

Scottish Property Federation Commercial Property Market Report Q3 (July to September) 2018

KEY TRENDS

- **SCOTLAND – Total value of sales:** The total value of commercial sales in Q3 (July to September) 2018 was **£864m**. This is **up 26%** on Q2 (April to June) 2018 and **25% up** on Q3 2017.
- **SCOTLAND – Number of sales:** The number of commercial property sales in Q2 2018 was **1,170**. This is both **7% up** on Q2 2018 and Q3 2017.
- **SCOTLAND – £5m+ Sales:** There were **32** commercial sales transacted at or above £5m in Q3 2018, with a combined value of **£439m**. The combined value of sales at this section of the market is **45% up** on the previous quarter and on Q3 2017.
- **SCOTLAND – CoStar Investment Data:** Investors spent **£525m** on Scottish commercial property in Q3 2018, bringing spending in the first three quarters of 2018 up to **£1.9bn**, an **increase of 23%** on the total invested in the same period last year.
- **ABERDEEN:** Total sales values in the city totalled **£52m** – this figure is **57% less** than the total from the previous quarter, it is **three times greater** than Q3 2017.
- **EDINBURGH:** The total value sales in the Scottish Capital in Q3 2018 was **£178m**. This is **46% up** on the previous quarter and is **16% up** on Q3 2017. There were **106** commercial property sales in Edinburgh during Q3 2018.
- **GLASGOW:** In Q3 2018, there were **119** commercial sales in Glasgow, totalling **£153m**. The value of commercial sales in Glasgow **rose 47%** compared to Q2 2018 and was **up 26%** on the same quarter in 2017.

Unless otherwise stated, all transactional data is from Registers of Scotland.

