

COMMERCIAL PROPERTY

THURSDAY NOVEMBER 1, 2012

Capital's 'flight to quality'

Figures show brightest picture for office market since the 2007 downturn, says **Bob Serafini**

THE Edinburgh office property market is on track for its best year since the recession. New figures from DTZ show there have been 96 office deals so far this year, bringing the total take-up for 2012 to 530,000 sq ft, already well up on the previous 12 months.

The agents are predicting an end-of-December figure of 635,000 sq ft – a 50% year-on-year increase – the strongest year of lettings since 2007.

"It's grade-A all the way," said DTZ director Mark Jones. "Edinburgh's flight to quality is more prevalent now than in previous years, accounting for 60% of the total. This is a significant jump from 44% in 2010 and 50% in 2011."

"Most significantly, nearly 300,000 sq ft of this year's grade-A take-up has been concentrated in the city centre. To put this

into context, take-up of Edinburgh's best space is already double the long-term average. There is no availability for a large corporate looking for 50,000 sq ft and its own front door."

The largest deal of the quarter was at Westport 102, where the NHS took 37,000 sq ft, while i2 took 17,000 sq ft at Exchange Place 2 for serviced offices.

Space is also under offer at Edinburgh Quay 2 at Fountainbridge, and transactions under 5000 sq ft remain the market driver, accounting for 80% of the deals in the past three months. At current take-up rates, the amount of grade-A space has fallen from nearly six years' supply in 2009 to 2.5 years now.

Looking forward, Jones said this success has yet to translate into falling incentives or increasing rents, but occupiers should expect the pendulum to swing in favour of landlords during 2013.



LOOKING UP: space is under offer at Edinburgh Quay in Fountainbridge.

"For larger requirements, there is also a scarcity of space in the city centre, which is unlikely to be filled by the speculative construction of new buildings. There is a spike



CBRE is selling Calton Square on behalf of Jaguar Capital.

of companies with lease expiries due between 2014 and 2016, and occupiers with lease events over this period may well need to consider pre-letting or a move to west Edinburgh if they are looking for alternative accommodation."

DTZ believes the long-awaited arrival of the tram system will favour the west side of the city, particularly when financial institutions have interaction with people in cities such as London or Manchester.

"If you are sitting one tram stop from the airport and it takes your client only 10 minutes to get to you, then you have created a lot of extra face time for meetings. It is also incredibly easy to find your building," added Jones. There is currently more than

100,000 sq ft of office space available at the out-of-town and, while good stock such as the 85,000 sq ft former Aegon building at Lochside Avenue is expected to let well, there are also some poorer properties.

On the plus side, current rental levels are such that some middle-sized occupiers there, facing lease expiries and currently paying £25 per ft, could knock up to £10 off that figure if they regear. A move to the city centre would only add to their costs.

"What Edinburgh needs to do to fill the voids is attract inward investment – connect better to the rest of the UK and Europe, and invest in the airport for better flight connections to

America," said Jones, who called for Edinburgh City Council, Scottish Enterprise and SDI to work seriously together in a cohesive way to push the capital's strengths.

This worked well to win the government's Green Investment Bank, now believed to have selected the local authority's Atria scheme for its 12,000 sq ft headquarters.

"The impact of what happened with RBS and Lloyds has been offset by companies such as Tesco Bank and Virgin Money coming through, taking up employment losses. The low tide was not necessarily as low as it might have been."

"What we have seen recently is the growth of IT providers who are supporting the financial

services sector – people such as FNZ and Avalog – who can suck up people with good graduate degrees from Edinburgh University's School of Informatics."

Among the companies with lease expiries, already thinking ahead to secure the best space, are PwC and KPMG, which are seeking around 40,000 sq ft. However, deals continue to take a long time to finalise.

Ediston Properties have started construction of their 27,000 sq ft Grade-A scheme at 45 Morrison Street, Artisan now seems to have control of the Caltongate site, and Tiger Developments is reported to be close to appointing a contractor to enable the revival of a mixed-use scheme at Haymarket. However, lack of funding elsewhere means the prospects of a development start remain poor.

