

# SCOTLAND

## Logistics and Industrial Commentary



Simon Capaldi, Scotland Industrial Agency  
 +44(0)131 222 9621  
 simon.capaldi@knightfrank.com

### H2 2017 Review

- Following a strong first half, take-up of units above 50,000 sq ft across the three Scottish centres monitored slowed to 141,000 sq ft in H2. Nonetheless, this brings the total for 2017 to 882,300 sq ft, which is 30% up on 2016.
- Demand dynamics are not consistent across all locations and size brackets, but there has been more activity at the smaller end of the market for units below 50,000 sq ft.
- In Edinburgh, although there was no activity in the market for units above 50,000 sq ft, rents for industrial units below 20,000 sq ft have risen. Similarly in Glasgow, where availability of new stock is at a record low and new development is constrained by high building costs, there is evidence of strong rental growth for secondary stock below 20,000 sq ft in size.
- At the larger end of the market (units in excess of 50,000 sq ft) a combination of limited availability and weak occupier demand means there are a number of high profile buildings still available in Glasgow. Recent activity has been limited to land sales at Eurocentral to Lidl and to facilitate a new development for DPD. Lack of prime stock is benefiting secondary locations. For example, East Kilbride, which has an ageing stock, is now performing better than the wider market as it has unsatisfied demand.
- Aberdeen is now seeing some demand from occupiers unrelated to oil and gas looking to move into the area and take advantage of reduced rents and increased incentives. However, the majority of those occupiers in the market actively seeking space continue to be oil and gas service companies. The market is oversupplied and incentives are beginning to increase.
- Overall industrial investment volumes in Scotland in H2 reached £222m, bringing the annual total to £346m. This is significantly higher than 2016 when £128m of industrial property was transacted in Scotland. Key investment deals during H2 include Fraser Centropoint's acquisition of Hillington Park Glasgow for £137m and Pie and Mouse's purchase of Eurocentral in Motherwell for £12.2m (NIY of 6.95%).

Q4 2017 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q4 2018			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Aberdeen	£8.00 ▼	£7.50 ▼	£6.75 ▼
Edinburgh	£8.50 ▲	£6.50 ◀▶	£4.50 ◀▶
Glasgow	£7.00 ▲	£6.00 ◀▶	£5.25 ◀▶



With limited new build supply in the West of Scotland, established locations, including Hillington, continue to see good levels of demand

### Regional outlook

- With the threat of a second independence referendum subsiding, there is evidence that the central Scotland economy is returning to growth.
- In Aberdeen, we hope to see more activity in 2018 as the price of oil has now stabilized. However, the supply level there will remain an issue.
- Within Edinburgh, there is little or no new speculative development of industrial units due the higher land values achieved for alternative uses including residential, leisure, retail and hotels. Ultimately, this will put pressure on rents for smaller industrial units as there is a shortage of modern, good quality units of 5,000 sq. ft. or less
- In Glasgow, the current supply is not adequate to support a market of this size and this could constrain demand.

#### Selected leasing transactions in Scotland, H2 2017

Address	Occupier	Size (sq. ft)	Rent / Price (per sq ft)	Date
2 Jubilee Court, Hillington, Glasgow	Stearn Electric	31,000	£6.32	Oct-17
37 West Bowling Green Street, Edinburgh	Stunt Scotland	27,846	£6.38	Oct-17
Unit K1, Starlaw Business Park, Livingston	Hylatech	36,703	P&C	Sep-17
Block 15, Unit 9, South Gyle Crescent, Edinburgh	Auto Glass	3,940	£8.60	Aug-17

\*Freehold transaction