

WEST OF SCOTLAND

LOGISTICS AND INDUSTRIAL

SPRING REVIEW 2009

Overview

There are now signs that the sharp slowdown in the wider economy is beginning to impact upon the industrial market in the West of Scotland. The volume of transactions is continuing to fall as a consequence of the economic downturn coupled with uncertainty in the financial markets and "real" economy.

Multi-let industrial unit demand remains steady with the majority of interest continuing to be for sub 10,000 sq ft properties. Notwithstanding this there are still a number of unsatisfied larger requirements in the market.

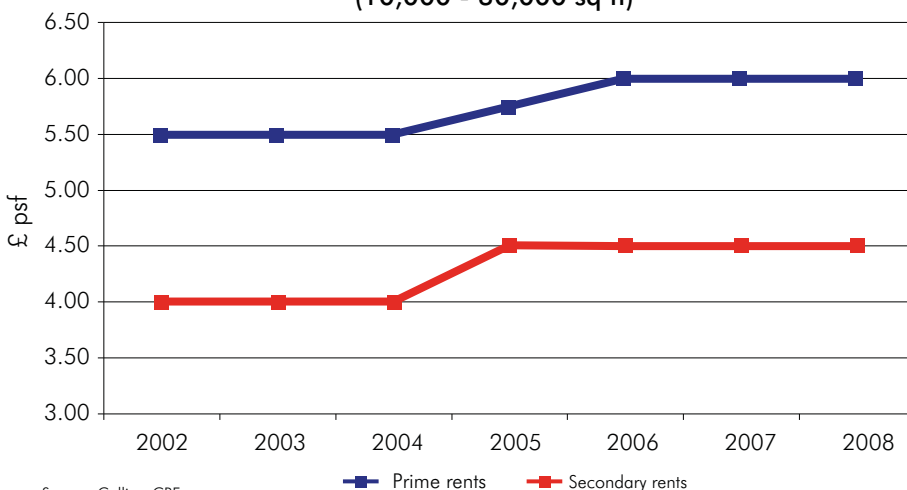
- 2007 take-up: 4.3 million sq ft.
- 2008 take-up: 3.7 million sq ft.
- Current availability: 13 million sq ft.

Rents

Rents in Glasgow and the West of Scotland remain relatively stable however landlords are having to be more aggressive in terms of the increased incentives being offered to occupiers. As always, location is key with the prime industrial locations of Hillington, Cardonald, Cambuslang, Eurocentral and Bellshill commanding the highest figures.

SIZE	RENT £ PSF	
	PRIME	SECONDARY
0 - 10,000 sq ft	£7.00	£5.00
10,001 - 30,000 sq ft	£6.00	£4.50
30,001 - 100,000 sq ft	£5.50	£3.50
100,001 sq ft +	£5.00	£2.50

West Scotland Industrial Rents
(10,000 - 30,000 sq ft)



Source: Colliers CRE

■ Prime rents ■ Secondary rents



Axis Park, Cumbernauld

Supply

The most significant development completions in 2008 were six buildings totalling 420,000 sq ft at Eurocentral and four units by St Modwen at Pegasus Business Park, Hillington totalling 85,000 sq ft. The "credit crunch" has meant that the development pipeline for 2009 is virtually 'zero' with static rents, rising construction costs, softening investment yields and dearth of development funding all conspiring against developers.

- Colliers CRE Glasgow office is currently marketing 2.4m sq ft of industrial space within 70 units.

Demand

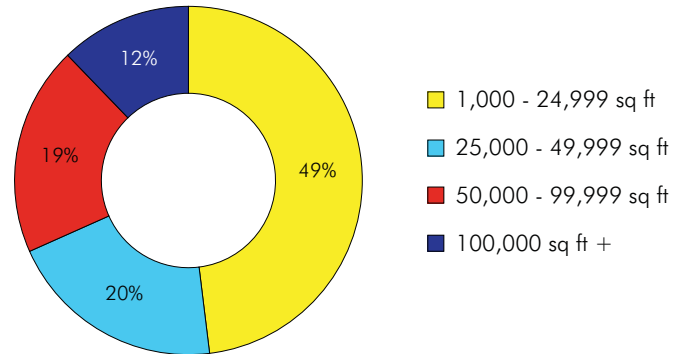
Despite the economic slowdown, take-up for 2008 remained strong, however tenants are now taking stock before making relocation decisions. There has now been a defined switch in demand from feuhold (freehold) to leasehold properties, primarily due to funding difficulties. Trade counter demand has reduced, primarily as a result of the significant decline in the residential market.

- Majority of take-up is in properties between 1,000 and 24,999 sq ft.

Outlook

Speculative development and feuhold sales will be rare and we are likely to see more properties coming onto the market as a result of businesses failing. There is likely to be a downward pressure on rents during 2009 although the lack of development may moderate rental decline. The downward adjustment in capital values is set to persist and the lack of developer demand will see industrial land values continuing to fall.

**West Scotland 2008 take-up by transaction size
(Total take-up: 3.7 million sq ft)**



Source: Colliers CRE / SPN



St Modwen - Pegasus Business Park, Hillington

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