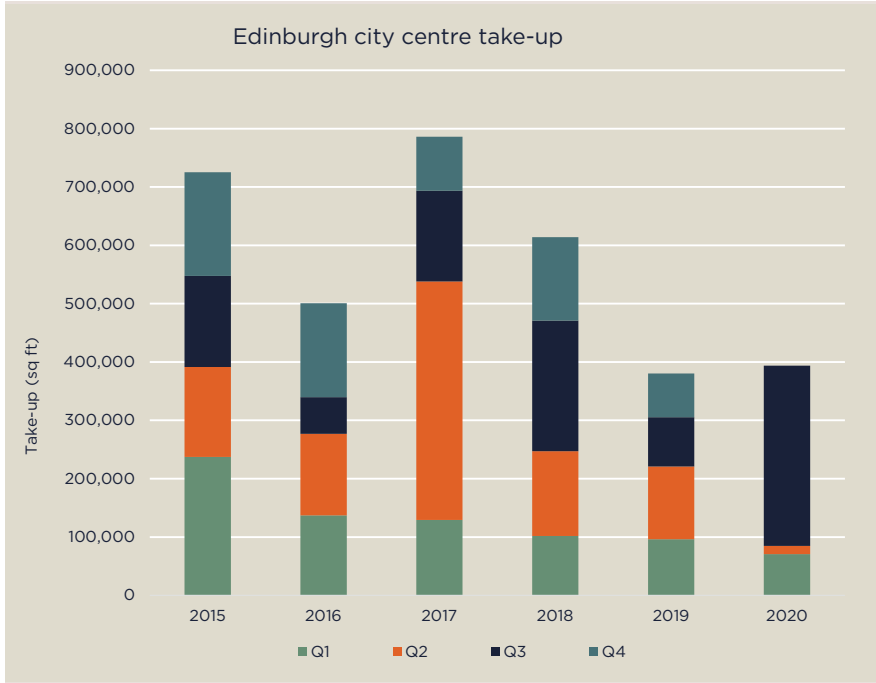


Edinburgh Offices



Summary: A large pre-let deal significantly boosted Edinburgh’s Q1-Q3 take-up.



Source Savills Research

Edinburgh is currently the only UK regional office market that has a Q1-Q3 2020 take-up exceeding that of 2019.

During Q3, take-up in Edinburgh city centre reached 395,585 sq ft, which is almost 30% up above the same period last year. However, when the number of deals is analysed, 2020 (Q1-Q3) is 50% below 2019, due to disruption in the market as a result of Covid-19. Baillie Gifford signed for a 280,000 sq ft pre-let at the Haymarket in Q3 2020. This is both the largest ever Edinburgh city centre letting and the largest Insurance & Financial services deal within the UK regional office markets, that Savills has recorded. Ballie Gifford plan to relocate to the new head office during 2023, on a 20 year lease. The deal represented a confidence boost in Edinburgh’s city centre office market and highlighted the desire from large corporates to continue to lease large quantities of office space.

As a result, the Insurance and Financial Services have accounted for over 75% of Edinburgh’s Q1-Q3 take-up. Other key deals from the sector included Cadence who leased 8,500 sq ft of Grade A space at 40 Princess Street and Forecast Financial who let 4,300 sq ft at Nova House, with a rent of £25 per sq ft. Key deals during the second and third quarter included Handelsbanken who signed for 3,600 sq ft at Waverley Gate and Peoples Postcode Lottery which took 3,800 sq ft at 28-30 Charlotte’s Square.

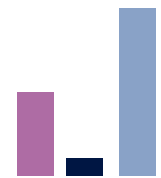
Supply in Edinburgh city centre remains extremely limited, at just 647,000 sq ft, of which 396,000 sq ft is Grade A. Based

on average take-up, Edinburgh currently has only enough supply to meet the demand for 14 months of Grade A take-up, demonstrating an under-supply. Although Edinburgh’s market is under supplied, a significant proportion is Grade A, thereby strengthening Edinburgh’s rental growth prospects. Currently, Grade A rents in Edinburgh are in excess of £35.50 per sq ft and Savills haven’t seen any evidence of downward pressure on Grade A rents in Edinburgh this year.

