



SCOTLAND

Logistics and Industrial Commentary H1 2012

Knight Frank



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H1 2012 market commentary

- For units exceeding 50,000 sq ft, total take-up was 926,457 sq ft H1 2012, 66% above the H2 2011 level. Of H1's seven transactions, six involved secondhand space, with the sole transaction for new space comprising Eddie Stobart's 67,689 sq ft lease at EPL's Pinnacle building, Eurocentral on the M8 corridor.
- Market activity has slowed since Easter, following a pick-up in enquiry levels from the latter part of 2011. Despite the recent fall in new enquiries, a number of companies are now progressing with preferred options or are still actively looking to take space and positive news is anticipated on a number of situations in H2 2012.
- In Glasgow and Edinburgh, the 20,000 to 50,000 sq ft segment of the market is now showing signs of recovery. While many tenants continue to renegotiate at lease expiry or break, the improved take-up in this sector in H1 mainly involved companies taking new premises.
- Headline rents on new and modern accommodation continue to hold-up reasonably with negotiations focusing on the incentive packages. Lease flexibility remains a key factor for occupiers, with break options and two stage incentive packages fairly typical.
- New stock remains limited in many prime locations around Glasgow, Edinburgh and Aberdeen. The speculative development underway at Clyde Gateway East, Glasgow has already secured Glacier Energy as its first occupier and we understand there is strong occupier interest in the other buildings and plots on the site.
- There are also signs of increasing developer interest in new, small-unit schemes in Central Scotland. For example, C&W Assets recently completed the first phase at Inchwood Park, Bathgate while Fusion Assets is looking to progress a number of sites in North Lanarkshire with Dundyvan in Coatbridge, a joint venture with CBC, likely to be the first.

Q2 2012 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q2 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Aberdeen	£8.50 ◀▶	£8.50 ◀▶	£8.00 ◀▶
Edinburgh	£7.00 ◀▶	£7.00 ◀▶	£5.50 ◀▶
Glasgow	£6.25 ◀▶	£5.50 ◀▶	£5.25 ◀▶



In February 2012, Eddie Stobart leased 67,689 sq ft at the Pinnacle, Eurocentral at a headline rent of £5.75 per sq ft.

Selected Scotland transactions in H1 2012

Address	Tenant	Size (sq ft)	Rent (per sq ft)	Date
Pinnacle, 6 Brittain Way, Eurocentral	Eddie Stobart	67,689	£5.75	Feb 12
14 Fullarton Drive, Cambuslang Investment Park, Glasgow	Royal Mail	31,506	£5.25	Feb 12
Unit 1, Oakbank Park, Livingston	Banner Business Services	30,195	£5.30	May 12
Unit 3, Clyde Gateway East, London Road, Glasgow	Glacier Energy Services	22,200	£6.25	May 12
Unit 2, Imperial Park, Linwood	VT Flagship	20,095	£5.00	April 12

Regional outlook

- Based on enquiries recorded at the start of this year converting, take-up of larger facilities (50,000 sq ft and above) is anticipated to improve in H2. That said, uncertainty in the wider economy linked to the situation in the Eurozone has already impacted upon some of the most recent enquires, and this could potentially extend to some of the more long-standing active requirements.
- Despite a fall in oil price amid the wider economic problems, confidence appears very strong in the future of the North Sea oil and gas industry, resulting in major operators committing to long term leases. Activity is expected to remain strong in Aberdeen with further speculative development planned by developers, including Dandara and Stockland Muir.