



GLASGOW OFFICES

Market update Q4 2010

Knight Frank

Key highlights

- Q4 2010 saw take-up in excess of 90,000 sq ft in the City Centre, bringing the annual total to 535,000 sq ft – 15% higher than 2009 and almost 30% higher than the cycle's low point in 2008. Owner occupiers dominated the market for larger transactions over the course of the year.
- Availability has fallen considerably in the last 12 months. The vacancy rate is now 9.5%, compared to 11.8% in 2009. This reflects a contraction in the availability of both secondary and new/Grade A space.
- Prime headline rents have now stabilised at £27.00 per sq ft, with net effective rents falling to £21.00 per sq ft.

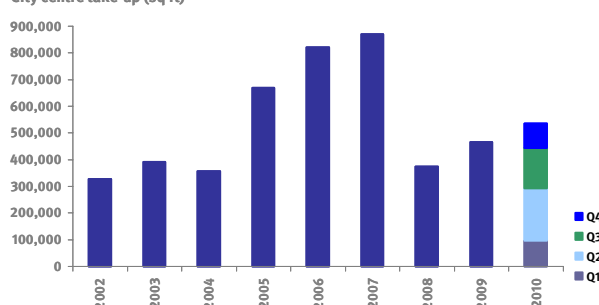
Office gossip

- Scottish & Southern Energy purchased One Waterloo Street, a new 57,000 sq ft building in the CBD, for owner occupation.
- Marsh & McLennan are under offer on c32,000 sq ft within the recently completed G1 Glasgow development. Serviced office provider i2 Offices has taken 15,900 sq ft on the 1st & 2nd floors at 2 West Regent Street, a new 80,000 sq ft Grade A development.
- On the immediate western periphery of the City Centre, Anglo Eastern UK Ltd has taken 22,804 sq ft at Moda, 144 Elliott Street.

Looking ahead

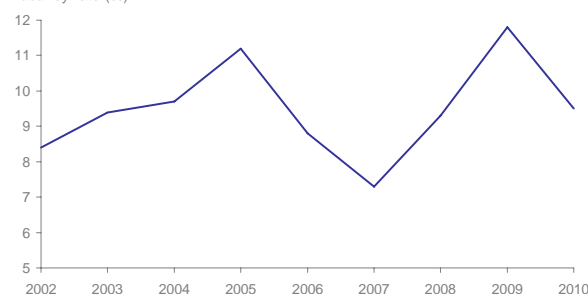
- With take-up gathering strength against a backdrop of falling vacancy rates which are now back to a level consistent with the long-term average, the market would appear to be well into the recovery phase of the next cycle.
- The Copenhagen Building, totalling 65,000 sq ft, is the only scheme under construction speculatively ensuring the supply of new/Grade A space will remain under pressure. Second-hand supply is likely to increase in 2011 as a number of refurbishments approach completion. However, net effective rents are not expected to fall further.
- The recent unexpected contraction in economic growth, and the Scottish Parliament's general election in May, are likely to dampen occupier demand in the first half of 2011 as occupiers wait for more clarity over future policy. Activity is expected to increase in H2 2011 as confidence returns to the market.

City centre take-up (sq ft)



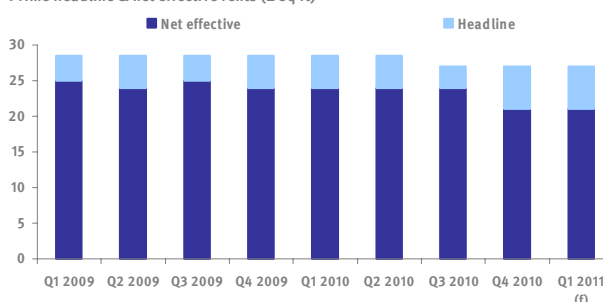
Source: Knight Frank Research

Vacancy rate (%)



Source: Knight Frank Research

Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

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