

RESEARCH



# NEWCASTLE

OFFICE MARKET QUARTERLY  
**Q2 2017**

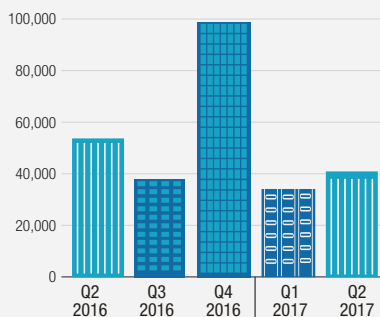


# OCCUPIER MARKET

Take-up increased by 23% during the second quarter, with the Finance, Banking and Insurance sector accounting for 57% of the total.



FIGURE 1  
Take-up (sq ft)



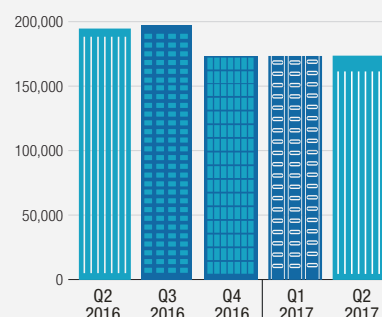
**0.25m**  
ACTIVE  
REQUIREMENTS  
SQ FT



**PETER BOWDEN**

Given the current shortage of supply and the strong demand for space in the city, we expect prime headline rents to rise from £23.00 to £24.50 per sq ft by the end of the year.

FIGURE 2  
Supply (sq ft)



**19%**  
BELOW THE  
5-YR AVERAGE



**PATRICK MATHESON**

The lack of Grade A offices coupled with an absence of new development in the pipeline is creating increasing incentives for landlords to ramp up refurbishment activity. Central Square South is a prime example, which is due to complete in Q4 2017.

## Key leasing transactions Q2 2017

ADDRESS	SIZE (SQ FT)	OCCUPIER
No.2 St James Gate	21,261	Eldon Insurance
Baltic Place	9,426	Northern Gas & Power
Generator Studios	4,068	Hedgehog Lab
MEA House	2,537	Tyneside and Northumberland Mind
Theatre Royal Suite	2,116	Maven Capital

Source for all charts: Knight Frank Research

Note: Percentage change reflect quarter-on-quarter movement

# INVESTMENT MARKET

Q2 was a quiet quarter with a lack of investment stock continuing to limit transactional activity.

TRANSACTION VOLUME  
Q2 2017



£6.3m

TRANSACTION VOLUME  
LAST FOUR QUARTERS



£94m

▲ 5%

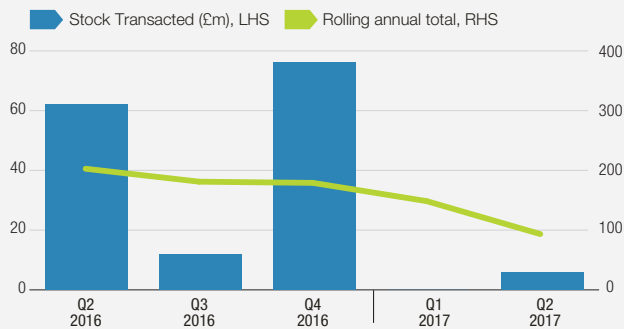
PRIME NET INITIAL YIELD



6.00%



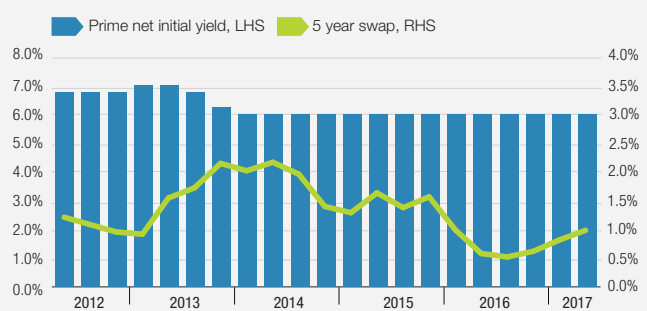
FIGURE 3  
Investment volumes



**DICKON WOOD**

The North East market is being constrained by a lack of investment stock. Investors are still nervous of letting and funding risks, preferring to focus on the prime markets which as a consequence are experiencing strong downward pressure on yields.

FIGURE 4  
Prime net initial yield and finance



**DOUGLAS CRANSTON**

Looking forward to H2 2017 we expect to see, as with previous recent years, an increase in available investment stock towards Q3 / Q4 driven primarily by funds rationalising their regional assets.

## Key investment transactions (last four quarters)

BUILDING	PRICE (£M)	NET INITIAL YIELD	PURCHASER
Newcastle Science Central	£65.00	N/A	Legal & General Capital
Newcastle University BS	£60.00	N/A	Lime Property Fund
Strawberry Portfolio	£12.00	N/A	Kier Property
Sandgate House, Quayside	£10.75	5.88%	Rougemont Estates
Grainger Street, 27-35	£5.65	7.03%	TusPark Holdings Co Ltd

Source for all charts: Knight Frank Research

Note: Four quarter investment volume total is compared to the 10-year annual average. All other movements reflect quarter-on-quarter changes

## COMMERCIAL RESEARCH

### Lee Elliott

Partner, Head of Commercial Research  
+44(0) 207 861 5008  
lee.elliott@knightfrank.com

### Darren Mansfield

Associate  
+44(0) 207 861 1246  
darren.mansfield@knightfrank.com

## LEASING

### Peter Bowden

Partner  
+44 191 594 5003  
peter.bowden@knightfrank.com

### Patrick Matheson

Partner  
+44 191 594 5015  
patrick.matheson@knightfrank.com

## CAPITAL MARKETS

### Dickon Wood

Partner  
+44 191 594 5036  
dickon.wood@knightfrank.com

### Douglas Cranston

Partner  
+44 191 594 5023  
douglas.cranston@knightfrank.com



## Important Notice

© Knight Frank LLP 2017 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to 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 not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. 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.

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



[M25 Quarterly - Q2 2017](#)



[Central London Quarterly - Q2 2017](#)



[Sheffield Office Market Quarterly - Q2 2017](#)



[Active Capital - The Report 2017](#)