



MANCHESTER OFFICES

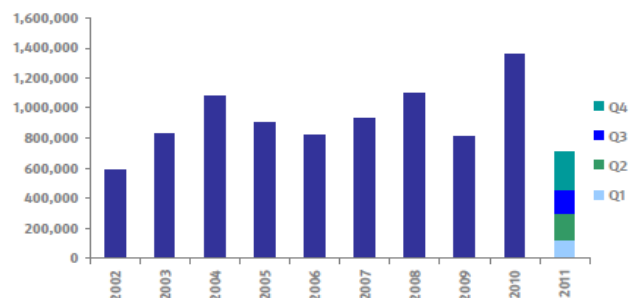
Market update Q4 2011

Knight Frank

Key highlights

- Manchester saw an impressive total take-up of 256,012 sq ft in Q4, 63% up on Q3. Nonetheless, even with a strong final quarter, the 2011 total take-up amounted to 714,314 sq ft, which is 47% down on the 2010 level.
- Q4 saw Manchester's headline rent edged up marginally again from £29.00 to £29.50 per sq ft following an increase in Q3. Net effective rents on the other hand has dropped slightly in Q4 from £23.50 to £23.00 per sq ft.
- The vacancy rate for stood at 14.8% in Q4, unchanged on Q3 although marginally lower than the middle of last year.

City take-up (sq ft)

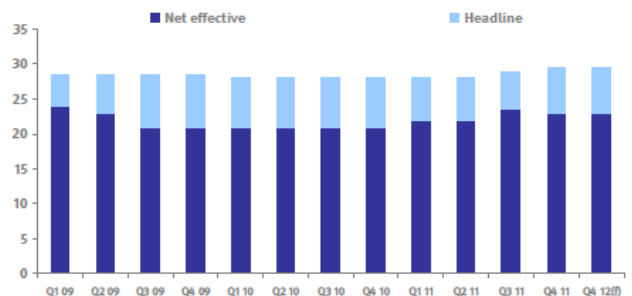


Source: Knight Frank Research / MOAF

Office gossip

- Key deals during 2011 included KPMG's prelet of 63,000 sq ft at the Greater Manchester Property Venture Fund and Argent's One St Peter's Square, and Aegis taking 35,000 sq ft at Bruntwood's City Tower.
- Named active requirements increased to 425,000 sq ft in Q4, 6.25% up on Q3. This includes BUPA's requirement for 140,000 sq ft of offices in Manchester.
- With Grade A space in relatively short supply, the market for good quality secondhand accommodation remains competitive.

Prime headline & net effective rents (£ sq ft)

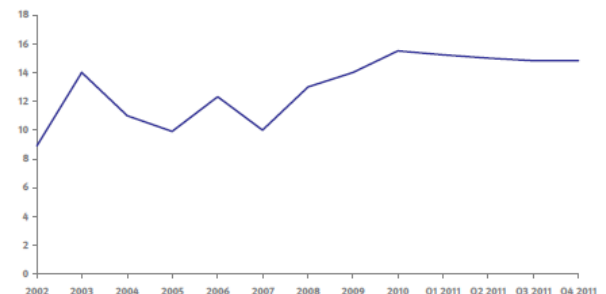


Source: Knight Frank Research

Looking ahead

- Occupier demand for Grade A accommodation is expected to remain strong. While headline rents should hold at £29.50 per sq ft throughout 2012, the steady absorption of Grade A supply is likely bring a hardening of incentives in the coming months.
- There are not many large requirements, suggesting the take-up figures in Q1 and even Q2 might be subdued. That said, there has been some pre-letting activity in the city amounting to c.62,500 sq ft and speculative development will provide the market with c.207,500 sq ft of Grade A office accommodation.

