

RESEARCH



# ABERDEEN

OFFICE MARKET QUARTERLY

**Q2 2017**



# OCCUPIER MARKET

Take-up in the second quarter slowed following a strong first quarter, with a total of 58,849 sq ft transacted.

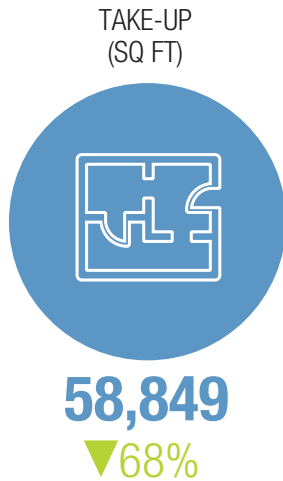
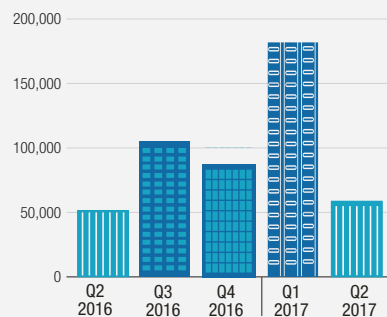
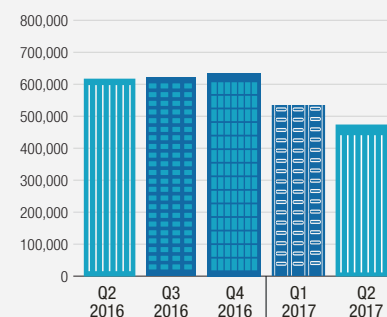


FIGURE 1  
Take-up (sq ft)



**0.2m**  
ACTIVE  
REQUIREMENTS  
SQ FT

FIGURE 2  
Supply (sq ft)



**86%**  
ABOVE THE  
5-YR AVERAGE



**KATHERINE MONRO**

The consensus in the market is that the worst of the oil & gas downturn is now behind us, with most companies having rationalised their operations. There will however be a considerable time lag before we see contracting supply.



**MATTHEW PARK**

We are seeing downward pressure on rents and increasing incentives, with 2-3 years rent-free periods for 10-year lease durations becoming prevalent with over c.2.5m sq ft of available stock, tenants seeking space have an unprecedented amount of options.

**Key leasing transactions Q2 2017**

ADDRESS	SIZE (SQ FT)	OCCUPIER	RENT (PSF)
<b>Balmoral Business Park</b>	7,045	Elevator	Management Agreement
<b>70 Queens Road</b>	3,155	Decipher Energy / Horizons Oil and Gas	£27.50
<b>11 Abercrombie Court, Westhill</b>	2,181	I3 Energy	£20.34
<b>Pav 6 Kingshill Business Park</b>	4,270	Storm Geo	£18.00

Source for all charts: Knight Frank Research

Note: Percentage change reflect quarter-on-quarter movement

# INVESTMENT MARKET

Bolstered by the largest office deal since Q3 2015, total office investment reached the highest quarterly total for two years.

TRANSACTION VOLUME  
Q2 2017



**£52.5m**

TRANSACTION VOLUME  
LAST FOUR QUARTERS



**£58.1m**

▼63%

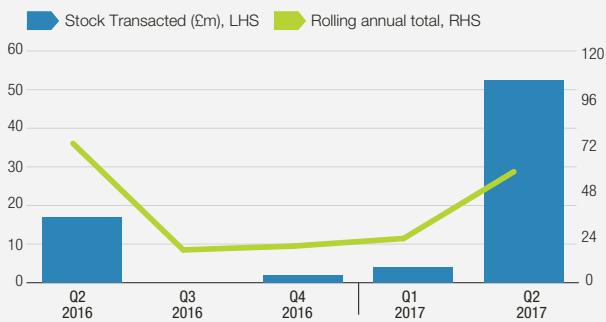
PRIME NET INITIAL YIELD



**6.50%**



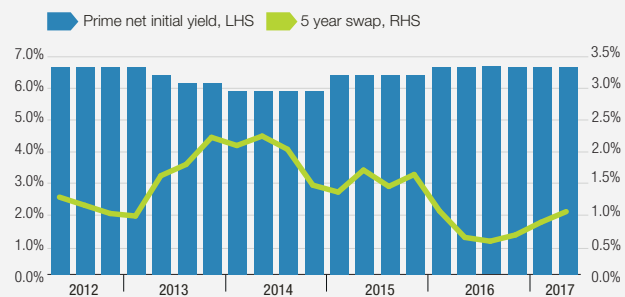
FIGURE 3  
**Investment volumes**



**ERIC SHEARER**

The decision by M&G to withdraw West Campus from the market despite a buyer being found at the quoting price is an encouraging sign that Scotland is being viewed more positively by UK Institutions following the election result.

FIGURE 4  
**Prime net initial yield and finance**



**CHRIS ION**

Unsurprisingly, Q2 was a quiet quarter given the Election. Early indicators suggest that the election result should be positive for investment in Scotland given that a second referendum on independence is less prevalent.

## Key investment transactions (last four quarters)

BUILDING	PRICE (£M)	NET INITIAL YIELD	PURCHASER
Prime Four Business Park	£41.28	6.68%	LCN Partners
Quattro House	£7.70	12.22%	FCFM Group
Trafalgar House, 1 & 2, Hareness Road	£4.00	N/A	FCFM Group
Denburn House	£3.50	N/A	Raag Aberdeen Ltd

Source for all charts: Knight Frank Research

Note: Four quarter investment volume total is compared to the 10-year annual average. All other movements reflect quarter-on-quarter changes

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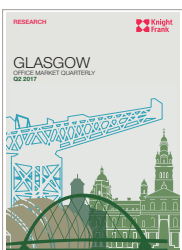
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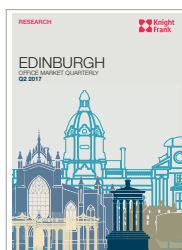
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