

# Scottish Property Federation

## Commercial Property Market Report: Q1 (Jan-Mar) 2017

### KEY TRENDS

- **SCOTLAND:** The total value of commercial sales in Q1 2017 (January and March 2017) was £795m. This is 19% down on Q4 2016 but 28% higher than in Q1 2016.
- **SCOTLAND:** The number of transactions in Q1 2017 was 1047. This represents a 13% fall on Q4 2016 but an increase of 11% on Q1 2016.
- **SCOTLAND:** Investment volumes were high in Q1 2017, Costar UK puts the total investment across all sectors at £822m. This is the best Q1 on record and more than double the 10-year average.
- **ABERDEEN:** There are signs of stability in the city’s commercial real estate market after the recent oil and gas industry downturn. Q1 2017 was the second consecutive quarter of growth in the city with total sales generating £103m - helped in part by several high value transactions.
- **EDINBURGH:** Despite a slight dip in sales when compared to Q4 2016, Edinburgh had a strong quarter, with £269m generated from 129 sales. Q1 2017 was the best first quarter for the Capital in the post-recession years. Signs continue to show that the total value of commercial sales in Edinburgh’s is continuing to grow strongly.
- **GLASGOW:** There was an increase of 31% in the number of sales in Scotland’s biggest city between Q4 2016 and Q1 2017; however, the combined value of these sales was lower than the previous quarter at £140m.
- **DUNDEE:** There were no transactions in Dundee with a value higher than £3m, which meant that the total value of sales fell over 50% (to £9m) between Q4 2016 and Q1 2017. The total number of transactions was 24% down.

### NATIONAL PICTURE

| <i>Scotland</i> | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> | <b>Q1 2017 v Q4 2016 Change</b> | <b>Q1 2017 v Q1 2016 Change</b> |
|-----------------|----------------|----------------|----------------|---------------------------------|---------------------------------|
| Value           | £795m          | £983m          | £619m          | ↓19.1%                          | ↑28.4%                          |
| Volume          | 1,047          | 1,198          | 947            | ↓12.6%                          | ↑10.6%                          |

### Q1 Summary

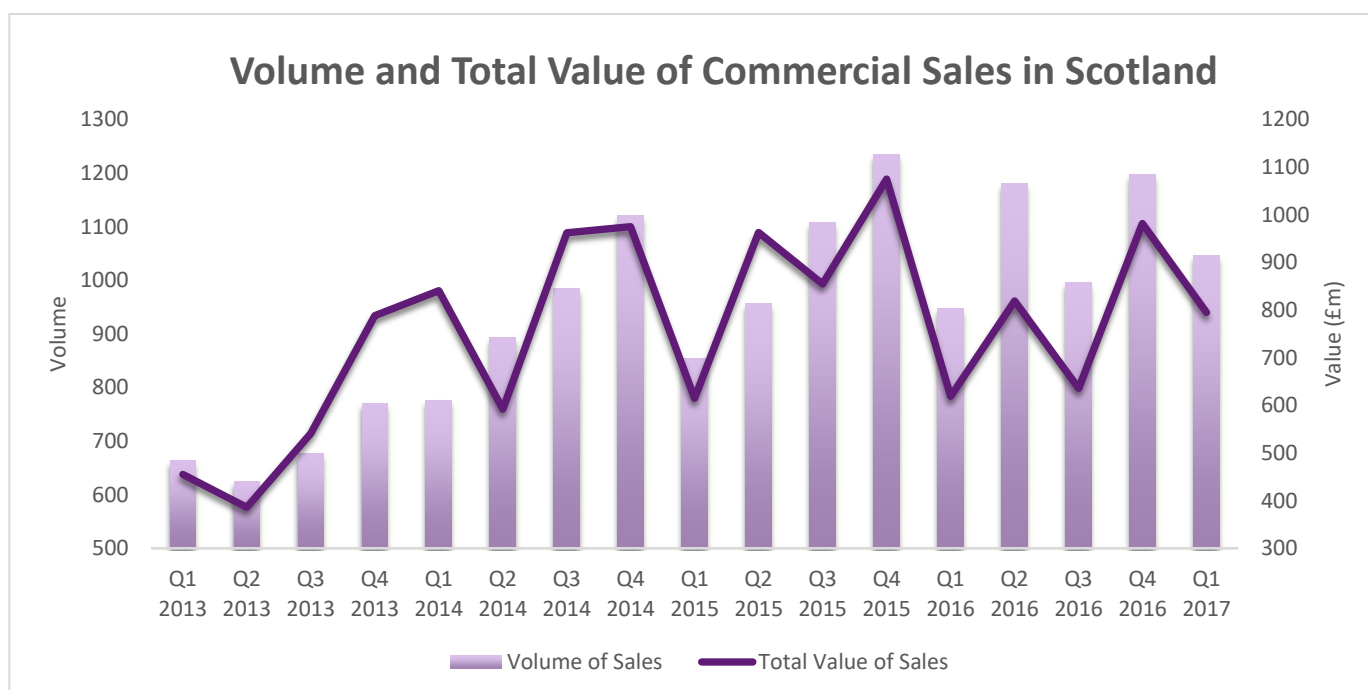
The first quarter of the new year (January to March) often sees a lull in commercial real estate activity and, to an extent, that remained the case in 2017. Compared to Q4 2016 (October to December 2016) the total value of sales declined 19% to £795m and the number of sales fell 13%. However, when compared with Q1 2016, the start of this year saw 11% more transactions and a 28% increase in the total value of those sales.

