

Scottish Property Federation Commercial Property Market Report Q3 (Jul-Sep) 2017

KEY TRENDS

- **SCOTLAND – Sales value:** The total value of commercial sales in Q3 2017 (July to September 2017) was £692m. This is **12% down** on Q2 2017 but **9% higher** than in Q3 2016.
- **SCOTLAND – Sales Volume:** The number of transactions in Q3 2017 was 1,089. This is **8% down** on Q2 2017 and **9% up** on Q3 2016.
- **SCOTLAND - £5m+ Sales:** The total value of commercial sales at this level **fell for the third consecutive quarter** in Q3 2017. The quarter also saw the lowest number of transactions at this section of the market since Q2 2014.
- **SCOTLAND – Investment: £416m** was invested across all commercial property sectors in Q3 2017, bringing the 2017 YTD investment total to £1.57bn.
- **ABERDEEN:** Total sales values in the city during Q3 2017 dropped to the lowest point since the SPF began collecting sales data in 2012. At only £12m, Q3 2017 was **84% lower** than the total value of sales in Q2 2017 and **over 50% down** on the same quarter in 2016.
- **EDINBURGH:** There was £153m worth of sales in the Scottish capital during Q3 2017, a figure that is **33% (£74m) down** on the previous quarter and 41% (£107m) less than Q3 2016.
- **GLASGOW:** After a quarter-on-quarter rise in Q2 2017, the total value of commercial sales in Glasgow during Q3 2017 **fell by 32% (£56m)** to £121m. Both the value and volume of sales in the city were up on the same quarter in 2016.