Vacancy rate (%)



Source: Knight Frank Research

Agency contact

David Porter, Partner, Manchester
+44 (0)161 833 7725
david.porter@knightfrank.com

Research contact

Anthea To, Senior Analyst, Commercial Research
+44 (0)20 7861 1236
anthea.to@knightfrank.com



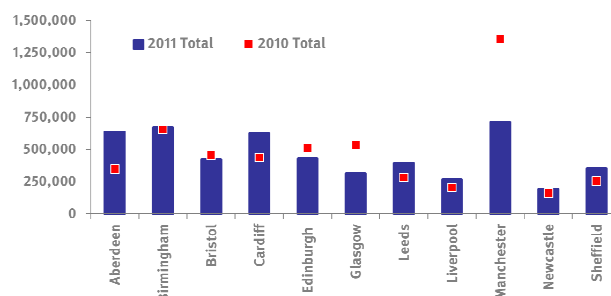
UK REGIONAL OFFICES ROUND-UP

Q4 2011

Occupier demand

- There was a clear slowdown towards the year-end, with Q4 2011 quarterly take-up down 15% on Q3, however, 2011 as a whole was just marginally worse than 2010.
- Across the 11 cities, annual take-up for 2011 totalled 5,015,938 sq ft - only 4% down on 2010. Most markets enjoyed stronger 2011 take-up compared with 2010 including Aberdeen, Birmingham, Cardiff, Leeds, Liverpool, Newcastle and Sheffield. In contrast, Bristol, Edinburgh, Glasgow and Manchester recorded annual falls in take-up activity.
- Occupiers remain cautious, with the majority continuing to assess the impact of current economic conditions on their businesses. Activity remains focused at the smaller end of the market.

City centre take-up, 2011 total vs 2010 total (sq ft)

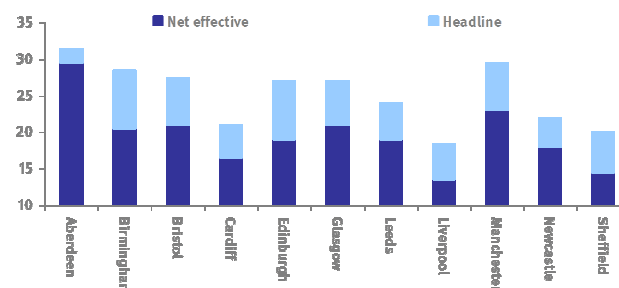


Source: Knight Frank Research

Supply and rents

- The volume of speculative development activity is limited, confined to just four of the 11 cities at the end of Q4. Manchester has the highest amount of development underway (207,500 sq ft).
- As a result, Grade A supply remains ever more constrained. At the end of Q4 2011, total Grade A supply across the 11 cities was down 9.3% on Q3 2011 and down 26.3% on 2010 and.
- Prime net effective rents held up reasonably well throughout 2011, the one exception being Manchester, where net effectives declined by 2% on Q3. In terms of rental growth, Bristol outperformed the other regional markets, seeing headline rents increase to £27.00 per sq ft, with net effective rents recovering to their mid-2009 level of £21.00 per sq ft.

Q4 2011 Prime headline & net effective rents (£/sq ft)



Source: Knight Frank Research

Investment market

- Transactional activity in Q4 amounted to £561m outside London and the South East, an improvement on Q3 but nevertheless 30% below the 10-year quarterly average. With a modest final quarter, the 2011 total sales value of £1,774m falls behind the 2010 value by 29%.
- Interest in the regional office investment market continues to be focused on prime property, for which there is a healthy level of demand, particularly from institutional investors. In the secondary market meanwhile, the challenging occupier markets and lack of available debt for purchasers continue to exert downward pressure on values.
- Overall investor sentiment was more cautious towards the year-end. Regional office yields softened marginally in a number of markets on 7 of the 11 regional offices during Q4 2011 except Cardiff, Leeds, Manchester and Newcastle where yields were unchanged.

Prime office yields

	2011				Yield sentiment
	Q1	Q2	Q3	Q4	
Aberdeen	6.00%	6.00%	6.00%	6.25%	◀ ▶
Birmingham	5.75%	5.75%	5.75%	6.00%	◀ ▶
Bristol	6.00%	6.00%	6.00%	6.25%	◀ ▶
Cardiff	6.25%	6.25%	6.25%	6.25%	◀ ▶
Edinburgh	6.00%	6.00%	6.00%	6.25%	◀ ▶
Glasgow	6.00%	6.00%	6.00%	6.25%	◀ ▶
Leeds	6.00%	6.25%	6.25%	6.25%	◀ ▶
Liverpool	6.50%	6.75%	6.75%	7.00%	◀ ▶
Manchester	6.00%	6.00%	6.00%	6.00%	◀ ▶
Newcastle	6.50%	6.50%	6.50%	6.50%	◀ ▶
Sheffield	6.50%	6.75%	6.75%	7.00%	◀ ▶

© Knight Frank LLP 2012

www.knightfrank.com

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.