



SHEFFIELD OFFICES

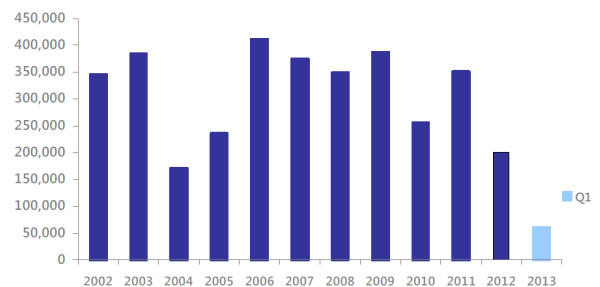
Market update Q1 2013

Knight Frank

Key highlights

- Sheffield saw take-up of 59,958 sq ft in Q1 2013, 72% above the Q4 2012 total and the highest quarterly total since Q1 2012.
- The split in activity between city centre and out-of-town locations was broadly equal in terms of space transacted, although the city centre was home to 11 deals compared with 8 seen elsewhere.
- Of Q1's 13 deals, the largest was Sheffield Hallam's 18,000 sq ft freehold purchase of Arundel House, a move which sees the University's estates team relocate from nearby Furnival House.
- Q1's one other deal of 10,000 sq ft or more took place out-of-town, with Voice opting to take an additional 10,000 sq ft at The Mount, Broomhill, as it seeks to expand its operations.

City take-up (sq ft)

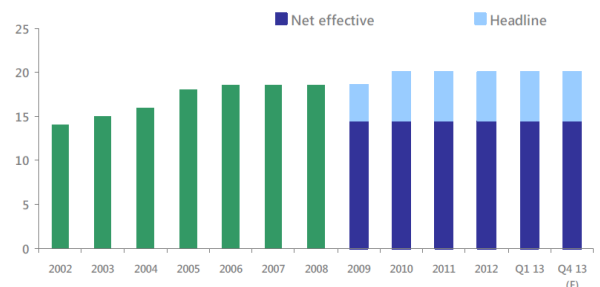


Source: Knight Frank Research

Office gossip

- While Grade A availability remains elevated, there is little stock remaining at the prime sites within the city centre area. Indeed, all of the city centre's available space is focused within just 11 buildings.
- Active named demand has been unchanged for over 12 months at c. 200,000 sq ft.
- Q1 saw the launch of a new £23m fund, named SCR JESSICA, which will provide capital loans of up to £4.3m per project for new office and industrial development in the Sheffield city region. The fund will give the opportunity to secure much-needed finance for strategic sites for developers.

Prime headline & net effective rents (£ sq ft)

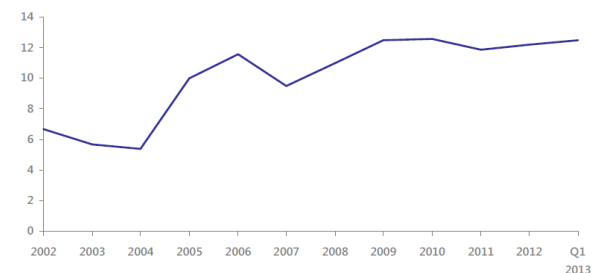


Source: Knight Frank Research

Looking ahead

- The lack of Grade A stock at key central locations is becoming an increasingly important issue, as these are popular with the emerging cultural and digital industries (CDI).
- However, prime headline rents should remain at £20.00 per sq ft until prime development sites in the city centre secure funding or a pre-let.
- Over the next 12 to 24 months will anticipate levels of supply to fall, as obsolete office blocks are sold off to developers for conversion to student housing.

