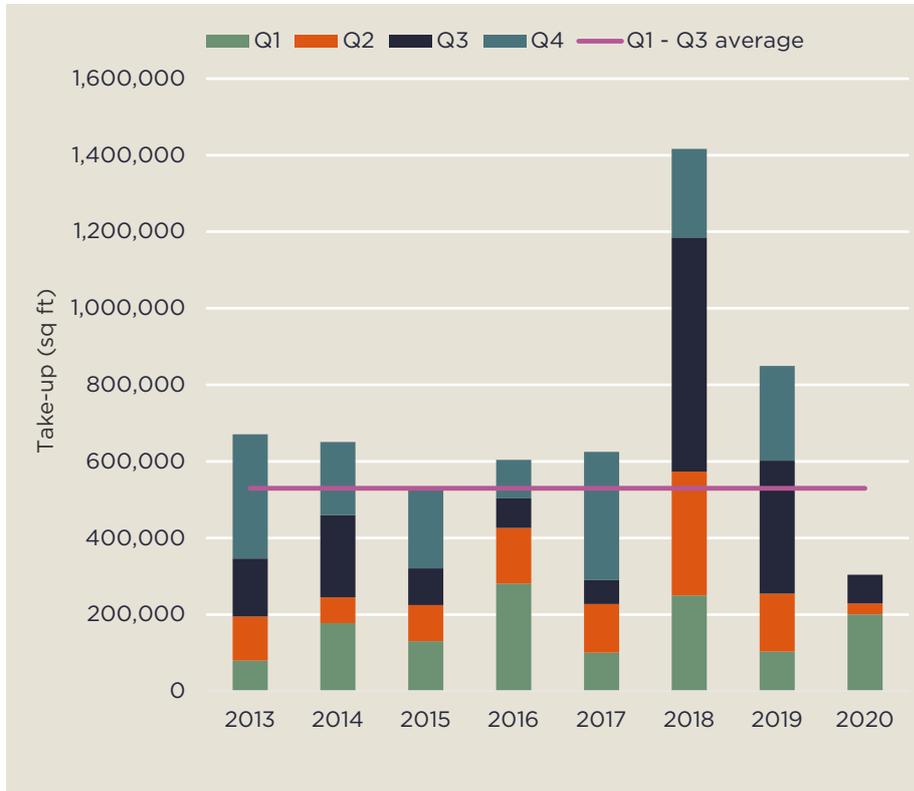


Glasgow Offices



Summary: Office demand in Glasgow was strong throughout Q1. However, Covid-19 and the extended lockdown in Scotland significantly restricted office take-up during the second and third quarter.



Source Savills Research

Q3 showed an uplift on Q2; however, take-up remains below average

Covid-19 and the accompanying lockdown in Scotland, which has seen many offices remain closed since March, has unsurprisingly had a significant impact on office take-up. During the first three quarters of 2020, Glasgow reached 303,635 sq ft, significantly below the same period last year and the Q1-Q3 five-year average. Take-up recorded in Q3 totalled 74,453 sq ft which represented a 159% increase on Q2, although this figure was still 63% below the five-year quarterly average. However, during October, requirements that were paused as a result of the lockdown have begun to restart, and we will likely see more activity during early 2021.

The Public Services, Education & Health sector accounted for 41% of deals, the majority of which occurred in the first quarter. The Insurance & Financial Services sector also accounted for a significant proportion of take-up (14%). During Q3, Wescot Credit Services signed for 28,288 sq ft at 310 St Vincent Street, and Royal London took 5,188 sq ft at 241 West George Street. Another key deal included Chubb who leased 18,252 sq ft at the newly refurbished Sentinel building.

Glasgow currently has a significant shortage of Grade A office space, and as a result, just 13% of Q1-Q3 take-up was for the highest standard of office space. Total office availability in Glasgow is currently just 744,390 sq ft and, only 31% of that is Grade A (233,065 sq ft). Throughout the year, Glasgow has seen increasing levels of 'grey space' (tenant-controlled space available to be sub-let) space brought back onto the market. This has helped to ease the demand for short-term flexible agreements which occupiers are seeking more frequently due to the current market conditions.

