

SCOTLAND

Logistics and Industrial Commentary

H1 2017 Review



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

- Building on the positivity experienced in 2015 and 2016, take-up of units above 50,000 sq ft across the three Scottish centres monitored increased to 734,312 sq ft in H1 2017, up 21% on H2 2016. This total comprised of three deals in Glasgow. There was no recorded take-up of units above 50,000 sq ft in Aberdeen and Edinburgh.
- The West of Scotland industrial market has seen good demand across most size bands. Prime rents in Glasgow are approaching £8.00 per sq ft with new schemes typically quoting £7.50 - £8.50 per sq ft. Although the vacancy rate across the greater Glasgow area remains unchanged at c.7.5%, this reflects a structural void as a number of the vacant units are now obsolete. New build stock remains in short supply in Glasgow with limited development currently under way, especially at the smaller end of the market.
- In Edinburgh activity in the small industrial/trade counter sector (sub 5,000 sq ft) has increased over the past six months and there are signs of activity within the distribution and logistics sectors for larger industrial units. The majority of occupier demand is from indigenous companies looking for accommodation between 1,000- 5,000 sq ft. The limited supply of modern accommodation in this size range and the increase in demand from both national and more established local occupiers during both 2015 and 2016 has seen quoting rents rise. Incentive packages have also reduced with tenants being offered rent free periods equating to 1 month per year term certain on the lease. The lack of both stock and land capable/available for industrial development has pushed quoting rents up to c. £9.00 per sq ft.
- The majority of take-up in Aberdeen has been for units within the 10,000 – 20,000 sq ft band. However, occupier demand in Aberdeen is subdued due to depressed oil prices. Supply of units over 50,000 sq ft is also limited. Since the beginning of 2017 Aberdeen headline rents have started to fall and rental incentives of 6-12 months are being granted in exchange for 5 year leases and 9–18 months for 10 years.
- Activity across the Scottish investment market picked up in the first half of the year with c. £88m invested in H1 2017, compared with £57m in H2 2016.

Q2 2017 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2018			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Aberdeen	£8.50 ▼	£8.00 ▼	£7.50 ▼
Edinburgh	£8.25 ▲	£6.00 ▲	£4.00 ◀ ▶
Glasgow	£6.50 ▲	£6.00 ◀ ▶	£5.25 ◀ ▶



to Freeze Pro Shop for 10 years with tbo year 5 rent: £7.75 per sq ft

Regional outlook

- The first six months of 2017 has seen further evidence that the Scottish industrial market as a whole, and more specifically the Edinburgh industrial market is becoming more buoyant. It is too soon after the recent referendum to comment on how Brexit has or will impact on the occupational market, but the current sentiment is a positive one.
- The Scottish Government's revised threshold for the Small Business Bonus Scheme has stimulated demand at the smaller end of the industrial market. There may now be scope for rental growth as more units potentially qualify for 100% relief since the threshold was raised to £15,000 rateable value.
- In Aberdeen landlords are likely to readjust rents and or offer additional incentives in order to ensure they secure tenants. With two 15,000 sq ft speculative units completed in April 2017, and available, further speculative activity is unlikely this year.
- In Glasgow there is limited availability of units over 50,000 sq ft, most of which could be quickly absorbed should contracts be awarded over the next six months.

Selected Scotland transactions in H1 2017				
Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Clyde Gateway East	Greencore	16,146	£7.50	Apr-17
The HUB, Glasgow Airport	PJH Group	42,733	£5.00	Mar-17
450 Hillington Road, Hillington Park	McAlpine Plumbing Products	28,998	£86.20*	Mar-17
O&M Movianto	1 York Road, Chapelhall, Airdrie	20,000	£6.97	Mar-17
89a South Croft Road, Rutherglen	Flipout	50,000	£5.00	Mar-17

*Freehold transaction