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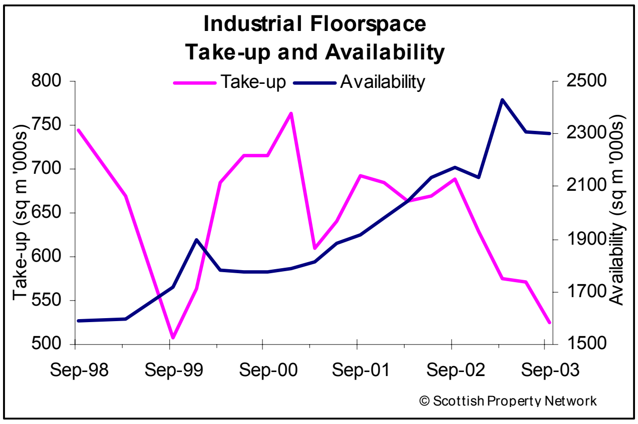
The following summary is derived from Scottish Property Network's database of supply and take-up in the 10 Scottish Enterprise LEC areas in Central and Northeast Scotland, and from the Royal Institution of Chartered Surveyors in Scotland's Commercial Property Survey. In this issue, additional commentary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

Industrial Availability

The upward trend in total supply of available industrial floorspace, which peaked in Q1 2003, reversed slightly in Q2 and has levelled off in Q3. Available floorspace at September 2003, at 2.3 million sq ft, was 5% below the March level but 6% higher than at September 2002. In the year to September 2003, the number of available units did not change significantly.

Glasgow, Grampian and Tayside all recorded a significant fall in industrial availability over the year to September. Forth Valley also recorded a decline in available floorspace, but with a slight increase in the number of units on the market. Available floorspace increased in all other areas, although only marginally in Renfrewshire and by just 5% in Edinburgh and Lothian.



Industrial Take-up

Overall take-up of industrial floorspace continued to decline in Q3 (-6%), although the number of transactions rose slightly. Over the year to September take-up of floorspace decreased by 24% and the number of tranactions fell by 12%. Take-up of large units over 1,000 sq m reduced by 31% over the year.

Most areas recorded a fall in take-up over the year to September, the exceptions being Renfrewshire and Forth Valley where take-up increased in terms of both floorspace and transactions.

The RICS in Scotland's Commercial Property Survey to March 2003 indicates little change in industrial rents over the previous year, with negative or just marginal positive growth in most areas. Glasgow continues to show steady, but modest, growth in rental values. Despite this poor rental performance, the survey suggests hardening investment yields in most areas with Edinburgh yields holding steady at 7.1%.

Industrial - Average Rent and Yield

New Units 5-15,000 sq ft	Rent £/psm (£/psf) Mar. 2002	Rent £/psm (£/psf) Mar. 2003	Growth year to Mar 03	3 Year Average Growth	Yield Mar 2002	Yield Mar 2003
Aberdeen	£54.79 (£5.09)	£54.79 (£5.09)	0.0%	0.6%	8.8%	8.3%
Dundee	£40.80 (£3.79)	£41.44 (£3.85)	1.6%	0.9%	9.4%	9.0%
Edinburgh	£65.23 (£6.06)	£65.55 (£6.09)	0.5%	1.4%	7.1%	7.1%
Glasgow	£54.68 (£5.08)	£55.54 (£5.16)	1.6%	0.9%	7.7%	7.5%
East Kilbride	£48.44 (£4.50)	£48.12 (£4.47)	-0.7%	0.3%	8.6%	8.3%
Livingston	£51.88 (£4.82)	£51.13 (£4.75)	-1.5%	0.2%	7.9%	7.8%
Perth	£39.83 (£3.70)	£39.83 (£3.70)	0.0%	0.6%	9.8%	9.3%

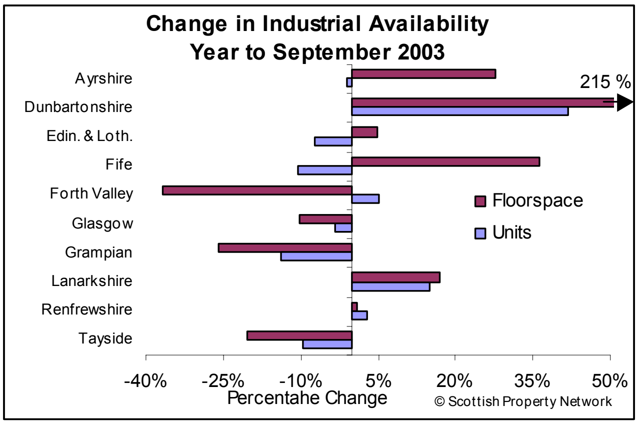
Source: Royal Institution of Chartered Surveyors in Scotland

Office Supply

Overall office supply increased by 3% in Q3 2003, taking available floorspace in September to the highest level recorded in the last five years, although only marginally above the September 2002 level.

In the year to September, supply of floorpace in sizes over 1,000 sq m fell by 6%, increasing in all smaller size bands.

