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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 office markets is provided by Ryden.

Industrial Availability

- The total volume of available industrial floorspace recorded by SPN increased marginally by 2% in Q3 of 2002 to 2.2 Million sq m. In the year to September 2002 available floorspace increased by 13%, but the number of units on offer fell by 3% to just over 2,000.
- The increase in available floorspace has been mainly in large units. The supply of small units less than 200 sq m fell by 11%, while the availability of units of 1,000 sq m or more rose by 8%, with an 18% increase in floorspace in this size band.
- This trend towards increasing floorspace in a smaller number of units was consistent across all age bands.
- Since March 1998 the number of available units in sizes less than 200 sq m has fallen by more than a quarter. In the same period, the supply of units over 999 sq m has increased by a similar proportion
- The recorded increase in available floorspace was mainly in the Renfrewshire, Edinburgh & Lothian, and Ayrshire areas. Both Glasgow and Tayside recorded a fall in availability.
- The RICS in Scotland's Commercial Property Survey at June 2002 suggests slowing rental growth in Edinburgh, at 1.8% for the preceding year, compared to a three-year average of 3.3%. However the survey reports increased growth in Glasgow and Aberdeen at 2.6% and 2.4% respectively.

Figure 1

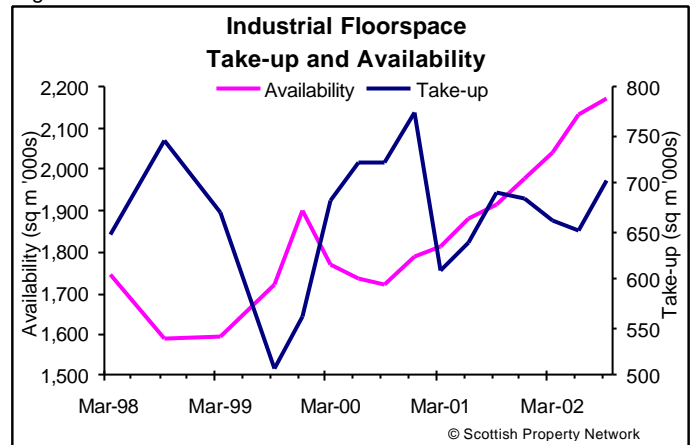


Table 1

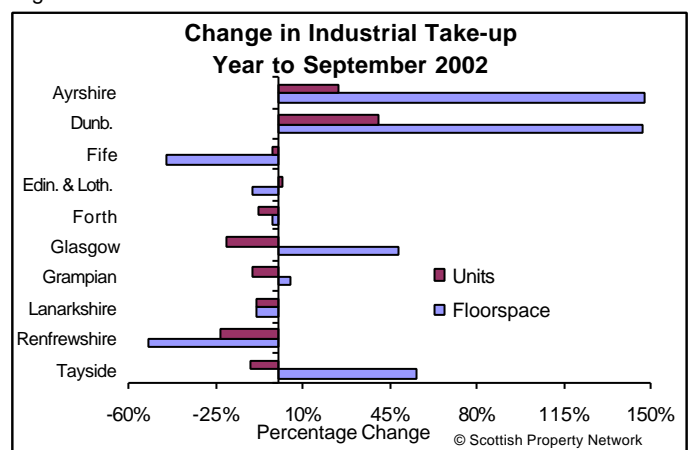
Industrial - Average Rent and Yield						
New Units 5-15,000 sq ft	Rent £/psm (£/psf)		Growth year to June 02	3 Year Average Growth	Yield	
	June 2001	June 2002			June 2001	June 2002
Aberdeen	£53.93 (£5.01)	£55.22 (£5.13)	2.4%	2.4%	8.9%	8.7%
Dundee	£41.23 (£3.83)	£41.23 (£3.83)	0.0%	1.0%	9.5%	9.4%
Edinburgh	£64.26 (£5.97)	£65.45 (£6.08)	1.8%	3.3%	7.0%	7.1%
Glasgow	£54.25 (£5.04)	£55.65 (£5.17)	2.6%	2.3%	7.7%	7.6%

Source: Royal Institution of Chartered Surveyors in Scotland

Industrial Take-up

- Following a decline in the previous two quarters, SPN recorded increased industrial take-up in Q3 of 2002. Over the year to September 2002 take-up of floorspace increased marginally by just 2%, but the number of units taken up fell by 7%.
- This reflects a fall in take-up for unit sizes under 1,000 sq m, particularly in the 500 – 999 sq m band, but growth in take-up of bigger units.
- In the three years to September, take-up of floorspace has increased by 39%, but the number of transactions has fallen by 10%.
- As shown by Figure 2, a number of areas experienced declining take-up in the year to September, with Renfrewshire recording the biggest fall. Glasgow saw a 48% rise in floorspace taken up but a fall of 21% in unit transactions.

Figure 2



Office Supply and Take-up

- The total volume of available office floorspace recorded by SPN increased by 25% over the year to September, with Central Scotland recording an increase of 30%.
- Available floorspace in Edinburgh increased by 65%, while Glasgow saw a rise of 29%, mainly in large suites.
- Overall, SPN recorded no change in take-up of office floorspace in the year to September 2002, but there was a small rise in Edinburgh of 3% and an increase in Glasgow of 11%.
- The RICS in Scotland Commercial Property Survey suggests falling rental values for Edinburgh city centre open plan offices, down by 2.2% in the year to June 2002, compared to growth of 5.2% in Glasgow. In the same period the survey records growth of 3.2% in Aberdeen, above the three-year average.

