

EDINBURGH OFFICE
MARKET SNAPSHOT

Q4 2023

CUTHBERTWHITE.COM



Q4 MARKET OVERVIEW

The Q4 Edinburgh office market was characterised by 3 things – a clear return in confidence to the occupational markets, aggressive alternative use buyers taking advantage of continued negative office investment sentiment and further construction cost volatility.

The race for space is definitely hotting up as companies jostle for position and review potential options more than 3 years prior to a lease event. There is no doubt demand is ramping up with Q4 take-up the strongest since Q4 2022 – a trend we expect to continue throughout 2024.

Strong, proactive asset management has never been more important to retain existing tenants as they strive to meet ESG agendas whilst canny (predominantly private) investors are snapping up high yielding offices in good, improving locations (e.g Greenside) where rents are reversionary with strong re-letting potential.

Fortune favours the brave and anyone delivering good quality product into the city-centre market over the next 2 – 3 years will be rewarded with strong tenant demand, rising rents and hardening investor demand – the sentiment gap is closing.



£45.00 psf

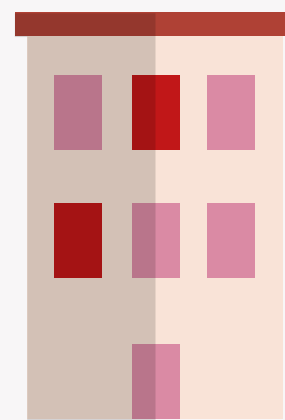


New Grade A headline rent soon to be achieved

43 Deals in total

AVERAGE DEAL SIZE: 4,228 sq ft

EXISTING, PRIME GRADE A SUPPLY:



City centre total: 142,212 sq ft

Whole of Edinburgh (including city centre) total: 195,462 sq ft

TAKE UP:



City centre total: 144,515 sq ft

Whole of Edinburgh (including city centre) total: 181,807 sq ft

LARGEST DEALS BY SQ FT:

SALES:

Building: Riverside House
Occupier: WASPS
Size: 24,000 sq ft

LETTINGS:

Building: 9 Haymarket Square
Occupier: MFMac
Size: 16,435 sq ft

MARKET INSIGHTS



"Disappointing news that another 'stick on' (we thought!) office refurbishment/extension is applying for a change of use to hotel. That being said, we are confident there are several buildings fully committed to a comprehensive office refurbishment, subject to securing the usual consents of course. Despite there being very few cleared sites in the city centre, we see the next few years being dominated by the re-purposing of some excellent standing stock. Please see the pipeline overleaf for more information.

'Carbon capture' is a huge driver moving forward and securing finance for a speculative development 'new build' remains exceptionally tough – less so with re-purposing. It is now a race to Practical Completion for the best 're-use' stock, and increasingly a more obvious 100% pre-let market for the new builds. Our prediction is that many projects will also consider 'core & floor' as the best way to provide even more considered ESG focused product."

Chris Cuthbert MRICS

chris@cuthbertwhite.com / 07989 395 165



"A number of occupational sectors are performing very well with legal, accounting, wealth management, healthcare, life sciences, engineering and renewable energy the stand-out office performers, particularly in the city-centre market. Whilst consolidation remains prevalent in terms of footprint, an increasing number of occupiers are considering additional space to accommodate future headcount growth as higher numbers return to work, notwithstanding the accepted hybrid model.

To grow revenue, occupiers understand they must retain and attract the best talent with the workplace environment and ESG considerations central to that objective. With offices accounting for 7-10% of a company's cost base, as opposed to the human cost at 60-70%, there is a hardening corporate imperative now "to pay what it takes" to secure the best space for the business. This in turn fuels rental growth. Some way to go but the "sentiment gap" is closing."

Nick White MRICS

nick@cuthbertwhite.com / 07786 171 266



"Within the last 6 months, £120m of office properties have traded hands in Edinburgh. This comprises 496,000 sq ft and reflects an average of £240psf capital value – not bad for a sector that is meant to be out of favour.

The completed deals comprise a variety of city centre multi-let properties, an Edinburgh park asset, Argyle House (a major redevelopment play) and some city centre office to hotel conversions. £240psf sounds attractive when measuring against the best of the best achieved pricing of c.£800psf, although is reflective of the current market and should allow office investors to refurbish stock, benefiting from rising rents / strong occupational demand. 23% of the deals done (in terms of floorspace) is destined to be hotels or serviced apartments...a trend which the city needs to be very careful about. Protecting its diversity is important."