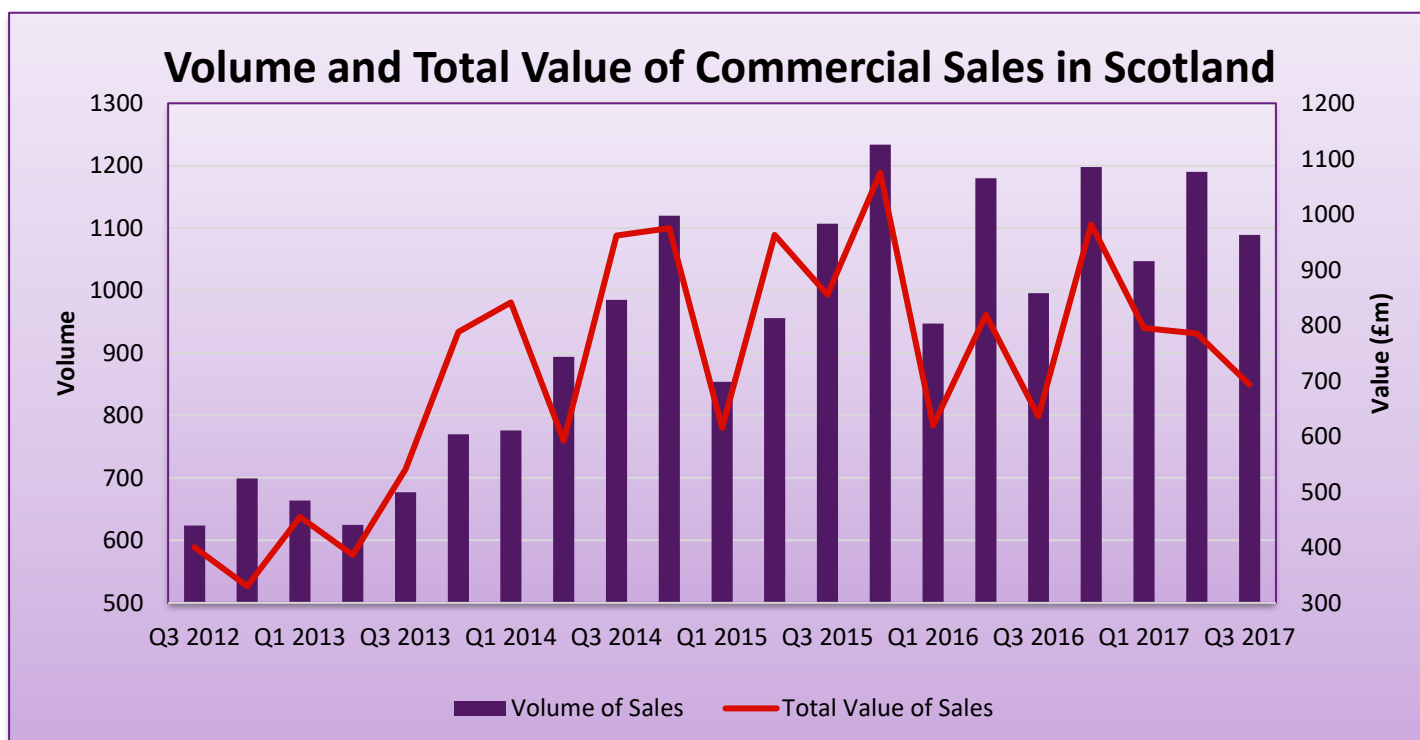
NATIONAL PICTURE

<i>Scotland</i>	Q3 2017	Q2 2017	Q3 2016	Q-Q (Q3 2017 v Q2 2017)	Y-Y (Q3 2017 v Q3 2016)
Value	£692m	£785m	£636m	↓12%	↑9%
Volume	1,089	1,190	996	↓8%	↑9%

There is little to celebrate in the latest commercial sales figures for Q3 (July – September) 2017, recently released by the Registers of Scotland. The figures reveal that the total value of commercial property sales in Scotland fell for the third quarter in a row, with sales of just £693m, down 12% on the previous quarter. This is the first time that there have been three consecutive quarterly drops in the total value of commercial sales in Scotland since 2012.

The number of sales also declined between Q2 2017 and Q3 2017, albeit to a lesser extent than the total value of sales. There were 1,089 commercial property sales in Scotland, which was 8% down on the quarter previous.

