

SCOTLAND

Logistics and Industrial Commentary



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H2 2015 Review

- Take-up of units over 50,000 sq ft across Scotland during the second half of 2015 was limited to two transactions totalling 276,254 sq ft; both of these were heritable sales in Glasgow. This is half the level of take-up seen in H1, and the lowest on record since the data series started in 2009.
- In Edinburgh the small industrial sub 5,000 sq ft market has been the most active sector, with the majority of occupier demand coming from indigenous companies looking for accommodation.
- Given the oil price slump, demand in Aberdeen has declined, however there are a number of oil and gas related occupiers seeking medium sized buildings (15,000 - 30,000 sq ft), and demand for smaller units (sub 10,000 sq ft) remains stable.
- On the supply side, there is a significant undersupply of modern industrial units over 50,000 sq ft, with just two available in Glasgow at the end of H2, totalling 511,574 sq ft. Speculative development in Glasgow is limited with schemes under consideration focused on the smaller end of the market. 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.
- While the supply of secondary stock in Aberdeen is increasing, new build supply remains relatively tight. There is approximately 100,000 sq ft of new build ready to occupy stock (six buildings ranging between 15,000 - 20,000 sq ft) available. Incentives have decreased and occupiers are agreeing to longer leases in order to secure more attractive terms. In Aberdeen a 10 year lease can now get six to nine months' rent free, while a 5 year lease will get three to six months' rent free.
- Limited supply in Edinburgh saw headline rents of £7.50 per sq ft achieved at Bankhead Industrial Estate and Peffermill Industrial Estate, which was on par with rents achieved prior to the downturn in 2007.

| Q4 2015 Prime headline rents (£ per sq ft) | | | |
|--|--------------------|------------------------|----------------|
| ▼ / ▲ - movement expected to Q4 2016 | | | |
| Market | under 20,000 sq ft | 20,000 to 50,000 sq ft | 50,000 + sq ft |
| Aberdeen | £9.00 ◀▶ | £8.75 ◀▶ | £8.10 ◀▶ |
| Edinburgh | £7.00 ▲ | £5.00 ◀▶ | £4.00 ▲ |
| Glasgow | £6.25 ◀▶ | £6.25 ◀▶ | £5.25 ◀▶ |



New instruction, 8 South Gyle Crescent Lane, Edinburgh c15,000 sq ft leasehold disposal on behalf of Citivale.

Selected Scotland transactions in H2 2015

| Address | Occupier | Size (sq ft) | Rent / Price (per sq ft) | Date |
|--|--------------------------|--------------|--------------------------|--------|
| Unit C1, Clifton trading Estate, Edinburgh | Hydrasun Ltd | 10,527 | £6.00 | Oct-15 |
| 40 Cambuslang Road, Glasgow | Hydrasun Ltd | 27,891 | £6.25 | Sep-15 |
| 2-14 Tollpark Place, Cumbernauld, Glasgow | Thomson Pettie Group Ltd | 37,104 | £4.25 | Sep-15 |
| 144 Port Dundas Road, Glasgow | Vertu Motors Plc | 206,648 | £17.42 | Sep-15 |
| Unit 1-6 Newbridge One, Edinburgh | Diet Chef | 31,685 | £6.22 | Aug-15 |
| 34-41 Assembly Street, Leith, Edinburgh | Private Individual | 17,100 | £35.03 | Aug-15 |

Regional outlook

- The outlook for 2016 is positive for Glasgow. Strong demand is expected to continue and this will encourage speculative developments to commence this year. One major factor which may halt proposed schemes and force developers to reconsider is the change to non-domestic rates in Scotland. Under the new proposals empty relief for industrial properties will be reduced from 100% at all times to 10% relief after three months from April 2016.
- With oil prices below \$40 a barrel and likely to remain low during 2016 we do not expect to see any rental growth in Aberdeen over the next 12 months.
- While there will still be occupiers out there seeking Design & Build, we are unlikely to see any further speculative development during 2016.