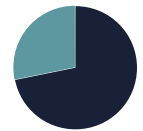
So far this year (Q1-Q3), Edinburgh has seen total commercial investment of £321 million. Offices have been the most popular asset, accounting for 65% of investment, in terms of value. Office investment therefore totalled £210 million, which is in line with the ten-year average figure of £205 million. Overseas investors have accounted for 85% of office investment, demonstrating strong international confidence in both Edinburgh’s office market and wider economy.

During Q3, Hyundai Asset Management purchased 1-3 Lochside Crescent, for £133 million, reflecting a net initial yield of 5.4%. This was the second office building that Hyundai Asset Management have purchased in Edinburgh within the last two years. Prime yields in Edinburgh are currently 4.75% having moved outward 25 basis points due to uncertainty in the market caused by the Covid-19 pandemic.

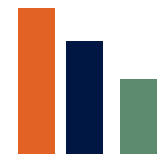
Key data points
from the first three quarters of 2020



394,000 sq ft
Q1-Q3 take-up in Edinburgh city centre.



79%
Share of Q1-Q3 take-up was for Grade A space.



-40%
Supply has been steadily decreasing since 2009 and is currently 40% below the five-year average figure



£35.50+ psf
Edinburgh is now seeing achieved rents in excess of £35.50 per sq ft.

“ During Q3, Hyundai Asset Management purchased 1-3 Lochside Crescent, for £133 million, reflecting a net initial yield of 5.4%. ”

Covid-19 hasn't prevented occupiers in Edinburgh receiving VC investment

So far this year (Jan - Oct 2020), companies headquartered in Edinburgh have raised venture capital totalling £141 million, across 64 deals; already representing an 88% increase on the ten-year annual average figure, in terms of value. Typically, after receiving investment, occupiers increase their headcount, leading to future requirements for office space in the short to medium term.

The largest VC deal so far this year was an investment into Roslin Technologies, an agriculture biotechnology company, which is a joint venture between the University of Edinburgh and two investment and business development partners. Roslin Technologies raised £50 million of Series B venture funding from JBI Equity and Milltrust International. The company specialises in genome sequencing, gene editing, transgenics, phenotyping and bioinformatics offered as a service to clients and used to create sellable products. These products provide food producers with sustainable protein production across the livestock and aquaculture sectors. Roslin Technologies is currently headquartered at Roslin Innovation Centre which is within the Easter Bush Campus at the University of Edinburgh.

The funds will be used to invest in a wide range of cutting-edge AgriTech initiatives and build valuable relationships through its growing number of portfolio companies. Previously, Roslin Technologies raised £10 million of Series A venture funding from JBI Equity, University of Edinburgh Endowment and Milltrust International.

Video game developer 'Everywhere' raised £32.73 million of venture capital funding from NetEase, Makers Fund and Galaxy Interactive during September, putting the company's pre-money valuation at £111.43 million. Everywhere is the operator of a game development studio and is currently based at 29 Constitution Street, with an additional office in Budapest, Hungary.

Everywhere's Edinburgh office is based within the former Leith Corn Exchange, which was originally built in 1861 as an open market hall. Everywhere refurbished their iconic Edinburgh office in 2018 turning it into a modern games studio, lit by natural sunlight and providing an open, airy space allowing collaboration.

Everywhere's games, of the same name, offers a multi-narrative storyline and feature characters that can be customized in an open environment world with cooperative multiplayer modes, enabling gamers to enjoy a virtual open world storyline-based game. The funding raised will be used towards the development of the game.

Green and ethical energy company Flexitricity was acquired by Quinbrook Infrastructure Partners for £15 million during September. Flexitricity operates a smart grid system providing short term operating reserve and frequency response services which enables clients to increase asset reliability, reduce national CO2 emissions, and help to secure energy supplies.

Flexitricity recently became the first virtual lead party to trade in the UK's Balancing Mechanism after it was opened up to allow independent aggregators to take part. The company currently occupies 4,500 sq ft at 102 West Port in Edinburgh Old Town.

Roslin Technology, Everywhere and Flexitricity are all currently recruiting for a number of jobs within Edinburgh, suggesting they are increasing their headcount. This will likely lead to future requirements for office space within Edinburgh, as well as, boost both the economy and confidence among occupiers and landlords.



Everywhere's Edinburgh office located within the former Leith Corn Exchange

👉 Roslin Technology, Everywhere and Flexitricity are all currently recruiting for a number of jobs within Edinburgh, suggesting they are increasing their headcount. 🐣

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