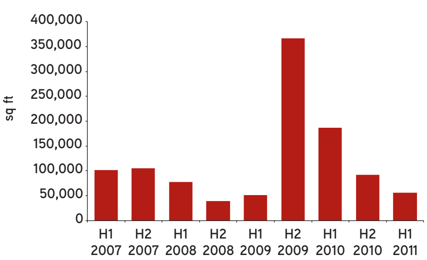
RESEARCH & FORECASTING UK

CENTRAL GLASGOW OFFICES

"The lack of new supply is contributing significantly to the fall in Grade A vacancy across the entire Glasgow market."

GLASGOW	
ABSORPTION	↓
AVAILABILITY	↑
TAKE-UP	↓
RENTS	↑
CITY CORE	
ABSORPTION	↓
AVAILABILITY	↑
TAKE-UP	↓
RENTS	→
OUTER CORE	
ABSORPTION	↓
AVAILABILITY	↑
TAKE-UP	↓
RENTS	→

FIGURE 1: GLASGOW GRADE A TAKE-UP

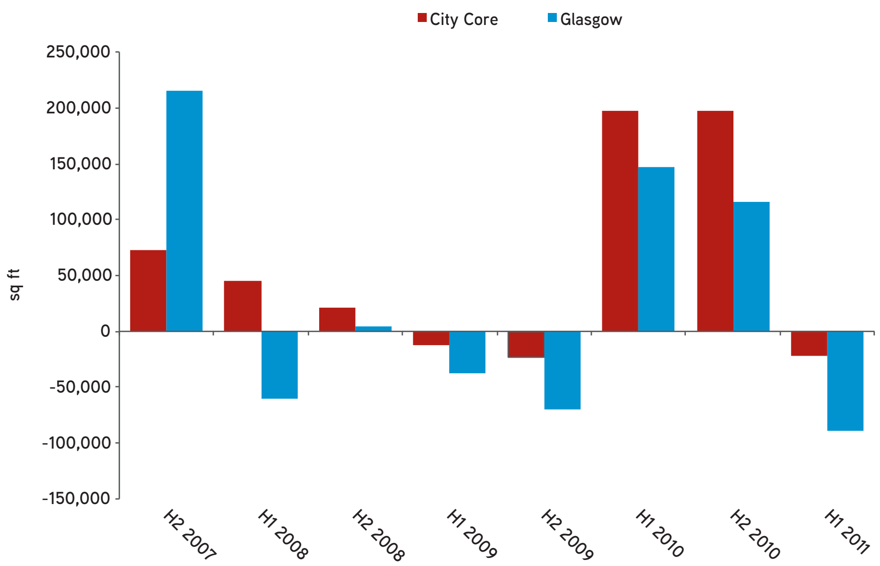


Source: Colliers International

Overview

- The Glasgow office market has experienced modest take-up during the first half of 2011. Transaction levels for H1 2011 reached 153,669 sq ft which was 27% down on the previous six monthly total. Take-up in the City Core fell by 29% as major deals were focused on the out-of-town market.
- As a result, net stock absorption of office space in Glasgow fell by 89,054 sq ft (**see Figure 2**). This was in marked contrast to 2010, when total occupation increased by 263,545 sq ft. A significant factor in the reduction has been the increasing release of second-hand office space back onto the market. Grade B availability rose by 18% causing negative absorption of over 120,000 sq ft.
- More encouragingly, Grade A absorption continued its long term trend of positive growth. However, Grade A occupancy growth rose at its slowest rate for three years. Nevertheless, overall occupancy of Grade A space rose to 81% which compares to a figure of just 52% in June 2007.
- The lack of new supply coming onto the market is contributing significantly to the fall in Grade A vacancy across the entire Glasgow market. Even though half year take-up of Grade A space was the lowest since H1 2009 (**see Figure 1**), availability of top quality space still fell by 9% during H1 2011.
- Overall office availability rose for the time since H2 2009. A shortage of significant city centre requirements is impacting on overall vacancy levels. There were just two deals recorded in the city centre above 15,000 sq ft during the first six months of 2011.
- Prime rents remain at £29.00 psf, with no expectation of upward rental movement over the next six months.

