TAKE UP OF EDINBURGH OFFICES LOOKS SET TO EXCEED 2011 LEVELS

- Edinburgh office market rapidly heading towards a supply crisis -

Take-up of offices in Edinburgh looks set to exceed 2011 levels, according to research conducted by BNP Paribas Real Estate, the leading property adviser. However, availability will continue to fall, due to the current supply imbalance, which will worsen as grade A space continues to get snapped up.

The Edinburgh occupier market showed a promising start to the year. Take-up reached 360,100 sq ft, which was 46% higher than the 246,350 sq ft transacted in the second half of 2011. During the first half of 2012, Edinburgh office investment reached £30.7m, down 38% on the £49.6m transacted in the second half of last year. This fall is partly due to UK institutions losing their appetite for regional offices and previously active German funds now only wanting to acquire the highest quality buildings.

Andrew Cartmail, Edinburgh office head at BNP Paribas Real Estate, comments: “Many institutional investors will continue to look at rebalancing their portfolios to reduce end of lease risks and capital expenditure exposure. There is also potential for yields to move out by 25 to 50 basis points where vendors have a compelling need to sell properties.”

With regards to Edinburgh’s availability levels, at the end of the first half of this year, availability fell to just under 3m sq ft, which was 3% lower than the latter part of 2011. This fall reflected the healthy take-up level during the first six months of the year.

“The strength of demand for grade A office space, coupled with the lack of speculative completions over recent years, means that the Edinburgh city centre office market is rapidly heading towards a supply crisis. This looming problem helps to explain the healthy transactional activity in H1 2012, as astute occupiers look to secure high quality space before it runs out,” Cartmail added.

Edinburgh headline rents are in the order of £29.50 per sq ft, up 9% on H2 2011. This increase again reflects the strength of demand from the occupational market for the best grade A office space available. Whilst tenant incentives remain a prominent feature of the market, there are signs that they are starting to be squeezed.
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