Throughout the first three quarters of the year, Glasgow has seen total commercial investment of £205 million. Offices accounted for 37% of investment totalling £75.75 million, all of which transacted during the third quarter. During September, 150 Broomielaw was sold to overseas investor Elite Partners Capital for c.£40 million reflecting a 7.6% yield and Guildhall was purchased by Maya Capital for c.£30 million with a 9.5% yield. In Glasgow, prime yields are currently 5.25% after moving outward 25 basis points due to uncertainty in the market as a result of the Covid-19 pandemic.

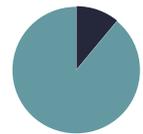
Key data points

from the first three quarters of 2020



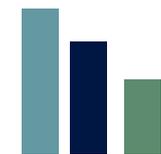
+159%

Q3 take-up showed a 159% increase on Q2.



13%

Grade A space accounted for 13% of take-up in Q1-Q3 2020.



6,443 sq ft

There is just 6,443 sq ft of new build Grade A supply available.



£32.50

Prime rents in Glasgow city centre are currently at £32.50 per sq ft.



During Q3, Wescot Credit Services signed for 28,288 sq ft at 310 St Vincent Street, and Royal London took 5,188 sq ft at 241 West George Street.

Glasgow's offices are keeping the local heritage alive

Heritage buildings have the potential to bring considerable value to the businesses that occupy them, providing offices with character that can bring individuality with one-of-a-kind space. What's more, they add social value and, often, are more sustainable than building a new office, breathing new life into historic areas of a city.

In recent years, ESG has rapidly risen up the corporate agenda. While firms race to reduce their environmental impact and increase their social responsibility, revitalising a historical landmark building within a local community can help to do just that. The waste generated in refurbishing an existing building is far lower than the demolition and construction of a new one, and converting heritage assets into commercial space can reinvigorate a once flagging location.

Out-of-use factories, large retail units and certain old warehouses provide many of the features required for a successful office conversion. Their large floorplates and high density of windows provide natural light and open-plan working. The decline in UK manufacturing saw many once-buzzing industrial areas become derelict and abandoned. However, these places remain a key part of British heritage, and many of these sites are now listed.

The Garment Factory, Glasgow demonstrates how successful the conversion of Victorian warehouses can be. The Garment Factory was built in 1898 as J&W Campbell and Co's warehouse where stock such as silks, ribbons and hosiery were stored. It is an important example of an architectural style known as Scottish Baronial, and it is listed at category B. After J&W Campbell and Co stopped using it, it was converted into offices, and today provides 75,000 sq ft of office space described as one of Glasgow's coolest buildings. Currently 17,000 sq ft of space on a sub-let or assignment basis until the 30th of September 2024 is available through Savills.

The Forsyth Building was once R. W. Forsyth's Glasgow department store, and following its closure in the 1980s has since become high-quality office space split across five stories. Forsyth came to Glasgow as a 19-year-old and gained experience of clothing retailing with several city firms. In 1872 he set up in business as hosiery, glover and shirt-maker in Renfield Street. Success led to expansion, and he gradually acquired all the properties around the corner of Renfield Street and Gordon Street. These buildings were demolished and a new department store, The Forsyth Building, was built on the site in 1897. There is currently 6,372 sq ft of high-quality office space available at the Forsyth Building through Savills.

24 St Vincent Place was one of the first buildings in Glasgow constructed from red sandstone. The building was completed in 1889 for the Evening Citizen newspaper, an evening version of the Glasgow Citizen (a daily newspaper founded in 1842). Both papers were founded by James Hedderwick, the Scottish poet and journalist. 24 St Vincent Street has undergone an extensive refurbishment, turning it into one of Glasgow's most contemporary and cutting-edge office spaces. There is currently over 13,000 sq ft of office space available. Due to 24 St Vincent Place's history, the building would be an ideal fit for the media and creative arts sector.

Research from The Heritage Lottery Fund found that the greater the density of cultural and heritage assets in an area, the better the performance of creative industries, leading to a higher clustering of creative occupiers. It has also been found that a high proportion of creative businesses that occupy heritage building are start-ups. With unique and distinctive character, often with high ceilings and an abundance of natural light, they can also make ideal studio space.



24 St Vincent Place, Glasgow. 13,000 sq ft available through Savills

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66 24 St Vincent Place was one of the first buildings in Glasgow constructed from red sandstone. 99