Office Focus by Ryden

Ryden

- Letting activity in Scottish office markets has been limited in the second half of 2002, with most activity at the smaller end of the market. Some notable recent lettings are shown in Table 3.
- No major deals have concluded recently in Edinburgh, however the entire Citymark Building, Fountainbridge comprising 9,290 sq.m. (100,000 sq.ft) is under offer to one occupier and the deal is due to complete imminently. This may galvanise other organisations to move as they see diminishing supply of new build offices. A new development on McDonald Road comprising 2,322 sq.m. (25,000 sq.ft.) has been pre-sold to Hanover Housing, but in the main letting activity has been in sizes less than 464 sq.m. (<5,000 sq.ft.).
- In Glasgow, few major requirements are active at the moment, with activity mainly in the 93 to 186 sq.m. (1,000-2,000 sq.ft.) range, where there is continued growth in desire for owner occupation but a lack of supply. Occupational activity may remain subdued in the current economic climate, although there will continue to be companies seeking good quality offices at reasonable rents for operational reasons or company re-organisation.
- In Aberdeen, the number of requirements for office accommodation has fallen recently, although strong demand continues for good quality, open-plan space in the West End. Prospects for the near future are uncertain.
- The Dundee office market re-emerged during 2002 with the opening of NCR's Discovery Centre (12,450 sq.m./ 134,000 sq.ft.); the occupation of 2,780 sq m (30,000 sq ft) at Discovery Quay by Scottish Commission for the Regulation of Care/ Scottish Social Services Council; and the Inland Revenue taking 3,902 sq.m. (42,000 sq.ft.) at the Technology Park.

Figure 3

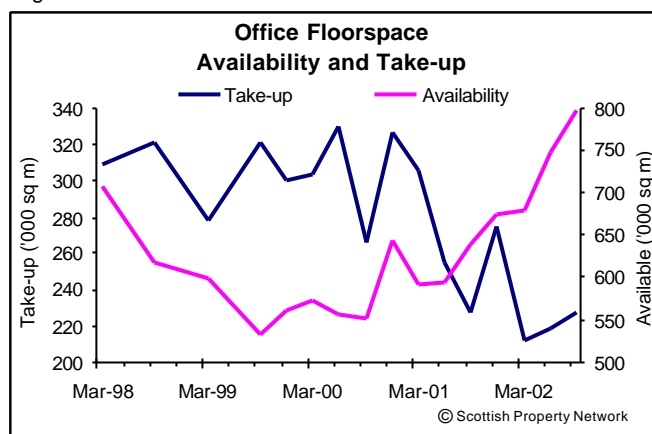


Figure 4

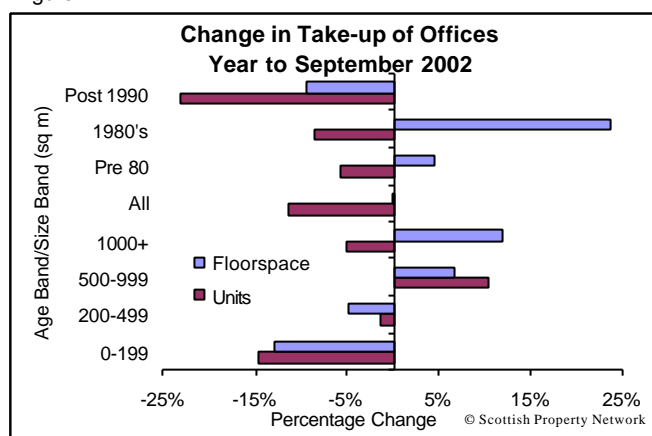


Table 2

Offices - Average Rent and Yield						
City Centre Open Plan	Rent £/psm (£/psf)		Growth year to June 02	3 Year Average Growth	Yield	
	June 2001	June 2002			June 2001	June 2002
Aberdeen	£172.76 (£16.50)	£183.31 (£17.03)	3.2%	2.6%	8.0%	8.0%
Dundee	£107.46 (£10.00)	£109.90 (£10.21)	2.1%	0.2%	9.4%	9.2%
Edinburgh	£304.51 (£28.29)	£297.95 (£27.68)	-2.2%	5.8%	6.2%	6.4%
Glasgow	£229.17 (£21.29)	£241.00 (£22.39)	5.2%	7.7%	6.7%	6.7%

Source: Royal Institution of Chartered Surveyors in Scotland

Table 3

Address	Floorspace sq m (sq ft)	Occupier	Rent psm (psf)
Edinburgh			
Exchange Tower	253 (2,720)	Ralph Investment Adv.	£269 (£25)
Exchange Tower	253 (2,720)	Abacus Group	£258 (£24)
Exchange Tower	503 (5,412)	Templeton Global Inv.	£258 (£24)
40 George St	232 (2,500)	ING	
Bearford House	215 (2,320)	Scottish Ministers	£183 (£17)
Glasgow			
2 Central Quay	1,858 (20,000)	GE Energy	£180 (£16.75)
2 Central Quay	1,858 (20,000)	NHS Education	
180 W George St	761 (8,200)	Standard Life	
Aberdeen			
Langlands House	4,195 (45,150)	GlobalSantaFe	
Foresterhill Complex	929 (10,000)	NHS Education	£161.50 (£15)

Source: Ryden

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