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Despite facing economic and political head winds, these figures show that the Scottish market has bounced back slightly after a very poor 2016 – where the market lost 13% of its 2015 transactional value. We will have to wait a few more months to find out whether this improvement can be sustained.

One thing that the national figures do not show is the importance of Edinburgh to the size of the commercial real estate market in Scotland. In Q1 2017, Edinburgh accounted for £269m of the £795m generated from commercial sales in Scotland – that is 34% of the total value of sales despite accounting for only 12% of the volume of sales nationally.



### £5m and above

The number of commercial properties sold at and above £5m in Scotland was 26 in Q1 2017. This is more than Q1 2016 which saw 24 sales and Q1 2015 with 23 sales. In total value terms, Q1 2017 was also the best first quarter of the year for sales over £5m since 2014. There was £450m worth of commercial sales at this level of the market in Q1 2017.

Again, Edinburgh was a key factor, with 10 sales attributable to the Scottish Capital - generating £191m. Glasgow, Aberdeen and North Lanarkshire also saw multiple sales at £5m and above.

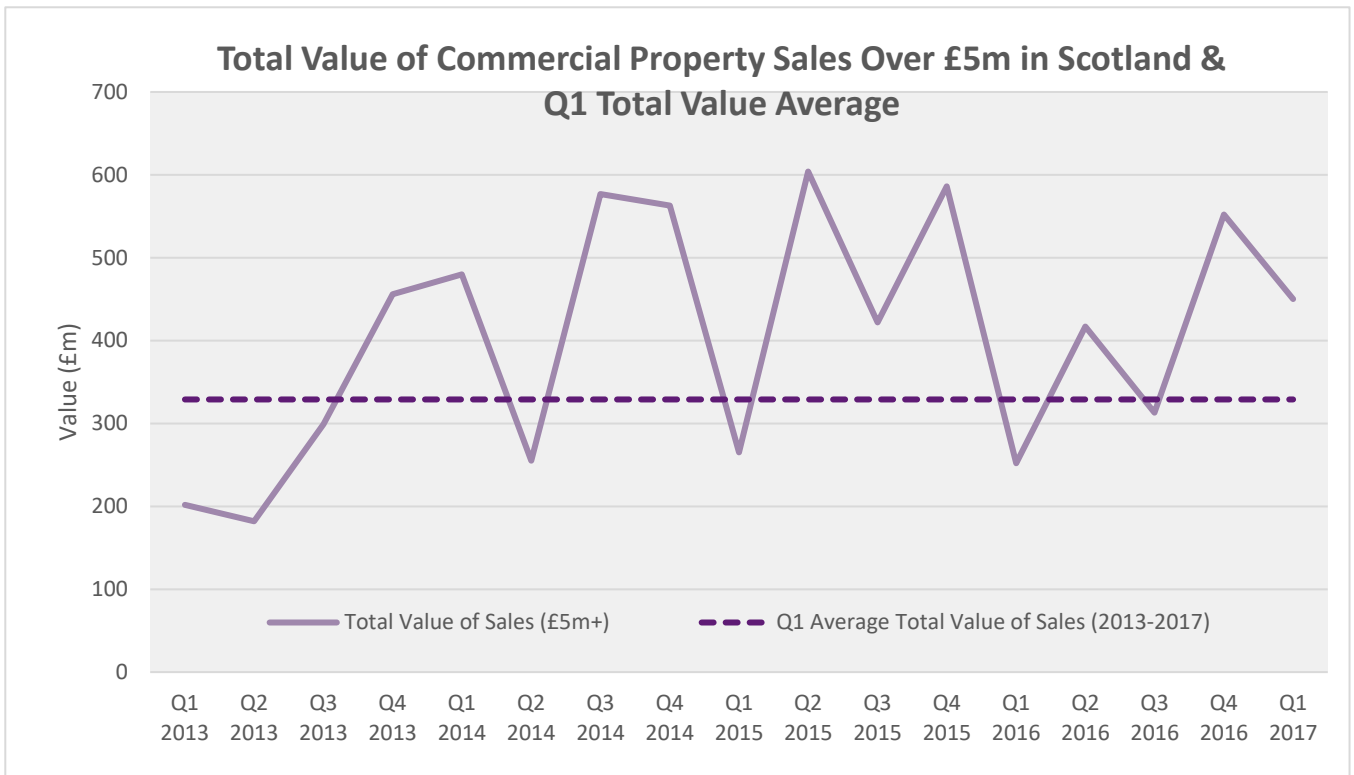
| Exceeding £5,000,000 | No. of Sales | Value of Sales (£) |
|----------------------|--------------|--------------------|
| <b>Scotland</b>      | <b>26</b>    | <b>450,326,901</b> |
| Aberdeen City        | 6            | 81,038,711         |
| Aberdeenshire        | 1            | 9,300,000          |
| Edinburgh, City of   | 10           | 191,273,301        |
| Glasgow City         | 4            | 91,075,000         |
| North Lanarkshire    | 2            | 22,759,889         |
| Perth and Kinross    | 1            | 5,900,000          |
| Renfrewshire         | 1            | 5,730,000          |
| Unallocated          | 1            | 43,250,000         |

