SCOTLAND

Logistics and Industrial Commentary

Stephen St Clair, Scotland Industrial Agency
+44(0)141 566 6995
stephen.st.clair@knightfrank.com

H1 2013 Review

- For units exceeding 50,000 sq ft, Scotland saw take-up of 1.0m sq ft in H1 2013, a notable 31% improvement on H2 2012. Of H1's eight transactions, just one involved new space comprising Store First Ltd's 82,285 sq ft owner occupier purchase at Phoenix Business Park. The unit had been unoccupied since 2005.
- The mid-size market for units of 5,000 sq ft to 15,000 sq ft has improved during the last six months, with a number of active enquiries progressing in the market.
- There is a marked shortage of modern stock across the country, with just six new-build units above 50,000 sq ft available. Supply is arguably under the most pressure in the Glasgow area, with prime industrial estates and newer developments experiencing higher occupancy levels as a consequence.
- However, new speculative development is coming forward, with J Smart & Co recently gaining consent for its West Edinburgh Business Park. The four acre site will include the development of small units totalling c. 50,000 sq ft with room for larger design and build opportunities of up to 40,000 sq ft.
- Fusion Assets' small unit speculative development at Dundyvan, Coatbridge is also progressing towards conclusion later this summer. This is the first project to secure SPRUCE support (Scottish Government/European Investment Bank funding). Fusion's next development is likely to take place in Cumbernauld while they actively seek sites across North Lanarkshire.
- H1 saw a number of vacant possession sales in the secondhand market, including Scotland's biggest deal in the period - Premier Pan European's 203,737 sq ft acquisition East Kilbride. The increase in vacant possession deals suggests that occupiers now see value in the market and are confident enough to commit.
- Aberdeen continues to enjoy strong demand as a result of the buoyant energy sector. Supply is limited, with many occupiers consequently forced to consider design and build, with deals struck at Aberdeen Gateway, Cove, D2 in Dyce, and further afield at Kirkwood Commercial Park at Inverurie.

Selected Scotland transactions in H1 2013

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Linwood Point, Phoenix Business Park, Linwood	Store First Ltd	82,285	£42.62*	Mar 13
100 Fifty Pitches Road, Cardonald Park, Glasgow	Westside Distribution Ltd	14,419	£57.22*	May 13
The Pyramids Business Park, Bathgate	CSL Lounge Suites	60,481	£2.75	May 13
85 Fullarton Drive, Cambuslang Investment Park, Glasgow	Speedy Asset Services Ltd	61,184	£5.20	Jun 13
47 Fairfield Place, East Kilbride	Premier Pan European	203,737	£17.00*	Jun 13

*Freehold transaction

Q2 2013 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q2 2014

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 ◄ ►

85 Fullarton Drive, Cambuslang Investment Park, Glasgow. Knight Frank acted on behalf of Speedy Asset Services Ltd in their acquisition of this property.

Regional outlook

- Current levels of active demand suggest that activity at the larger end of the market will continue at broadly the same rate over the next 12 months.
- However, the key issue relates to the lack of suitable stock. While we have seen no major pre-lets over the last 12 months at sites such as Eurocentral and Clyde Gateway, these are set to become a feature of the market. We also expect developer interest to return for sites in prime locations in the Central Belt.
- Developers are set to continue bringing forward speculative schemes in Aberdeen, such is the strength in the market. For example, Buccleuch Property is now embarking on a speculative scheme of two 16,000 sq ft units at Aberdeen Energy Park.