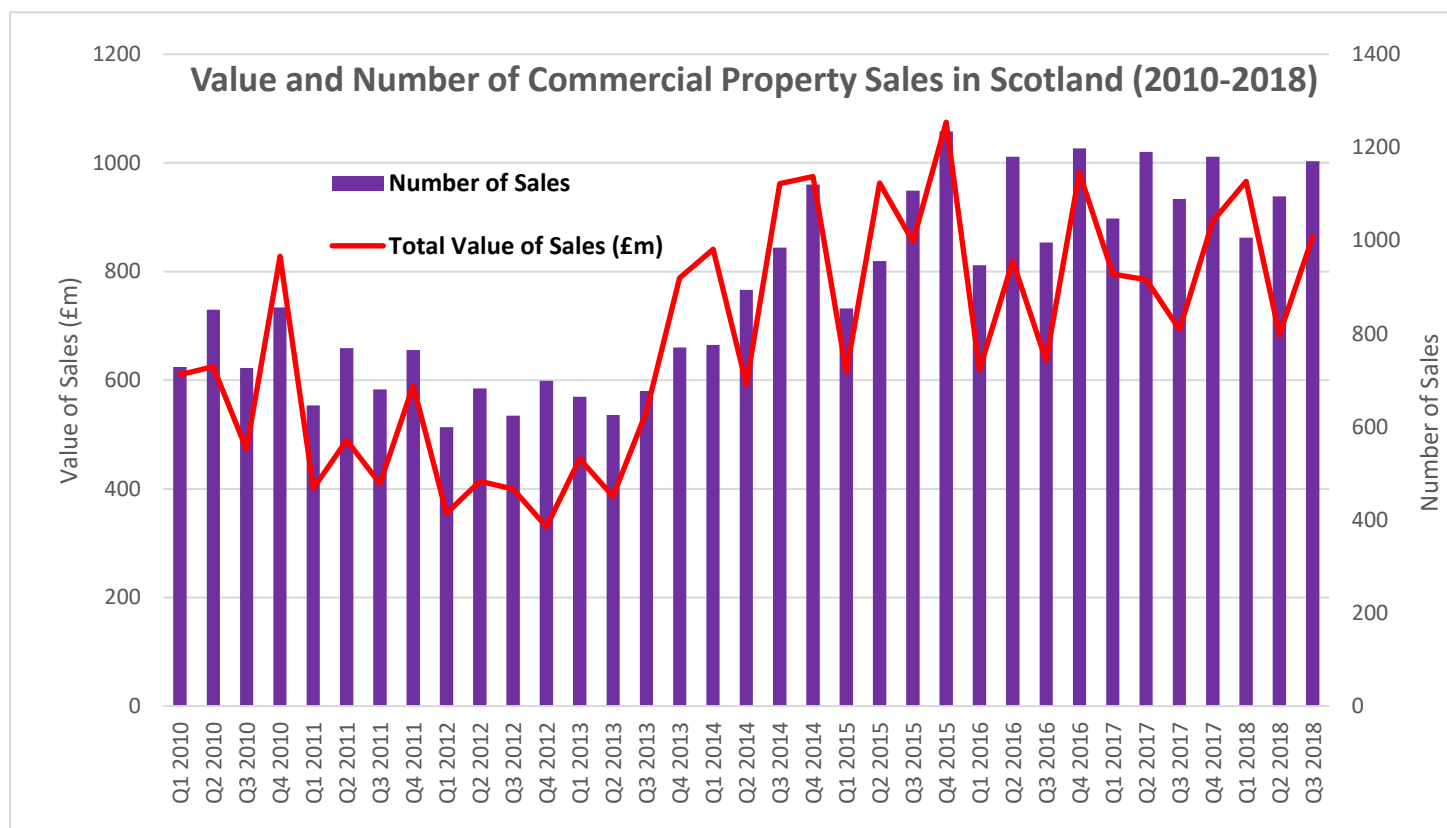
NATIONAL PICTURE

<i>Scotland</i>	Q3 2018	Q2 2018	Q3 2017	Q-Q (Q3 2018 v Q2 2018)	Y-Y (Q3 2018 v Q3 2017)
Value	£864m	£684m	£693m	26%	↑25%
Number	1,170	1,095	1,089	7%	↑7%

Figures released by Registers of Scotland, and analysed by the Scottish Property Federation, show that in Q3 (July to September) 2018 the total value of commercial property sales in Scotland was £864m. This figure is up 26% on the previous quarter and 25% on Q3 2018. The value of commercial sales in Scotland during Q3 2018 was the highest third quarter since Q3 2014.

The number of commercial property transactions increased from 1,095 in the previous quarter to 1,170 in Q2 2018, a rise of 7%. In comparison to the same quarter in 2017, the number of commercial property sales also rose by 7%.

In the four quarters up to and including Q3 2018, the total value of residential sales stood at £3.41bn, 5% higher than the figure for the preceding four quarters (£3.26bn). Meanwhile, there were 4,451 commercial properties sold in Scotland in the four quarters up to and including Q3 2018, 73 less than between Q4 2016 and Q3 2017.