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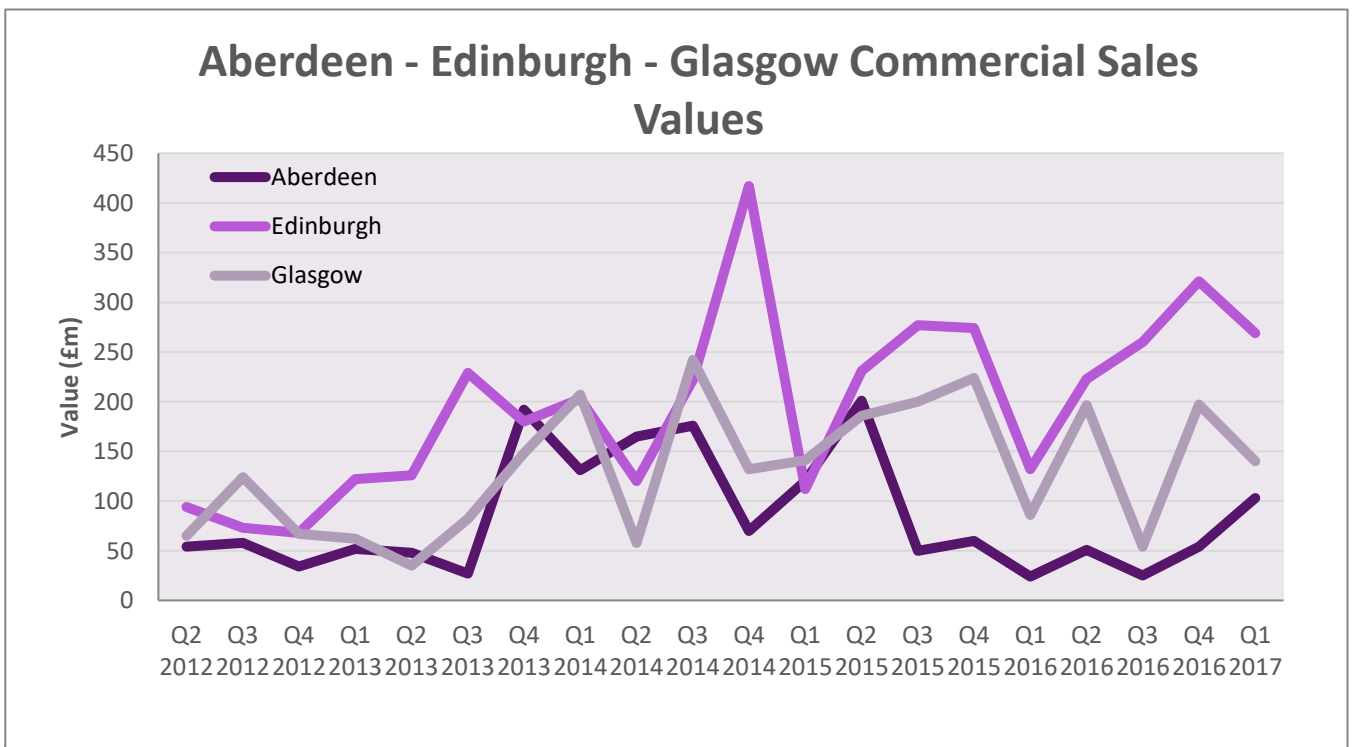
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### CITY FOCUS



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### Aberdeen

| <i>Aberdeen</i> | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> | <b>Q1 2017 v Q4 2016 Change</b> | <b>Q1 2017 v Q1 2016 Change</b> |
|-----------------|----------------|----------------|----------------|---------------------------------|---------------------------------|
| Value           | £103m          | £55m           | £24m           | ↑312%                           | ↑329.2%                         |
| Volume          | 44             | 45             | 26             | ↓2.2%                           | ↑69.2%                          |

Despite Q1 usually being a quiet quarter for commercial property transactions, Aberdeen had its best quarter since Q2 2015, with sales totaling £103m. On top of this, Q1 2017 was also the second consecutive quarter of combined sales value growth in the Granite City. While it is not expected that Aberdeen will return to its pre-2015 strength anytime soon, the 6 months to March 2017 show that there has been greater stability and even some growth in a market still adapting to ongoing adverse conditions.

