



Office Q4 2021

**7.7%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**259,895 sq ft**

Take-Up



**£38.00 psf**

Prime rent



**KEY INDICATORS Q4 2021**

**32.5 M**

UK Employment

YoY Chg



12-Mo. Forecast



**4.1%**

UK Unemployment Rate



**0.25%**

Interest rate



Source: ONS

**ECONOMY: Continued positive growth but interest rates on the rise**

The UK economy surpassed its pre-pandemic level for the first time in November. GDP rose by 0.9% during the month, taking the economy to 0.7% above the February 2020 level. This is clearly a positive for the UK real estate market and demonstrates a clear direction of travel, but we should expect weaker data for December once the effects of Omicron are felt. The biggest gain was in the construction sector, which expanded by 3.5%, largely reflecting an easing of the supply issues that have restricted growth for the last two years. The base rate rose for the first time since 2018 in response to rising inflation rates driven by the price of fuel and energy.

The recovery in the labour market continued in the three months to November 2021. The UK employment rate was 75.5%, 0.2% higher than the previous quarter, but still 1.1% below the pre-pandemic level. Forecasts suggest jobs growth in office-using industries will continue through the next 12 months and beyond.

**OCCUPIER FOCUS: Flight to quality drives strong demand for the best space**

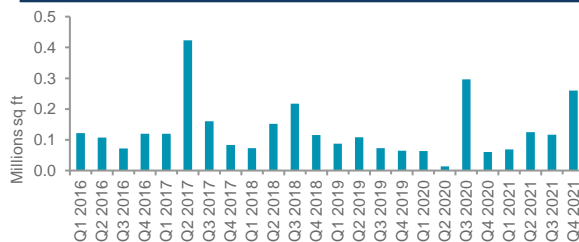
Take-up in the fourth quarter totalled 259,895 sq ft, more than double the previous quarter's level and double the five-year average. Take-up for the full year reached 571,111 sq ft, the highest annual total since 2017 and indicative of the strengthening activity as the year progressed. There was a focus on quality stock, reflecting a flight to quality in the Edinburgh market. The largest transaction of the quarter was FanDuel's acquisition of 2 Freer Street totalling 58,870 sq ft.

At the end of the third quarter there was 705,755 sq ft available to lease, broadly similar to the previous quarter's level. Availability remains below the levels experienced at the beginning of the year, which we believe represented the peak. Speculative construction remained stable at 390,000 sq ft, however almost three quarters of this space will not complete until at least 2024. The prime rent rose to £36.00 per sq ft due to healthy demand for top quality space.

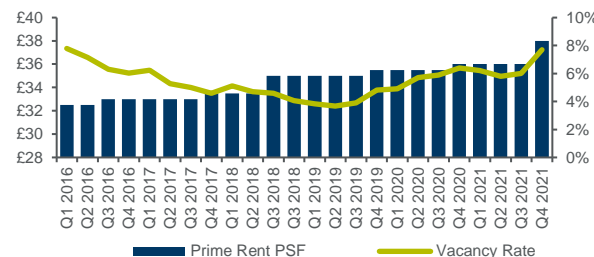
**INVESTMENT FOCUS: Continued lack of supply constrains turnover**

Investment turnover in Edinburgh totalled £122.06 m in the final quarter of the year. There were three transactions, the largest of which was CBRE IM's purchase of Exchange Place 1 for £50 m. Although investor demand remains strong, driven in part by the particularly tight occupier market, lack of speculative development and turnover will continue to be a reflection of stock availability. Demand was reflected in the net initial yield, which remained stable at 4.50%.

**TAKE-UP**



**OVERALL VACANCY & PRIME RENT**



## MARKET STATISTICS

EDINBURGH	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	11,622,039	11,622,039	11,622,039	11,622,039	9,189,169	-20.9%	-20.9%
Take-up (Sq ft)	60,922	68,956	125,417	116,843	259,895	122.4%	326.6%
Supply (Sq ft)	742,327	723,366	677,247	702,704	705,755	0.4%	-4.9%
Vacancy Rate	6.4%	6.2%	5.8%	6.0%	7.7%	-	-
Spec Construction (Sq ft)	493,083	493,083	440,000	390,000	390,000	0.0%	-20.9%
Prime Rent (per sq ft)	£36.00	£36.00	£36.00	£36.00	£38.00	5.6%	5.6%
Investment Turnover (Millions)	£0.00	£15.33	£17.70	£122.95	£122.06	-0.7%	-
Prime Net Initial Yield	4.50%	4.50%	4.50%	4.50%	4.50%	-	-

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
2 Freer Street	Edinburgh	FanDuel	58,870	Lease
Haymarket, Building 1	Edinburgh	Capricorn Energy	32,766	Pre-let
1 Haymarket Square	Edinburgh	Shepherd & Wedderburn	29,461	Lease

## KEY DEVELOPMENTS Q4 2021

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
1 Haymarket	Edinburgh	M&G	110,000	Q2 2022
2 Haymarket	Edinburgh	M&G	270,000	Q2 2024

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
Exchange Place 1	Edinburgh	GLL RE / CBRE IM	119,762	£60.0 m
2 Semple Street	Edinburgh	GSS Developments / La Francaise	39,347	£50.0 m

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