

SCOTLAND

Logistics and Industrial Commentary

H1 2016 Review

- Take-up of units over 50,000 sq ft in H1 2016 was limited to one second-hand letting to Mention Media in Glasgow for 75,000 sq ft. This compared with total take-up of 276,000 sq ft in H2 2015.
- The majority of demand outside of Glasgow was for smaller sheds - below 5,000 sq ft in Edinburgh and 10,000 sq ft in Aberdeen, where the fall in oil prices has continued to have an adverse effect on the property market.
- Within the Greater Glasgow area there remains demand for well located, modern industrial accommodation; however we are yet to see demand from occupiers looking to relocate to Scotland, as the majority of demand comes from indigenous occupiers looking to upgrade from dated/obsolete properties.
- Demand and supply are in relative equilibrium in Aberdeen, whereas in Edinburgh the supply of new build/modern units below 5,000 sq ft is diminishing and larger units of c.10, 000 sq ft are old stock in need of refurbishment.
- Speculative development in Glasgow is in short supply, but developers have announced their intentions for smaller schemes across the region; Fusion Assets will be delivering 15 smaller units of c. 5,000-10,000 sq ft units at Strathclyde Business Park. Also at Hillington, Patrizia are on site with four units of c. 20,000 sq ft each at Evolution Court, Hillington - with expected completion in 2016/2017. Zephyr Ltd has also recently purchased a four hectare brownfield site at Scotland Street with plans to provide a redeveloped mix of office, residential and industrial premises. Development of larger industrial units is likely to be on a pre-let basis, with a number of Glasgow's prime industrial estates able and willing to develop bespoke units for occupiers seeking well located modern accommodation.
- With regard to rents - in Glasgow, headline rents for well-located modern industrial units above 20,000 sq ft have reached £6.25 per sq ft. Incentives are coming in and tenants are committing to longer leases - however quoting rents on the speculative developments are £7.50 per sq ft. In Aberdeen incentives are increasing with 10 year leases offering 9 to 12 months' rent free and 12-15 months for a 15 year lease. In Edinburgh, Biltson Glen has achieved £8.00 psf for smaller units of c2,500 sq ft.

Selected Scotland transactions in H1 2016

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
7 South Gyle Crescent Lane	JC Decaux	14,301	£6.65	Apr-16
Unit 4 Imperial Park, Linwood	Supply Technologies	20,000	£6.00	Apr-16
Unit 1, 46 Stanley Place	Bellfield Brewery	2,872	£8.00	Mar-16
Unit A, Eastpoint, Bellshill	Nationwide Platforms	19,999	£6.25	Mar-16
Unit 20/21, 32 Dryden Road, Biltson Glen	Heriot AV	2,018	£85.00	Feb-16



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Q2 2016 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q2 2017

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Aberdeen	£8.50 ◀ ▶	£8.25 ◀ ▶	£8.00 ◀ ▶
Edinburgh	£7.50 ▲	£5.00 ▲	£4.00 ◀ ▶
Glasgow	£6.25 ◀ ▶	£6.25 ◀ ▶	£5.25 ◀ ▶



3B Watt Place, Blantyre

Regional outlook

- The outlook for 2016 remains positive in Glasgow. Strong demand is expected to continue and this will encourage speculative development and help drive up headline rents.
- Requirement levels in Glasgow remain high for 10,000 - 15,000 sq ft. Whilst the lack of momentum in Aberdeen is reflected in reduced requirements, Amazon are currently seeking a 20,000 sq.ft distribution facility in Aberdeen.
- The fallout from the Scottish Government's announcement to reduce empty relief from 100% at all times to 10% relief after three months from April 2016 continues. We anticipate that many developers of older stock may be forced to consider demolition.