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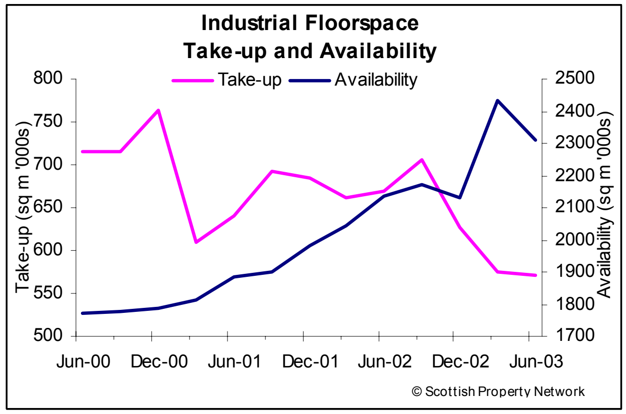
The following summary is derived from Scottish Property Network's database of supply and take-up in the 10 Scottish Enterprise LEC areas in Central and Northeast Scotland, and from the Royal Institution of Chartered Surveyors in Scotland's Commercial Property Survey. In this issue, additional commentary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

Industrial Availability

The upward trend in total volume of available industrial floorspace continued with a sharp rise of 14% in Q1 of 2003. A slight fall in Q2 (-5%) reduced total availability in the ten LEC areas to just over 2.3 million sq m, 8% higher than at June 2002. However, over the year to June, the number of available units fell by 5% to 2050, reflecting a shift in supply towards larger sizes. Against the general trend, both Grampian and Tayside recorded a fall in available supply of 25% and 36% respectively over the year to June. In the Central Belt, only Glasgow recorded a reduction in supply, down by 6% over the year to June.

Supply of units in small to medium sizes continues to decline, with a 10% reduction over the year in units under 500 sq m. Increased supply was confined to units in the 1,000+ sq m size band, up by 4% in unit numbers and by 12% in total floorspace.



Industrial Take-up

The decline in industrial take-up continued in Q1 of 2003, but showed signs of levelling off in Q2. Take-up of industrial floorspace in the year to June was 14% lower than in the previous year at 570,000 sq m in the ten LEC areas. The number of units taken up was also down by 11% over the year.

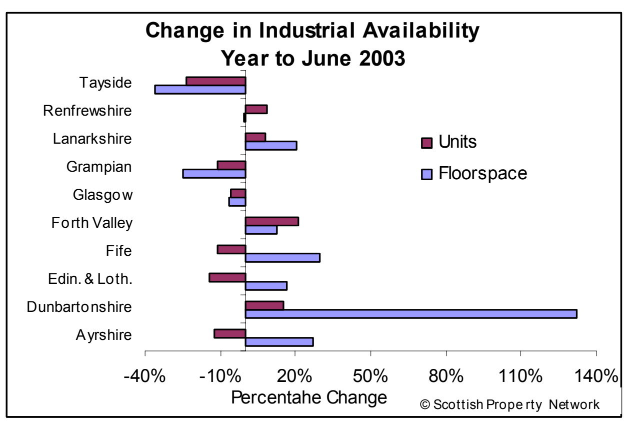
The reduction in floorspace taken up was mainly in Lanarkshire (-49%) and in Edinburgh & Lothian (-11%). Glasgow recorded only a marginal decline (-3%) over the year, while Ayrshire, Dunbartonshire, Forth Valley and Renfrewshire all recorded growth in take-up.

Latest figures from the RICS in Scotland's Commercial Property Survey, suggest static or slightly declining rents for modern industrial space in most areas during 2002. The exceptions being Glasgow, East Kibride and Aberdeen, where the survey records modest growth in rentals, reflected in hardening yields.

Industrial - Average Rent and Yield

New Units 5-15,000 sq ft	Rent £/psm (£/psf) Dec. 2001	Rent £/psm (£/psf) Dec. 2002	Growth year to Dec 02	4 Year Average Growth	Yield Dec 2001	Yield Dec 2002
Aberdeen	£54.46 (£5.06)	£55.11 (£5.12)	1.2%	1.9%	8.8%	8.4%
Dundee	£41.44 (£3.85)	£40.47 (£3.76)	-2.3%	0.1%	9.4%	9.4%
Edinburgh	£65.12 (£6.05)	£65.01 (£6.04)	-0.2%	3.0%	7.1%	7.1%
Glasgow	£53.28 (£4.95)	£54.36 (£5.05)	1.4%	1.5%	7.8%	7.5%
East Kilbride	£48.43 (£4.50)	£48.43 (£4.50)	1.1%	0.0%	8.6%	8.5%
Livingston	£52.20 (£4.85)	£51.13 (£4.75)	-2.1%	2.7%	8.0%	7.8%
Perth	£39.28 (£3.65)	£38.31 (£3.56)	-2.5%	0.1%	9.9%	9.7%

Source: Royal Institution of Chartered Surveyors in Scotland



Industrial Focus by DM Hall

The early part of 2003 has seen continued, albeit slow, take-up of existing industrial stock.

The market has been characterised by a continued lack of demand at the top end of the high bay distribution and manufacturing sector. Unfortunately, this is something that is led by consumer demand, and in the current economic climate there is still some way to go before confidence returns.

