

RESEARCH



EDINBURGH

OFFICE MARKET QUARTERLY
Q2 2017

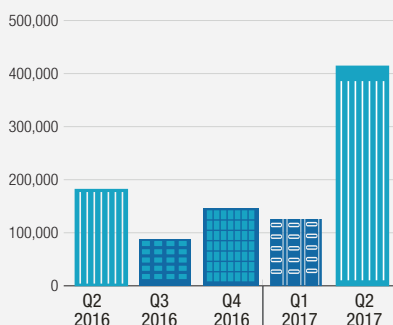


OCCUPIER MARKET

A record 415,058 sq ft was transacted in Q2, which exceeds total take-up for the previous three quarters combined.

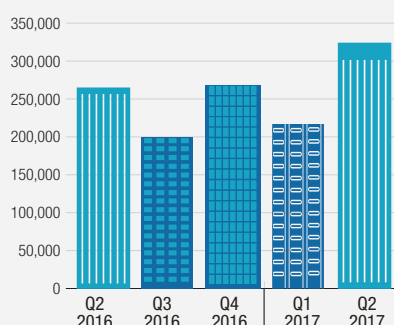


FIGURE 1
Take-up (sq ft)



0.22m
ACTIVE REQUIREMENTS SQ FT

FIGURE 2
Supply (sq ft)



4%
ABOVE 5-YEAR AVERAGE



SIMON CAPALDI

Given record take-up in Q2, Edinburgh is line for another strong set of results in 2017. The top performing sector in Q2 was the Public Sector, with 181,000 sq ft taken in a single deal involving HMRC's leasehold acquisition at New Waverley.



TOBY WITHALL

Q2 represented the highest quarterly take-up on record, underlining the continued strength of Edinburgh's occupational market. While supply is up 50% from Q1 issues surrounding availability is likely to resurface if high occupier activity persists.

Key leasing transactions Q2 2017

ADDRESS	SIZE (SQ FT)	OCCUPIER
New Waverley	181,307	GPU
Quartermile 3	65,628	Statestreet
Greenside	18,696	Nucleus Financial Group
Four North	41,395	Computershare
The Cube	12,740	Baillie Gifford

Source for all charts: Knight Frank Research
Note: Percentage change reflect quarter-on-quarter movement

INVESTMENT MARKET

Investment volumes in Q2 were the highest since Q1 2016 with overseas money continuing to dominate the market.

TRANSACTION VOLUME
Q2 2017



£71.1m

▲7%

TRANSACTION VOLUME
LAST FOUR QUARTERS



£248.9m

▼-6%

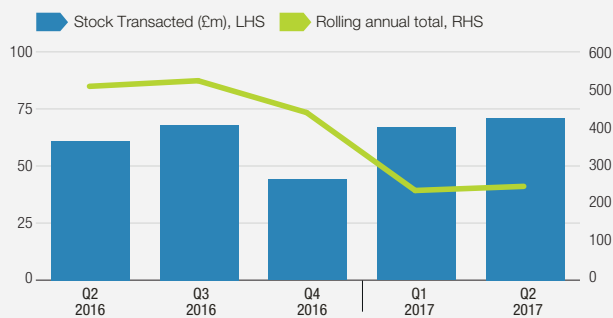
PRIME NET INITIAL YIELD



5.25%



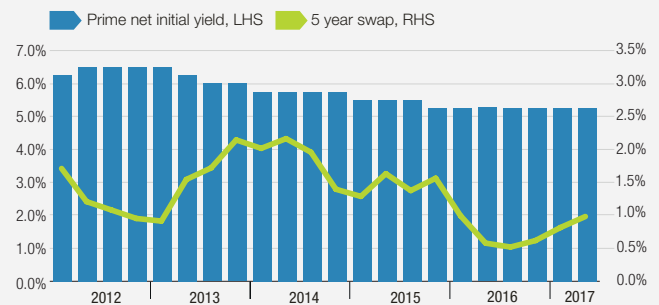
FIGURE 3
Investment volumes



ALASDAIR STEELE

Evidence of rental growth and a strong supply and demand story has caught the attention of many UK and overseas investors. With the prospects of a second independence referendum receding, we expect strong investment interest for Edinburgh offices.

FIGURE 4
Prime net initial yield and finance



KENNETH BREWSTER

Q2 has been a positive quarter for Edinburgh's office market. The sale of 'The Tun', 'Orchard Brae' and 'Silvan House' is a strong illustration of investor demand and stands testament to the confidence buyers are putting within the city's occupational market.

Key investment transactions (last four quarters)

BUILDING	PRICE (£M)	NET INITIAL YIELD	PURCHASER
Exchange Place, 1	£47.00	5.57%	GLL Real Estate Partners
The Tun	£8.00	7.93%	Boulton Brooks RE
Orchard Brae House	£16.10	8.20%	Palm Capital

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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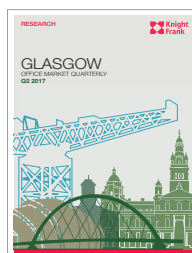
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