

Scottish Property Federation Commercial Property Market Update Q4 (October to December) 2018

Summary

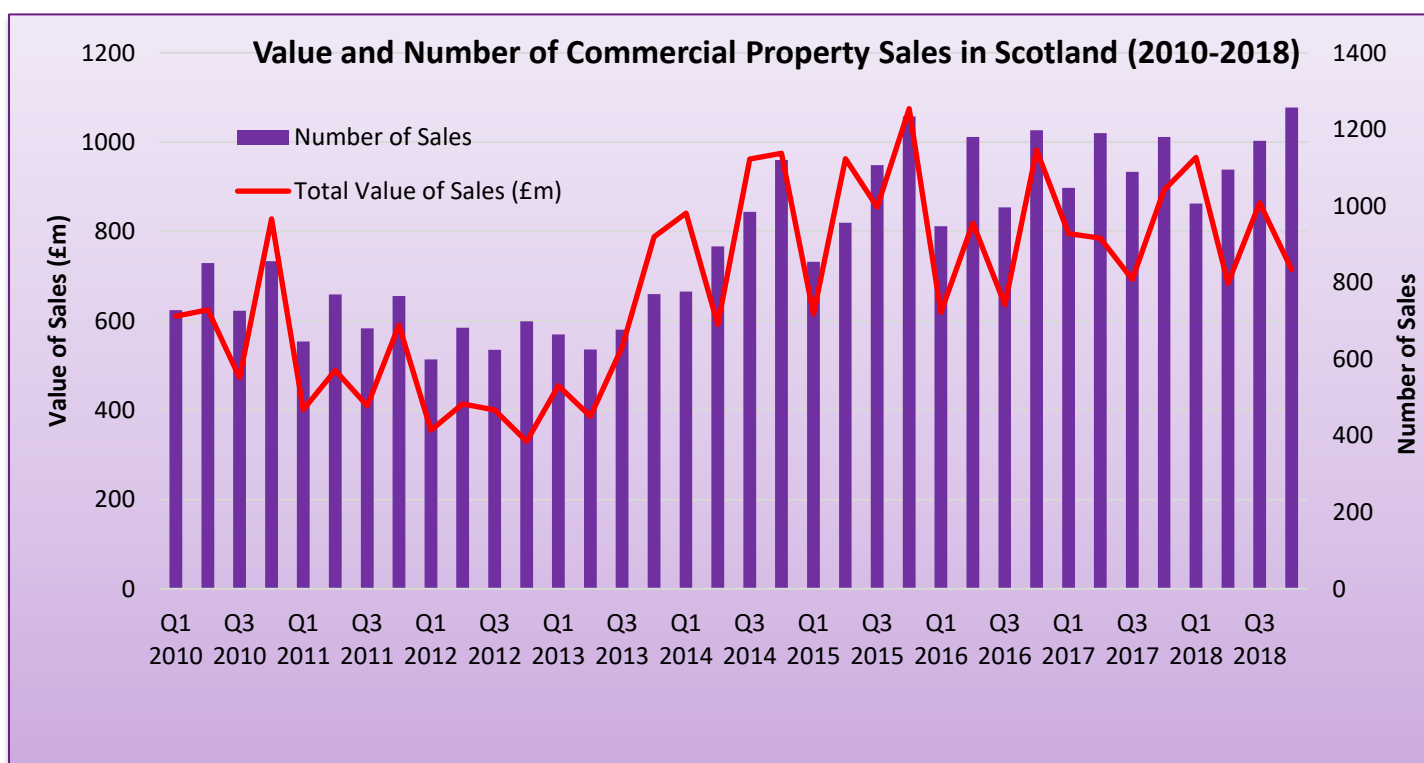
- **TOTAL VALUE OF SALES:** The total value of commercial sales in Q4 (October to December) 2018 was **£715m**. This is **down 17%** on Q3 (July to September) 2018 and **20% down** on Q4 2017.
- **NUMBER OF SALES:** The number of commercial property sales in Q4 2018 was **1,257**. This is **7% up** on both Q3 2018 and Q4 2017.
- **£5M+ SALES:** There were **26** commercial sales transacted at or above £5m in Q4 2018, with a combined value of **£293m**. The combined value of sales at this section of the market is **33% down** on the Q3 2018 and **24% down** on Q4 2017.
- **ABERDEEN:** The value of commercial property sales in Aberdeen fell in Q4 2018 to **£14m**, the lowest Q4 total in over 7-years.
- **EDINBURGH:** At **£179m**, sales for the city were just under **1% higher** than the previous quarter but **fell by 33%** on the same quarter in 2017 (which saw sales total **£274m**).
- **GLASGOW:** The total value of commercial property sales rose for the third consecutive quarter in Q4 2018, with sales totalling **£171m**.
- **COSTAR INVESTMENT DATA FOR 2018:** Investment volumes in Scotland fell back slightly to **£2.5bn** in 2018, a **drop of 8%** on 2017, but comfortably above the 10-year average of **£2bn**. This was largely due to a steep decline in retail spending, with volumes in the sector **falling 42%** compared to last year to a six-year low.