Stephen Kay MRICS

stephen@cuthbertwhite.com / 07971 809 226

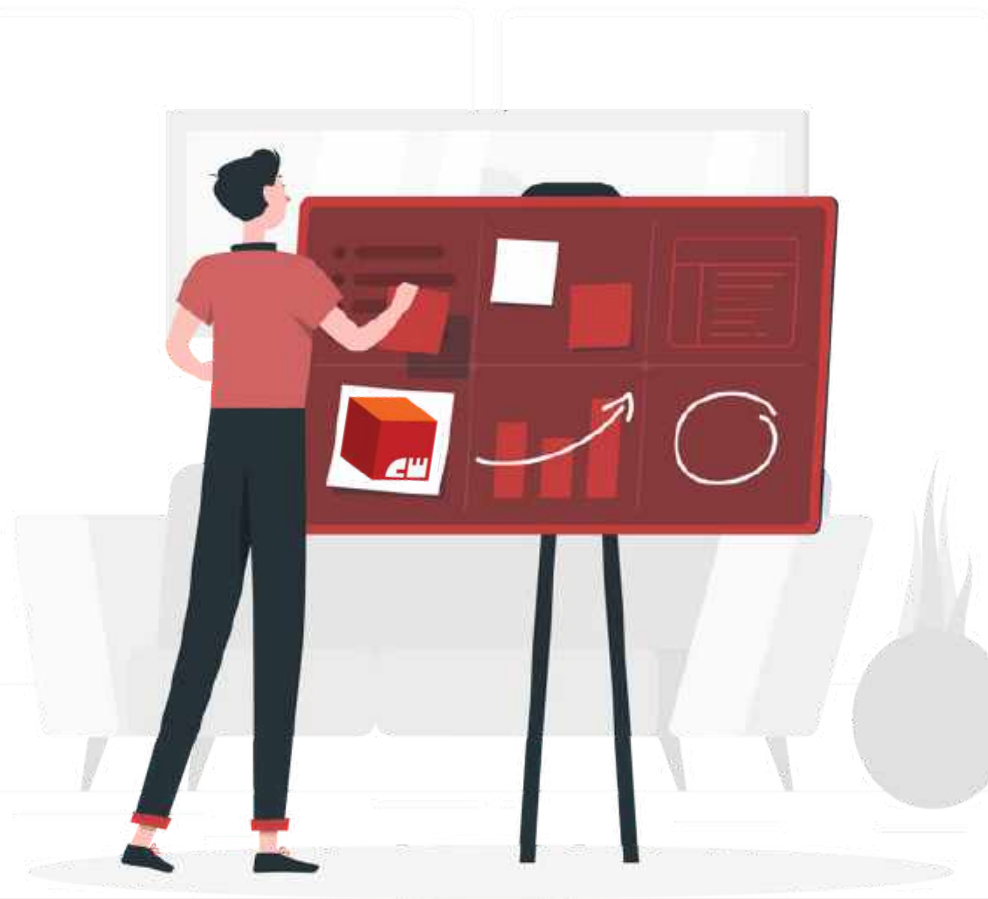


"Service charges are an increasingly 'hot topic' as landlords and occupiers wrestle with volatile utility costs. Most deals in multi-occupied buildings now include a service charge cap, exclusive of utilities but subject to annual increases to RPI, as a fair position for both parties.

Self-contained buildings without service charges will prove increasingly attractive to occupiers given rising rents and a need to limit total occupational costs. These buildings are typically self-contained ground floor units or single townhouses – a market where we expect strong letting activity."