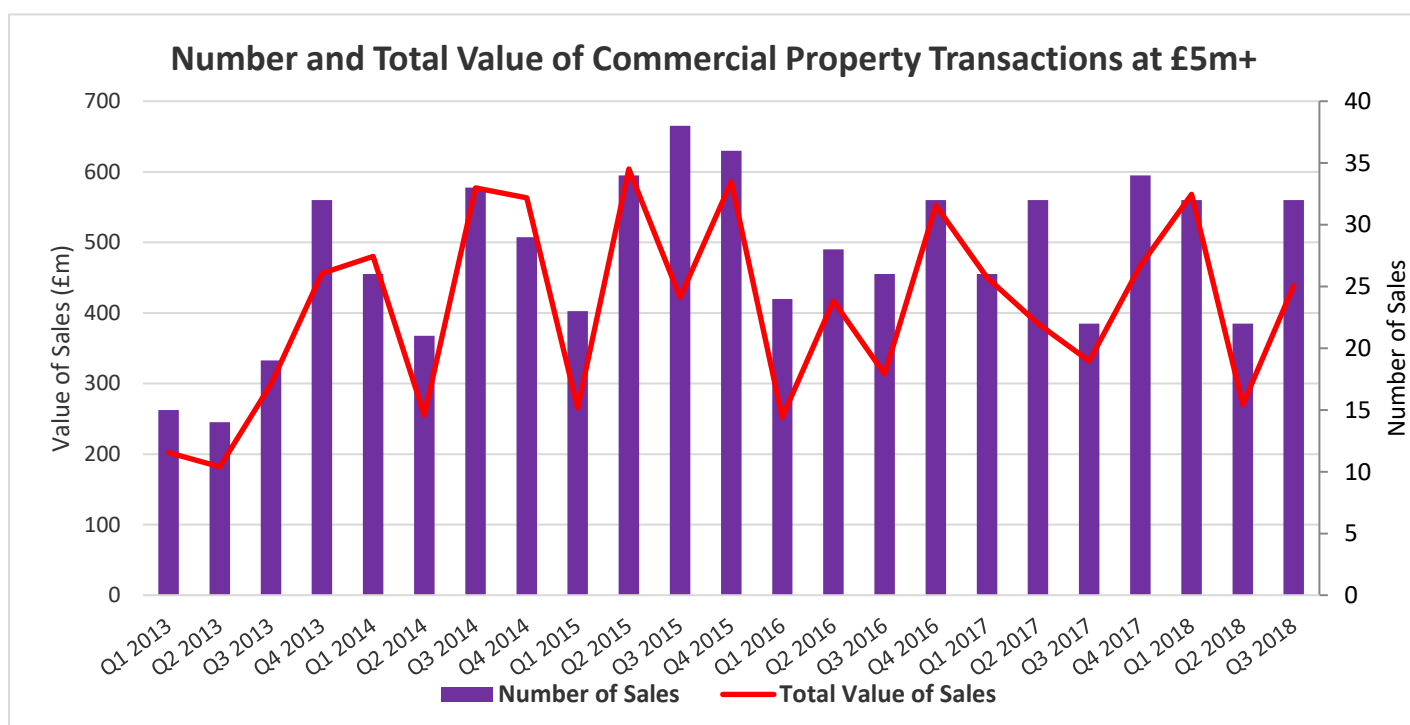
SALES £5M+

In Q3 2018, there were 32 sales of commercial properties in Scotland over £5m, which generated a combined total value of £439m. The highest number of sales above £5m occurred in the City of Edinburgh (9), with multiple sales also occurring in Glasgow (7), West Lothian (4) and Aberdeenshire (2).

Across Scotland, sales of commercial properties above £5m in the four quarters up to and including Q3 2018 totalled £1.75bn. This is a slight increase on the preceding four quarters, where £1.72bn was transacted.

Notably, sales of commercial properties above £5m in Aberdeen fell to just 1 in Q3 2018 with a value of £8m. This is down from 5 sales in Q2 2018, which had a combined value of £90m.

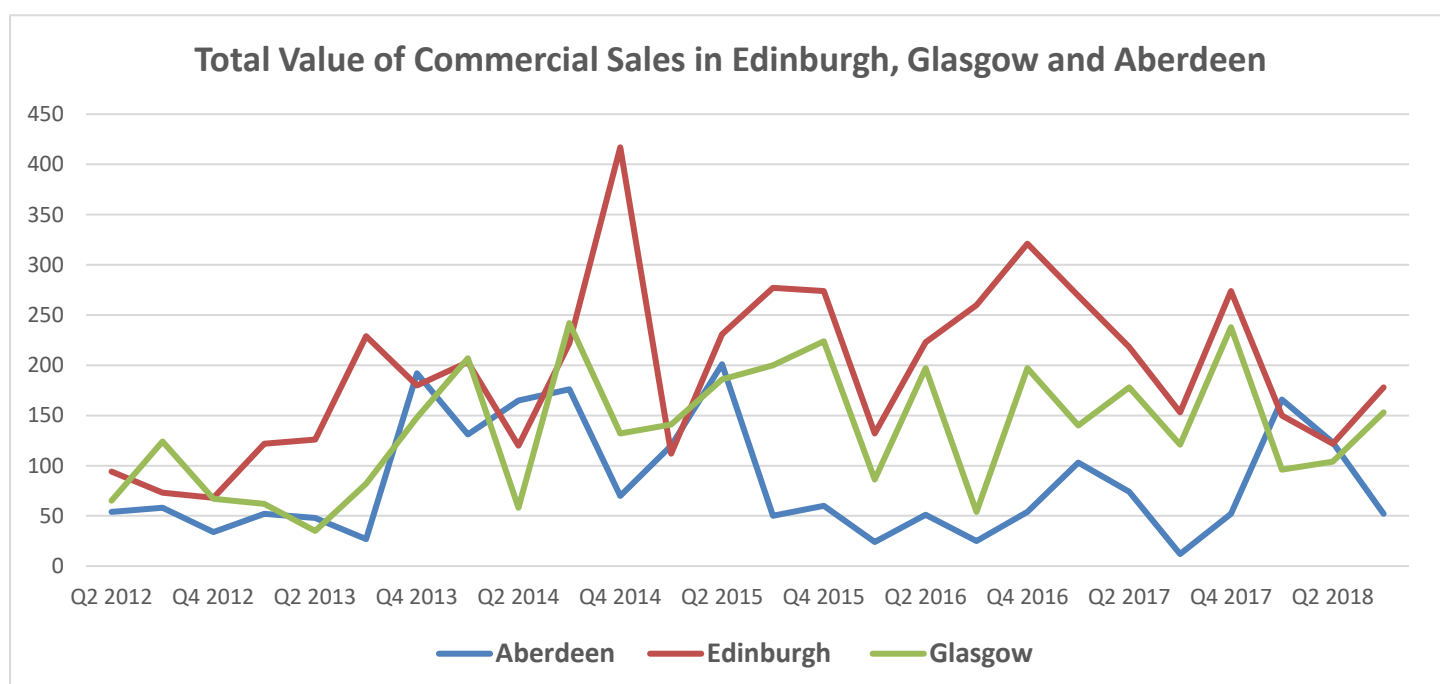
Sales £5m+ Region	Number of Sales	Total Value of Sales (£m)
Aberdeen City	1	8
Aberdeenshire	2	39
East Renfrewshire	1	13
Edinburgh, City of	9	124
Falkirk	1	6
Glasgow City	7	112
Highland	1	8
Moray	1	27
North Lanarkshire	1	7
Renfrewshire	1	6
Shetland Islands	1	8
Stirling	1	7
West Dunbartonshire	1	20
West Lothian	4	56
Scotland	32	439