Despite seeing negative growth in commercial sales on a quarter-on-quarter basis, both the value and volume of sales in Scotland increased by 9% when compared to Q3 2016. While this year-on-year increase will be welcomed, it comes on the back of particularly poor year commercial property. Indeed, when sales in Q3 2017 are compared against Q3 in 2014 and 2015, which had total sales of £962m and £855m respectively, the commercial property market in Scotland looks sluggish.



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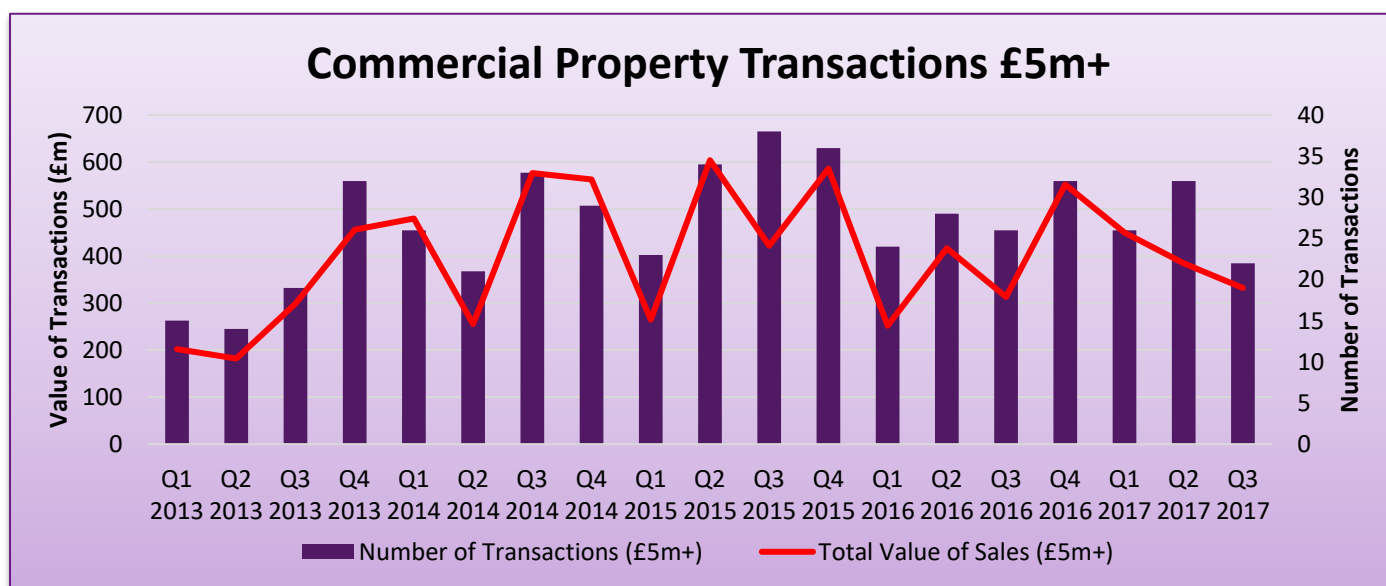
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While not the full story, the nationwide fall in the combined value of commercial property sales is partly due to there being fewer transactions of properties worth £5m+ in Scotland. In Q3 2017 there were 22 commercial properties sold at the £5m+ level, securing a total value £332m. This figure is significantly down on the previous quarter (Q2 2017), which saw 32 sales with a combined total of £385m. This is the third consecutive dip in sales at the £5m+ level. The quarter also saw the lowest number of transactions at this section of the market since Q2 2014.