The Q1 2017 figures were helped by several high value transactions at the £5m and above level, with 6 sales at this worth a total of £81m (78.6% of the total sales value for the city).

#### Key Sales in Aberdeen:

- **Lloyds Register, Prime Four Business Park** - 101,922 sq ft of office sold as an investment for **£41,280,000**.
- **Quattro House, Wellington Circle** - Office sold as an investment for **£7,700,000**.
- **Moss Wynd, Aberdeen Gateway** -19,500 sq ft of industrial accommodation sold as an investment for **£2,990,000**.

*Sales data courtesy of Ryden*

### Edinburgh

| <i>Edinburgh</i> | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> | <b>Q1 2017 v Q4 2016 Change</b> | <b>Q1 2017 v Q1 2016 Change</b> |
|------------------|----------------|----------------|----------------|---------------------------------|---------------------------------|
| Value            | £269           | £321m          | £132m          | ↓16.2%                          | ↑103.8%                         |
| Volume           | 129            | 139            | 84             | ↓7.2%                           | ↑53.6%                          |

Edinburgh had its strongest Q1 performance since the recession, with over £269m generated from 144 sales. Despite losing ground on what was an incredibly strong Q4 2016 (total sales were down 7.2%, while the combined value fell by just over 16%), the value of sales in Edinburgh more than doubled compared to Q1 2016.

