



RESEARCH & FORECASTING UK EDINBURGH SNAPSHOT

EDINBURGH

GRADE A

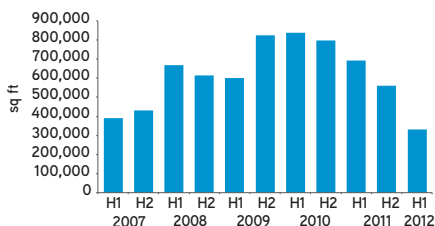
ABSORPTION	↑
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→
ALL GRADES	
ABSORPTION	↓
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→

Overview

- Grade A absorption remains strong in Edinburgh rising to 238,897 sq ft in H1 2012, the highest level since H2 2009 (see **Figure 2**). Blackrock signed for 70,000 sq ft at Exchange Place and Brewin Dolphin took a pre-let on 48,000 sq ft at the Atria scheme. This enabled half yearly Grade A take-up to reach 224,768 sq ft, the highest level for over six years. In addition, Skyscanner signed for 27,000 sq ft at Quartermile One along with Investec, who took for 10,627 sq ft.
- In contrast to its neighbour Glasgow, Edinburgh has continued to see steady declines in availability going into 2012 (see **Figures 1 and 4**). Overall city core availability has fallen by 14% year on year but the fall in Grade A availability far exceeds that figure, down by 52%. Grade A availability has reduced in each of the last four half year periods by a total of 507,000 sq ft while overall stock levels have remained static.
- Headline rents stand at £27.50 psf as they have for the past two years. While Brewin Dolphin is rumoured to have paid over £30 psf for its pre-let at Atria, this will have included an extensive incentive package.
- There remains a shortage of buildings capable of driving rental growth at the current time. While £27.50 psf should be reinforced by deals over the next six months, we still do not expect to see any significant increase in headline rents during 2012.
- As Grade A supply diminishes further we anticipate a tipping point in the Edinburgh market during 2013 (see **Figure 5**) which will enable the first positive rental growth in the city centre for five years. We expect to see the prime rental level return to its previous peak of £29.50 psf by Q4 2014.

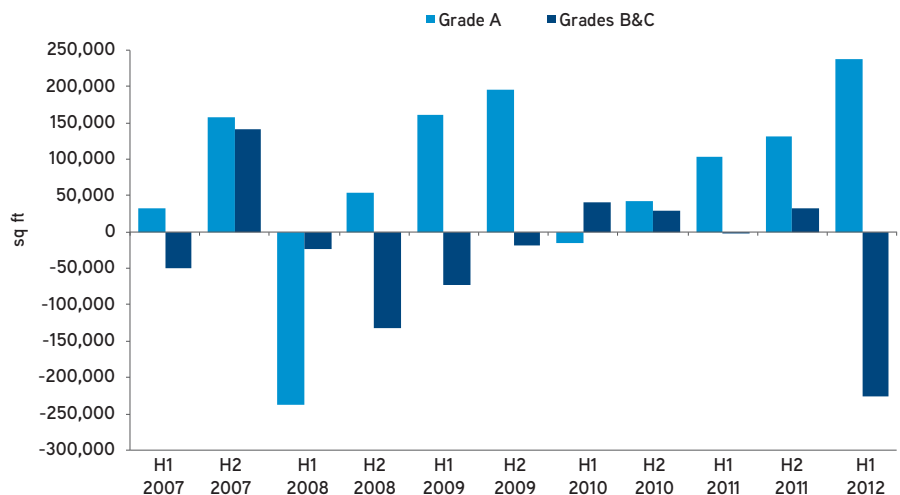
“As Grade A supply diminishes further we anticipate a tipping point in the Edinburgh market during 2013.”

