



SHEFFIELD OFFICES

Market update Q4 2010

Knight Frank

Key highlights

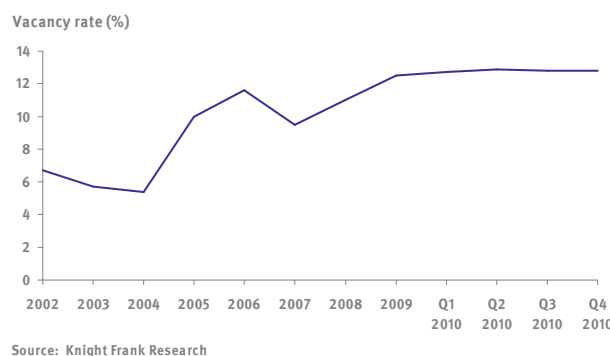
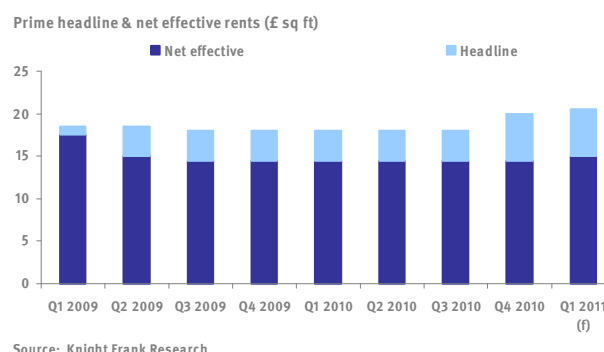
- Sheffield take-up in Q4 totalled 45,118 sq ft, down a significant 64% on the Q3 total but closely in line with take-up in Q1 and Q2. Take-up in 2010 as a whole totalled 256,477 sq ft, a reasonable year but nevertheless 21% down on the annual average.
- Q4's largest transaction comprised Hill Dickinson's acquisition of the remaining element of Halliwell's Sheffield Office at City Plaza, totalling 10,000 sq ft.
- Over the last 12 months, Grade A demand has been focused in the prime city core area while more peripheral locations have struggled. The core area accounted for nearly half 2010 take-up, at 119,562 sq ft.

Office gossip

- With take-up focused on good quality stock, New and Grade A supply has been steadily absorbed during 2010, reducing by 20% during 2010 to stand at 285,000 sq ft.
- However, as occupiers have upgraded their accommodation, falling Grade A supply has been met by an increase in poorer quality stock. Consequently, the vacancy rate has remained relatively elevated throughout 2010, standing at 12.8% at the end of Q4.
- Current active demand in the city totals 230,000 sq ft, with notable requirements including Sheffield Hallam University, Cushman & Wakefield and OCLC.

Looking ahead

- We anticipate relatively robust levels of take-up over the first half of 2011, with expectations of up to 80,000 sq ft of space to transact in the first quarter of this year alone.
- In the absence of any speculative development, Grade A supply will steadily diminish through 2011. Consequently, we expect both rents and incentives to harden, with rents rising in net effective terms.
- The same cannot be said for poorer quality second-hand accommodation. With supply of such space increasing, and relatively low demand for it, continued downward pressure will remain on rental levels throughout the first half of 2011.



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