85TH SCOTTISH PROPERTY REVIEW 2020

Ryden

CONTENTS

SUMMARY AND OUTLOOK

ECONOMIC GROWTH IN SCOTLAND FLUCTUATED DURING 2019. Surveys conducted around the UK General Election suggest that the Scottish economy may have flat-lined for a period again towards the end of the year.

Forecasts envisage the economic growth rate doubling this year and next, although still below the long run average. The early signs in 2020 are that a period of greater political stability – notwithstanding the completion of Brexit and Scotland's ongoing constitutional debate – is encouraging a more positive property market sentiment, particularly where the market fundamentals are strong.

Those markets with the correct fundamentals include the nascent Build to Rent (BTR) residential sector, the prime Glasgow and Edinburgh office and industrial markets, and Aberdeen which is now clearly in the market recovery phase. The retail sector remains challenged, although there are selected, defensive retail sub-markets and situations where pricing may now bottom-out.

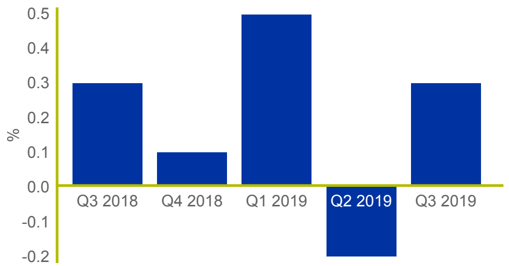
ECONOMY

GROWTH

Economic growth in Scotland recovered to 0.3% in the third quarter of 2019. Output grew by 0.2% in the services sector and by 0.9% in the production sector but remained flat in the construction sector. GDP grew by 0.7% over 12 months, below UK economic growth of 1.0% over the same period.

The RBS Purchasing Managers' Index for December 2019 showed a marginal fall in Scottish business activity to 50. This indicates no change in Scottish private sector activity at the end of the year.

GDP GROWTH COMPARED TO LAST QUARTER (%)



Source: Scottish Government

EMPLOYMENT

Scotland's unemployment for the three months to November 2019 fell by 7,000 to stand at 105,000, equivalent to an unemployment rate of 3.8%. This is down by 0.3% on the previous three months and is now the same as the UK rate. The overall employment rate of 74.3% was however below the UK figure of 76.3%.

Employment gains were secured in the public, distribution and financial services sectors. Social Security Scotland is to create 100 jobs at its Glasgow base in its first major round of recruitment. Lidl's new £70 million Scottish distribution centre is expected to create 250 jobs. In Edinburgh, Lloyds Banking Group is to create 500 high-skilled jobs at a new digital technology hub and digital payments company Modulr Finance plans 53 highly skilled jobs.

In the retail sector, department store chain Watt Brothers' administration led to more than 200 redundancies. Manufacturing jobs were lost at Dover Fuelling Solutions in Dundee (120 jobs) and food manufacturer Devro in Bellshill (90 jobs). Notably, RBS cited digitisation of banking as a cause of 150 job losses at its Greenock call centre.

OUTLOOK

Fraser of Allander Institute's central forecast published in December 2019 anticipates economic growth of 1.3% for Scotland in 2020, followed by marginally stronger but still modest growth of 1.4% in 2021 and 2022. The comparison of independent forecasts for the UK economy published by HM Treasury in January 2020 anticipates lower economic growth of 1.1% for the UK economy in 2020.

"LIDL'S NEW £70 MILLION SCOTTISH DISTRIBUTION CENTRE IS EXPECTED TO CREATE 250 JOBS."

ECONOMIC GROWTH FORECASTS	2020	2021
FRASER OF ALLANDER INSTITUTE (SCOTLAND)	1.3%	1.4%

PLANNING

The Planning (Scotland) Act 2019 (Commencement No. 1) Regulations 2019 came into force in November 2019. The regulations change how National Planning Framework (NPF4) is to be prepared and a Draft is now expected late in 2020.

This should hopefully trigger a number of Local Development Plans (LDPs) reviews which are currently on hold pending the new transitional procedures. Many LDPs are ageing prematurely and any further delays would inevitably encourage speculation and justification for major land releases around larger towns and cities that has mainly been resisted to date.

The new legislation also redefines the Purpose of Planning – which will be news to some – as "to manage the development and use of land in the long term public interest". Anything which contributes to sustainable development or achieves the national outcomes is to be considered as being in the long term public interest. Planning authorities have a duty to align their functions and development planning with that core purpose.

Definitions of sustainable remain focused on carbon neutrality and transportation. Thus global and national factors will be relevant in shaping major new development proposals and perhaps how they are received by planning authorities. It is hoped that renewed investment market confidence is matched with confidence in a system that responds more positively to external influences and change.

35.1

WEEKS

Major housing applications decided on average – the quickest on record*

9

WEEKS

Average decision time for Local Development planning decisions. 2018/19 matched the quickest average decision time since 2012/13

32.5

WEEKS

Major Development planning decisions were quicker on average

325

DECISIONS

Total number of Major Development decisions

*Figures exclude major applications subject to processing agreements (just over a third) where timescales for decisions are agreed in advance.

The Commencement No. 2 and 3 Regulations also came into force in December 2019 and are subject to various procedural enactment dates.

These include a variety of detailed technical requirements such as:

- Changes to notification procedures for major developments
- Specific reference to noise sensitivities relating to cultural/live music venues
- Higher fines for failing to comply with controls (and taking into account any financial benefit gained)
- Scottish Ministers to lay a statement before the Scottish Parliament justifying the call-in of an application
- Changes to the powers to make regulations about planning fees, including the ability to introduce more discretionary charging – even discounts – and a surcharge for retrospective applications
- All decision notices on an application must include a statement as to whether the authority consider the development is in accordance with the development plan, and their reasons for taking that view.

Pre-determination hearings for planning applications are usually held by the Planning Committee of a local authority. Concerns were raised that the requirement to then have a decision made by full Council meant that some decision-makers had not heard the evidence actually given at the hearing. This requirement has been removed.

The Scottish Government has launched its 'Transforming Planning' website structured around the upcoming work on National Planning Framework 4 (NPF4), Planning Reform and Digital Planning.

The website includes information on how the Scottish Government will engage with stakeholders in the preparation of NPF4, and has opened a 'Call for Ideas' which runs until 31 March 2020.

There is still much focus on efficiency and process – which is supported by the Scottish Government's planning performance data for 2018/19 – and rather less focus on effective delivery and quality. Morale in most planning authorities remains low – and budgets still lower – despite rises in application fees and charging for pre-application advice.

Audit Scotland's Performance report 2019 states that planning authorities need to ensure they have the staff, skills and leaders to deliver change. An increasing proportion of the workforce is nearing retirement and insufficient preparation for succession risks losing planning skills and knowledge at a time when recruitment is also becoming increasingly difficult.

There are lessons to learn from some of the more pro-active authorities that have established joint service streams – particularly planning and (sustainable) economic development, with an attitude focussed on delivery rather than simply a mindset of control. Pitching in the right way to the right people early in the process continues to be the best focus for delivering major projects.

> "THE REQUIREMENT TO THEN HAVE A DECISION MADE BY FULL COUNCIL MEANT THAT SOME DECISION-MAKERS HAD NOT HEARD THE EVIDENCE ACTUALLY GIVEN AT THE HEARING."