FIGURE 1: EDINBURGH CITY CORE GRADE A AVAILABILITY



Source: Colliers International

FIGURE 2: EDINBURGH CITY CORE NET STOCK ABSORPTION BY GRADE

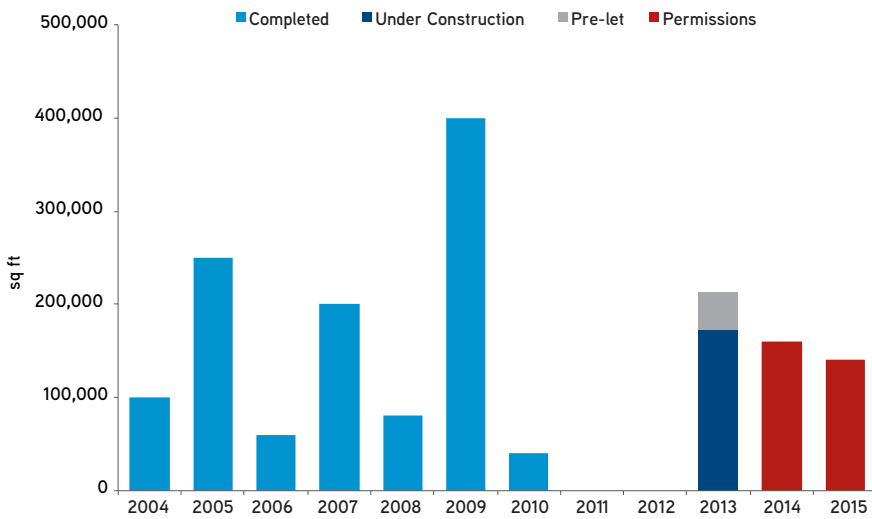


Source: Colliers International

Occupier Markets

- With strong demand for Grade A product returning to the Edinburgh market, the need for a healthy supply pipeline is critical to sustaining transactional activity and market equilibrium. Currently, the only scheme under construction is Atria, the 190,000 sq ft speculative development, a JV by Edinburgh Council/Scottish Enterprise/EICC at Conference Square. Due for completion early in 2013, 48,000 sq ft has already been pre-let to Brewin Dolphin.
- There are few other schemes likely to start on site within the next 12 months. Construction has begun at Ediston Properties' 145 Morrison Street, with completion set for Spring 2013 but permission is only for 31,000 sq ft. The Quartermile and Caltongate sites were recently sold by administrators, Mountgrange, to Exemplar and Artisan respectively, which suggests that the potential for further phases will be revisited. Tiger Developments' proposal for 337,000 sq ft of offices at its Haymarket site has interim funding in place and it is beginning infrastructure works with commencement on site likely in late 2013 for a 2016 completion. Blackrock will vacate 40 Torphichen Street once it relocates to Exchange Place. This is currently being offered as a lot size of £14m by IVG and is ripe for refurbishment. Delancy's Orchard Brae House, 78,000 sq ft, is currently undergoing refurbishment.

FIGURE 6: EDINBURGH CITY CORE DEVELOPMENTS



Source: Colliers International

FIGURE 7: EDINBURGH CITY CORE OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H1 2012	Grade A NSA (sq ft) H1 2012	Take-up (sq ft) H2 2011	Take-up (sq ft) H1 2012
Grade A	332,478	238,897	79,761	224,768
Grade B	227,874	-14,621	28,316	6,682
Grade C	621,685	-211,220	91,866	67,854
City Core	1,182,037	3,056	199,943	299,304

Source: Colliers International

For further information, please contact:

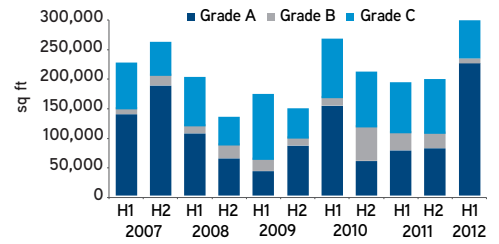
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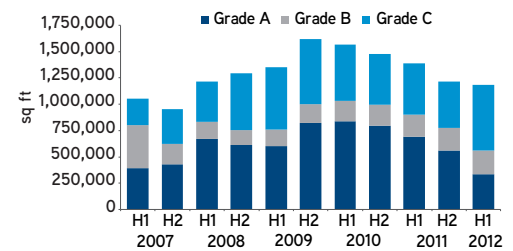
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FIGURE 3: EDINBURGH CITY CORE TAKE-UP BY GRADE



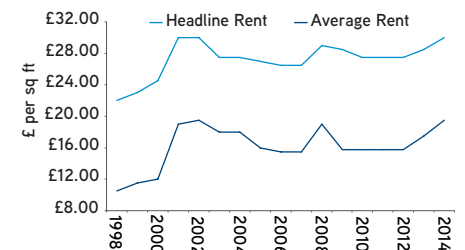
Source: Colliers International

FIGURE 4: EDINBURGH CITY CORE AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: EDINBURGH CITY CORE RENTS & FORECASTS



Source: Colliers International

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