SCOTTISH PROPERTY NETWORK

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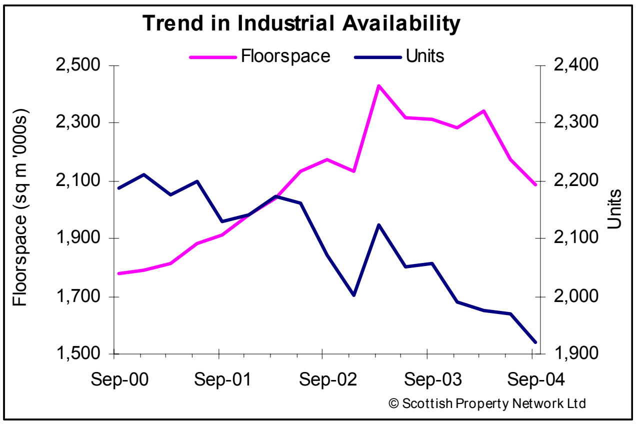
The following summary is derived from Scottish Property Network's database of supply and take-up in the 10 Scottish Enterprise LEC areas in Central and Northeast Scotland. In this issue, additional commentary on the Industrial Market is provided by Jones Lang LaSalle.

Industrial Availability

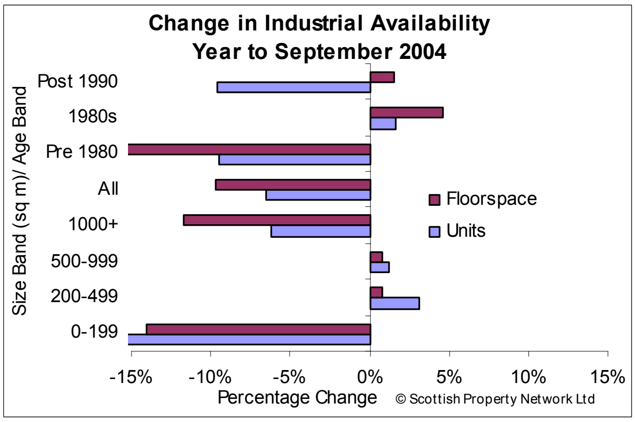
Supply of available industrial space has continued its recent downward trend, falling by 4% in Q3 2004. At the end of September, available industrial floorspace totalled just over 2 million sq m, 10% below the level recorded at September 2003 and 14% below the level of March 2003. Available floorspace at September 2004 was just 2% above the 5-year average.



The number of available units also continued to fall to just over 1,920, the smallest number recorded in the last five years.

The decrease in supply has been mainly in older (pre- 1980) space. Availability of modern (post-1990) floorspace increased marginally by 2% over the year to September, although the number of units in this age band fell by 10%.

Over the year to September 2004 the biggest fall in industrial supply was in Edinburgh & Lothian, down by over 100,000 sq m or 29%. Most areas recorded a fall in supply of floorspace, with only Tayside and Grampian recording any significant growth in supply. Lanarkshire recorded a modest increase in available floorspace (6%), but in a reduced number of units.

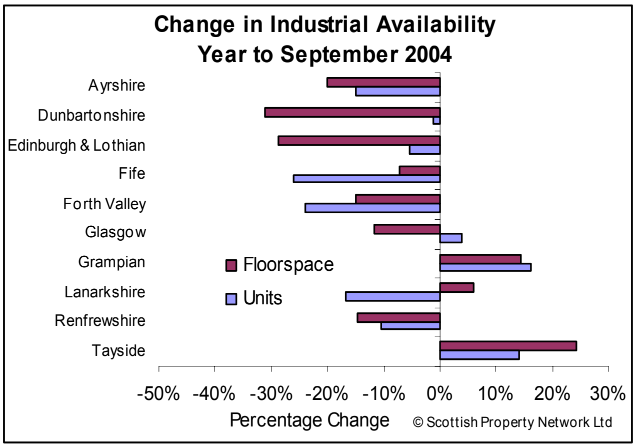


Industrial Take-up

Take-up of industrial floorspace in the 12 months to September was 18% above the low level recorded in the previous year, but remains 8% below the 5-year average. The number of transactions also increased over the year by 6%.

Growth in take-up was mostly of modern (post-1990) floorspace, which more than doubled over the year. Take-up of larger (>1000 sq m) units also increased strongly, up by 28%.

Take-up in Lanarkshire increased by 57%, with Ayrshire and Fife also recording significant growth in floorspace taken up. Glasgow recorded a slight fall in take-up over the year, while take-up in Edinburgh & Lothian was substantially unchanged.



Industrial Focus by Jones Lang LaSalle

JONES LANG LASALLE

2004 has seen signs of an upturn in the industrial market, particularly at the top end of the distribution sector with some notable transactions. These included Amazon's acquisition of 300,000 sq ft for their Scottish distribution facility in Inverclyde; Scottish Power's sub-lease of 126,000 sq ft at Eurocentral to TDG; and the letting by Credit Suisse Asset Management of 85,000 sq ft at the Nexus building in Cambuslang to United Freight Distribution on a 15 year lease with an option to purchase.