RESIDENTIAL DEVELOPMENT

DEVELOPMENT

The number of new homes completed in Scotland has reached its highest level since 2008. The 21,292 new build homes across all sectors in 2018/19 was an increase of 18% on the previous year. The split between the sectors was 74% private housing and 26% social housing.

While this confirms that housing output in Scotland accelerated, there is uncertainty over both the Help to Buy scheme which has supported private sector output and also a lack of clarity on grant funding levels available to Registered Social Landlords post-2021.

LAND MARKET

For larger sites, competition among the volume and regional housebuilders continues to drive green field land values, although substantial planning gain contributions can often significantly reduce the net value received by the landowner.

At Gregory Road, Livingston, a site with consent for 220 housing units received seven bids at a recent closing date.

There are still though relatively few smaller developers operating in the market for sub 50-unit developments.

Housing land values being achieved across Scotland vary dramatically between the main city regions.

Highest values exist in and around Edinburgh with greenfield rates per acre ranging from c. £1.0-2.0 million. In Glasgow, this range is 50% lower at c. £0.5-1.0 million per acre. Values have recovered well in recent months in Aberdeen and between £0.6-1.0 million is being offered. These levels apply to larger sites for in excess of 50 units.

BUILD TO RENT (BTR)

The Build To Rent residential sector is relatively new to Scotland, with only two schemes completed to date.

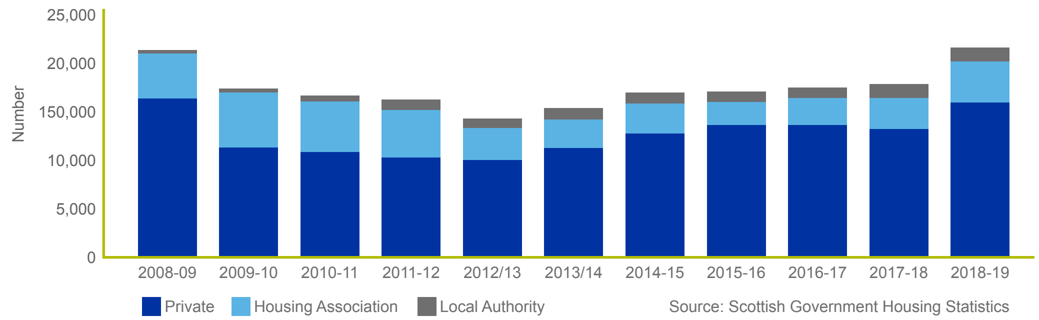
Scotland has only a 3% share (4,300 units) of the UK's accelerating BTR completions and committed development pipeline. The sector is expected to deliver many years of growth before reaching maturity as property asset class, in a similar way to Purpose Built Student Accommodation. The BTR market is being driven by a cocktail of demand – some estimates suggest 1.7 million UK households living in the tenure within 10 years – allied to institutional investors seeking long term returns and also local authorities recognising BTR's potential contribution in helping to solve the housing crisis.

Current notable schemes are at Pitt Street in Glasgow by Moda Living (433 units), and in Edinburgh with Skyliner in Leith by S1 Developments (338 units) and by Moda Living at Springside (573 units).

As residual land values for BTR continue to rise and compete with traditional private for sale developments, it is anticipated that the sector will experience rapid growth in the coming years.

New entrants to the Scottish BTR market include Sigma Capital Group who recently established a joint venture with Springfield Homes with the intention of providing 1,800 new build homes for rent following a £30 million investment from the Scottish Government's Building Scotland Fund. Sigma's model is focused on delivering family homes rather than large scale apartment blocks and has been very successful in the North of England.

NEW DWELLINGS



Source: Scottish Government Housing Statistics

OUTLOOK

Demand for housing land is expected to remain strong in 2020 as residential sales recover from the slowdown in the latter half of 2019. The BTR pipeline in Scotland will continue to grow as interest in the sector from developers and investors comes to fruition.

CITY CENTRE DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
ONE CENTRAL ARGYLE STREET	272,858	JP MORGAN	BANKING
177 BOTHWELL STREET	64,586	OPUS	BUSINESS CENTRE
177 BOTHWELL STREET	48,704	CYBG (VIRGIN MONEY)	BANKING
191 WEST GEORGE STREET	41,665	HILTON	HOTEL RESERVATIONS
151 WEST GEORGE STREET	30,190	CGI	SOFTWARE
ST VINCENT PLAZA 319 ST VINCENT STREET	26,910	ARM HOLDINGS	SOFTWARE

CITY CENTRE TAKE UP

Office take up in Glasgow city centre for 2019 totalled 862,000 sq.ft. comprising 117 deals. This is 4% ahead of the 5-year average of 827,000 sq.ft.

Approximately 40% of the take up comprised Grade A transactions, and 60% comprised office space with floorplates in excess of 10,000 sq.ft.

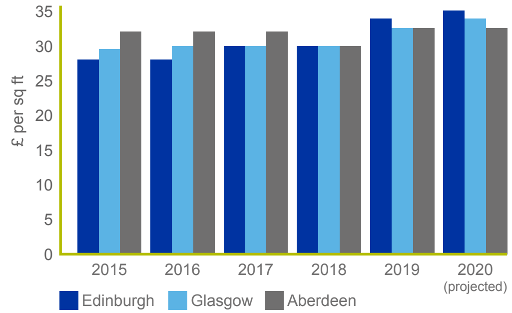
The headline rental for the city centre remains £32.50 per sq.ft. (secured at 177 Bothwell Street).

DEMAND

Current demand for the city centre remains very positive, particularly from occupiers seeking best in class space. Many occupiers are initiating searches well in advance of their lease events as they become increasingly aware of the current supply profile.

Demand is weighted to larger requirements in excess of 15,000 sq.ft. which is consistent with the overall take up pattern for previous years.

PRIME OFFICE RENTS



OFFICES GLASGOW

SUPPLY

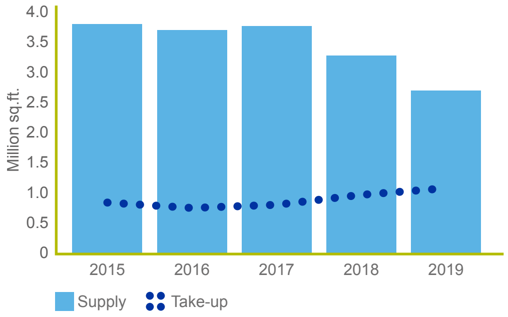
The reducing supply of prime office stock in Glasgow city centre is stark. Existing Grade A supply is all but exhausted with only 6,400 sq.ft. remaining at 1 West Regent Street. The market will be replenished by three buildings under construction in the city centre totalling 500,000 sq.ft., although pre lets have been secured for 45% of that new-build office space.

Significant refurbishments completed in 2019 were limited to two properties; 151 West George Street which has subsequently been let to CGI, and Sentinel, 103 Waterloo Street. Completed refurbished stock in excess of 40,000 sq.ft. is limited to two options.

2020 will see a number of building refurbishments complete and further projects start on site.

The total vacancy for the city centre is in the order of 1.28 million sq.ft, reflecting a vacancy rate of 6.5%, although this is across all vintages and types of office stock.

