Scotland Offices

Occupational • Investment • What Workers Want
Take-up in Scotland's core office markets (wider Aberdeen, Edinburgh city centre, Glasgow city centre) reached 619,000 sq ft during the first half of 2019. This is significantly down from the H1 five-year average of 919,000 sq ft. All three cities have seen a reduction in take-up when compared to H1 2018 and the H1 five-year average, as many occupiers across all sectors are increasingly focused on the quality of product that is available. 40% of deals were for Grade A space which is broadly in line with the H1 10 year average proportion of around 46%.

The most active business sector in the core Scottish markets has been Tech, Media and Telecommunications, taking the most space in sq ft and deal count, accounting for 143,000 sq ft of take-up across 24 deals. Scotland benefits from a vibrant Tech sector, Edinburgh specifically has been recognised as one of the UK's most thriving tech hubs.

The serviced office sector also contributed to a significant proportion of take-up (5%) totalling 38,000 sq ft, however, this was achieved across two deals and therefore only accounted for 1% of deals. Due to the sector commonly taking large chunks of space, serviced office deals are able to account for a large proportion of take-up (sq ft) over fewer deals. Over the past five years, Scotland has seen a small number of serviced office deals each year, a majority between 10,000 sq ft and 30,000 sq ft. Savills expects that deals in this sector will increase in the next few years, similarly to what we have seen in London and are beginning to see in other large regional markets such as Manchester, Birmingham and Bristol.

Aberdeen saw total H1 take-up of 143,000 sq ft 17% down from 2018 and 31% down from the H1 five-year average. Although it may not currently be visible, Aberdeen's market is showing strong signs of recovery. Due to the level of requirements in the market we expect a strong second half of the year with end of year take-up being broadly in line with the previous two years of c. 400,000 sq ft. Edinburgh city centre take-up continues to be restricted by limited office supply and reached just 221,000 during H1 2019, 11% down from 2018 and 40% down from the H1 five-year average. Glasgow has also experienced a slow first half with take-up totaling just 255,000 sq ft, 25% down from the H1 five-year average, however, we expect take-up to increase during the second half of the year. Due to the current level of requirements in Glasgow, Savills expects to see city centre take-up of approximately 1 million sq ft by the end of 2019.

Availability in the core Scottish markets currently sits at 4.1 million sq ft, a 1% decrease since the end of 2018 and a 12% decrease from the five-year average. There is certain office stock in Scotland that is, in its current state, unfit for purpose and therefore unlikely to let, which is preventing availability from falling below a certain level. Savills expects this to change as we see obsolete office stock redeveloped for alternative uses, such as residential, as demand for such uses increases within the core cities.

This has already begun to happen in Aberdeen. Strong deals are being done, however occupiers want to get the right space, in the right location, with the correct specification. Unfit buildings are therefore being converted for alternative use, which will help to streamline Aberdeen's office market by removing unfit stock.

In Edinburgh there is evidence that a number of significant requirements cannot be met by existing supply, such requirements are likely to result in pre-lets of accommodation that are currently in the development pipeline. There are a number of reasons why such occupiers are looking to the development pipeline which include: size of requirements; need for best in class facilities (including Wellness); and resilience in terms of both power and data.

Glasgow currently has a severe lack of Grade A office space paired with strong demand. Current occupier demand in Glasgow city centre exceeds Grade A supply levels by over 500%. Currently there is 1.144,000 sq ft of new office space under construction in Glasgow of which just 385,000 sq ft is currently available. There is the capacity for new development in Glasgow, however developments are not reaching completion fast enough to keep up with occupier demand.

Top sectors
TMT (23%), Serviced Office (9%), Extraction & Utilities (9%)
Workers in Scotland also placed less importance on access to car parking than the rest of the UK likely driven by their impressive public transport networks and preference for a city centre workspace.

Factors surrounding wellness are also of importance in Scotland with access to a gym, proximity to retail/leisure facilities, bicycle storage and social meeting spaces all being rated of higher importance in Scotland than the rest of the UK.

Landlords and developers operating in Scotland should therefore consider the access to wellness facilities in offices in order to satisfy the wants of their tenant’s employees. The refurbishment of old stock to incorporate such facilities could see previously undesirable spaces rise in popularity.

What Scottish Workers Want?

Savills’ What Workers Want survey investigates the wants and needs from the workplace across 14 UK cities, in Scotland workers were satisfied with the retail provision and the length and cost of their commute.

Aberdeen, Edinburgh and Glasgow all benefit from vibrant city centres reflective of Scotland’s rich culture and history. It is therefore unsurprising that the majority of workers in Scotland favour a city centre location above any other, and that this is higher than the UK average.

In Scotland, workers were more satisfied than the rest of the UK with their access to public transport connections, a factor which was also rated of significant importance and the length of their commute. This is unsurprising as Glasgow benefits from the second largest suburban rail network in the UK and Edinburgh has a 14 km tramline which runs between the new town and Edinburgh airport.

Workers in Scotland also placed less importance on access to car parking than the rest of the UK likely driven by their impressive public transport networks and preference for a city centre workspace.
Savills Commercial

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

Research

Pearl Gillum
Commercial Research
0207 535 2984
pearl.gillum@savills.com

Nick Penny
Director
Head of Scotland
Investment
0131 247 3803
npenny@savills.com

Dan Smith
Director
Aberdeen
Office Agency
01224 971 134
dan.smith@savills.com

Mike Irvine
Director
Edinburgh
Office Agency
0131 247 3817
mike.irvine@savills.com

David Cobban
Director
Glasgow
Office Agency
0141 222 4101
dcobban@savills.com

Stuart Orr
Director
Scotland Investment
0141 222 4144
sorr@savills.com

Rod Leslie
Director
Scotland Investment
0131 247 3812
rleslie@savills.com

Mark Fleming
Director
Scotland Investment
0131 247 3733
mfleming@savills.com