James Metcalfe MRICS

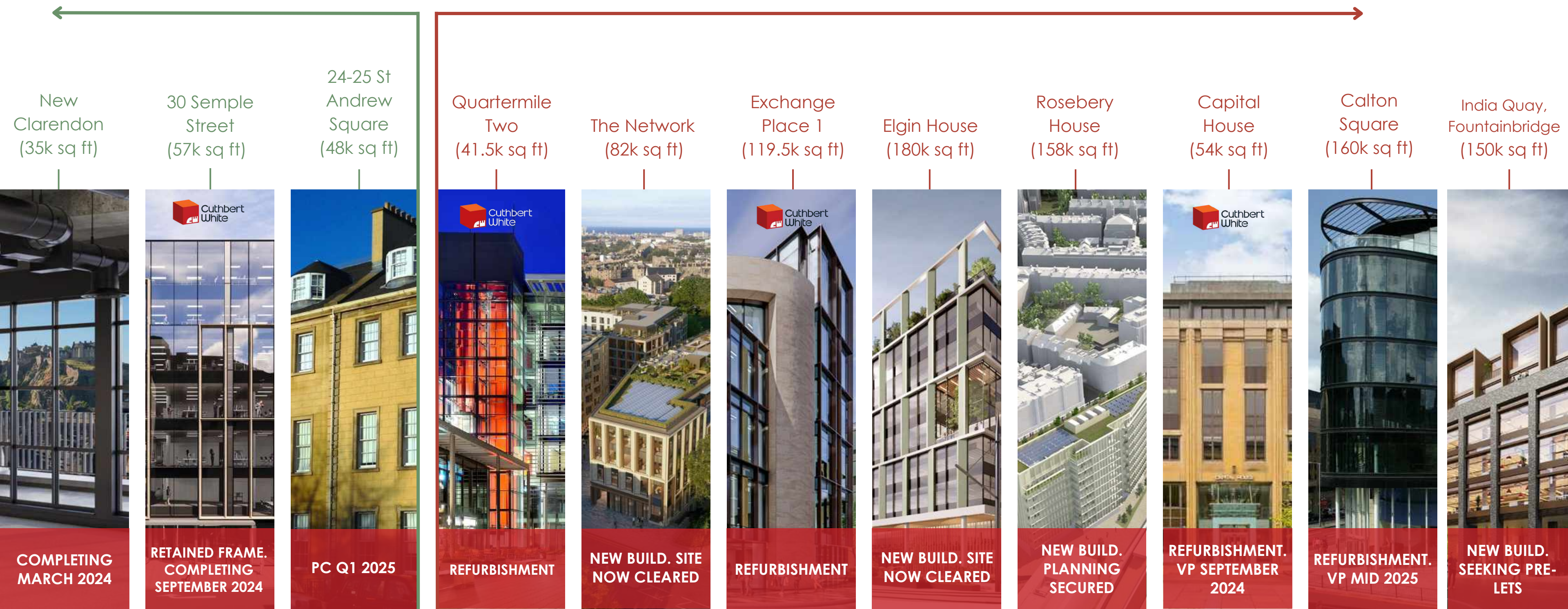
james@cuthbertwhite.com / 07786 623 282



PIPELINE

[DEVELOPMENTS / REFURBISHMENTS ON-SITE]

[DEVELOPMENTS / REFURBISHMENTS YET TO COMMENCE - TIMING TBC]



KEY 2023 DEALS:

1 7 Melville Crescent

On behalf of the Landlord, CuthbertWhite pre-let this entire double fronted, fully refurbished townhouse to Bonhams - 4,272 sq ft over 5 floors.

3 Orchard Brae House

5th Floor let to Changeworks Resources For Life within this newly refurbished and rebranded building located a short walk from the city centre - 9,896 sq ft

5 20 & 21 Charlotte Square

Double townhouse undergoing redesign to provide a blend of traditional and open plan office space fully pre-let to Hampden Bank - 9,322 sq ft over 5 floors.

7 10 George Street

Extensively redeveloped building located at the east end of George Street. CuthbertWhite represented Rathbone Brothers to secure the Ground Floor suite of 8,130 sq ft.

2 33 Castle Street

3rd floor suite boasting views to George Street, Charlotte Square and north to Fife, let to Forth Point Analytics - 4,826 sq ft.

4 8 Charlotte Square

Whole Georgian townhouse let to Chanel for a new Edinburgh boutique in a prestigious city centre location - 5,232 sq ft over 6 floors.

6 9 Haymarket Square

On behalf of the Head Tenant, sub-let to Deloitte of the part 2nd floor within the recently completed, Grade A office development - 4,426 sq ft.

8 Riverside House, 502 Gorgie Road

CuthbertWhite represented the owner and secured a sale of the 24,000 sq ft building to WASPS (Workshop & Artists Studio Provision Scotland) for their new creative home in Edinburgh.



[Click here to see our award wins](#)