NEWCASTLE
OFFICE MARKET Q2 2019

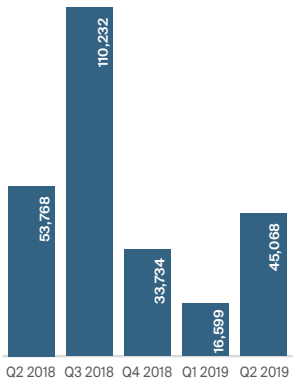
Knight Frank

OCCUPIER HEADLINES

- As anticipated, Q2 2019 saw an uplift in take-up with Newcastle registering 45,068 sq ft. Although this is 7% below the 10 year quarterly average, 16 deals were completed compared to only 10 in Q1 2019.
- The largest deal to complete was the 8,683 sq ft lease to 26 Mosley Street Limited at 26 Mosley Street.
- Occupiers from the Professional Services were most active, accounting for 47% of take-up.
- Grade A supply fell to 160,000 sq ft, the lowest level for 12 months. No new stock was delivered during this period which exacerbated the continuing shortage of Grade A space across the city. The only speculative development currently under conctruction is the Lumen at Newcastle Helix which is due to complete in Q1 2020. There are however several schemes in the planning system, although with no firm start dates.
- Forecasts indicate an increase in prime rents to £25.00 per sq ft by year-end.

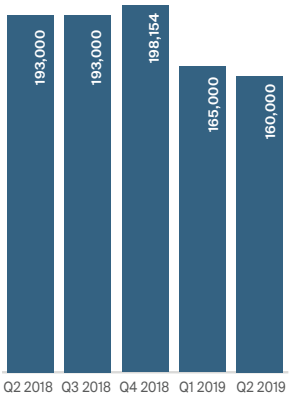
TAKE-UP*
(sq ft)

Q2 2019	**45,068**
Q2 2019 vs 10 year quarterly average	**-7%**

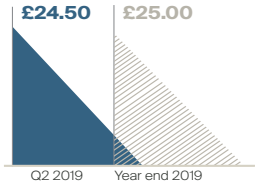


AVAILABILITY
(sq ft)

Q2 2019	**160,000**
Q2 2019 vs 10 year quarterly average	**-33%**



PRIME RENT
(£ per sq ft)



DEVELOPMENT PIPELINE
(sq ft)

Dates indicate the potential completion date of schemes under construction as at Q2 2019

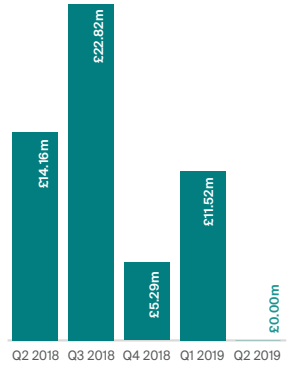
Development schemes are inclusive of both new and comprehensive refurbishment.

INVESTMENT HEADLINES

- Following a strong start to the year with investment volumes having doubled in Q1 2019 when compared to Q4 2018, investor activity was limited in Q2 with no recorded transactions.
- With an uncertain macro-economic backdrop, investors are being more cautious. A reluctance to commit to longer-term decisions is being reflected in the market, delaying any potential deals that could be made. However, with the market currently experiencing a prolonged economic cycle, capital flows are certain to increase.
- Whilst overseas investment have dipped recently, UK money has increased into the city accounting for 60% of investment volumes in the past 12 months.

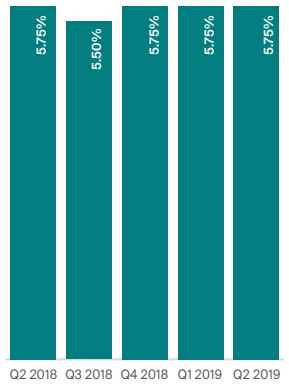
INVESTMENT VOLUMES (£)

Q2 2019	**£-m**
Rolling 12 Month Average	**£40m**

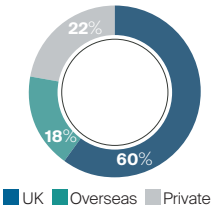


PRIME YIELD
(NIY)

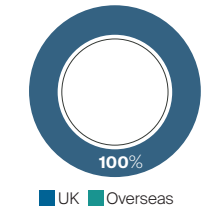
Q2 2019	**5.75%**
Forecast 2019	**5.75%**



PURCHASERS
(last 12 months)



VENDORS
(last 12 months)



KEY TRANSACTIONS

17 QUEENS LANE

TENANT: Haines Watts

TERM: 10 year Lease

SIZE: 5,426 sq ft

RENT: £17.50 psf

DATE: Q2 2019

THE PANDON BUILDING

TENANT:

Elsdon Consulting Limited

TERM: 10 year lease

SIZE: 5,929 sq ft

RENT: £15.00 psf

DATE: Q2 2019

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