



GLASGOW OFFICES

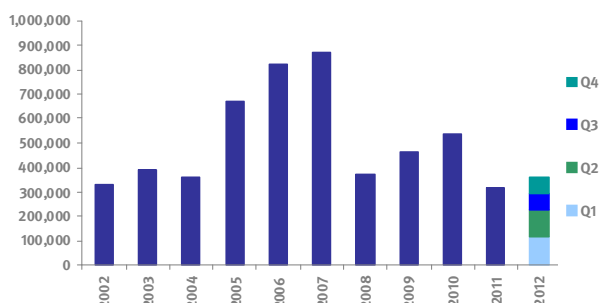
Market update Q4 2012

Knight Frank

Key highlights

- Q4 take-up was a modest 70,000 sq ft, although the full-year total reached 361,000 sq ft – easily exceeding the 2011 figure but nonetheless well down on the ten-year annual average of 516,000 sq ft.
- Prime headline rents were stable at £27.00 per sq ft, their level since Q3 2010, while net effectives were also unchanged at £21.00 per sq ft.
- Grade A availability declined to 315,000 sq ft over the quarter and is well down on 2011. The amount of active named requirements fell in Q4 but remains at a healthy 300,000 sq ft.

City take-up (sq ft)

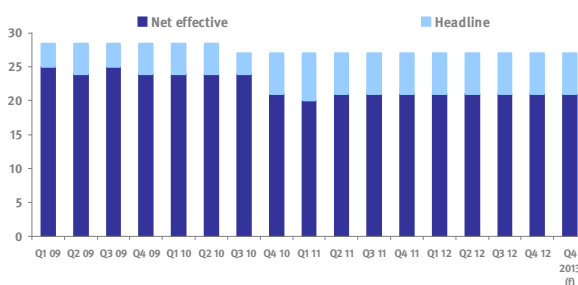


Source: Knight Frank Research

Office gossip

- Activity in the Glasgow office market remains focussed on the city centre. Key deals which concluded in Q4 were Irwin Mitchell's acquisition of 10,500 sq ft at 150 St Vincent Street, Speirs & Jeffrey's acquisition of 15,000 sq ft at George House and Anglo Eastern's acquisition of 15,000 sq ft at 141 Elliot Street.
- Several occupiers have recently acquired expansion space, notably with Teleperformance leasing 10,000 sq ft and Clydesdale Bank taking a further 15,000 sq ft of space.

Prime headline & net effective rents (£ sq ft)

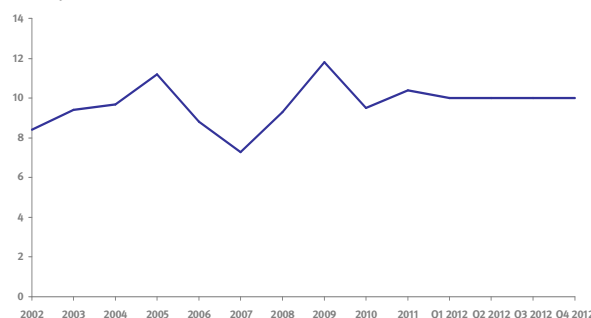


Source: Knight Frank Research

Looking ahead

- The Glasgow office market has seen low levels of take up compared with previous years, in part due to the limited supply of Grade A space. However the Grade B market is over-supplied and the general level of market activity is not expected to change significantly, at least in the first half of 2013.
- BAM Properties has started work on its 163,000 sq ft speculative development at 110 Queen Street. The scheme, which will comprise 143,000 sq ft of offices and 20,000 sq ft of retail, will receive a £9.6m loan from the Scottish Partnership for Regeneration in Urban Centres. The building is due for completion in 2015 and will provide much needed high spec space for the city.
- There are a number of professional organisations seeking new office accommodation which are expected to make acquisitions in the next 6 - 12 months.