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

Commercial Property Sales in Q4 2018

Despite the number of commercial property sales in Scotland increasing by 7% year-on-year (Y-o-Y) in Q4 2018 to 1,257, the total value of those transactions fell by 20%. This considerable fall in the total value of commercial property transactions meant that, at £715m, 2018 had the lowest value of commercial sales in any Q4 since 2012.

Over the past 6 years, there has also been a consistent trend of the total value of commercial property sales increasing in Q4 when compared to the previous quarter. However, there was a drop in value between Q3 2018 and Q4 of £149m (17%). However, similar to the Y-o-Y comparison, the number of commercial property sales in Scotland between Q3 2018 and Q4 2018 rose by 7% (or by just under 100 sales).

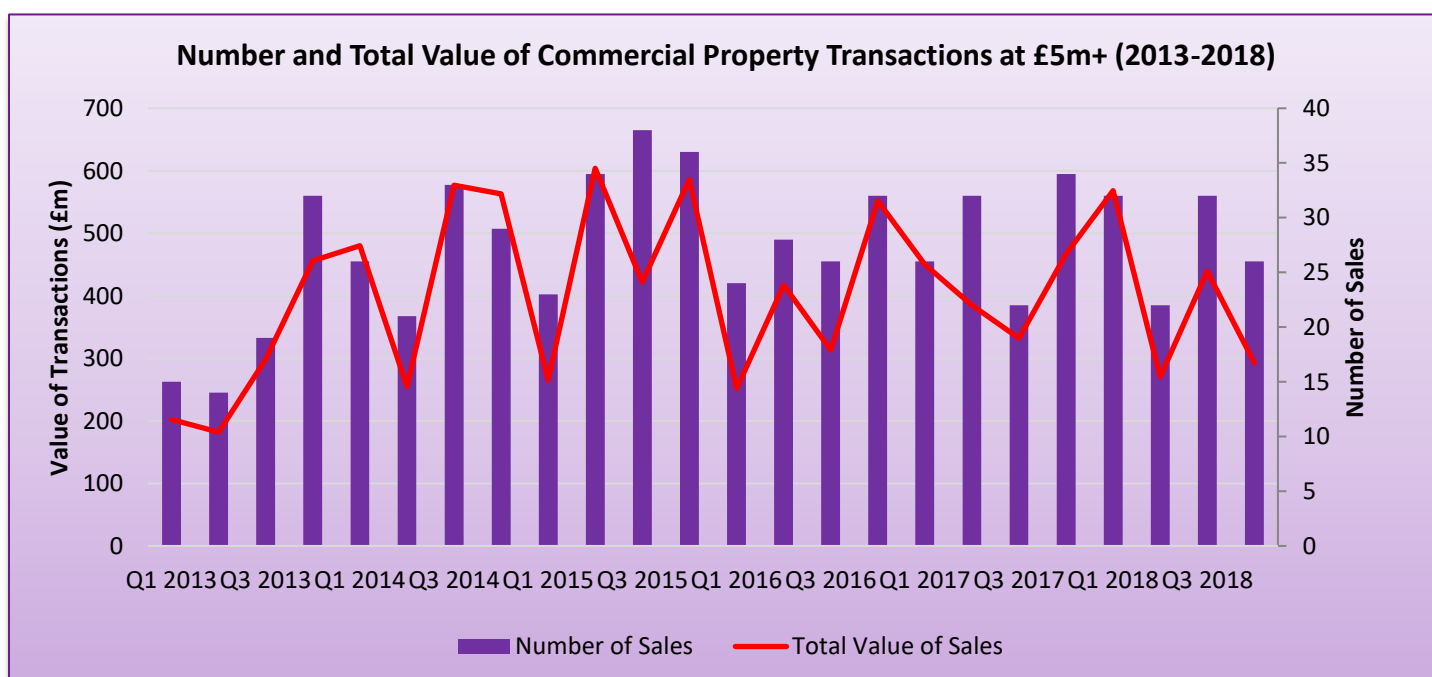


Commercial Property Sales at £5m and Over

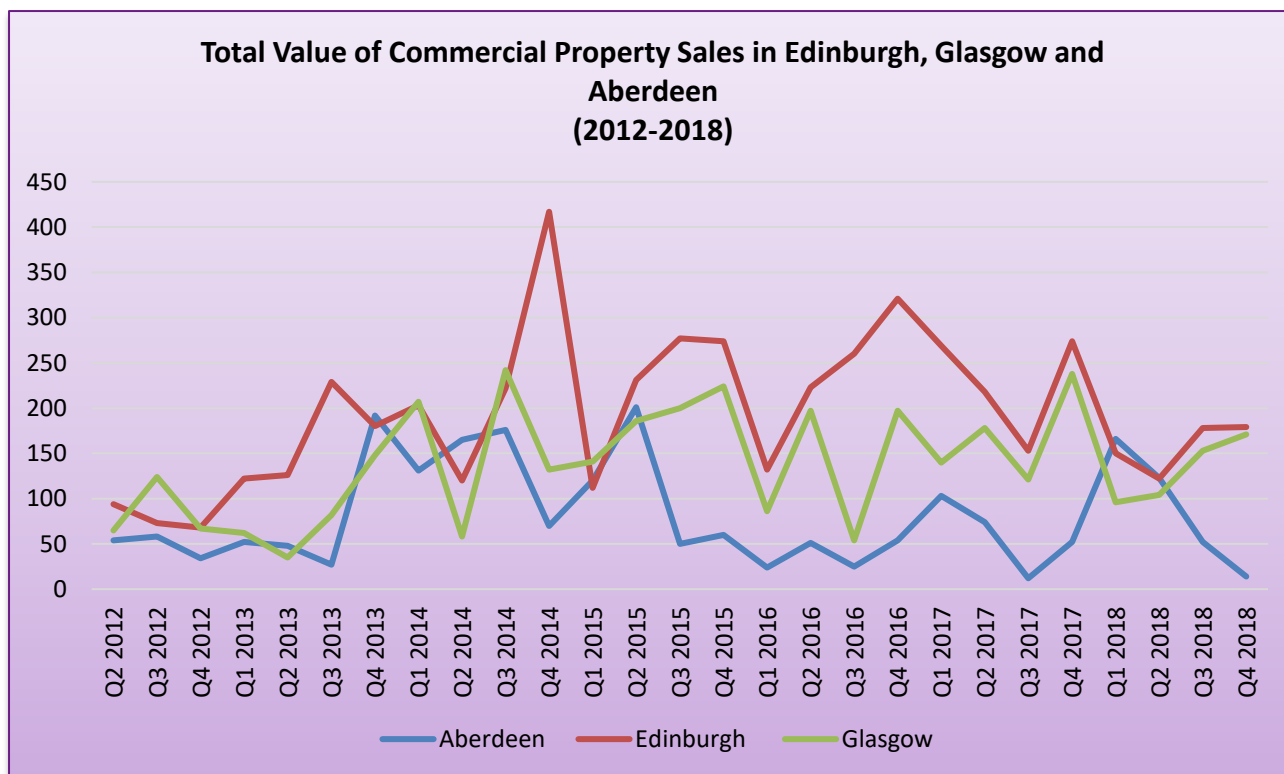
The number of commercial property sales that transacted at a value of £5m or more declined significantly in Q4 2018, both on the year and against the previous quarter. There were 26 sales at £5m+ in Q4 2018, with a combined a total of £293m. This was some 24% down Y-o-Y and 33% down compared to the previous quarter.