SUPPLY AND TAKE UP (CITY WIDE)



CITY CENTRE NEW BUILDS

ADDRESS	SIZE (SQ.FT.)	DEVELOPER	DELIVERY DATE
2 ATLANTIC SQUARE	96,650	BAM PROPERTIES/ TAYLOR CLARK	Q3 2020
CADWORKS	94,500	FORE PARTNERSHIP	Q3 2021
177 BOTHWELL STREET	305,000 (81,500 REMAINING)	HFD	Q3 2021

CITY CENTRE REFURBISHMENTS 2020

ADDRESS	SIZE (SQ.FT.)	DEVELOPER	DELIVERY DATE
55 DOUGLAS STREET	85,390	SIGNAL INVESTMENTS	Q1 2020
THE INK BUILDING, DOUGLAS STREET	34,495	AMBASSADOR GROUP	Q1 2020
ONYX 215 BOTHWELL STREET	57,018	CEG	Q2 2020
124 ST VINCENT STREET	36,459	SHELBORN INVESTMENTS	Q4 2020
6 ATLANTIC QUAY	78,459	HORIZON CAPITAL	Q1 2021
50 BOTHWELL STREET	77,325	FORE/KIER	SITE START TBC
THE MET TOWER NORTH HANOVER STREET	120,000	OSBORNE+CO	2021

> “GLASGOW’S REDUCED PRIME OFFICE SUPPLY IS EXPECTED TO DRIVE GROWTH TO A NEW HEADLINE RENTAL FOR THE CITY CENTRE.”

PERIPHERAL MARKET

Glasgow's peripheral office market continues to perform well as occupiers benefit from cost effective accommodation outwith the city centre, and higher car parking ratios but within an easy commute of the city centre and main motorway networks. Available peripheral supply is tightening.

Take up in the peripheral market was 56,842 sq.ft. in 47 deals during 2019.

OUT OF TOWN MARKET

Take up in Glasgow's out of town market beyond the city boundary was 151,450 sq.ft. in 44 deals during 2019.

Extensive supply remains, most noticeably to the east of the city centre. Of the transactions secured, a number are owner occupier purchasers taking advantages of value for money capital rates per sq.ft. for relatively modern accommodation.

OUTLOOK

Glasgow's reduced prime office supply is expected to drive growth to a new headline rental for the city centre. Further pre-lets are anticipated on both the office space currently under construction and planned.

Current pipeline demand set against the delivery of new and refurbished space should continue to reduce available supply.

PERIPHERAL DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
SKYPARK 1 FINNIESTON	7,481	STARTLINE MOTOR FINANCE	CAR FINANCE
THE ALBUS BRIDGETON	6,556	MADE BRAVE	BRAND AGENCY

OUT OF TOWN DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
CARNBROE HOUSE STRATHCLYDE BUSINESS PARK	25,771	FLAGSHIP PROPERTY SOLUTIONS (PURCHASER)	PROPERTY MANAGEMENT
SOLAIS HOUSE STRATHCLYDE BUSINESS PARK	19,290	KICK ICT (PURCHASER)	COMPUTING
ONE RUTHERGLEN LINKS	15,751	CLEAR BUSINESS	UTILITIES
LUMINA HILLINGTON PARK	8,988	BEEKS FINANCIAL CLOUD	TECHNOLOGY

"CURRENT DEMAND FOR THE CITY CENTRE REMAINS VERY POSITIVE."

OFFICES EDINBURGH

CITY CENTRE DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
80 GEORGE STREET	40,585	WE WORK	SERVICED OFFICES
1-7 EXCHANGE CRESCENT	31,364	AMAZON	TECHNOLOGY
APEX 2/3 HAYMARKET TERRACE	11,713	ILLUMINATE TECHNOLOGIES	TECHNOLOGY
40 PRINCES STREET	10,978	MULTREES INVESTORS	FINANCIAL SERVICES
QUARTERMILE 2	10,122	EPIC GAMES	TECHNOLOGY

TAKE UP

In 2019 Edinburgh's office market delivered a total of 628,534 sq.ft. of take up across 154 deals. This is 25% below the 5-year average take up of 837,000 sq.ft.

Flexible working is increasingly important in Edinburgh. Most centres report near full occupancy. We Work (George Street, city centre) and Clockwise (Commercial Quay, Leith) are the latest entrants and a number of operators continue to scour the city for opportunities. As new entrants become established the offer is diversifying to include general and specialist centres, and from plug-and-play to fully serviced. Flexible space is also spinning companies out into the formal lease market, for example API Software/Autorek and Money Dashboard both moved from Codebase to leased space during the second half of 2019.

CITY CENTRE

Edinburgh's city centre accounted for 369,894 sq.ft. of office space transacted, representing 59% of total city activity. Grade A and high quality accommodation accounted for 135,804 sq.ft. or 37% of city centre office take up.

Prime rents for Grade A accommodation are c. £35 per sq.ft. with incentives reducing to around 12-15 months for a 10-year lease commitment to the highest quality covenant. This tightening of incentives is due to lack of immediate supply.

PERIPHERAL

West Edinburgh delivered a total of 173,456 sq.ft. of office space transacted across 14 deals in 2019. Prime rents are around £20 per sq.ft. for refurbished options in the South Gyle area. This rises to above £23 per sq.ft. for refurbished Grade A space on Edinburgh Park.

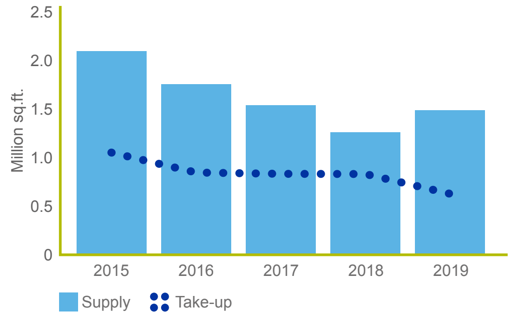
Across North Edinburgh a total of 34,224 sq.ft. of office space was transacted in 10 deals during 2019. Prime rents are currently sitting at around £18 per sq.ft.

SUPPLY

Total office supply across Edinburgh at end Q4 2019 was 1,489,246 sq.ft., reflecting a city-wide office vacancy rate of 5.7%. Of this, 550,815 sq.ft. (37%) is Grade A or good quality refurbished Grade B space.

Edinburgh's current city office development pipeline is expected see much needed Grade A office supply delivered in both the core city centre and prime West Edinburgh through 2020-2022.