High demand for office and hospitality space in the Capital and a relatively low supply of new developments has had a role in ensuring that the commercial real estate market has remained buoyant. However, there are concerns about the lack of new developments in the pipeline and the shortage of transition office space needed for small companies to expand – there is a view that this could be a negative in the longer term, with businesses looking to expand perhaps being forced out of Edinburgh.

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### Key Sales in Edinburgh:

- **Omni Centre, City Centre** - Leisure space sold for **£74,825,000**.
- **Waverley Mall, City Centre** - Shopping centre sold as an investment for **£23,250,000**.
- **Marriot Courtyard, 1-3 Baxter's Place** - 28,255 sq ft hotel sold for **£23,000,000**.
- **Holiday Inn Express, Picardy Place** - Hotel sold for **£17,725,000**.

Sales data courtesy of Ryden

### Glasgow

| Glasgow | Q1 2017 | Q4 2016 | Q1 2016 | Q1 2017 v Q4 2016 Change | Q1 2017 v Q1 2016 Change |
|---------|---------|---------|---------|--------------------------|--------------------------|
| Value   | £140m   | £197m   | £86m    | ↓28.9%                   | ↑62.8%                   |
| Volume  | 140     | 106     | 110     | ↑32.1%                   | ↑27.3%                   |

Glasgow saw a year-on-year (Q1 2017 v Q1 2016) increase in the total value of sales (up 62.8%) and in the volume of sales (up 27) in Q1 2017. The number of properties sold in the city between Q4 2016 and Q1 2017 increased by 32%, although the combined value of these sales fell back £57m (29%).

4 commercial sales with transaction values of over £5m took place in Glasgow in Q1 2017 – these sales had a combined value of £91m. Glasgow City's share of the total value of national commercial real estate sales was 17.6%, which (unlike Edinburgh) is largely consistent with the city's 13.4% share of the number of transactions in Scotland.

### Key Sales in Glasgow:

- **Nike Unit, Buchanan Street** - 27,437 sq ft of retail space sold for **£29,300,000**.
- **Cuprum, Cadogan Square**. Office space sold for something in the region of **£28,000,000**.
- **55-59 Buchanan Street** - 10,139 sq ft of retail accommodation an investment for **£22,150,000**.

Sales data courtesy of Ryden

### Dundee

| Dundee | Q1 2017 | Q4 2016 | Q1 2016 | Q1 2017 v Q4 2016 Change | Q1 2017 v Q1 2016 Change |
|--------|---------|---------|---------|--------------------------|--------------------------|
| Value  | £9m     | £19m    | £9m     | ↓52.6%                   | ↔0%                      |
| Volume | 31      | 41      | 29      | ↓24.4%                   | ↑6.9%                    |

It was a quiet quarter for Dundee with only 4 properties sold above £1m and none above £3m. This impacted on the total value of sales which decreased by £10m (53%) to £9m when compared to Q4 2016. The number of properties sold in the city also decreased on the last quarter of 2016 from 41 to 31. Compared to Q1 2016, Q1 2017 saw no change in the total value of properties sold in Dundee, however, there was a 7% increase in the number sold.