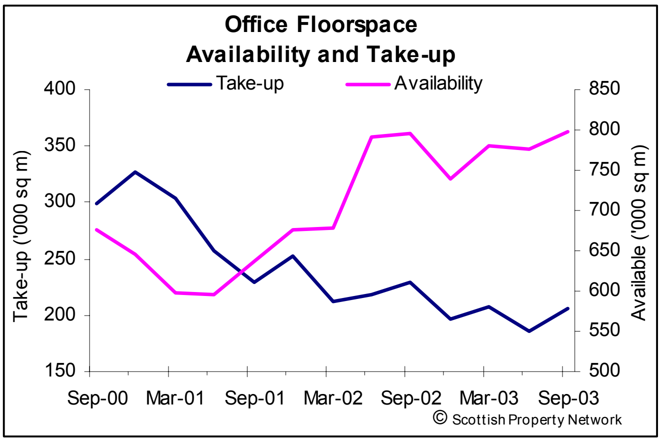
Available floorspace in Glasgow fell only slightly in the year to September (-2%), while Edinburgh City recorded an increase of 4%.



Office Take-up

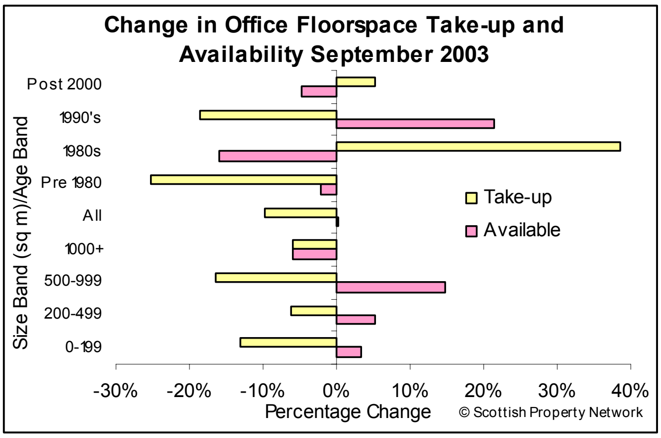
Over the year to September 2003, office take-up fell by 10%, although most of this decline was at the end of 2002. Take-up appears to have levelled off in the first three quarters of 2003 but remains around 7% below the three-year average at 206,000 sq m per annum.

The RICS in Scotland's Commercial Property Survey records the opinion of local valuers as at March 2003. This indicates continuing decline in Edinburgh rental values, particularly for business park space, with moderate growth in other centres. The survey also suggests a continued hardening of anticipated investment yields.



Focus on Glasgow Offices by JAMES BARR

Glasgow has seen a reasonable level of activity from indigenous companies during 2003, although larger, high profile deals have been thin on the ground.



Unlike many other provincial centres, there is no significant over-supply of available accommodation and we estimate approximately 280,000 sq ft of Grade A city centre space available for immediate occupation. In addition, a further 270,000 sq ft of new Grade A space will be completed this year, with a further 180,000 sq ft due for completion in the second half of 2004.

On the take-up side of the equation, there have been numerous deals concluded this year including the letting of approximately 16,000 sq ft within 180 West George Street and approximately 25,000 sq ft within the Spectrum Building. It is reported that KPMG are close to acquiring 30,000 sq ft within 191 West George Street, with an option to lease a further 30,000 sq ft.

In the peripheral and out-of-town Class 4 office market, there is a significant level of supply to the East of the city including Lanarkshire, but limited supply to the West. A final 12,000 sq ft pavilion is available at Festival Court, Govan, and a new 32,000 sq ft development at St James Business Park offering 3 pavilions adjacent to Glasgow Airport. In addition, detailed planning permission has been obtained for 34,000 sq ft at Atholl Park on the Hillington Estate.

It is expected that continuing activity in the local indigenous market and an increasingly active public sector market including a number of Scottish Executive requirements, will take up existing supply. Larger inward investment enquiries will return in due course to the city. National relocations will be encouraged by the creation of the International Financial Services District, promoting Glasgow as a financial services location.

Offices - Average Rent and Yield

	Rent £/psm (£/psf)		Growth year to Mar 03	3 Year Average Growth	Yield	
	Mar 2002	Mar 2003			Mar 2002	Mar 2003
Aberdeen City Centre	£179.54 (£16.68)	£182.45 (£16.95)	1.6%	0.6%	8.0%	7.7%
Aberdeen West End	£169.32 (£15.73)	£170.29 (£15.82)	0.6%	1.2%	8.2%	7.8%
Dundee City Centre	£109.25 (£10.15)	£113.57 (£10.55)	3.9%	1.8%	9.3%	8.5%
Dundee Bus. Park	£117.54 (£10.92)	£120.23 (£11.17)	2.3%	0.0%	8.6%	8.2%
Edinburgh City Centre	£300.10 (£27.88)	£286.86 (£26.65)	-4.4%	-1.6%	6.4%	6.2%
Edinburgh Traditional	£190.63 (£17.71)	£188.37 (£17.50)	-1.2%	0.2%	6.8%	6.6%
Edinburgh Bus. Park	£270.50 (£25.13)	£228.74 (£21.25)	-15.4%	-4.0%	6.5%	6.4%
Glasgow City Centre	£231.31 (£22.14)	£239.50 (£22.25)	0.5%	2.0%	6.7%	6.6%
Glasgow Traditional	£159.95 (14.86)	£161.46 (£15.00)	0.9%	0.8%	7.4%	7.2%
Glasgow Bus. Park	£170.72 (£15.86)	£173.30 (£16.10)	1.5%	2.0%	7.1%	6.9%
Perth Central	£105.16 (£9.77)	£106.46 (£9.89)	1.2%	0.8%	9.2%	8.8%

Source: Royal Institution of Chartered Surveyors in Scotland

For Further information on the composition of this report please contact Janet Asquith-Charlton tel. +44 (0) 141 561 7000 or E-mail info@scottishproperty.co.uk