In the mid-tier market there is however some cause for optimism. Recent deals in Glasgow and Starlaw and Kingsthorne Parks in Livingston have reduced the over supply of new stock and units under offer at Deans Industrial Estate and Edinburgh Distribution Park give further cause for optimism.

At the lower end of the market, sub 1,400 sq m, there is the constant churn of tenants on short leases and some smaller requirements from the national trade counter companies.

Although there is no strong indication that we have yet turned a corner in the industrial market, there are initial positive signs of change. This is a long way from manifesting itself as increased rentals and will require a new generation of stock to come through before this case is proven.

On the investment side yields continue to be firm, with buildings being sold on reasonable covenants, with 5 and 10 year breaks, at around 8.1% – 8.3%. An abundance of new lettings will undoubtedly see this weaken, as more investment stock becomes available.

In summary, the light is on at the end of the tunnel, but it is yet to be confirmed whether we are getting any closer to it.

Office Supply

Following significant growth in the previous year, the supply of office space has remained relatively flat in the year to June 2003, recording a slight decline (-3%) to just under 770,000 sq m in the ten LEC areas. Supply of new (post 2000) space increased over the year by 32% to 213,000 sq m.

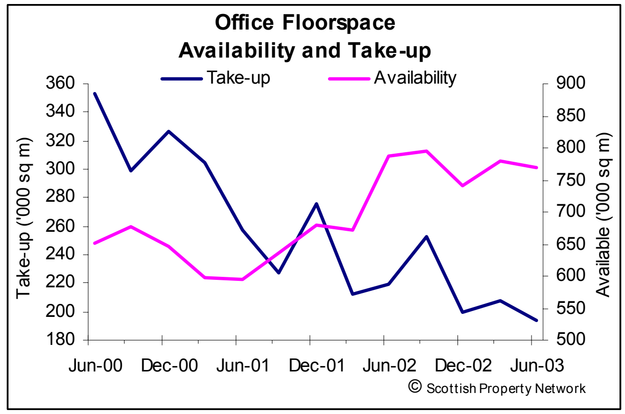
Supply fell slightly for both the smallest (<200 sq m) and largest (1,000+ sq m) sizes, with growth in the mid range sizes.

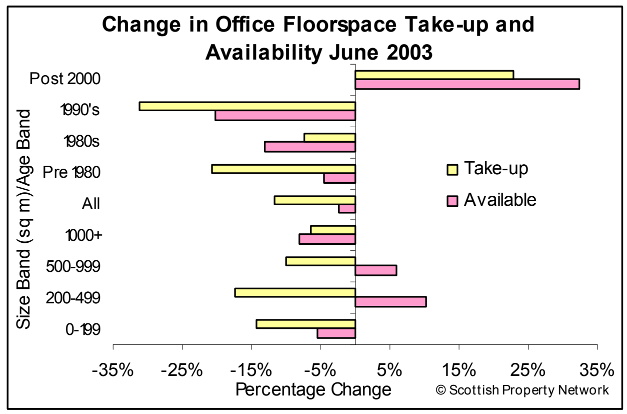
Glasgow recorded a fall in available office floorspace, down by 16% over the year to June. By contrast, overall supply in Edinburgh rose in the same period by 46%.

Office Take-up

Following significant decline in the previous two years, office take-up was relatively flat in the first half of 2003, down by just 3% since December 2002, but down by 12% in the year to June 2003. Only new (post 2000) space recorded increased take-up, up by 23% over the year.

The RICS in Scotland's December 2002 survey indicates declining rental values in Edinburgh office markets during 2002, particularly for business park space. Glasgow records modest growth, strongest for city centre open plan space (+4%).





Offices - Average Rent and Yield

	Rent £/psm (£/psf) Dec 2001	Rent £/psm (£/psf) Dec 2002	Growth year to Dec 02	4 Year Average Growth	Yield Dec 2001	Yield Dec 2002
Aberdeen City Centre	£178.57 (£16.59)	£179.75 (£16.70)	0.7%	1.8%	8.0%	7.9%
Aberdeen West End	£165.22 (£15.35)	£164.15 (£15.25)	-0.7%	0.6%	8.2%	7.9%
Dundee City Centre	£108.50 (£10.08)	£107.64 (£10.00)	-0.8%	-0.4%	9.2%	9.0%
Dundee Bus. Park	£120.02 (£11.15)	£114.85 (£10.67)	-4.3%	0.5%	8.6%	8.6%
Edinburgh City Centre	£303.65 (£28.21)	£292.45 (£27.17)	-3.7%	4.9%	6.3%	6.3%
Edinburgh Traditional	£196.44 (£18.25)	£184.38 (£17.13)	-6.1%	3.3%	6.8%	6.5%
Edinburgh Bus. Park	£269.96 (£25.08)	£240.89 (£22.38)	-10.8%	5.4%	6.4%	6.5%
Glasgow City Centre	£231.96 (£21.55)	£240.89 (£22.38)	3.9%	6.8%	6.7%	6.6%
Glasgow Traditional	£158.01 (14.68)	£160.16 (£14.88)	1.4%	3.3%	7.5%	7.3%
Glasgow Bus. Park	£168.02 (£15.61)	£172.76 (£16.05)	2.8%	3.6%	7.1%	7.0%
Perth Central	£104.94 (£9.75)	£107.64 (£10.00)	2.6%	0.9%	9.2%	9.0%

Source: Royal Institution of Chartered Surveyors in Scotland

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