



EDINBURGH OFFICES

Market update Q4 2010

Knight Frank

Key highlights

- Take-up in Q4 was 100,000 sq ft, slightly down on Q3. However, this has brought the 2010 year total to 511,000 sq ft in the city centre, 5.4% up on 2009's level. The banking and finance sectors were the most active in Q4 in addition to the public and professional sectors.
- Prime rents in Edinburgh's city core have remained relatively stable and stand at £27.00 per sq ft at the end of Q4, with incentives equating to around 30 months rent free on a 10 year term certain.
- New and Grade A city availability fell marginally again in Q4 to 550,000 sq ft. The overall vacancy rate for the wider city area has also dipped and now stands at 13.4%.

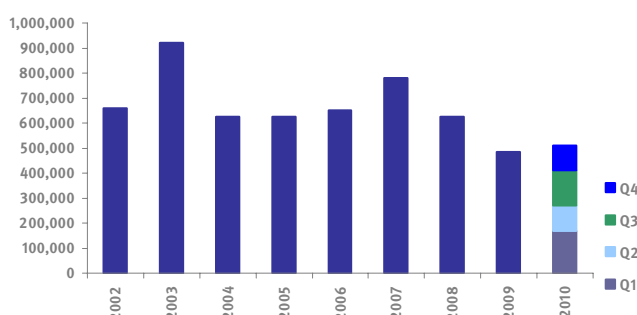
Office gossip

- Active named requirements remain healthy with 325,000 sq ft in Q4 2010. Tesco Bank has satisfied their Edinburgh requirement with the purchase of PPG's EHQ scheme in west Edinburgh. Waverley Gate (the former GPO Building) continues to attract occupier interest following the acquisition by Highcross, with the NHS, H&M, Microsoft and Creative Scotland in occupation. Amazon is under offer on part of the lower ground floor and due to conclude soon.
- Brewin Dolphin, Rensburg Shepherds, Marsh and the NHS are notable requirements which are likely to acquire space in the first half of 2011.
- The City of Edinburgh Council have recently given approval for a reduced density scheme on the former Haymarket Goods Site which will incorporate up to 200,000 sq ft of office development as part of a mixed use development.

Looking ahead

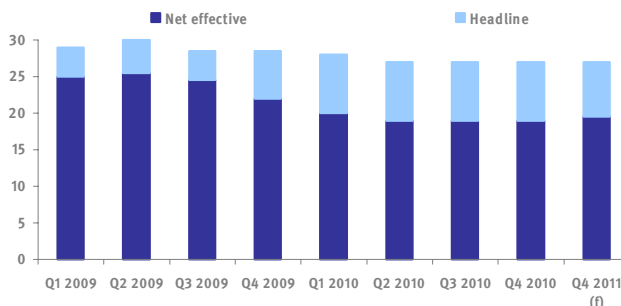
- Development activity going forward is clearly very limited. The only speculative development currently under construction remains Site HI, which includes the extension to the EICC. The development will provide c.190,000 sq ft Grade A office accommodation.
- We expect a gradual increase in net effective rents as the availability of Grade A accommodation diminishes towards the end of 2011.
- Occupier demand is expected to be mainly driven by the banking and finance sectors as Edinburgh remains one of the UK's major financial centres.

City centre take-up (sq ft)



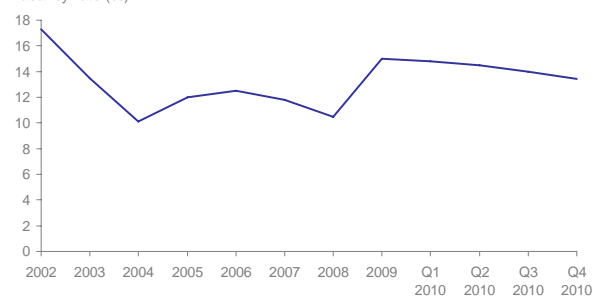
Source: Knight Frank Research

Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

Vacancy rate (%)



Source: Knight Frank Research

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