SCOTLAND

Logistics and Industrial Commentary

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H1 2015 Review

- Following the Scottish referendum and the significant fall in the price of oil in H2 2014, take-up of units above 50,000 sq ft across Scotland reached 556,000 sq ft. This was down 44% on H2 2014 and was also the lowest take-up since H1 2011.
- After periods of relatively strong occupier activity (2010 – 2014), the market has cooled somewhat, with only seven transactions involving units above 50,000 sq ft recorded in H1. The majority of deals occurred in Glasgow, involving a combination of new industrial units and existing stock. This included the 122,482 sq ft sale of Titan to CCG (Scotland) Ltd, which was also the largest deal by floor space in Scotland.
- As a result, the availability of modern units above 50,000 sq ft in Glasgow decreased from 727,054 sq ft to 511,574 sq ft in H1, leaving the city with only two available new units.
- The shortage of new quality stock continues to be a problem, particularly for occupiers with large requirements. Demand for small units has remained strong however, prompting more speculative developments for occupiers requiring sub-20,000 sq ft industrial space.
- In Aberdeen, there are 7 units under construction totalling 108,000 sq ft, which will be available for occupation within the next 12 months. Edinburgh and Glasgow are expected to see more new development of smaller buildings in H2 for release in 2016.
- As long as the price of oil continues to remain low, Aberdeen will be faced with increasing uncertainty, due to its exposure to the energy sector. At present, many oil & gas related occupiers are already seeking to consolidate and dispose of many of their property-related liabilities.
- However, this provides a good opportunity for potential occupiers looking to enter the industrial market in Aberdeen, given that this period will see the market characterised by rising incentives and a halt in future prime headline rent rises.

Selected Scotland transactions in H1 2015

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Titan, Centralpoint, Motherwell	CCG (Scotland) Ltd	122,483	£33.88*	Apr-15
Zenith Eurocentral	Amazon	92,997	Confidential	Jun-15
Unit D1 Aberdeen Gateway	Cameron Flow Technologies	60,000	£8.75	Apr-15
7 Nettlehill Road, Livingston	Yodel	96,933	£4.00	Mar-15

**Heritable Purchase*

Q2 2015 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q2 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	£6.50 ▲	£5.00 ▲	£4.00 ▲
Glasgow	£6.25 ◄ ►	£5.50 ▲	£5.25 ◄ ►

In April 2015, Cameron Flow Technologies sub-leased 60,000 sq ft at Unit D1 Aberdeen Gateway.

Regional outlook

- Low oil prices are expected to dampen take-up activity in Aberdeen for the next 12 months at least, affecting the overall take-up figures in Scotland.
- Speculative developments are likely to commence in Edinburgh and Glasgow, comprising small schemes which will accommodate smaller space.
- The movement of prime rents and land values will be fragmented across Scotland, with Aberdeen expected to remain unchanged in 2016. Edinburgh and Glasgow on the other hand, are expected to see rises across the various size categories, as the supply of quality stock remains acute.