THE CITIES

In Q3 2018, Edinburgh regained its status as the city with the highest value of commercial property sales in Scotland. This follows two consecutive quarters of Aberdeen holding the top spot, after the city had a series of high value commercial property transactions. The Scottish Capital saw £178m worth of sales, higher than both Glasgow and Aberdeen, which had sales of £153m and £52m respectively.

The total number of commercial sales totalled 106 in Edinburgh, 119 in Glasgow and 46 in Aberdeen. Across the board, the number of sales in the three cities decreased when compared to Q2 2018, with 4% falls in both Aberdeen and Edinburgh and an 8% drop in Glasgow. However, both Edinburgh and Aberdeen saw sales increase year-on-year.



Aberdeen

Aberdeen	Q3 2018	Q2 2018	Q3 2017	Q-Q (Q3 2018 v Q2 2018)	Y-Y (Q3 2018 v Q3 2017)
Value	£52m	£123m	£12m	↓57%	↑333%
Number	46	48	37	↓4%	↑24%

Edinburgh

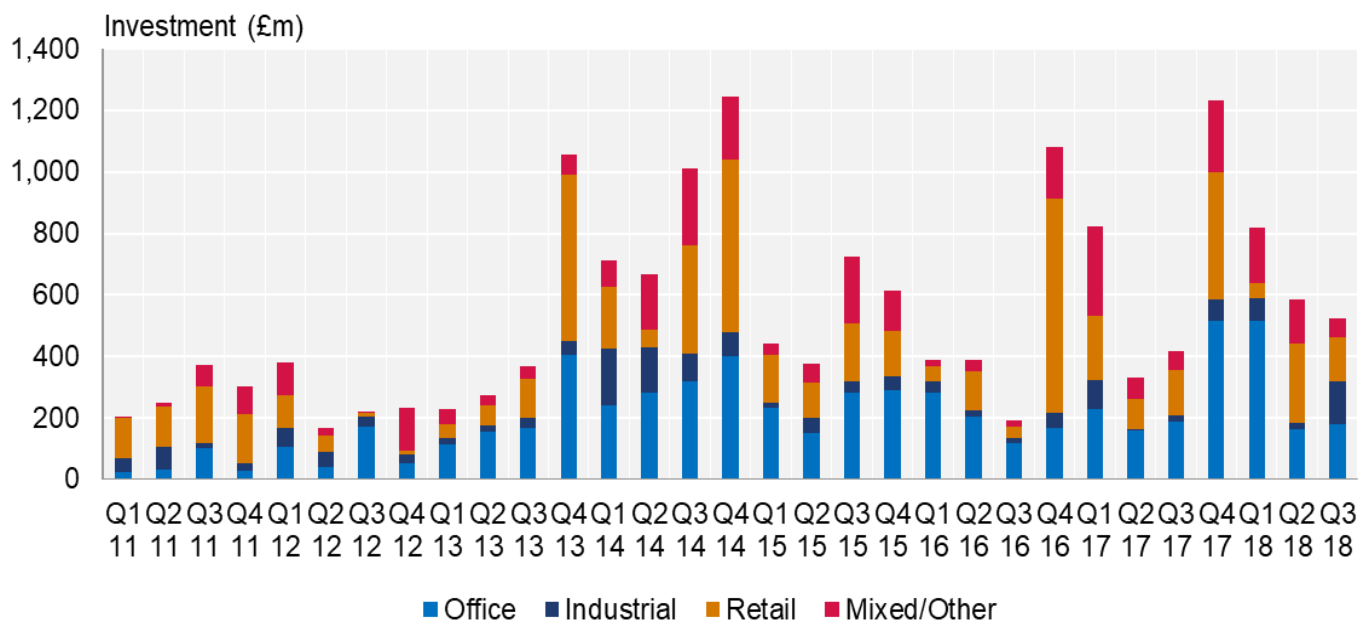
<i>Edinburgh</i>	Q3 2018	Q2 2018	Q3 2017	Q-Q (Q3 2018 v Q2 2018)	Y-Y (Q3 2018 v Q3 2017)
Value	£178m	£123m	£153m	↑46%	↑16%
Number	106	110	102	↓4%	↑4%

