



**Media Release**

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**Survey shows North-east property suffering in slowdown**

A new industry report has identified significant differences between how the North-east property sector is faring compared with the rest of Scotland.

Over half of North-east businesses (53%) operating in the property sector have experienced a drop in turnover in the past 12 months, compared with less than one in five (17%) across the rest of Scotland.

Seventy per cent have reported a drop in profitability, compared to just 22% in the rest of Scotland.

The report, based on research carried out by Aberdeen & Grampian Chamber of Commerce for law firm Ledingham Chalmers and architects Keppie found that nearly nine in 10 North-east property businesses (88%) say they are feeling the impact of the oil and gas downturn.

The report follows a similar survey carried out by the Chamber of Commerce in 2012 to look at business performance and future outlook.

Four years ago, 40% of North-east businesses were planning to grow their business.

The new report reveals a slight reduction (-14%) in those planning to expand and an increase in those planning to downsize (+8%).

However what is not known is whether businesses intend to grow in the North-east or in other regions in the country.

**Future outlook**

There is some good news within the 2016 report however, with four in five businesses (81%) optimistic about achieving their set objectives.

A third of North-east businesses (35%) also predict an increase in both turnover and profitability in the next three years, although this compares to 68% and 58% for the rest of Scotland respectively.

Compared with what was reported in the 2012 study, businesses are more satisfied with access to finance, as well as technological developments, and access to business support and advice.

However some of the blame was placed squarely at government's door, with changes in regulation being seen by more than half the businesses (51%) in the North-east as having a negative impact on the industry.

## **Context**

In Scotland, the construction sector is forecast to contribute £8.5billion to the economy by 2025, and accounting for around 175,000 jobs. In 2015, around 178,000 were employed in the Scottish construction sector, with around 18,000 based in Aberdeen or Aberdeenshire.

In terms of house prices, both Aberdeen City and Aberdeenshire were among the bottom five in the UK for annual growth in the year to April 2016.

A report by Lettingstats in March 2016 revealed rents for two-bedroomed properties in Aberdeen City fell by 17% between winter 2015 and winter 2016

## **Reaction**

James Bream, research & policy director at Aberdeen & Grampian Chamber of Commerce, said:

“Property and construction are key drivers of economic growth in the North-east and across the country, which is why an assessment of the sector is of such importance.

“There have been significant changes to the Scottish policy context since the last survey, with further changes in the pipeline.

“Most consultees were interested in how the North-east will meet the challenge of rebalancing property supply, and it will be interesting to see how the market addresses this, whether it can realise new opportunities and instil much-needed new confidence into the sector.”

Jennifer Young, chairman and partner at Ledingham Chalmers, said:

“There's no doubt the impact of certain nationwide legal, policy and cost challenges - such as the business rate revaluation - is likely to be felt disproportionately badly in and around the Granite City.

“That said, there were elements of positivity throughout the report.

“For example, while there was considerable frustration about the existing planning system, there was a belief that the ongoing review would lead to real improvements and drive economic growth, with factors such as less complex decision-making, accelerated timelines for development, as well as a focus on growth, all desirable.”

Richard MacDonald, head of commercial at Keppie Design, said:

“The volatility of the oil price, the political uncertainty following the EU referendum and the undertones around a second Scottish independence referendum, are all having an impact in investor confidence in the current commercial environment.

“However we still see the Aberdeen City Region as having great potential.

“Real estate with the correct specification, price and location will succeed and with increased government and local authority support and infrastructure, the region can continue to flourish despite the mounting challenges ahead.”

## **Ends**

### **Notes to editor**

- The report Building evidence: a detailed examination of the North-east property sector is attached.
- In summer 2016, 103 companies operating in the property industry in Scotland completed the Aberdeen & Grampian Chamber of Commerce survey, with 43 of these reporting that their main business activity is in the North-east.
- Aberdeen & Grampian Chamber of Commerce (AGCC) is North-east Scotland's leading private sector, member-focused, business organisation. The Chamber represents more than 1,300 businesses with around 130,000 employees in the private sector covering all industry sectors, ranging in size from sole traders to multi-national corporations.

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