SCOTLAND

Logistics and Industrial Commentary

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H2 2016 Review

- During the second half of 2016, take-up of units above 50,000 sq ft across the three Scottish centres monitored increased to 604,070 sq ft across just four transactions. This is a marked improvement from the record low, single deal take-up of 75,000 sq ft recorded during H1. Total annual take-up therefore stood at 679,970 sq ft, compared with 832,240 sq ft in 2015.

- With the exception of one pre-let to NOV (an oil and gas related occupier) in Aberdeen for 172,000 sq ft, take-up was concentrated in Glasgow, where there has been a steady flow of larger transactions.

- Nonetheless, the majority of lease transactions in the Glasgow industrial market involve units of less than 20,000 sq ft and in particular sub 5,000 sq ft. It is also worth noting that due to the combination of limited new build stock and take-up of better quality second hand stock, supply levels within this size range are particularly low in certain areas.

- There were no lease transactions above 50,000 sq ft in Edinburgh in H2 2016. Not only is there very little demand for this size of unit, but the supply of good quality space in this size band is also limited. However, Edinburgh saw stronger demand for sub 5,000 sq ft, notably from self-storage occupiers and car traders.

- The dynamics of the West of Scotland industrial market remain as they were in H1 2016, with key statistics in favour of landlords and developers. The current vacancy rate for the Glasgow industrial market is c. 8.0%, a significant proportion of which is in need of re-development or extensive refurbishment. Only 537,000 sq ft of brand new space is currently available in Glasgow. Key estates remain close to full occupancy, with existing tenants on the whole choosing to renew leases due to the lack of suitable available alternatives.

- In terms of speculative development, there is one unit of 15,000 sq.ft under construction at Aberdeen Gateway, and two further 15,000 sq ft units due to commence at 1 Westhill. In Glasgow, Clyde Gateway and Partners have retained plots at the Clyde Gateway East site with a number of highly specified c. 25,000 sq ft developments currently underway or planned, with the latest letting to Greencore setting a new headline rent at c. £8.00 psf.

Q4 2016 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q4 2017

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Aberdeen	£8.50 ◄►	£8.00 ◄►	£7.75 ◄►
Edinburgh	£8.00 ▲	£6.00 ▲	£4.00 ◄►
Glasgow	£6.25 ◄►	£6.25 ◄►	£5.25 ◄►

8 South Gyle, Edinburgh, refurbished industrial unit, Knight Frank retained on the leasehold disposal by Citivale.

Selected Scotland transactions in H2 2016

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit 1, Sevenhills Business Park, Edinburgh	Napier University	18,500	£8.00	Dec-16
16 Harvest Road, Newbridge, Edinburgh	Private Individual	15,231	£39.39	Dec-16
Central Point – Titan, Glasgow	Lidl	122483	NA	Oct-16
Midmill Business Park, Kintore, Aberdeen	NOV Limited	172,000	NA	Sep-16
Atlas, Central Point, Eurocentral Glasgow	Hermes Parcelnet Ltd	56,500	£6.00	Jul-16

Regional outlook

- The Scottish Government's changes to industrial business rates back in April 2016 will continue to have an effect on the industrial market. The changes include relief on empty industrial properties cut from 100% to just 10% after the first three months. While speculative development is expected to take a knock, this might be a positive for landlords with existing well located stock as new development cools off. This would provide landlords with the opportunity to take advantage of the shortage of good quality, well located industrial property through refurbishment programmes of existing stock to meet the current level of occupier demand.

- We expect to see supply continue to increase in Aberdeen. Second hand rents will decrease and new build rents may soften. Incentives and flexible lease terms will be prevalent.