Elsewhere, both the Gateway scheme in Cambuslang and Hillington have had recent successes, with developers now committed to new speculative development in these locations.

In the East, IKEA recently acquired circa 50,000 sq. ft. to the west of Edinburgh.

At present, the market is characterised by the success of a number of schemes where the comprehensive refurbishment of older stock is proving successful, notably at Westway in Renfrew, recently acquired by the Moorfield Group and also at the former Continental tyres site in West Edinburgh, rebranded Edinburgh Gate.

In general rents are beginning to stabilise. Tenant friendly incentives and flexible terms remain a feature of the market but this is unlikely to continue if the recent turnaround in demand continues, particularly as existing stock is taken up, with little new speculative development.

There continues to be strong appetite for owner occupation with little evidence of the recent rises in interest rates impacting on this and it is likely to remain a feature of the market for some time to come.

In general, agents are confident that the recent activity signifies a long awaited upturn in the market but await 2005 with some interest.

Office Availability

Available office floorspace increased by 2% in Q3 2004 to 869,000 sq m. Total available space at the end of September was 9% higher than recorded at September 2003 and 15% above the 5-year average.

The supply of floorspace built since 2000 remained steady in Q3 2004, but has increased by 30% over the year.

Glasgow recorded an increase in available office floorspace of 13% in the 12 months to September, compared to a rise of 9% in Edinburgh.

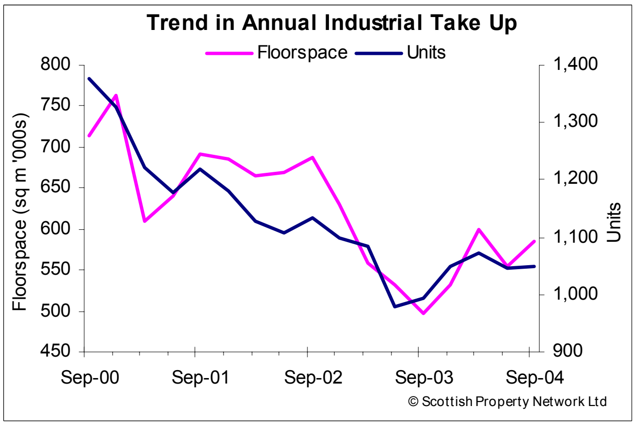
Office Take-up

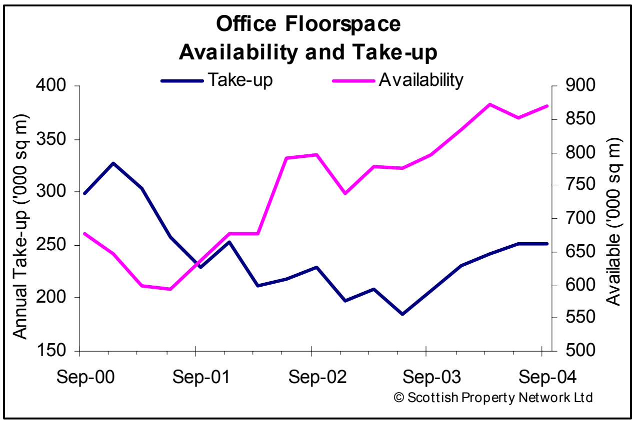
Office take-up increased again in the second half of 2004, continuing the recent upward trend. Take-up of floorspace in the year to September was 22% higher than in the previous year and 3% above the 5-year average.

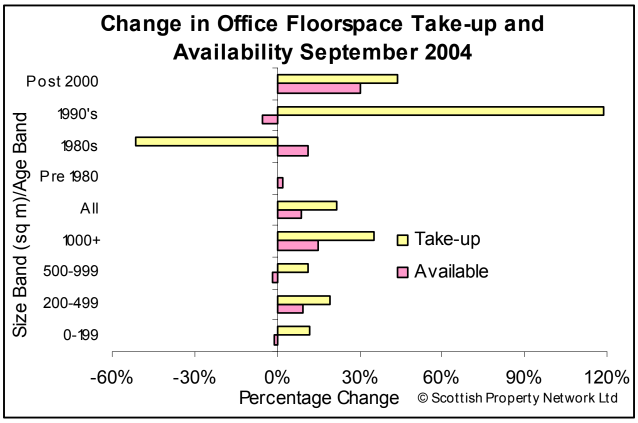
Take-up of older 1980s floorspace fell over the year by over 50%, while take-up of post-1990 space increased by 70% and take-up of post 2000 space rose by over 40%.

Take-up fell marginally in Glasgow, compared to an increase of over 60% in Edinburgh.

Significant lettings recorded in Q3 included 5,285 sq m at 1 Morrison Street, Edinburgh to Franklin Templeton at £27.42 psf (£295.18 psm) on a 17-year lease. At Edinburgh Park, Oracle took 1,436 sq m at 4/5 Lochside View on a 10 year lease at £18.50 psf (£199.15 psm) and BAE systems took an assignation of the remaining 10 year lease on 4,443 sq m in Oracle House at a passing rent of £756,400 pa.







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