

SCOTLAND

Logistics and Industrial Commentary

H1 2014 Review

- Reflecting the improving economic backdrop, occupier activity is relatively robust with take-up and enquiry levels remaining strong across all size bands.
- Take-up, specifically in units of 50,000 sq ft and above, was 1.62 million sq ft in H1 2014, up 4% on H2 2013 and 41% above the 5-year bi-annual average. Of the sixteen deals in H1 2014, the majority were freehold sales of second-hand industrial units.
- There was one pre-let transaction in H1 where Schlumberger Oilfield UK Plc agreed to a 15-year lease of 68,000 sq ft at Badentoy North Business Park in Aberdeen.
- The other key deal in H1 involved a land sale at Heartlands Business Park in Whitburn. Oil States Industries acquired 27 acres at the site, where a new 190,000 sq ft R&D facility is currently under construction.
- Land values increased in select markets such as Aberdeen, where sites currently range from £400,000 per acre to £750,000 per acre.
- Available supply of modern warehouse units of 50,000 sq ft and above has remained unchanged since H2 2013, with only five new units, totalling 783,110 sq ft, currently available for occupation. Meanwhile, overall supply has fallen slightly over the last year and continues to comprise a significant proportion of poor quality stock, often only suitable for re-development.
- Despite falling supply and strong demand, there is still little sign of speculative development activity coming forward. It is expected that the majority of new units will come forward on a design & build basis over the foreseeable future.
- One notable exception is Clyde Gateway East development, where MEPC and Scot Sheridan are now pressing ahead with a second speculative phase comprising four units totalling 75,000 sq ft. This follows the letting of the last Phase 1 speculative units to Torishima Europe Ltd and a pre-letting of 12,850 sq ft to BT.

Selected Scotland transactions in H1 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
10 Coddington Crescent, Eurocentral	Langdons Ltd	82,509	£37.50*	Jan 14
Badentoy North, Business Park, Aberdeen	Schlumberger Oilfield UK	68,000	£8.50	Jan 14
4 Livingston Boulevard, Hamilton International Technology Park	South Lanarkshire Council	50,210	£48.80*	May 14
Unit 1, Clyde Gateway East, Glasgow	Torishima Europe Ltd	19,267	£6.50	Apr 14
Unit D, Air Cargo Centre, Glasgow Airport	Nippon Express Ltd	15,295	£5.00	Mar 14

*Heritable Purchase



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Q2 2014 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q2 2015

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	£6.50 ◀▶	£6.00 ◀▶	£5.50 ◀▶
Glasgow	£6.25 ◀▶	£5.50 ◀▶	£5.25 ◀▶



In April 2014, two 16,000 sq ft units at Claymore Avenue, Aberdeen Energy Park were completed. Unit H1, above, is now under offer with Knight Frank acting on behalf of the landlord.

Regional outlook

- With the economic recovery taking hold across Scotland, enquiry levels are expected to continue increasing. Take-up is projected to rise further in the second half of this year and in 2015.
- More pre-let announcements are anticipated over the next 12 months as limited availability of modern stock is preventing occupiers from meeting their requirements.
- It is likely that strong development and letting activity will continue over the next 12 months. Prime headline rents across the Aberdeen region for sub 20,000 sq ft units are expected to be under an upward pressure over the next year.