The geographical spread of these sales also reduced in Q4 2018, with only 6 of Scotland's 32 local authorities seeing sales £5m+. This compares to 14 in Q3 2018 and 11 in Q4 2017. Notably, there were no sales at £5m or over in Aberdeen or Shire in the quarter. However, both Edinburgh and Glasgow bucked the national trend and saw an increase to the number and total value of sales at £5m+ in Q4 2018, when compared to the same quarter in 2017.

Sales £5m+ Area	Number of Sales	Total Value of Sales (£m)
Dundee City	3	31
Edinburgh, City of	10	113
Glasgow City	8	109
North Lanarkshire	3	22
Renfrewshire	1	9
West Lothian	1	10
Scotland	26	293



Commercial Property Sales in Aberdeen, Edinburgh & Glasgow



Aberdeen – The value of commercial property sales in Aberdeen fell in Q4 2018 to £14m, the lowest Q4 total in over 7-years. Q4 saw sales fall by 73% on the quarter previous and on the same quarter in 2017, which both saw sales of £52m. The total value of sales for Aberdeen in 2018 was £355m, up from £241m in 2017.

Edinburgh – In Q4 2018, Edinburgh had the highest combined value for commercial property sales of any city in Scotland, for the second quarter in a row. At £179m, sales for the city were just under 1% higher than the previous quarter but fell by 33% on the Q4 2017 (which saw sales total £274m). The total value of sales for Edinburgh in 2018 was £629m, down from £914m in 2017.

Glasgow – The total value of commercial property sales rose for the third consecutive quarter in Q4 2018, with sales totalling £171m. This figure is 12% (£18m) higher than in Q3 2018 but 28% (£67m) lower than the same quarter in the year before. The total value of sales for Glasgow in 2018 was £524m, down from £677m in 2017.

Co-Star Investment Data 2018 (Whole-Year)

According to property data experts Co-Star, investment volumes in Scotland fell back slightly to £2.5bn in 2018, a drop of 8% Y-o-Y, but comfortably above the 10-year average of £2bn. This was largely due to a steep decline in retail spending, with volumes in the sector falling 42% Y-o-Y to a six-year low. However, on a more positive note, the office and industrial sectors both posted their second-strongest years on record, while continuing investor demand for ‘alternatives’ resulted in record spending on hotels and student accommodation assets.

The lion’s share of investment (44%) went into the office sector in 2018, with foreign capital behind almost half of the £1.1bn invested. Asian investors were the biggest foreign buyers of Scottish offices last year, with more than £220m pouring in from South Korea, the United Arab Emirates and Israel. US investors remained active in 2018, although LCN Capital Partners’ £112.5m purchase of Aker’s Aberdeen headquarters made up the bulk of American spending. UK institutions and funds also deployed more than £250m in the office sector, with the majority of activity occurring in Glasgow.

The industrial sector had one of its strongest-ever years in 2018 as robust investor demand for multi-let industrial estates helped to push volumes in the sector up 55% Y-o-Y to a four-year high of £295m. Retail investment volumes fell to £501m in 2018, a drop of 42% Y-o-Y and 38% below the five-year average. Deal frequency also fell away across the size spectrum. Just one retail deal larger than £50m completed in 2018 (versus six in 2017), while the number of transactions in the £1m–£5m deal bracket dropped to just 19 (down from 42 in the previous year).

