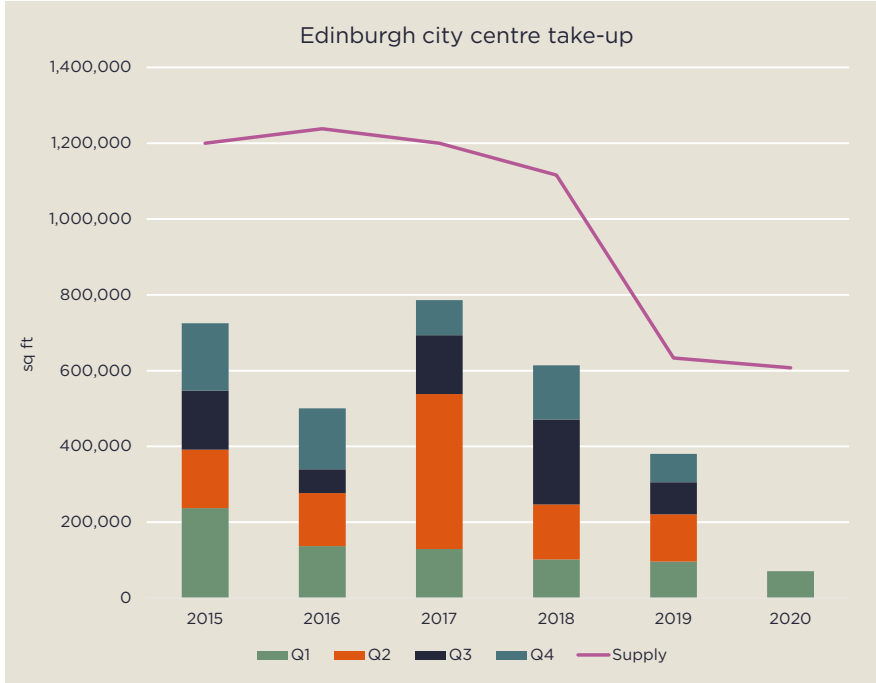


# Edinburgh Offices



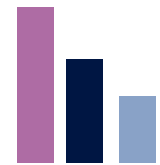
**Summary:** Reduced quarterly take up, hides significant latent demand.



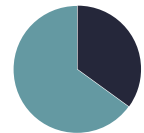
Source Savills Research

**Key data points**

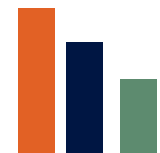
from the first quarter of 2020



**70,600 sq ft**  
Q1 take-up in Edinburgh city centre.



**35%**  
of Q1 take-up was for Grade A space.



**Supply**  
has been steadily decreasing since 2009.



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

## To date, medium / long-term demand has been relatively unaffected by Covid-19

Following a steady stream of deals, Edinburgh ended Q1 2020 with total city centre office take-up of 70,627 sq ft. Following two of the city’s most robust years of take-up in 2017 and 2018, the first quarter of 2020 has seen take-up that is more in line with longer term averages. While this is in part down to the lack of quality office space to satisfy demand, 2019 also saw a reduction in the number of occupiers seeking to agree pre-lets on large office schemes. There is, however, currently a significant amount of latent demand in the city and should some of this progress, take-up figures could change dramatically.

During Q1, there was significant activity from the Public Services, Education & Health sector, which in total accounted for 27% of Q1 take-up. A key deal included the Financial Conduct Authority who signed for 16,100 sq ft of Grade A space at Quayside House. There was also significant activity from the Insurance & Financial Services and the Technology, Media and Telecoms sectors, which both accounted for 21% of take-up.

Total supply in Edinburgh city centre now sits at just 608,000 sq ft, reflecting only enough availability to meet one year of average take-up levels based upon the five-year average. However, as much of this stock is outdated and therefore unable to meet occupiers requirements, the reality is far

lower. This limited supply has facilitated rental growth, with Edinburgh city centre now seeing achieved rents in excess of £35.50 per sq ft.

Although Covid-19 has had little effect on Edinburgh’s office market during Q1, as social distancing measures were only put into place in the middle of March, Q2 will likely be affected much more severely. At present, some short-term requirements (seeking entry prior to the end Q3 2020) in the market have been placed on hold. However, we have observed this to be mainly relating to office users whose core business is heavily exposed to travel, retail, hospitality and transactional services. There has been less impact on other sectors where some requirements remain active.

As of yet, medium and long-term demand has been relatively unaffected by Covid-19, as occupiers are still inquiring and planning for future office upgrades and moves. Edinburgh is in a unique position; the limited supply in the market has seen rents for quality product remain robust as the trend for occupiers to upgrade to higher quality offices that are suited to modern working practices continues. All office construction in Edinburgh has been put on hold. It is therefore likely that when the lock-down and social distancing measures relax, Edinburgh’s office availability will be even more restricted due to delays in the construction process.

“At present, some short-term requirements in the market have been placed on hold. However, we have observed this to be mainly relating to office users where the core business is heavily exposed to travel, retail, hospitality and transactional services.”

**Investment overview**

During the first quarter of the year, Scotland saw total commercial investment volumes of £254 million, with the majority of this for retail assets. After a strong few years, office investment has dropped and accounted for just 18% of Q1 2020 volumes, totalling at £45 million, all of which occurred within Edinburgh. The majority of investment was from UK property companies which accounted for 75% of volumes, totalling £192 million.

in Scotland accounting for 46% of volumes with £116 million spent on commercial property in the city.

Office investment accounted for 39% of Edinburgh's commercial investment volumes. Key office deals included the sale of 118 Lothian Road for £31 million reflecting a 6% yield and the sale of 4-5 Lochside Avenue for £7 million with a 7% yield.

Edinburgh saw the largest level of commercial investment

Prime office yields in Edinburgh remain at 4.5%.

**What makes Edinburgh?**

Edinburgh is home to the UK's largest financial services centre outside of London and is widely considered as the powerhouse of the Scottish economy.



The £1.3 billion Edinburgh and South-East Scotland City Region Deal aims to establish the region as the data capital of Europe.



The city has excellent connectivity locally, nationally and internationally. This includes direct flights from Edinburgh Airport to over 150 destinations and excellent local bus and tram services



Edinburgh is considered the UK's most educated city. Around 55% of Edinburgh's workforce hold a university degree or equivalent.



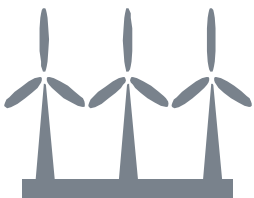
Edinburgh has a population of 531,000, increasing to 1.6m within the Lothian catchment area.



It is the most prosperous regional city in the UK, and offers significantly lower labour and property costs than London and the south-east, with unemployment consistently low.



The average Gross Value Added (GVA) per resident in Edinburgh (£47,600) is the highest of all major UK regional cities.



Edinburgh was placed third in the 2018 Sustainability Cities Index report and named the best city in the world to live thanks to its low crime rate, high levels of education and the overall health of its workforce.



Edinburgh's financial and business centre is home to more FTSE 100 companies than any other city in the UK outside London, such as Microsoft and Amazon.



It is the home of the Scottish Parliament, which was established in 1998 and is also the UK's second most visited tourist destination after London, attracting roughly 13 million visitors every year.

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“The £1.3 billion Edinburgh and South-East Scotland City Region Deal aims to establish the region as the data capital of Europe.”