floorspace and 1.3 years take-up of units. Figure 19 shows the number of year's supply in individual LECs. There is only 1.1 year's supply of floorspace overall in Lothian, while in Edinburgh City (not shown in Figure 20) there is only 4 months supply of post 1990s accommodation.

Figure 18



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

Figure 19

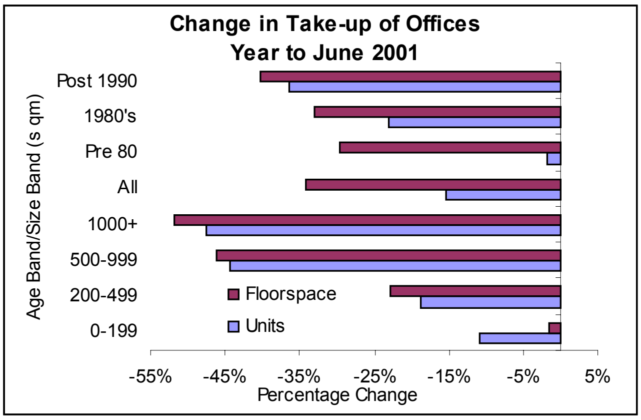
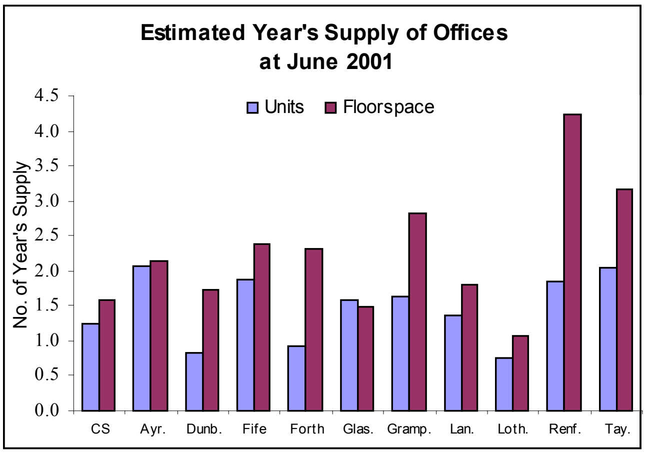


Figure 20



8 Office Rent and Yield

According to the RICS in Scotland's Commercial Property survey (Table 9), Edinburgh business park accommodation recorded the highest average annual rental growth over the 2 years to June 2001, at 13.4%, compared to only 4.4% in Glasgow.

However, in the year to June 2001, growth in average rentals was particularly strong in Glasgow open plan space at 14.2% compared to 2.2% and 4.3% in Aberdeen and Edinburgh (not shown in Table 9).

Over the year to June 2001, the survey suggests that there is still a downward trend in average yields in Aberdeen office. By contrast, yields remained unchanged or moved upwards in most markets in Glasgow and Edinburgh

Table 10 overleaf shows the main office letting deals highlighted by agents in a survey carried out by SPN in summer 2001. These deals are indicative of best rents achieved on larger accommodation.

Table 9

Offices	**Average Rent**							**Average Yield**		
Town	**Jun-99**		**Jun-00**		**Jun-01**		**Average Annual Growth 2 years to Jun-01**	**Jun-99**	**Jun-00**	**Jun-01**
	£/psm	**£/psf**	**£/psm**	**£/psf**	**£/psm**	**£/psf**				
Aberdeen - West End	**£160.71**	£14.93	**£161.46**	£15.00	**£164.37**	£15.27	**1.1%**	8.5%	8.4%	8.2%
Dundee - Central	**£109.25**	£10.15	**£107.64**	£10.00	**£107.64**	£10.00	**-0.7%**	9.6%	9.5%	9.4%
Edinburgh (eg Melville St)	**£170.72**	£15.86	**£180.94**	£16.81	**£191.28**	£17.77	**5.9%**	7.3%	7.0%	6.9%
Glasgow (eg West George St)	**£147.25**	£13.68	**£151.88**	£14.11	**£157.48**	£14.63	**3.4%**	7.5%	7.4%	7.5%
Perth - Central	**£104.95**	£9.75	**£103.87**	£9.65	**£105.70**	£9.82	**0.4%**	9.5%	9.4%	9.2%
Central - Business Park	**£124.97**	£11.61	**£128.85**	£11.97	**£133.15**	£12.37	**3.2%**	8.8%	8.6%	8.4%
Dundee - Business Park	**£113.45**	£10.54	**£117.33**	£10.90	**£119.37**	£11.09	**2.6%**	8.9%	9.0%	8.8%
Edinburgh - Business Park	**£207.21**	£19.25	**£247.57**	£23.00	**£266.62**	£24.77	**13.4%**	6.0%	5.8%	6.1%
Glasgow - Business Park	**£151.45**	£14.07	**£154.79**	£14.38	**£165.01**	£15.33	**4.4%**	7.2%	7.1%	7.1%
Aberdeen -cc Open Plan	**£169.64**	£15.76	**£173.73**	£16.14	**£177.61**	£16.50	**2.3%**	8.1%	8.3%	8.0%
Edinburgh -cc Open Plan	**£251.77**	£23.39	**£292.03**	£27.13	**£304.51**	£28.29	**10.0%**	6.1%	5.9%	6.2%
Glasgow -cc Open Plan	**£193.21**	£17.95	**£200.64**	£18.64	**£229.17**	£21.29	**8.9%**	6.8%	6.8%	6.7%
Source: Royal Institution of Chartered Surveyors in Scotland Commercial Property Survey										

Table 10

Key Letting Deals : Offices - Q1 & Q2 2001			
Property	**Size – sq m (sq ft)**	**Occupier**	**Headline rental rate £/per sq m (£ per sq ft)**
Calton Square, Edinburgh.	9,847 sq m (106,000 sq ft)	Baillie Gifford & Co.	£291psm (£27 psf.)
Equinox, Cadogan Street, Glasgow	6,100 sq m (65,660 sq ft)	Esure	£237 psm (£22 psf)
The Gemini Building, 24/25 St Andrew's Sq, Edinburgh.	4,506 sq m (48,500 sq ft)	Royal Bank of Scotland.	£266 psm (£24.70 psf.)
The Forthstone, South Gyle Crescent, Edinburgh.	3,298 sq m (35,500 sq ft)	Royal Bank of Scotland.	£253 psm (£23.50 psf.)
Westpoint, Edinburgh West, Edinburgh.	3,263 sq m (35,125 sq ft)	MWB Business Exchange.	£226 psm (£21 psf.)
3 Lochside View, Edinburgh Park, Edinburgh.	2,845 sq m (30,624 sq ft)	Hexagon Administration Systems Ltd.	£274 psm (£25.50 psf)
123 St Vincent Street, Glasgow.	1,454 sq m (15,650 sq ft)	Aberdeen Asset Management	£248 psm (£23 psf.)
1 Bain Square, Livingston.	1,092 sq m (11,750 sq ft)	Russell Europe Ltd.	£129 psm (£12 psf.)
			Source: SPN Survey of Agents

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 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. 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.