Vacancy rate (%)



Source: Knight Frank Research

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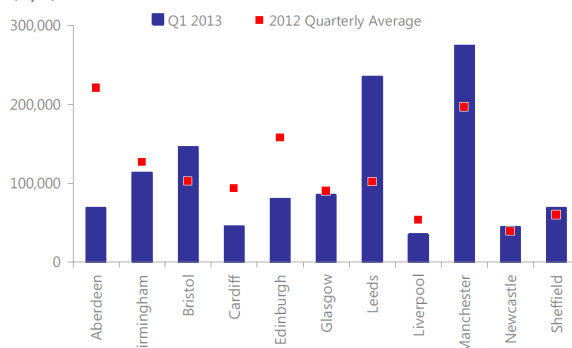
UK REGIONAL OFFICES ROUND-UP

Q1 2013

Occupier demand

- Following a strong final quarter in 2012, activity in the key regional office markets has been maintained in Q1 2013. A number of markets have performed well and saw Q1 take-up exceeding 2012's quarterly average including Bristol, Leeds, Manchester, Sheffield and Newcastle. The 11 markets combined recorded total take-up of 1.19m sq ft during Q1 - marginally down on Q4 2012 but up 9.8% on a year ago.
- In most markets, activity was predominantly characterised by a high number of small deals, typically for second-hand refurbished space.
- There is a healthy level of requirements in the regional office markets, with notable quarterly increases seen in Newcastle (+60%) and Aberdeen (+36%), although the majority are in the sub-5,000 sq ft bracket.

City centre take-up, Q1 2013 vs 2012 quarterly average total (sq ft)

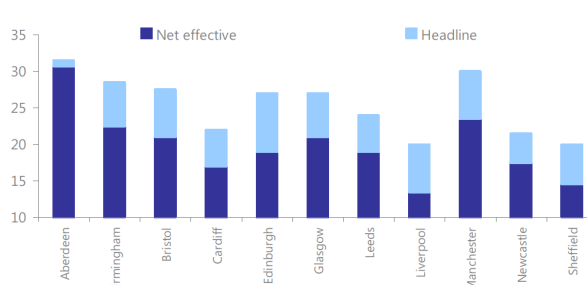


Source: Knight Frank Research

Supply and rents

- Q1 saw a marginal quarterly increase in Grade A supply up from 3,013,043 sq ft in Q4 2012 to 3,067,043 sq ft. However, the current level is 11% down on a year ago. The availability of Grade A space continues to be eroded in most markets in the absence of new completions. Year-on-year double-digit fall was recorded in Birmingham (-33%), Leeds (-14%), Glasgow (-13%), Manchester (-13%), Newcastle (-12%) and Liverpool (-10%).
- Headline rents and incentives have been fairly static over the quarter, although there has been an increase in the net effective rent in Birmingham (from £21.50 to £22.50) and Cardiff (from £16.50 to £17.0).

Q1 2013 Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

Investment market

- According to Property Data, Q1 investment turnover was c.£600m outside London and the South East, an improvement on Q1 2012 but nevertheless 30% below the 10-year quarterly average.
- Whilst strong investor interest in prime office stock has been maintained, the availability of suitable product (prime and long-income assets) is the major barrier to activity. One interesting deal in Q1 was Gingko Tree's acquisition of a part share of One Angel Square in Manchester, although it remains to be seen as to whether this marks the start of more sustained interest from foreign investors in the UK regions.
- Prime regional office yields were largely unchanged in Q1, albeit there were some tentative signs of improved sentiment for prime stock. Indeed, Birmingham and Manchester both saw prime yields move in by 25bps to stand at 6.25%, whilst Newcastle was the only city to see prime yields soften Q1.

Prime office yields

	2012			2013	Yield sentiment
	Q2	Q3	Q4	Q1	
Aberdeen	6.50%	6.50%	6.50%	6.50%	◀ ▶
Birmingham	6.50%	6.50%	6.50%	6.25%	◀ ▼
Bristol	6.50%	6.50%	6.50%	6.50%	◀ ▶
Cardiff	6.50%	6.50%	6.50%	6.50%	◀ ▶
Edinburgh	6.50%	6.50%	6.50%	6.50%	◀ ▶
Glasgow	6.50%	6.50%	6.50%	6.50%	◀ ▶
Leeds	6.50%	6.50%	6.50%	6.50%	◀ ▶
Liverpool	7.25%	7.50%	7.50%	7.50%	◀ ▶
Manchester	6.50%	6.50%	6.50%	6.25%	◀ ▼
Newcastle	6.75%	6.75%	6.75%	7.00%	◀ ▲
Sheffield	7.25%	7.25%	7.25%	7.25%	◀ ▶

Source: Knight Frank Research

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