Despite a lower number of sales at the £5m+ level in Q3 2017, a greater number of local authority areas saw sales at this price range. In a reversal of recent trends, Scotland's three most populous cities (Aberdeen, Edinburgh and Glasgow) saw fewer sales at £5m+ than in previous quarters, with Aberdeen posting no sales at all.

In contrast, there was an uptick in commercial sales from Scotland's regional local authorities with council areas such as West Lothian and Renfrewshire posting multiple sales. Sales out with Scotland's major cities totaled £153m, 46% of the total value of sales at the £5m+ level. In Q2 2017 the value of commercial sales was only £56m or 15% of the total sales in Scotland at £5m+.

Sales £5m+	Number of Sales	Total Value of Sales (£m)
Scotland	22	332
Argyll and Bute	1	14
East Dunbartonshire	1	7
Edinburgh, City of	5	117
Falkirk	1	14
Fife	1	9
Glasgow City	3	62
Midlothian	1	10
Perth and Kinross	1	14
Renfrewshire	2	20
Scottish Borders	1	10
S. Lanarkshire	1	14
Stirling	1	10
Unallocated	1	10
West Lothian	2	22



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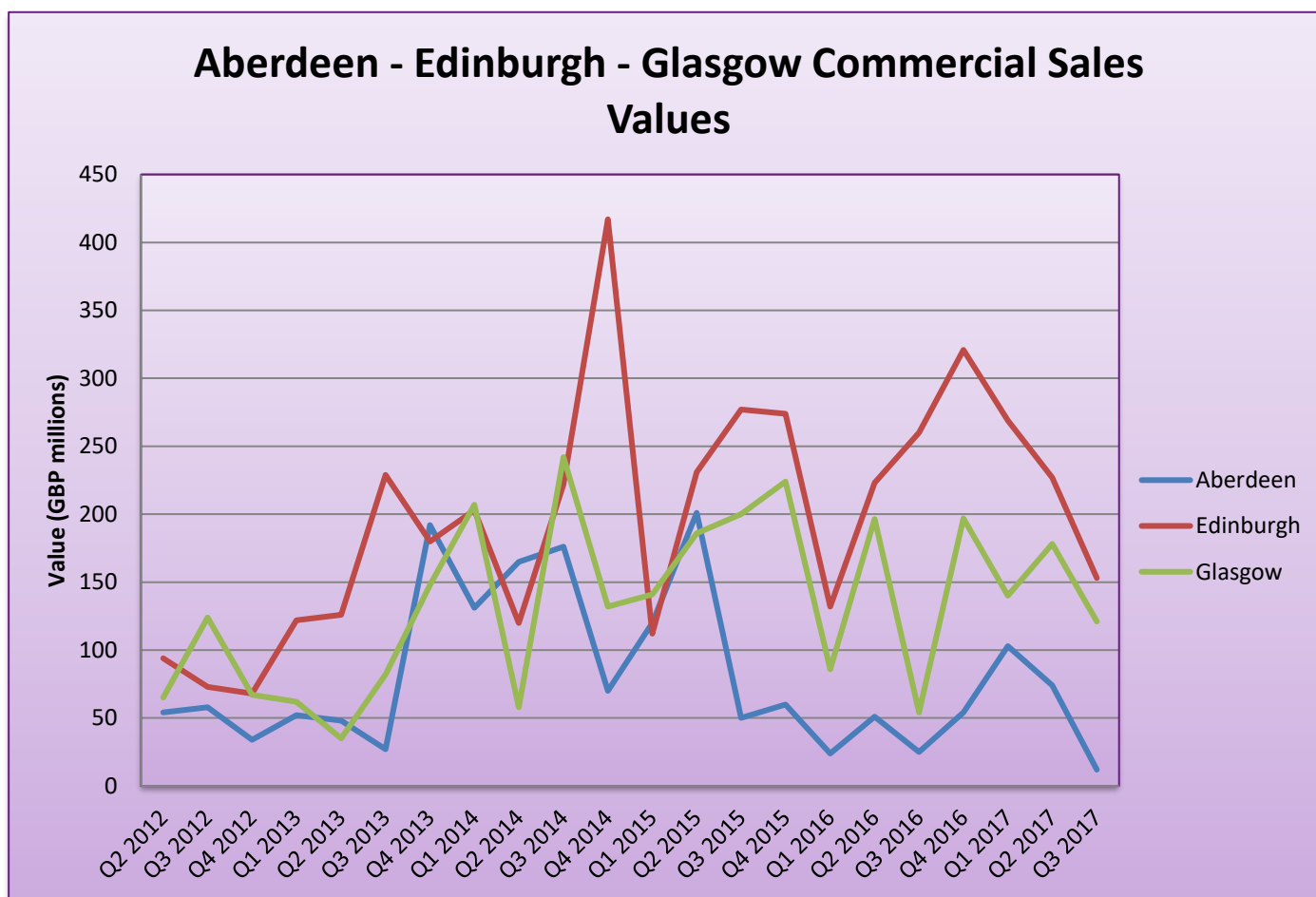
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THE CITIES

Scotland's three largest cities - Aberdeen, Edinburgh and Glasgow - all saw the total value of their commercial sales fall in Q3 2017. When combined, the total value of sales across the three cities was £286m, down significantly from the previous quarter (Q2 2017) where sales for the cities totaled £479m. When these totals are viewed as a percentage of the total value of sales in Scotland, Aberdeen, Edinburgh and Glasgow had 36% of the Scottish total for Q3, which marked a down from 61% in the previous quarter.

Interestingly, Edinburgh came close to losing its dominance of the commercial property market in Scotland. Total sales values fell faster in the Capital than in Glasgow, with Edinburgh ending the quarter with sales of £153m, only £32m above the figure for Glasgow. This is the smallest difference between the two cities in over a year. The Capital has outperformed both Glasgow and Aberdeen since Q2 2015.



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Aberdeen

Aberdeen	Q3 2017	Q2 2017	Q3 2016	Q-Q (Q3 2017 v Q2 2017)	Y-Y (Q3 2017 v Q3 2016)
Value	£12m	£74m	£25m	↓84%	↓52%
Volume	37	57	29	↓35%	↑28%

After a partial recovery of commercial sales in Aberdeen at the end of 2016 and start of 2017, the total sales values in the city during Q3 2017 dropped to the lowest value since the SPF began collecting data in 2012. At only £12m, Q3 2017 was 84% lower than the total value of sales in Q2 2017 and over 50% down on the same quarter in 2016. While this could be just a quarterly blip, some SPF members have reported that it could take several years for the Aberdeen market to readjust to current market conditions.