FIGURE 2: GLASGOW NET STOCK ABSORPTION (ALL GRADES)

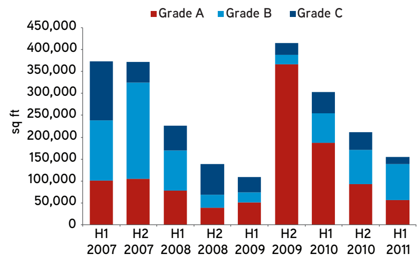


Source: Colliers International

Occupier markets

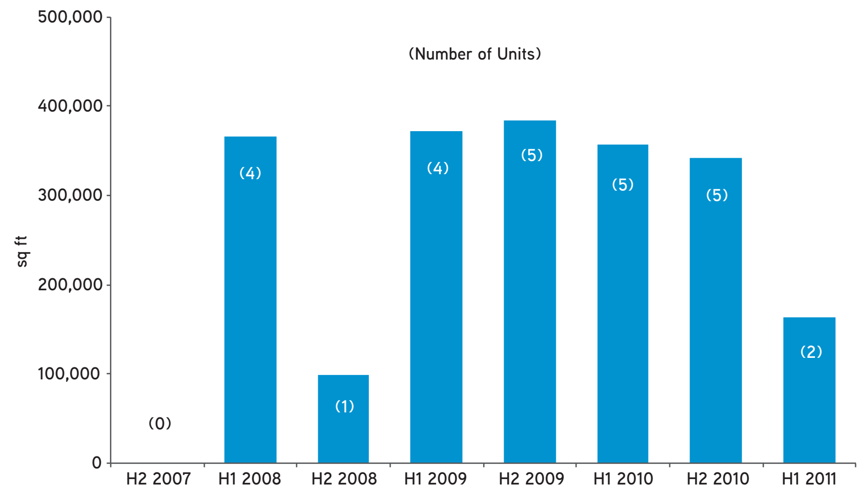
- The most significant deal in the year to date was at HF Developments G1 scheme, where Mercer Ltd took 34,000 sq ft. Mercer is looking to expand its investment and risk management arms and will vacate 10,478 sq ft at 26 Blythswood Square adding to positive absorption. Key searches currently being undertaken include Scottish Power, who may be searching for a new HQ building of up to 250,000 sq ft, with a view to relocation in 2014. A pre-let looks the most likely option at this stage. Other occupiers looking at increasing or upgrading space include Morgan Stanley (20,000 sq ft) who is in advanced negotiations at the Sentinel Building, Aon (20,000 sq ft), JP Morgan (20,000 sq ft), Hilton Group (20,000 sq ft) and Harper Maclead (20,000 sq ft). While Dell and payroll specialist Ceridian are both expecting to substantially increase staffing levels over the next three years, each is likely to remain focussed on out-of-town locations.

FIGURE 3: GLASGOW TAKE-UP BY GRADE



Source: Colliers International

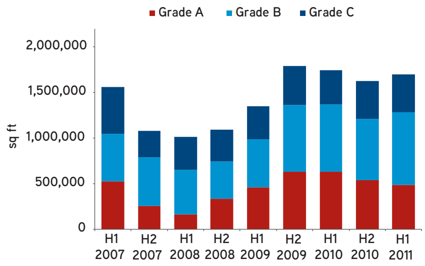
FIGURE 6: GLASGOW CITY CORE GRADE A AVAILABILITY – UNITS OVER 50,000 SQ FT



Source: Colliers International

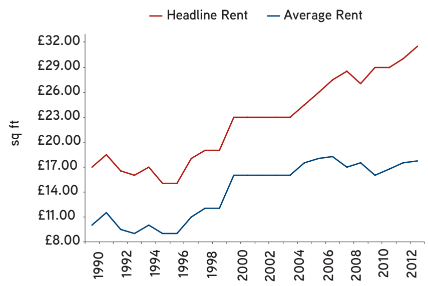
- **Figure 6** shows the sharp fall in Grade A availability in H1 2011 for units in excess of 50,000 sq ft. While current Grade A vacancy stands at 19%, just two schemes can now accommodate requirements for Grade A space at 50,000 sq ft or above.
- Total Grade A availability reached a high of 631,000 sq ft in December 2009 but has since fallen by 23% (143,000 sq ft). In contrast Grade B availability has risen by 51% over the past two years to reach its current level of 796,000 sq ft.

FIGURE 4: GLASGOW AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: GLASGOW RENTS AND FORECASTS



Source: Colliers International

FIGURE 7: GLASGOW OFFICES – KEY SUBMARKETS

	Availability (sq ft)	NSA (sq ft)	Take-up (sq ft)	Take-up (sq ft)
Submarket	H1 2011	H1 2011	H2 2010	H1 2011
City Core	341,870	-22,214	190,600	134,445
Outer Core	1,360,459	-66,840	21,135	19,224
Glasgow	1,702,329	-89,054	211,735	153,669

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