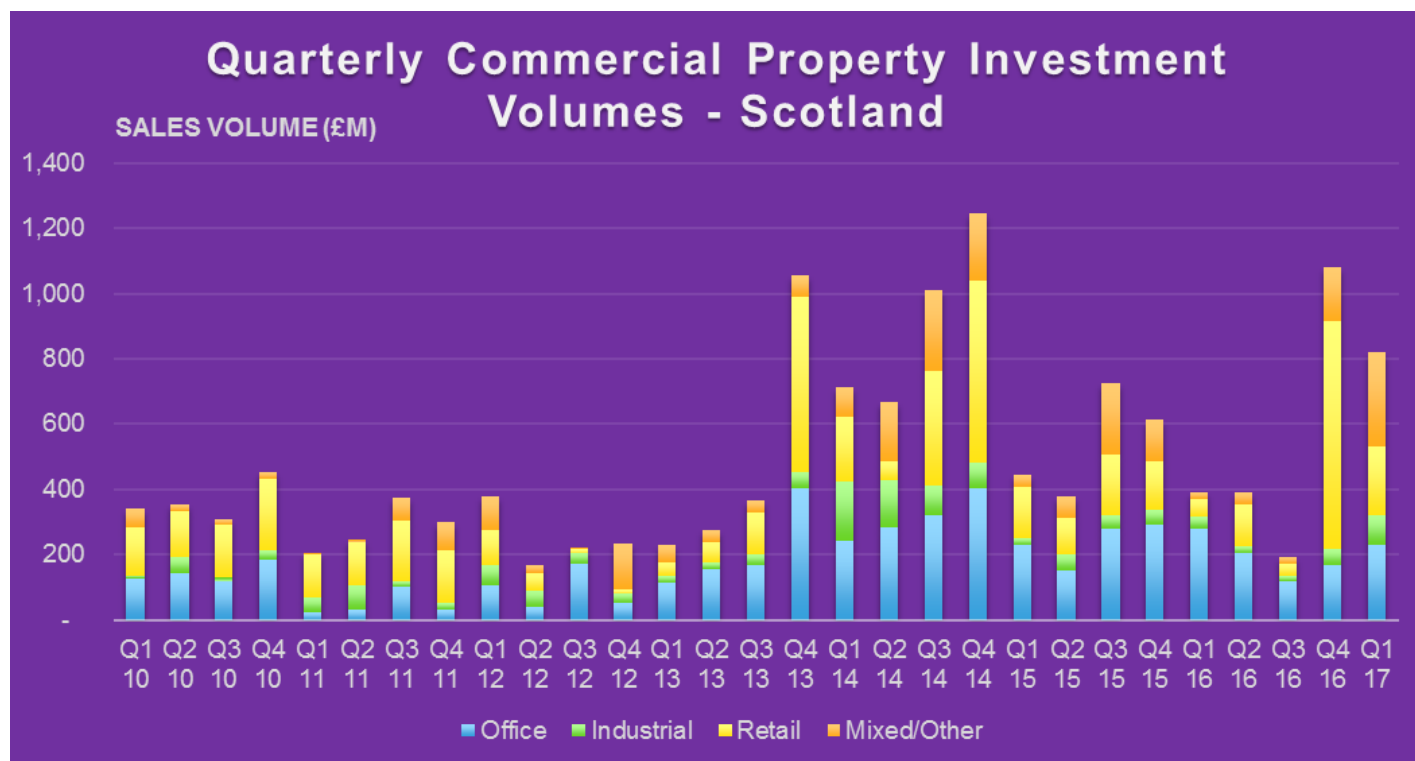
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## INVESTMENT DATA



Investment data from Costar UK shows that there was strong investment into Scottish commercial property in Q1. The scale of the investment was higher than expected, as recent market sentiment has been cautious of conditions in Scotland.

Costar UK reports that the £822m invested in Q1 was more than the sum invested in the entire first half of 2016, and that 2017 saw the strongest Q1 for Scotland ever recorded. Investment was more than double the long-term Q1 average (2008-16: £380m), however, as is frequently the case, the total was distorted slightly by one large deal - notably Grosvenor's £215m sale of its Springside PRS scheme.

Investment up against the five-year quarterly average across the three main property types:

- **Office was up 10%** on five-year average, boosted by Exchange Place deals in Edinburgh and Lloyds Registers HQ in Aberdeen;
- **Industrial was up 74%** on five-year average, helped by Rasmala's purchase of Amazon distribution centre;
- **Retail was up 14%**, owing to Omni Centre, Edinburgh and Nike, Buchanan St trades.

*Investment data courtesy of Costar UK*

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