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The following summary is derived from Scottish Property Network's database of supply and take-up in the 10 Scottish Enterprise LEC areas in Central and Northeast Scotland, and from the Royal Institution of Chartered Surveyors in Scotland's Commercial Property Survey. In this issue, additional commentary on the main Scottish retail markets is provided by Graham & Sibbald.

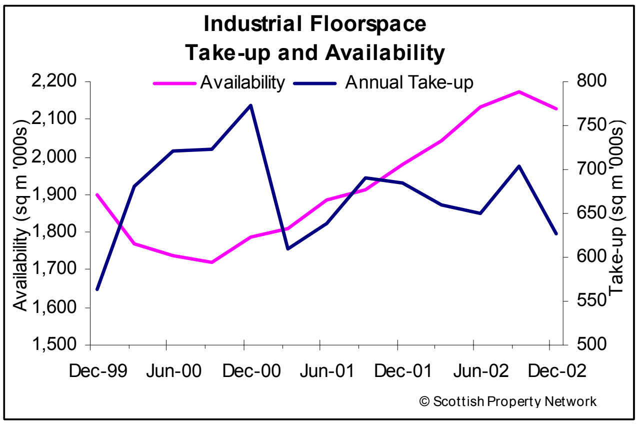
Industrial Availability

The total volume of available industrial floorspace recorded by SPN fell marginally by 2% in Q4 of 2002 to 2.1 million sq m. However, over the year to December available floorspace increased by 7%, while the number of available units fell by the same proportion. Only the Fife, Glasgow and Tayside areas recorded a falling supply of industrial floorspace.

This reflects a shift in available supply towards larger units, with increased availability mainly in units over 999 sq m, and a falling supply of smaller units. Since 1998 the number of available units of less than 200 sq m has fallen by around 20%, while the supply of units over 999 sq m has risen by over 39%.

Since December 2001, the number of modern (post 1990) industrial units, of 1,000 sq m or more on the market has doubled to over 100, totalling just over 335,000 sq m.

The RICS in Scotland's Commercial Property Survey at September 2002 suggests slowing rental growth in most centres, but some slight increase in growth, from a relatively low base, in Dundee.



Industrial - Average Rent and Yield

New Units 5-15,000 sq ft	Rent £/psm (£/psf) Sept. 2001	Rent £/psm (£/psf) Sept. 2002	Growth year to Sept 02	3 Year Average Growth	Yield Sept 2001	Yield Sept 2002
Aberdeen	£54.35 (£5.05)	£55.11 (£5.12)	1.9%	2.2%	8.8%	8.4%
Dundee	£40.90 (£3.80)	£41.22 (£3.83)	0.8%	0.5%	9.4%	9.1%
Edinburgh	£64.47 (£5.99)	£65.76 (£6.11)	2.0%	3.1%	7.0%	7.0%
Glasgow	£54.35 (£5.05)	£55.21 (£5.13)	1.6%	2.2%	7.8%	7.5%

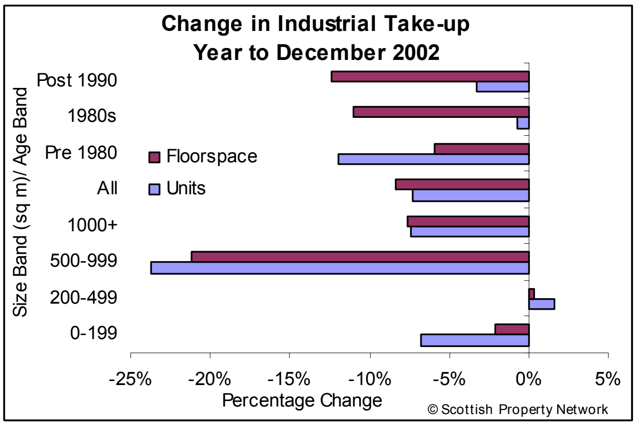
Source: Royal Institution of Chartered Surveyors in Scotland

Industrial Take-up

Take-up of industrial floorspace during 2002 was 8% lower than in the previous year, while the number of units taken up fell by 7%. The biggest percentage fall was in the 500-999 sq m size band (-21%), while take-up of units in the 200-499 sq m band increased marginally.

Take up of post 1990 floorspace fell by 12% over the year, although the number of units taken up in this age band fell only marginally by 3%.

Against the general trend, Glasgow recorded a rise in take-up of industrial floorspace during 2002 (29%), although the number of transactions was down (-23%). Take up in Edinburgh and Lothian increased only marginally over the year, while Lanarkshire recorded a fall of 35% in floorspace taken up.



Office Supply

Despite a fall in quarter 4, the total volume of available office floorspace at December 2002 was 10% higher than at the end of 2001. The number of available premises, however, fell by 6% over the year, reflecting a shift towards larger sizes, with growth mainly in sizes less than 500 sq m.

SPN recorded an increase in new office completions in the second half of 2002, but a reduction in schemes under construction at the end of the year, and a reduced number of development proposals.

Available office floorspace in Glasgow rose by 10% during 2002, with Edinburgh recording a rise of 45%. Both cities saw a slight fall in the number of premises available.

The RICS in Scotland survey at September 2002 shows a continued decline in Edinburgh rental values and slowing rental growth in Glasgow. Growth in Aberdeen remained above the three-year average in the year to September, but Dundee recorded a slight fall in rental values.

