



# Office snapshot Edinburgh Q2 2020

## Key takeaways

- Primarily due to Covid-19 lockdown restrictions, activity in the Edinburgh office market slowed significantly during Q2.
- Supply in the market remains tight at 3.1%. The vacancy rate for good quality Grade A space is tighter at 1.5%.

### Top five leasing deals

Tenant/ Purchaser	Transacti on type	Area (sq ft)	Address
Computercenter	Letting	5,913	Leven House
Celestia Technologies	Letting	4,880	43 A&B Discovery Terrace
Handelsbanken	Letting	3,581	Waverley Gate*
IO Tech Systems Limited	Letting	2,567	18 George Street*
GBT Travel	Letting	2,215	18 George Street*

\* JLL involved in transaction

## Demand



**27,000** sq ft  
Q2 take-up



Average deal size  
**2,451** sq ft



**3,600** sq ft  
Grade A take-up



Dominant sectors  
**62%**  
TMT

**13%**  
Banking & Finance



**Largest deal**  
Computercenter  
5,913 sq ft,  
Leven House



**11** Total number  
of deals



**1** Number of deals  
above 5,000 sq ft



**0** Number of deals  
above 10,000 sq ft



## Supply



**24.5m** sq ft  
Total stock



**761,100** sq ft  
Currently available



**361,000** sq ft  
Total Grade A supply



**3.1%**  
Vacancy rate



**307,600** sq ft  
Speculative under construction

### Prime rents



**£35.00 per sq ft**

### Year-on-year rental growth



**2.9%**

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# Market overview

## Demand

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Take-up	27,000	↓	↑
Prime rent (£ psf)	£ 35.00	↑	↑

### Historic take-up (sq ft)

Year	2017	2018	2019	2020 H1
Total	1.1m	970,000	638,000	161,500
No. of deals	186	193	155	46

Source: JLL, 2020

With the office market slowing down due to the Covid-19 lockdown restrictions in place, Q2 take-up of 27,000 sq ft brought the H1 total to 161,500 sq ft. As lockdown restrictions started to ease in the latter part of Q2 market activity tentatively resumed; smaller enquiries became more active, a number of regears commenced and a number of larger, longer term requirements continue to progress albeit slowly.

Headline prime rents were held at £35 per sq ft during Q2 and typical rent free periods moved out to 18 months' rent free on a 10-year term.\*

## Supply

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Vacancy rate (%)	3.1%	↑	↑
U/C spec (sq ft)	307,600	↑	↓

Source: JLL, 2020

Supply remains tight with the overall vacancy rate nudging up to 3.1% at end-Q2. The Grade A vacancy rate is tighter but largely unchanged over the quarter at 1.5%. The level of supply is expected to increase during the second half of the year as tenant released grey space comes back to the market.

The largest scheme currently under construction is 1 Haymarket Square which will bring 110,000 sq ft of space to the market in 2022.

## Investment

Investment market	Q2 2020	Change Y-o-Y	12-month outlook
Investment vol (£m)	£33m	↓	→
Prime yield	4.75%	→	→

Source: JLL, 2020



2020 total  
**£76m**



Prime yield  
**Q2**

Activity in the Edinburgh office investment market has slowed, in line with the wider UK market, as activity paused due to a combination of Brexit, Covid-19 and a general lack of stock. During Q2 investment volumes totalled £33m, largely attributable to the off market purchase of 4 North St Andrew Square by Kanam Grundinvest Fonds for £31m.

Prime yields were held at 4.75%\*.

\*The Covid-19 pandemic has created a material uncertainty in real estate investment market performance. Across Europe, there is considerable variation in the extent of the human tragedy implications unfolding and its impact on economic activity, including the trajectory, duration and extent of these impacts on all real estate sectors. Varying recent and ongoing policy responses across the region and mitigating implications will differ by market and sector.