Notable Sales in Aberdeen:

- **Denburn House** (5,100 sq.m.) - Sold to *Queensway Group* for £3.5m.

Sales data courtesy of Ryden

Edinburgh

Edinburgh	Q3 2017	Q2 2017	Q3 2016	Q-Q (Q3 2017 v Q2 2017)	Y-Y (Q3 2017 v Q3 2016)
Value	£153m	£227m	£260m	↓33%	↓41%
Volume	102	131	120	↓22%	↓15%

Edinburgh, while still the city to beat in terms of the total value of commercial sales, saw its third consecutive quarter of decline in the value of commercial sales. There was £153m worth of sales in the Scottish Capital in Q3 2017, a figure that is 33% (£74m) down on the previous quarter and down 41% (£107m) compared to Q3 2016. The number of sales in Edinburgh also fell, both quarter-on-quarter and year-on-year. There was a total of 102 sales in Q3 2017, 29 less than in Q2 2017 and 18 less than in Q3 2016.

Notable Sales in Edinburgh:

- **Jenners** (Princes Street) – Retail, sold for £53m.
- **Quartermile 2** (5,466 sq.m.) - Office building, sold to *UBS Asset Management* for £28.5m.
- **38 St Andrew Square** - Freehold purchased by *Ennismore* for £10m who will redevelop the site into a hotel.

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- **14/17 Atholl Crescent** (2,857 sq.m.) - Office sold to *McLaughlin & Harvey Ltd* for £9.6m.
- **1-4 Glenfinlas Street** (1,812 sq.m.) - Office sold to *Intuitae* for £7.3m.

Sales data courtesy of Ryden.

Glasgow

Glasgow	Q3 2017	Q2 2017	Q3 2016	Q-Q (Q3 2017 v Q2 2017)	Y-Y (Q3 2017 v Q3 2016)
Value	£121m	£177m	£54m	↓32%	↑124%
Volume	137	151	114	↓9%	↑20%

After a quarter-on-quarter rise in Q2 2017, the total value of commercial sales in Glasgow during Q3 2017 fell by 32% (£56m) to £121m. However, contrary to Edinburgh and Aberdeen, sales values increased year-on-year in Glasgow, with the city more than doubling its total for Q3 2016. Year-on-year the number of sales in Glasgow rose by 20%.

Notable Sales in Glasgow:

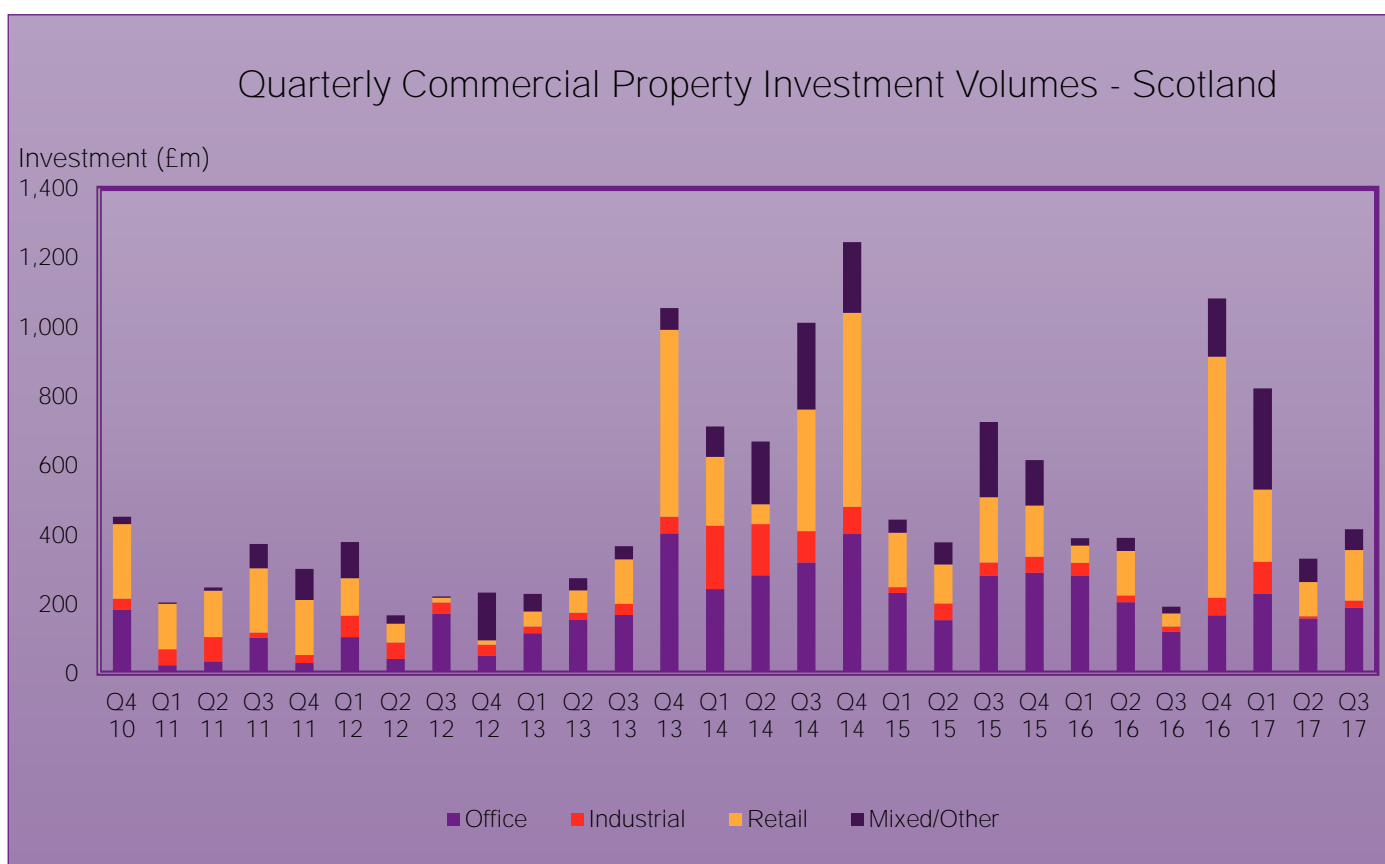
- **Oakbank Industrial Estate** - Multi-let, sold to *Ribston* for £7.77m.
- **Kingston Bridge Trading Estate** - Multi-let sold to *Scotmid* for £4.7m.
- **Capella**, 9,290 sq.m. Office building sold to *Wirefox* for £43.5m.
- **Antheneum, Nelson Mandela Place** (5,574 sq.m.) – Office building sold to *Topland Group* for £11m.
- **18-26 Renfrew Street & 134-140 Renfield Street** – Multi-let retail investment sold for £2.1m
- **Custom House, Clyde Street** – A-listed former office building, with planning consent for conversion to a 209-bedroom hotel, sold to *Artisan Real Estate Investors* for £2.48m.
- **Madeline House, Blythswood Street** (1,536 sq.m) – Office, with a number of potential alternate uses including hotel and residential, sold to *Marshall CDP* for £2.45m.

Sales data courtesy of Ryden

INVESTMENT DATA

Costar UK has reported that a total of £416m was invested across all commercial property sectors in Scotland during Q3 2017. This brings the 2017 YTD investment total to £1.57bn. This is considerably ahead of the £972m invested in the same period in 2016 and up slightly on the £1.55bn invested in the first three quarters of 2015. However, this figure is down by around a third on Q1-Q3 2014, which Costar report was a record year. On a rolling annual basis, investment ticked up, with £2.6bn invested over the last four quarters. This is the highest rolling annual total for two years, help by a strong Q4 2016 and Q1 2017.

Office has been the most active sector YTD, accounting for 37% of all investment, followed by retail (29%), alternatives (27%), then industrial (8%).



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