



Office snapshot

Glasgow city centre Q2 2020

Key takeaways

- Primarily due to Covid-19 lockdown restrictions, activity in the Glasgow office market slowed significantly during Q2.
- As tenants sought to buy time, 126,000 sq ft of lease regears signed in Q2.
- The market remains under supplied in terms of good quality space, with no new build speculative space due to complete in 2020.

Top five leasing deals

Tenant/ Purchaser	Transacti on type	Area (sq ft)	Address
Orega	Lease	14,035	220 St. Vincent Street*
Who Cares Scotland	Lease	4,316	Baltic Chambers, 40 Wellington Street
Cycling Scotland	Lease	3,531	160 West George Street
Visit Scotland	Lease	3,270	6th floor (front), 90 St. Vincent Street
Spacing Solutions Glasgow Ltd	Lease	2,449	1 Royal Exchange Court

*JLL involved in transaction

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Demand



28,700 sq ft
Q2 take-up



Average deal size
4,788 sq ft



126,000 sq ft
Lease re-gears



Dominant sectors
49%
Flex Space Operators

39%

Public Administration



Largest city centre deal

Orega
220 St Vincent
Street,
14,035 sq ft



6 Total number of
deals



1 Number of deals
above 5,000 sq ft



1 Number of deals
above 10,000 sq ft



Supply



16.1m sq ft
Total stock



690,700 sq ft
Currently available



72,000 sq ft
Total Grade A supply



4.3%
Vacancy rate



274,000 sq ft
Speculative under construction (new build)

Prime rents



£32.50 per sq ft

Year-on-year rental growth



0.00%

Market overview

Demand

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Take-up	28,700	↓	↑
Prime rent (£ psf)	£ 32.50	→	↑

Historic take-up (sq ft)

Year	2017	2018	2019	2020 H1
Total	625,100	1.4m	843,900	227,000
No. of deals	97	117	114	29

Source: JLL, 2020

With the office market slowing down due to the Covid-19 lockdown restrictions in place, Q2 take-up of 28,700 sq ft brought the H1 total to 227,000 sq ft. During Q2 there was an additional 126,000 sq ft of lease regears (excluded from take-up) as tenants sought to buy time. As lockdown restrictions started to ease in the latter part of Q2 market activity tentatively resumed; smaller enquiries became more active, regearing continues and a number of larger, longer term requirements continue to progress albeit slowly.

Headline prime rents were held at £32.50 per sq ft during Q2 and typical rent free periods were stable at 21-24 months' rent free on a 10-year term. *

*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.

Supply

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Vacancy rate (%)	4.3%	↓	↑
U/C spec	274,000	→	↓

Source: JLL, 2020

Supply levels were largely unchanged over the quarter, with overall vacancy standing at 4.3% and Grade A vacancy at 0.4%. However, overall vacancy is anticipated to rise over the remainder of the year as a number of both Grade A and B refurbishments complete.

With construction sites closed for the majority of Q2 there was little change in the development pipeline asides from completion dates for schemes already underway typically moving out by circa three to six months. There is no new build space due to complete during the remainder of 2020 with the majority of schemes not due to complete until H2 2021, so the constraint on good quality supply will continue in the short term.

Investment

Investment market	Q2 2020	Change Y-o-Y	12-month outlook
Investment vol (£m)	£0m	↓	↑
Prime yield(%)	5.00	→	→

Source: JLL, 2020



2020 total
£4m



Primeyield
Q2

Activity in the Glasgow 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. Activity is returning to the Glasgow investment market, with a number of transactions under offer, and a stronger H2 is expected.

Prime yields were held at 5.00%.*