Vacancy rate (%)



Source: Knight Frank Research

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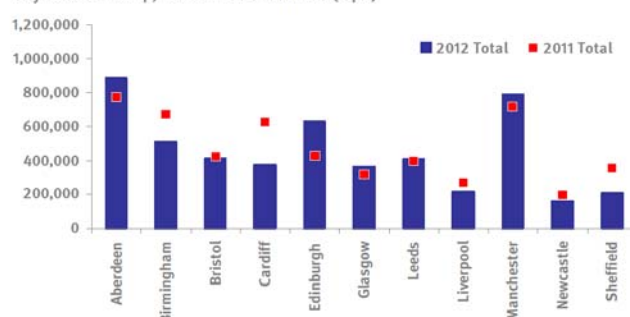
UK REGIONAL OFFICES ROUND-UP

Q4 2012

Occupier demand

- Take-up in the key regional office markets was generally resilient in Q4 2012. Across the 11 markets combined, total quarterly take-up of 1.22m sq ft was up 2% on Q3, although, 2012 as a whole was marginally lower than 2011.
- Annual take-up for 2012 totalled 4,930,430 sq ft - some 4% down on 2011 and 11% down on the 10-year annual average. A number of markets enjoyed stronger 2012 take-up compared with 2011 including Edinburgh (+47%), Glasgow (+15%), Aberdeen (+14%), Manchester (+10%) and Leeds (+3%).
- Transactions completed in 2012 comprised predominantly secondary space and relatively small lot sizes. However, the 'fight to quality' in most markets continued and we have seen renewed requirements from professional services firms prompted by forthcoming lease expiries.

City centre take-up, 2012 total vs 2011 total (sq ft)

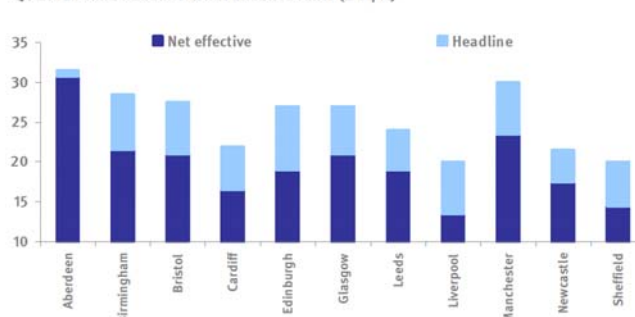


Source: Knight Frank Research

Supply and rents

- While the speculative development pipeline remains generally limited, Q4 saw another quarterly increase from Q3's 661,431 sq ft to 734,545 sq ft. Despite the improved speculative activity, general sentiment remains cautious and developers will demand a significant pre-let before any large new-build scheme can progress.
- Supply continues on a downward trend in the absence of new completions. At the end of Q4 2012, Grade A supply across the 11 cities combined was down 18% on Q4 2011, with the largest falls seen in Edinburgh (-38%), Glasgow (-36%), Leeds (-30%) and Birmingham (-27%).
- Headline rents remained stable in Q4. However, more generally, incentive packages are either hardening or expected to harden across the regional cities, as a result of this steady erosion of Grade A supply.

Q4 2012 Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

Investment market

- The latest figures from Property Data reveal that Q4 investment turnover was c.£550m outside London and the South East, an improvement on Q3 but nevertheless 36% below the 10-year quarterly average.
- There remains strong investor interest in prime office stock, although a shortage of suitable product, namely prime and long-income assets, remains a major barrier to activity. In the secondary spectrum, investor interest is highly selective, confined to good quality secondary stock where there is potential to add value through asset management.
- Generally, prime yields were unchanged in the regional cities in Q4 albeit this is based largely on sentiment. Secondary office yields are under pressure and sentiments remains cautious.

Prime office yields

| | 2012 | | | | Yield sentiment |
|------------|-------|-------|-------|-------|-----------------|
| | Q1 | Q2 | Q3 | Q4 | |
| Aberdeen | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Birmingham | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Bristol | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Cardiff | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Edinburgh | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Glasgow | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Leeds | 6.25% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Liverpool | 7.00% | 7.25% | 7.50% | 7.50% | ◀ ▲ |
| Manchester | 6.00% | 6.50% | 6.50% | 6.50% | ◀ ▲ |
| Newcastle | 6.50% | 6.75% | 6.75% | 6.75% | ◀ ▲ |
| Sheffield | 7.00% | 7.25% | 7.25% | 7.25% | ◀ ▲ |

Source: Knight Frank Research

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