Prime rents are expected to remain unchanged at £27.50 per sq ft, helped by the £30+ at Atria, although incentives should drop from the present three years rent-free on a 10-year lease.

There is so little evidence that it is difficult to judge the office investment market, although German fund GLL, advised by Cushman & Wakefield, is believed to be currently under offer to buy the 152,000 sq ft Caltongate office building for £57.5million, reflecting a yield north of 7%.

CBRE is selling the property on behalf of Irish syndicate Jaguar Capital, which paid closer to £74m for it in 2006.

The DTZ report suggests there is also overseas interest in prime property, particularly from Middle Eastern investors, due to attractive returns in comparison to the expensive central London market. Many secondary assets remain unsold unless forced by lenders and these yields are expected to continue to drift outwards.

Public Notices

DUNIRA SPACEFITTERS LIMITED

Notice is hereby given that on 10 September 2012, a Petition was presented to Glasgow Sheriff Court by Highland Slaters Limited, a Company incorporated under the Companies Acts and having its registered office at 27 Huntly Street, Inverness IV3 5PR craving the court inter alia that Dunira Spacefitters Limited (registered number SC409249) incorporated under the Companies Acts and having its registered office at Res Associates Limited, 5 Royal Exchange Square, Glasgow, Scotland, G1 3AH be wound up by the court and an interim liquidator be appointed, in which Petition the Sheriff by interlocutor dated 14 September 2012 appointed all persons having an interest if they intend to show cause why the prayer of the Petition should not be granted, to lodge Answers in the hands of the Sheriff Clerk, Glasgow Sheriff Court, 1 Carlton Place, Glasgow G5 9DA within 8 days after intimation, advertisement or service.

Anderson, Shaw and Gilbert, York House, 20 Church Street, Inverness, IV1 1ED

SUMMIT CONTRACT SERVICES LIMITED (COMPANY NUMBER SC304536)

NOTICE is hereby given that on the 17 September 2012 a Petition was presented to the Sheriff at South Strathclyde, Dumfries and Galloway at Hamilton by the Company, craving the court inter alia that Summit Contract Services Limited a Company incorporated under the Companies Acts and having its registered office at 29 Brandon Street, Hamilton, South Lanarkshire, ML3 6DA be wound up by the court and that an interim liquidator be appointed in which Petition the Sheriff at South Strathclyde, Dumfries and Galloway at Hamilton, by interlocutor dated 17 September 2012 appointed all persons having an interest to lodge Answers in the hands of the Sheriff Clerk at South Strathclyde, Dumfries and Galloway at Hamilton, Birnie House, Caird Park, Hamilton Business Park, Caird Street, Hamilton, ML3 0AL eight days after intimation, advertisement or service; Eo die appointed Kenneth W Pattullo and I. Scott McGregor to be Joint Provisional Liquidators of the Company with the power contained in paragraphs 4 and 5 of Part 2 of schedule 4 to the Insolvency Act, 1986; All of which notice is hereby given.

Mark Carlin, Solicitor, Friers, The Cross, Uddingston. Agent for the Petitioner.

GOODS VEHICLE OPERATOR'S LICENCE

Iain Hill Ltd of Block 2, Lochshore South, Glengarnock, Beth KA14 3AZ is applying to change an existing licence as follows: To add an operating centre to keep 8 goods vehicles at Unit 20, Riverpark Industrial Estate, Linwood PA3 3AJ. Owners or occupiers of land (including buildings) near the operating centre(s) who believe that their use or enjoyment of that land would be affected, should make written representations to the Traffic Commissioner at Hillcrest House, 386 Harehills Lane, Leeds LS9 6NF stating their reasons, within 21 days of this notice. Representatives must at the same time send a copy of their representations to the applicant at the address given at the top of this notice. A Guide to making representations is available from the Traffic Commissioner's office.

TIMES PAST

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The Herald Commercial Property



Our next Commercial Property Supplement appears on Thursday, November 8, 2011

Make sure we have your details in good time. The deadline for the Commercial Property Supplement is Thursday November 1.

To reserve space contact Tom Law on 0141 302 6171 tom.law@heraldandtimes.co.uk

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