RESEARCH

NEWCASTLE OFFICES

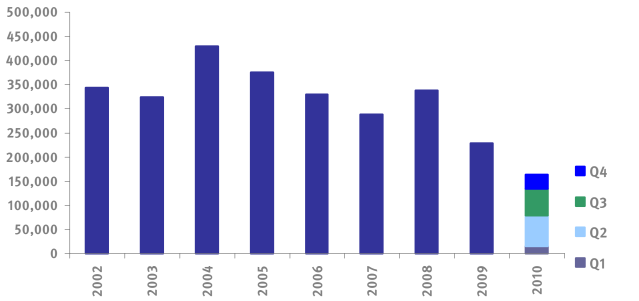
Market update Q4 2010

Knight Frank

Key highlights

- The city centre in Q4 saw the lowest take-up of 2010, with only 28,887 sq ft of transactions taking place.
- Prime rent for Grade A accommodation remains at £23.00 per sq ft. Rents for high quality refurbished/second hand accommodation have reduced over 2010 and are now in the range of £14.00 to £16.50 per sq ft.
- New and Grade A city centre availability remained unchanged at 397,000 sq ft. The majority of office supply in Newcastle city centre remains in the refurbished / second hand market.

City centre take-up (sq ft)

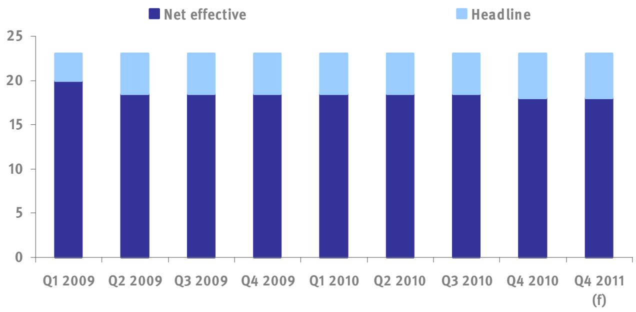


Source: Knight Frank Research

Office gossip

- There were a small number of significant transactions in the City Centre during Q4 including Invensys taking 3,217 sq ft in Citygate. Allianz Insurance and Horncastle Travel also took space at UK Land Estate's Hardian House. The Labour Party has also acquired 12,500 sq ft in Universal House at Manors in a freehold transaction at a purchase price which remains confidential.
- The majority of demand in the city centre is for smaller offices of around 10,000 sq ft. Enquiries coming from various sectors, including professional services firms, recruitment firms, and companies with public sector contracts. There is, however, a couple of larger requirement currently in the market.

Prime headline & net effective rents (£ sq ft)

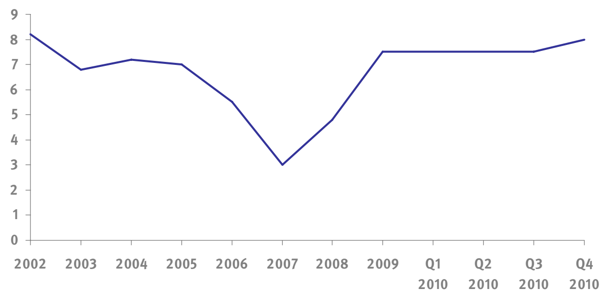


Source: Knight Frank Research

Looking ahead

- There are no new office schemes under construction in the city centre. The only new development scheduled to take place in 2011 is the first phase of Stephenson Quarter, which will include 35,000 sq ft of offices together with a 250 bed hotel. In the out-of-town market, Quorum and Cobalt are both due to complete new buildings in 2011, which represent the main speculative development currently taking place in the North East.
- The general market sentiment is that 2011 is likely to be similar to 2010, with take-up at a corresponding level to last year and rents remaining at current levels. It is likely that vacancy rates will increase over 2011 with further space becoming available.

Vacancy rate (%)



Source: Knight Frank Research

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