SUPPLY AND TAKE UP



PERIPHERAL DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
LINKS HOUSE LINKS PLACE	6,724	UPWARD MOBILITY	CHARITY
1 LEITH WALK	6,383	SOCIAL BITE	FOOD & BEVERAGE
GREAT MICHAEL HOUSE LINKS PLACE	4,936	SITEKIT	TECHNOLOGY
WESTFIELD HOUSE 26 WESTFIELD ROAD	48,614	CHURCH OF SCIENTOLOGY	INSTITUTION
BROADSTONE SOUTH GYLE CRESCENT	35,608	INSTANT OFFICES	SERVICED OFFICES
FORTHSTONE SOUTH GYLE CRESCENT	35,261	MOTABILITY	CHARITY
12 LOCHSIDE PLACE	11,849	KEYSIGHT TECHNOLOGIES	TECHNOLOGY

CITY CENTRE NEW BUILDS

ADDRESS	SIZE (SQ.FT.)	DEVELOPER	DELIVERY DATE
CAPITAL SQUARE 62 MORRISON STREET	54,012 (50% PRE-LET)	BAM PROPERTIES/ HERMES	Q2 2020
2 FREER STREET	59,554	VASTINT	Q2 2021
THE HAYMARKET (PHASE 1)	110,000	M&G REAL ESTATE	Q4 2021
EXCHANGE PLACE 4	18,840	EP3 DEVCO	Q1 2022

WEST EDINBURGH NEW BUILDS

ADDRESS	SIZE (SQ.FT.)	DEVELOPER	DELIVERY DATE
1 NEW PARK SQUARE EDINBURGH PARK	85,000	PARABOLA	Q4 2021

OUTLOOK

Edinburgh's lack of speculative office development of any scale has driven Grade A supply to record lows. This undersupply is creating upwards pressure on prime rents, with record levels anticipated.

As identified in Ryden's market analysis for Edinburgh's City Plan 2030, office development land in the city centre is a challenge. New destinations require to be evolved, supported by investment in infrastructure and transportation links.

Tight Grade A office supply and an uneasy market encouraged occupiers to renew existing leases rather than relocate during 2019. Greater political clarity and new office site starts are expected to now align with continuing demand and encourage pre-letting.

Lease renewals should also continue though, as will Grade A/B refurbishments to deal with the necessary upgrading of the city's ageing office stock at more affordable rents than new-build Grade A.

“AS IDENTIFIED IN RYDEN'S MARKET ANALYSIS FOR EDINBURGH'S CITY PLAN 2030, OFFICE DEVELOPMENT LAND IN THE CITY CENTRE IS A CHALLENGE.”

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
DEEPWATER HOUSE PRIMEFOUR KINGSWELLS	76,620	TAQA BRATANI	OIL & GAS
B3 ABERDEEN BUSINESS PARK DYCE	51,356	OCEANEERING	OIL & GAS
PAVILION 4 WESTPOINT WESTHILL	15,394	BORR DRILLING	OIL & GAS
1 ALBYN PLACE	14,148	ADD ENERGY	OIL & GAS
MARISCHAL SQUARE BROAD STREET	9,507 9,509 11,846	EY CHEVRON KPMG	OIL & GAS

"DEVELOPER KNIGHT PROPERTY GROUP IS CURRENTLY ON SITE DELIVERING TWO NEW OFFICE PAVILIONS TOTALLING 20,000 SQ.FT. AT KINGSHILL BUSINESS PARK."

OFFICES ABERDEEN

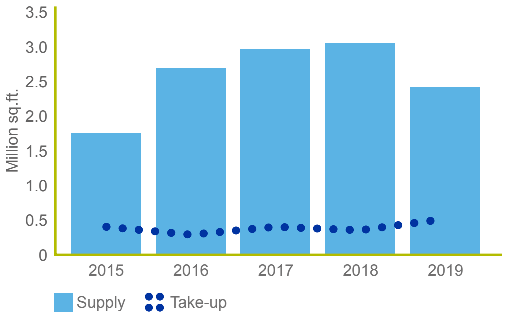
TAKE UP

Aberdeen's improving economy around a more stable oil price has fuelled an increase in demand for office accommodation. Take up for the year was 514,000 sq.ft. This is 45% up on 2018 and heading towards the city's 5-year average take up of 558,000 sq.ft.

Grade A offices within the city centre are filling up. The Capitol is fully let and Marischal Square is now 75% let, having attracted new tenants EY, Chevron and KPMG.

The majority of office deals in 2019 were smaller, with only 13 in excess of 10,000 sq.ft. The largest deal was at Primefour where TAQA Bratani took over Transocean's standalone 76,620 sq.ft. building. Transocean will remain at Primefour, having downsized to 28,000 sq.ft. within Lloyds Register's building Prime View.

SUPPLY AND TAKE UP



SUPPLY

Aberdeen's office supply has fallen by 15% over 2 years to 2.42 million sq.ft. This is due to the combined effects of the rising take up, a lack of new development and the demolition of some buildings such as Silverburn House and at Kirkhill Business Park. The 2.42 million sq.ft. supply still reflects a high vacancy rate of 13.5% and there are many further redundant office properties, a number of which are under consideration for demolition or conversion to alternative use.

There is virtually no planned new office development. One exception is on the city periphery, where developer Knight Property Group is currently on site delivering two new office pavilions totalling 20,000 sq.ft. at Kingshill Business Park at Westhill.

OUTLOOK

Barring any unforeseen major issues in the energy industry, a continuation of stable office demand and further falling supply is anticipated. Take up is unlikely to increase significantly, but the market is now back on an even keel with the number of requirements up and more deals being converted.

2019's fall in supply should continue throughout 2020 as it is unlikely that any further new build projects will be on site this year.

Prime rents are £32.50 per sq.ft. and are likely to remain at that level supported by large incentives.

INDUSTRIAL

GLASGOW AND WEST OF SCOTLAND

TAKE UP

Despite weak economic growth and political headwinds, the Glasgow and West of Scotland industrial market is enjoying a purple patch for pre-let and bespoke (purpose-built) deals. A number have still to conclude, but the market has transitioned from supply-led to one where turnkey solutions are driving new development.

Rising demand for discount groceries is driving the market. Lidl has opened its largest UK regional distribution centre (624,000 sq.ft.) at Eurocentral; this is also Scotland's largest bespoke build for a number of years. Farmfoods has expanded, enlarging its existing Cumbernauld headquarters by 192,000 sq.ft. At Westway in Renfrew, Filshill are taking a 120,000 sq.ft. new build unit to expand their wholesale offer.

Also in the logistics sector, DHL's newest parcel unit (50,034 sq.ft.) is well under way at Clyde Gateway East by Harris Finance.

Discussions are also progressing on two further major pre-lets which are expected to conclude this quarter.

Many larger deals have been lease renewals. Amazon extended the lease on its 300,000 sq.ft. fulfilment centre in Gourock following a rental dispute with the landlord. Similarly, Doosan Babcock committed to stay in 350,000 sq.ft. at Westway Park for a further 15 years. At Queenslie, Soapworks extended on 79,000 sq.ft. and Marine Products Scotland on 47,000 sq.ft. At Eurocentral, Mentholatum are staying in the 64,000 sq.ft. Pegasus building.

> "THE GLASGOW AND WEST OF SCOTLAND INDUSTRIAL MARKET IS ENJOYING A PURPLE PATCH FOR PRE-LET AND BESPOKE (PURPOSE BUILT) DEALS."

DEALS

ADDRESS	SIZE (SQ.FT.)	TENANT	SECTOR
UNIT 606 CLYDE GATEWAY EAST	49,948	NETWORK RAIL	TRANSPORT
UNIT 605 CLYDE GATEWAY EAST	13,770	EDEN MILL DISTILLERS	FOOD & DRINK
BUILDING 2 INCHINNAN ROAD BELLSHILL	36,300	TRADEBE	WASTE MANAGEMENT
COLOSSUS 2 EUROCENTRAL	94,178	HERMES	LOGISTICS
PLOT 4 CLYDE GATEWAY EAST	50,034	DHL	LOGISTICS
WESTWAY	120,400	FILLSHILL	RETAIL
CARTSIDE AVENUE	20,000	VASCUTEK	HEALTHCARE
UNIT 201	27,448	TORISHIMA	MANUFACTURING

> WITHIN POPULAR AREAS IT IS COMMON TO SEE RENTAL RISES OF 20%-50% AT REVIEW/RENEWAL.