Glasgow

<i>Glasgow</i>	Q3 2018	Q2 2018	Q3 2017	Q-Q (Q3 2018 v Q2 2018)	Y-Y (Q3 2018 v Q3 2017)
Value	£153m	£104m	£121m	↑47%	↑26%
Number	119	129	137	↓8%	↓13%

COSTAR INVESTMENT DATA

QUARTERLY COMMERCIAL PROPERTY INVESTMENT VOLUMES - SCOTLAND





Investors spent £525m on Scottish commercial property in Q3 2018 according to property data experts CoStar, bringing spending in the first three quarters of 2018 up to £1.9bn. This represents an increase of 23% on the total invested in the same period last year, and the strongest Q1–Q3 for four years.

While investment increased on a rolling annual basis – due to a very strong Q4 2017 – quarterly investment volumes fell for a third successive quarter in Q3 2018. A lack of large deals was partly to blame. Indeed, Q3 2018 was only the second quarter in the last five years where no deals above £50m were completed. CoStar reports that volumes were instead driven by transactions in the £25m–£50m deal bracket, with eight deals of that size in Q3, double the five-year quarterly average. In contrast to recent quarters, overseas investors were notably quiet, with foreign capital behind just 10% of all purchases by volume in Q3.

Around one-third (34%) of all investment in Q3 2018 went into the office sector, with domestic buyers making up the vast majority of the £178m invested. HFD Group's purchase of 100 Bothwell Street in Glasgow for more than £30m and M&G Real Estate's acquisition of 40 Torphichen Street in Edinburgh for £22.2m were among the largest office deals. The biggest purchase of an office asset by an overseas investor in Q3 was Frankfurt-based KanAm Grund Group's acquisition of Greenside in Edinburgh for £17.6m (a 5.3% yield).

The industrial sector had one of its strongest-ever quarters in Q3 2018 as robust investor demand for multi-let estates and distribution assets pushed industrial volumes to a four-year high of £141m. Deals such as Regional REIT's purchase of Wardpark Industrial Estate for £26.4m (an 8.7% yield) and UK Commercial Property REIT's acquisition of M8 Industrial Estate for £24.6m (a 5.9% yield), both near Glasgow, helped the sector to record a 27% share of all investment, its third-highest quarterly proportion in the last decade.

Investment in the retail sector also accounted for a 27% share of spending in Q3 2018, although at £142m, volumes were down by more than a third on the five-year quarterly average (£227m). Key retail investment deals included Palmer Capital's purchase of Almondvale South Retail Park in Livingston for £30.5m (a 7.8% yield) and Aberdeen Standard Investments' purchase of a retail warehouse let to B&Q in Glasgow for £28.1m (a 6% yield). Spanish investor Pontegadea also acquired the mixed-use retail and office asset 78–90 Buchanan Street & 9–17 Exchange Place in Glasgow for £31m (a 4% yield).