

High quality office space still scarce

Edinburgh's office market recorded a solid year of activity in 2018 with nearly 1 million square feet of space let, but a lack of new Grade A space is set to leave the market severely short of accommodation in 2019, according to property consultants JLL.

A total of 970,000 sq ft changed hands in 2018, well above the five year average, but behind 2017's record breaking year of 1,100,000 sq ft.

In the final three months of the year, 180,000 sq ft was on the move with the largest deal including the law firm Burness Paull expanding in Exchange Plaza. It now spreads out over 33,353 sq ft after adding a second floor to its existing space.

With only the five-storey, 38,648 sq ft [2 Semple Street](#) heading for completion in 2018, many of the year's largest deals were pre-lets, highlighting the critical supply dynamic in the city. With 2 Semple Street now under offer there is no new office space available throughout the city until Q2 2020 at the earliest.

Baillie Gifford acquired 60,000 sq ft Mint Building on St. Andrew Square, while both law firms Pinsent Masons and Brodies pre-let significant space at Capital Square on Morrison Street.

Other noteworthy deals include Diageo taking 43,801 sq ft at

11-12 Lochside Place on Edinburgh Park, and Royal London letting space at 22 Haymarket Yards. JLL were involved in both of those deals and 50 per cent of all Edinburgh transactions last year.

According to JLL, by the end of 2018, the vacancy rate had dropped to three per cent, down from 3.8 at the same point in 2017, and the lowest level since the financial crisis.

Forecasting the year ahead, **Ben Reed, Director at JLL**, said: "With the impact of Brexit and the critical shortage of supply, we anticipate occupier activity to fall in line with historic average levels. However, we are still anticipating rental growth and continued pre-letting activity in the city centre. Whilst occupiers will be more nervous about the short term economic prospects, especially as we do not yet know the fate of the Brexit agreement or otherwise, due to forthcoming lease events, continued expansion across certain sectors, such as TMT, and improvements to the workplace, businesses will continue to seek out new space."

Cameron Stott, Director at JLL, commented: "The lack of grade A office accommodation in Edinburgh will restrict the economic growth prospects for the City. Notwithstanding the political landscape over the last few years, Edinburgh has continued to prosper with a burgeoning tech sector and a resilient and strengthening financial sector, this growth will be at risk with the lack of business space for the whole spectrum of business from incubator to established firms."