SUPPLY

The market has reached its lowest level of availability. Vacant industrial property accounts for 3.7% of stock. Against average annual take up of 3,021,743 sq.ft. this equates to only 1.26 years of supply (or 2.15 years, including available properties not marketed).

A proportion of the remaining stock is obsolete and, although building age is not a definitive guide to obsolescence, it is interesting to note that nearly 50% was built pre-1980s.

Speculative development remains at a low volume, but some projects have been put to one side in order to pursue larger pre-let opportunities. This is positive but will limit the availability of small to medium sized units. Hillington Park and Eurocentral are the focus of potential speculative development of significant scale with designs advancing at both locations.

The industrial stock in West Central Scotland is growing again as construction comes on stream mainly to satisfy rising pre-let and bespoke requirements from the e-commerce and the logistics sector. There is rising developer and investor interest in speculative development in the best locations. There are also fewer outmoded premises now to demolish, but this could rise again if more stringent environmental regulations accelerate the obsolescence of the poorest stock. This would be positive for the overall standard of stock but marginal businesses will find it increasingly difficult to secure premises.

RENTS

New development and scarcity are driving rental growth. According to CoStar, the average rent across the entire leased stock is now £5.13 per sq.ft. with annual growth of 2.2%.

Recent Ryden deals indicate various data providers are underestimating growth. This may be due to a lag in reporting and the averaging across what is a very large market. Within popular areas it is common to see rental rises of 20%-50% at review/renewal.

Despite such increases, industrial property remains a relatively cheap form of business space and occupiers are largely accepting the need for an increase after many years of static rents.

A consequence of rent rises is the extraordinary position whereby some outmoded retail parks with the correct location and layout have greater prospects as industrial estates, potentially including fulfilment for online retailing.

OUTLOOK

Further tightening of Glasgow's industrial supply is expected in 2020. This is positive for rental growth and investment potential, but is constraining business expansion – Ryden receives calls on a daily basis from businesses unable to identify premises. Even a modest improvement in the economy would leave Glasgow unable to meet demand in the short term. The market continues to be very active but requires the creation of more new industrial space to accommodate business growth.

Market analysis is underestimating rental growth. In the absence of a recession or further political challenge, new supply will be both higher cost and of insufficient scale at a market level to suppress rents, particularly as the occupier base for high quality industrial premises is deepening to include new types of business. The lack of serviced development sites and the requirement to focus on smaller scale infills will also constrain the market.

EDINBURGH AND EAST OF SCOTLAND
INDUSTRIAL

TAKE UP

The Edinburgh and East of Scotland industrial property market had a challenging 2019. However the market remains resilient, underpinned by record low vacancy rate and the prospect of rental growth.

The volume of letting activity in 2019 was reduced by 30%, at 174 transactions compared to 247 in 2018. The volume of floorspace transacted fell more sharply by 35% to 894,392 sq.ft., to reach its lowest level since 2009.

Occupiers became increasingly risk averse during 2019 and larger transactions fell away – there were only two lettings larger than 10,000 sq.ft. during the second half of the year – as the political backcloth and selectivity on location, rents, specification and non-domestic rates all suppressed demand.

SUPPLY

Despite these challenges, vacancies are at record low levels. The vacancy rate of 4.9% has steadily reduced from a high of 9.8% in 2012. Supply of floorspace year-on-year has fallen from 5.3 million sq.ft. in 2012 to 4.8 million sq.ft. at the end of 2019.

Obsolescence remains the major problem, as many properties are increasingly unsuitable for modern occupiers. 2019 did bring the completion of 6 newly constructed estates, including Seven Hills Business Park in Edinburgh, Barons Court in Grangemouth and an extension of Shairps Business Park at Livingston Trade Park, together providing approximately 295,000 sq.ft. of new stock. There is also an estimated 143,700 sq.ft. of industrial space currently under construction which is due to complete during 2020.

RENTS

Prime rents remain at £9-£10 per sq.ft. for properties in the best locations or with road side prominence or yard space. Rental growth is however still evident across the majority of the market, due largely to lack of supply but also landlords carrying out good quality refurbishments and/or reconfigurations.

Prime trade counter rents have reached in excess of £10 per sq.ft., however this is very location specific. Overall there is a notable reduction in trade counter activity as many established operators are well represented and there are few new market entrants.

"OBSOLESCENCE REMAINS THE MAJOR PROBLEM, AS MANY PROPERTIES ARE INCREASINGLY UNSUITABLE FOR MODERN OCCUPIERS."

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
M8 J3A BATHGATE	240,996	MALCOLM LOGISTICS	LOGISTICS
UNIT F QUEEN ANNE DRIVE NEWBRIDGE	26,388	R DRUMMOND CARRIERS LTD	DISTRIBUTION
1 HUTTON SQUARE BRUCEFIELD INDUSTRY PARK LIVINGSTON	19,476	POLYSOL LTD	MANUFACTURING
BELLEKNOWES INDUSTRIAL ESTATE INVERKEITHING	13,876	PICT OFFSHORE LTD	ENGINEERING
WESTERTON ROAD EAST MAINS INDUSTRIAL ESTATE BROXBURN	9,836	APC OVERNIGHT	LOGISTICS

OUTLOOK

The expectation is for improved market confidence in 2020. Rental growth should become more widespread, although heavily influenced by the quality of stock as many properties require extensive refurbishment. Faced with rising costs, occupiers will review their requirements and some may seek to combine office, showroom and industrial uses under one roof. Demand for larger warehouses will be linked to ongoing change in the retail sector.

Edinburgh's traditional urban industrial estates will continue to disappear, making way for mainly residential development. This will tighten the market and force occupiers to look further afield. Loanhead was previously the preferred option, however its estates are now also reaching capacity. Locations such as West Lothian and Fife may now benefit. Ryden's report for the forthcoming Edinburgh City Plan 2030 examines these imminent locational choices.

> "RENTAL GROWTH SHOULD BECOME MORE WIDESPREAD, ALTHOUGH HEAVILY INFLUENCED BY THE QUALITY OF STOCK AS MANY PROPERTIES REQUIRE EXTENSIVE REFURBISHMENT."

INDUSTRIAL

ABERDEEN

TAKE UP

Take up of industrial property in Aberdeen nearly doubled from the first half to the second half of 2019. Annual take up totalled 709,715 sq.ft., reflecting a 7% increase on 2018 and 20% above the 5-year average of 588,331 sq.ft.

The 91 lettings recorded in 2019 was the highest total of the decade. Smaller transactions continued to dominate the market, with 80% of lettings below 10,000 sq.ft.