Offices - Average Rent and Yield

City Centre Open Plan	Rent £/psm (£/psf) Sept 2001	Rent £/psm (£/psf) Sept 2002	Growth year to Sept 02	3 Year Average Growth	Yield Sept 2001	Yield Sept 2002
Aberdeen	£178.46 (£16.58)	£182.98 (£17.00)	2.5%	1.8%	8.0%	7.9%
Dundee	£107.96 (£10.03)	£107.64 (£10.00)	-0.3%	-1.0%	9.3%	8.8%
Edinburgh	£307.20 (£28.54)	£298.37 (£27.72)	-2.9%	5.6%	6.2%	6.4%
Glasgow	£231.42 (£21.50)	£241.43 (£22.43)	4.3%	7.1%	6.7%	6.7%

Source: Royal Institution of Chartered Surveyors in Scotland

Office Take-up

In the year to December 2002, take-up of office floorspace monitored by SPN fell by 27% to the lowest level recorded in the last four years. The decline in take-affected all size bands and age bands, with the biggest falls in large sizes and modern (post 1990) space.

Take-up in Glasgow fell by 21%, while Edinburgh recorded a reduction of 42%.

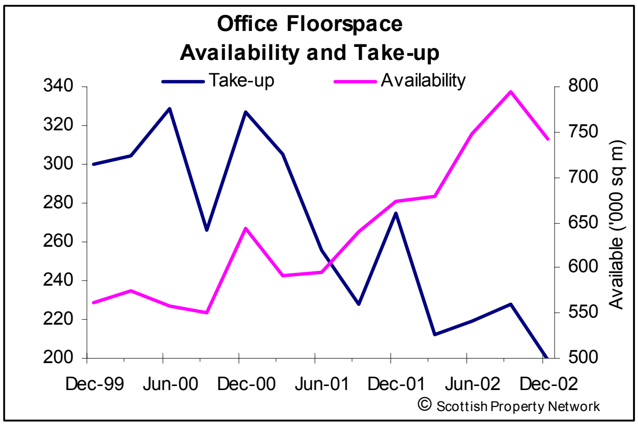
Retail Focus by Graham & Sibbald

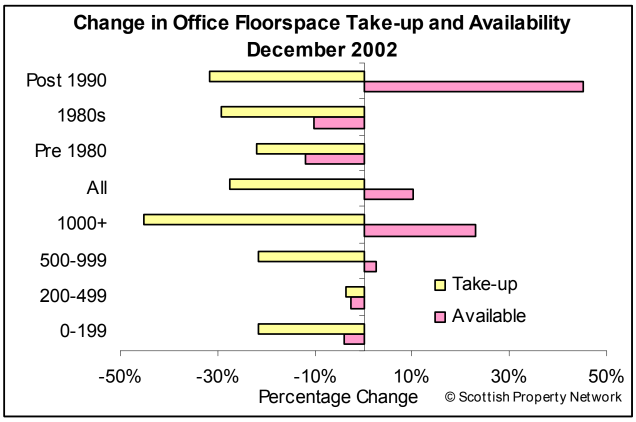
The Scottish retail market is going through a period of uncertainty, with retail spending down by 1% in January, closely followed by a further 0.2% drop in February. Pending tax rises in April and the outbreak of war with Iraq add to retailers problems, resulting in a lack of serious demand from national retailers throughout Scotland's city centres.

Despite lettings to H&M Hennes, Zara and Ann Summers in 2002, availability within Edinburgh's prime retail street, Princes Street, continues to outstrip demand. This has resulted in the tone of the street dropping from a headline rental of £240 per sq ft to circa £220 per sq ft.

Edinburgh's George Street, which over the past 5 years has seen excellent levels of take-up and strong tenant demand, is also experiencing a lack of serious tenant interest. This is partly due to the opening of The Walk, with retailers waiting to see whether this can match the landlord, Coal Pensions', expectations as the 'Oxford Street of Edinburgh'. That said, the rental tone for George Street has been maintained at just under £120 per sq ft.

The Walk itself has yet to reach full potential with only Harvey Nichols open and trading, and Louis Vuitton due to open in the Spring.





Retail - Average Rent and Yield

2,000 sq ft unit in prime position	Rent £/psm (£ psf) Sep-01	Rent £/psm (£ psf) Sep-02	Growth year to Sept 02	3 Year Average Growth	Yield Sept 2001	Yield Sept 2002
Argyle St. Glasgow	£1,977.88 £183.75	£1,929.87 £179.29	-2.4%	0.1%	6.0%	6.0%
Buchanan St Glasgow	£2,354.84 £218.77	£2,323.19 £215.83	-1.3%	-0.4%	5.7%	5.8%
Princes St. Edinburgh	£2,426.42 £225.42	£2,314.26 £215.00	-4.6%	-1.4%	5.6%	5.7%
Union St. Aberdeen	£1,354.43 £125.83	£1,384.05 £128.57	2.2%	5.8%	6.2%	6.2%
Murraygate Dundee	£1,084.68 £100.77	£1,076.40 £100.00	-0.8%	0.0%	6.9%	6.9%

Source: Royal Institution of Chartered Surveyors in Scotland

Tenant requirements remain strongest for sites or large retail units situated on main arterial routes. Requirements come from a number of retailers including fast food operators, off sales operators and garage/car maintenance operators, with sites and properties in suitable locations much sought after.

However, given both the economic climate and the war in Iraq, it will be interesting to see which retailers continue to push through their acquisition programme in quarter 2 of 2003, and which retailers suffer as a consequence of this uncertainty.

For further information on the composition of this report please contact Janet Asquith-Charlton tel. +44 (0) 141 561 7300 or E-mail info@scottishproperty.co.uk