DEALS

ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
D2 BUSINESS PARK DYCE DRIVE DYCE	88,050	OCEANEERING	OIL & GAS
FORUM HOUSE PEREGRINE ROAD WESTHILL	54,666	ACTEON GROUP	OIL & GAS
THE CORE 3 CORE BUSINESS PARK	27,000	BILFINGER	ENGINEERING SERVICES
UNIT 8 KIRKHILL PLACE DYCE	25,743	HYDRATIGHT	OIL & GAS
UNIT 7A INTERNATIONAL AVENUE ABZ BUSINESS PARK DYCE	20,645	ETHOS ENERGY (GBR) LTD	OIL & GAS

SUPPLY

Industrial supply in Aberdeen at the end of 2019 totalled 2.83 million sq.ft., reflecting a 19% rise year-on-year. A significant proportion of this marketed stock is however approaching obsolescence. It is generally good quality new build and extensively refurbished space that is transacting. Although the city-wide industrial vacancy rate across all grades of property is 7.3%, less than 100,000 sq.ft. of new build stock is presently available.

RENTS

The Aberdeen industrial market differs from elsewhere in the country in that the office, warehouse and yard elements of a building are all rentalised separately at £9 per sq.ft. for warehousing, £19 per sq.ft. for offices and £2 per sq.ft. for concrete yards. Occupiers are now seeking lower office contents (20-25%) compared with typically 30-35% in the past. As a result, landlords and developers are now reducing office contents to attract occupiers and reduce the overall rental cost.

OUTLOOK

Strongly rising take up and very limited new build supply is improving market sentiment. This has encouraged a number of developers to once again press ahead with speculative development.

> “THE IMPROVING MARKET SENTIMENT HAS ENCOURAGED A NUMBER OF DEVELOPERS TO ONCE AGAIN PRESS AHEAD WITH SPECULATIVE DEVELOPMENT.”

SPECULATIVE DEVELOPMENT

ADDRESS	SIZE (SQ.FT.)	DEVELOPER	DELIVERY DATE
UNITS 8, 9 & 10 KINGSHILL COMMERCIAL PARK WESTHILL	UNIT 8: 9,580 UNIT 9: 11,840 UNIT 10: 12,379	KNIGHT PROPERTY GROUP	CONSTRUCTION TO COMMENCE SHORTLY
ALTENS TRADE PARK SOUTERHEAD ROAD ALTENS	UNITS 1 & 2: 7,666 UNITS 3 & 4: 4,006 UNITS 5 & 6: 1,522	KNIGHT PROPERTY GROUP	CONSTRUCTION COMPLETE. UNITS 3 AND 4 ARE UNDER OFFER
UNITS 1-15 ABZ BUSINESS PARK DYCE	15 UNITS OF 2,500	ABZ DEVELOPMENTS LTD	PHASE 1 – CLOSE TO COMPLETION. PHASE 2 – CONSTRUCTION TO COMMENCE SHORTLY
9A ABZ BUSINESS PARK DYCE	18,138	ABZ DEVELOPMENTS LTD	CONSTRUCTION TO COMMENCE SHORTLY
SALTIRE BUSINESS PARK BADENTOY PORTLETHEN	7 UNITS TOTALLING 13,146	SALTIRE DEVELOPMENTS	CONSTRUCTION TO COMPLETE SHORTLY

RETAIL AND LEISURE

The Scottish Retail Consortium/KPMG report that in December 2019 total sales rose by 0.4% year-on-year, although analysis across both November and December to adjust for the date of Black Friday shows a 0.9% fall.

The continued growth of online sales and reduction in the requirement from retailers for physical stores is not a new phenomenon. However, the continued year on year impact on town centres and shopping centres is compounding concerns over how to repurpose vacant space.

Over the 11 months to the end of November 2019, 81 retailers fell into administration according to KPMG. This included brands such as LK Bennett, Jack Wills, Karen Millen, Links of London, Bon Marche, Bathstore, Jessops, Clinton's, Thomas Cook and Oddbins. Further major retailers have announced closures with Boots to close 200 stores and Arcadia to close 23 stores across Top Shop, Top Man and Dorothy Perkins.

Department stores have not escaped the trend, with Debenhams following BHS with store closures (including in Kirkcaldy) together with House of Fraser in Edinburgh and Watts Brothers in Glasgow leading to large scale vacancies within town centres. In addition, Marks & Spencer is another large space occupier working on closures with 100 planned across the UK.

The discount sector continues to expand, although it can have an out of town bias. Active retailers such as Home Bargains, B&M, Iceland (Food Warehouse), Lidl and Aldi pick and choose locations, including voids in retail parks. Further opportunities for those occupiers may arise from the demise of the likes of Mothercare and Mamas & Papas.

Major landlords have been forced to consider repurposing of properties. Examples include the former Edinburgh BHS where LaSalle Investment Management is redeveloping the Princes Street store for a new Premier Inn hotel together with retail and restaurant space below. Also on Princes Street, the former House of Fraser is to be redeveloped for the Johnny Walker Scotch Whisky attraction by Diageo. In Glasgow, the former BHS on Sauchiehall Street is to be redeveloped for mixed use office and retail accommodation, albeit this development has yet to commence.

These are of course major city centres. The challenge of repurposing Scotland's many town centres is more acute. Leisure reuses such as cafes and restaurants continue to invest, but the market is past its peak and, like discounters, may also favour drive-thru/ out of town. Some town centres are now appraising a much wider mix of uses to attract redevelopment and deliver town centre activity, including residential uses. For example the landlords of The Oak Mall Shopping Centre in Greenock have lodged an application for the demolition of part of the centre to make way for residential development to provide 146 apartments in the town centre.

Edinburgh St James has announced further lettings in advance of the planned opening of the retail and leisure elements in October 2020 (a cinema and hotels will open in 2021). Along with previous announcements and the John Lewis anchor store, recent deals include Next who will relocate from Princes Street. Responding to this shift in the prime shopping pitch, City of Edinburgh Council's Choices for City Plan 2030 report proposes relaxation of use restrictions in the west end of Princes Street.

Ryden's retail rent index monitors prime pitches across Scotland's top twenty city, town and shopping centres. While the index shows 6.8% nominal growth over the past five years, this is concentrated in the largest destination centres and in real terms after price inflation prime rents have fallen by 1.0%. This is a comparatively resilient performance though when considered against more general rental falls across the retail sector.

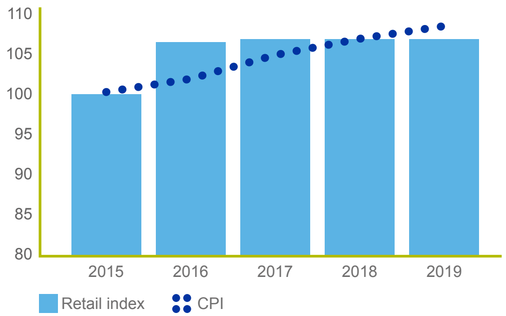
> “THE DISCOUNT SECTOR CONTINUES TO EXPAND, ALTHOUGH IT CAN HAVE AN OUT OF TOWN BIAS.”

OUTLOOK

Although some discount retailer and food & beverage operators are expanding, this is across a mix of locations and is not offsetting the larger number who are shedding floorspace.

While there will continue to be a strong physical presence, particularly in prime destinations, reshaping retail space alongside alternative uses is likely to dominate activity for many years to come.

RETAIL INDEX (TOP 20 TOWNS)



ADDRESS	SIZE (SQ.FT.)	OCCUPIER	SECTOR
18/20 ROYAL EXCHANGE SQUARE GLASGOW	2,700	LULU LEMON	ATHLETIC APPAREL
BUCHANAN GALLERIES GLASGOW	10,000	SCHUH	FOOTWEAR
EDINBURGH ST JAMES	37,000 5,700	ZARA THE ALCHEMIST	FASHION RESTAURANT
120A PRINCES STREET EDINBURGH	4,600	POUNDLAND	DISCOUNT RETAILER
TRINITY CENTRE ABERDEEN	4,781	TOYTOWN	TOY STORE
BON ACCORD CENTRE ABERDEEN	4,400	JACK WILLIS	FASHION

INVESTMENT

OVERVIEW

The Scottish commercial property investment market was again subjected to political interference in 2019, largely due to the continued saga of Brexit. Brexit affected all UK financial markets though, so for seasoned property investors the attraction of bricks and mortar remained, despite the recent trend of falling returns. Activity was heightened when good quality office and industrial properties were brought to the market. Low interest rates also helped to maintain property's appeal, although banks have tightened their debt offer on riskier situations. Overseas investors were again keen bidders when it came to the larger lots, attracted by a favourable exchange rate and the comparatively generous yields on offer.

Towards the end of 2019 the market slowed as the UK General Election approached, with buyers and sellers waiting in the sidelines to gauge the outcome.

ALTERNATIVES

Investment sentiment has shifted in recent years to favour 'alternatives' such as Purpose Built Student Accommodation (PBSA), hotels, infrastructure and income-producing residential sectors including Build to Rent (BTR) residential. Investors are attracted by the long leases often attainable, higher returns from operational assets and a perception of greater defensive qualities in a downturn.

There is a willingness to invest at scale. One third of full time students live in PBSA and the UK sector is estimated to be worth in excess of £50 billion. Specialists dominate the sectors: Unite recently acquired Liberty Living for £1.4 billion and Straits (SPH) acquired 7 assets (2,383 beds) from Student Castle for £411 million. In Scotland, Hines acquired a 607-bed PBSA development in Glasgow from Bricks for £72 million, reflecting a capital rate of c. £119,000 per bed.

Allocation of capital into residential has promoted BTR from niche to become an established sub sector of the UK institutional property market. Activity has been slow to materialise in Scotland, however there are now a growing number of investors targeting projects in Edinburgh and Glasgow. Key drivers include the outperformance of the Scottish housing market, the systemic under supply of new housing across all tenures and the growing number of renters. Legal and General have made an early impact and have funded Drum Property Group's development of 324 apartments at Buchanan Wharf, Glasgow and also S1's Skyliner development in Leith which is to comprise 338 apartments. A number of other developments and forward funding transactions are under consideration.

Despite the surge in the number of hotel rooms in Scotland's main cities and the resultant fall in revenue per available room (Rev par), the sector remains extremely popular with investors. Long leases are a significant driver although operational assets in Edinburgh and Glasgow are also of interest to more sophisticated investors. The funding of Artisan Real Estate Investor's hotel and apart hotel scheme in Glasgow by Union Investments Real Estate is a significant transaction and also a resounding vote of confidence in the city.

ALTERNATIVES DEALS

ADDRESS	PROPERTY	PURCHASER
CUSTOM HOUSE GLASGOW	TWO HOTEL DEVELOPMENT – PRE-LETS TO CLAYTON (DALATA) FOR A 294 BEDROOM HOTEL AND A 162 BEDROOM APARTHOTEL BY ADAGIO	UNION INVESTMENTS REAL ESTATE GMBH (FORWARD FUNDING OF c. £78.5 MILLION)

OFFICES

Transactional activity for 2019 belied the uncertain political climate, with large office investment transactions in all three major cities. Active occupational markets drove investor demand in Edinburgh and Glasgow, providing buyers with strong rental growth prospects in a context of historically low levels of availability. The Aberdeen market provides fewer occupational fireworks currently, but does provide investors with high quality assets let on long leases, available at attractive income yields.

Investor demand was polarised in 2019, with prime assets above £20m most likely to be acquired by overseas investors, and Korean buyers most active. Otherwise, property companies were the dominant buyers, taking advantage of the scarcity of institutional investors to pick up quality assets and those with value-add potential.

Prime office yields in Edinburgh & Glasgow remain at 5.0-5.25%, with Aberdeen closer to 6.75-7.0%.

There are tentative signs of recovery in the out of town office sector, as investors start to pick up the signs of occupational activity rippling out from city centre markets, although they remain highly selective.

OFFICE DEALS

ADDRESS	PROPERTY	PURCHASER
123 ST VINCENT STREET GLASGOW	FULLY LET MULTI-OCCUPIED GRADE B LISTED BUILDING OF 134,517 SQ.FT. WAULT OF 5.25 YEARS	LONGMEAD CAPITAL FOR £37.75 MILLION (7.57%)
110 ST VINCENT STREET GLASGOW	GRADE A LISTED BUILDING OF 96,751 SQ.FT. LET UNTIL JUNE 2027	KOREAN CLIENT OF KNIGHT FRANK INVESTMENT MANAGEMENT FOR £48.4 MILLION (5.4%)
EXCHANGE PLAZA LOTHIAN ROAD EDINBURGH	MULTI-LET BUILDING OF c. 101,227 SQ.FT. WAULT OF c. 7.5 YEARS TO BREAKS	CLIENTS OF M&G REAL ESTATE FOR £54 MILLION (5.32%)
THE LEONARDO INNOVATION HUB CREWE TOLL EDINBURGH	SINGLE-LET R&D FACILITY c. 15 YEAR INFLATION LINKED INCOME. APPROXIMATELY 439,000 SQ.FT. BUILDING ON 16 ACRE SITE	SOUTH KOREAN CLIENTS OF KFIM FOR c. £100 MILLION (5.91%)
SIR IAN WOOD HOUSE ALTENS ABERDEEN	MODERN GRADE A OFFICE BUILDING EXTENDING TO 216,000 SQ.FT. LET TO WOOD GROUP ON A NEW 15 YEAR LEASE	LCN CAPITAL PARTNERS FOR c. £80 MILLION (7.00%)
BUILDING 3 ENTERPRISE DRIVE WESTHILL	61,215 SQ.FT. GRADE A OFFICES, PURPOSE-BUILT IN 2013, LET TO TECHNIP UK LIMITED WITH 14 YEARS UNEXPIRED	CLIENTS OF BLACKSAND FOR £22.4 MILLION (6.70%)

Across Scotland as a whole the industrial sector generated the greatest demand from investors in 2019. Transactional activity was encouraging in the three principal cities, despite wider political and economic uncertainties.

INDUSTRIAL

Demand for multi-let industrial assets from property companies remained strong throughout the year, although the number of completed transactions was reduced from 2018. Larger single-let industrial and distribution sheds offering secure income were also sought after and mainly snapped up by overseas investors. Interest from UK funds remained subdued, although by year end two notable deals had completed.

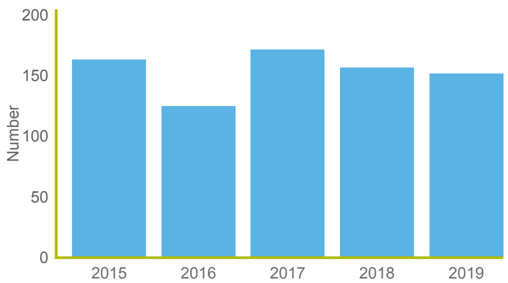
Scotland continues to offer good yield value for industrial stock compared to England where the market has become overheated in some locations. Decent quality rack rented multi-let estates are generally trading in the order of 6-7% in Glasgow and Edinburgh, while yields of 8-9% are more the norm in Aberdeen. The yield differences between the cities will be determined by a number of factors although rental growth prospects in the locality will be significant. Yield differentials are also evident in single let transactions with long let properties trading for 5-6% in Glasgow and Edinburgh compared to 6.5-7.0% in Aberdeen.

INDUSTRIAL DEALS

ADDRESS	PROPERTY	PURCHASER
BREWDOG EUROCENTRAL	PRIME DISTRIBUTION UNIT OF 129,183 SQ.FT. LET TO BREWDOG PLC FOR 20 YEARS (NO BREAKS)	CBRE GLOBAL INVESTORS FOR £15M (5.04%)
WESTERN CAMPUS STRATHCLYDE BUSINESS PARK BELLSHILL	MODERN MULTI-LET ESTATE OF 44,200 SQ.FT. ACROSS 15 UNITS. 75% LET	STENPROP FOR £4.6M, (5.5%) WITH EXPECTED REVERSION (TO c. 7.5%) UPON LETTING OF VACANT UNITS.
ROYAL MAIL SORTING WAREHOUSE CULTINS ROAD EDINBURGH	215,745 SQ.FT. IN-TOWN SORTING OFFICE AND LOGISTICS FACILITY ON 12.9 ACRE SITE. LET TO MAY 2030	HINES GLOBAL INCOME TRUST c. £25.46 MILLION (5.25%)
22 SEAFIELD ROAD EAST EDINBURGH	20,631 SQ.FT. CAR SHOWROOM ON 1.19 ACRE SITE. LET TO VERTU MOTORS UNTIL NOVEMBER 2023	BUCCLEUCH PROPERTY FOR £2.1 MILLION (7.17%)
HARVEST AVENUE D2 BUSINESS PARK DYCE, ABERDEEN	PURPOSE-BUILT INDUSTRIAL FACILITY EXTENDING TO 88,000 SQ.FT., PRE-LET TO OCEANEERING INTERNATIONAL SERVICES LTD FOR 15 YEARS	GLOBAL GATE CAPITAL FOR £11.5 MILLION (7.60%). FORWARD FUNDING
BADENTOY NORTH PORTLETHEN ABERDEEN	68,000 SQ.FT. LET TO SCHLUMBERGER OILFIELD UK PLC UNTIL FEBRUARY 2030 WITH A TENANT ONLY BREAK OPTION IN FEBRUARY 2028	STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST FOR £13.55 MILLION (7.90%)

INVESTMENT TRACKER

Number of investment transactions over £1 million in Scotland.



RETAIL AND LEISURE

Investor activity in the retail property investment sector was well below average in 2019. The sector continues to experience volatility as structural change to the retail environment impacts on retailers. Unlike in the industrial sector, investors took full account of the political and economic climate in the volatile retail sector, and were ultra-cautious.

Some areas were however active, with yields holding firm. Private investors remained keen to acquire well-let smaller properties, largely led by the convenience operators who continue to trade well and typically acquire property on longer lease terms with index linked rent reviews. Funds and larger property companies faced a different dilemma with falling demand for larger properties and a general over exposure to the sector, leading to some forced selling of assets to help balance liquidity requirements. Consequently, yields for retail warehousing and shopping centres have softened as prices have fallen.

OUTLOOK

There is talk of a bounce in the market following the clarity provided by the UK General Election. For Scotland this is tempered by the ongoing constitutional debate, although the next stage of Brexit is the more likely external factor to influence markets in 2020, and that of course will be felt UK-wide.

Investor demand between Scotland's cities is unlikely to change significantly in the coming year. Prime office and industrial opportunities in Edinburgh and Glasgow should provide strong performance and liquidity against the background of tight occupier markets. Aberdeen's resilient economy and positive take up trend should attract greater interest, although investors will still look for a yield discount. The alternative property investment sector is well placed to grow, as capital allocations and the search for sustainable income fuel an increase in development and funding activity. A soft bounce is anticipated in the retail sector as investors sense the bottom of the market for certain parts of the High Street and possibly some sub sectors such as retail warehousing. The focus for retail though will continue to be on covenant and lease length and it is likely that the large gap between prime and secondary assets will remain.

> “THE ALTERNATIVE PROPERTY INVESTMENT SECTOR IS WELL PLACED TO GROW, AS CAPITAL ALLOCATIONS AND THE SEARCH FOR SUSTAINABLE INCOME FUEL AN INCREASE IN DEVELOPMENT AND FUNDING ACTIVITY.”

RETAIL DEALS

ADDRESS	PROPERTY	PURCHASER
SAUCHIEHALL BUILDING 165-197 SAUCHIEHALL STREET GLASGOW	309,000 SQ.FT. RETAIL BLOCK WITH MULTI-STOREY CAR PARK	ARBAH CAPITAL ON AN SPV BASIS FOR £55 MILLION (6.3%)
STOCK EXCHANGE HOUSE 153-159 BUCHANAN STREET & 6-11 NELSON MANDELA PLACE GLASGOW	57,190 SQ.FT. CATEGORY A LISTED FULLY LET TO NINE TENANTS	AEW EUROPE FOR £33 MILLION (c. 5%)
67 & 69 GEORGE STREET EDINBURGH	MULTI-LET, 11,894 SQ.FT. MIXED-USE OFFICE AND RETAIL	KNIGHT PROPERTY FOR £8.25 MILLION (6.44%)
60 PRINCES STREET EDINBURGH	LEASED TO M&S PLC WITH c. 67 YEARS UNEXPIRED, UPWARD ONLY OPEN MARKET REVIEWS. EXTENDS TO c. 23,310 SQ.FT.	EWM GROUP FOR £12.3 MILLION (3.96%)
BRIDGE OF DON RETAIL PARK ABERDEEN	PRIME MULTI-LET RETAIL PARK EXTENDING TO 82,000 SQ.FT. WITH WAULT OF 11.5 YEARS TO BREAKS	GREENRIDGE INVESTMENT MANAGEMENT FOR £14.25 MILLION (7.57%)

EDINBURGH
7 Exchange Crescent
Conference Square
EH3 8AN
0131 225 6612

GLASGOW
130 St Vincent Street
G2 5HF
0141 204 3838

ABERDEEN
25 Albyn Place
AB10 1YL
01224 588866

LEEDS
3rd Floor Carlton Tower
34 St Pauls Street
LS1 2QB
0113 243 6777

LONDON
4th Floor Langham House
302-308 Regent Street
W1B 3AT
020 7436 1212

MANCHESTER
2nd Floor
28 King Street
M2 6AY
0161 249 9778

DR MARK ROBERTSON
Managing Partner
mark.robertson@ryden.co.uk

KAREN FORSYTH
Research Manager
karen.forsyth@ryden.co.uk

ryden.co.uk

Ryden