



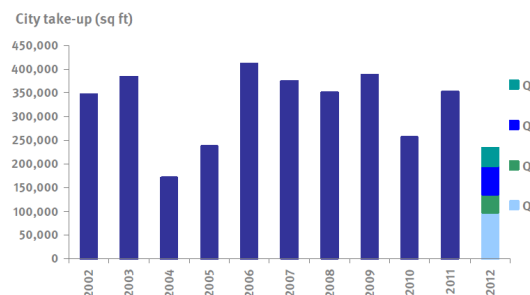
SHEFFIELD OFFICES

Market update Q4 2012

Knight Frank

Key highlights

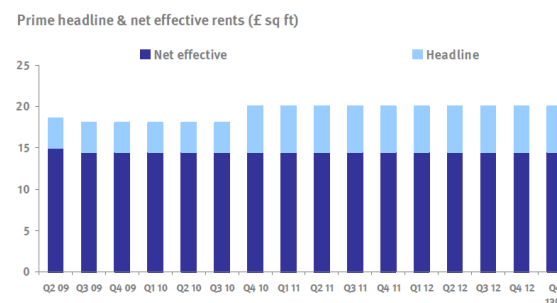
- Sheffield saw subdued take-up of 34,781 sq ft in Q4, taking the annual total for 2012 to 203,000 sq ft. While the market saw a relatively respectable number of deals in 2012, it was lacking in any large deals to boost the figures. However, there are a number of larger enquiries in the market which should see 2013 take-up return to the usual form.
- Of the 14 deals in Q4, the largest deal saw Thompson's Solicitors lease 7,100 sq ft at the Synergy Building, Campo Lane, relocating from Arundel House. Q4's second largest deal was the Uber Agency's lease of 4,500 sq ft lease at Park Hill, a major mixed-use redevelopment by Urban Splash.
- The majority of Q4 activity took place in the city centre, with the out-of-town market seeing take-up of 12,795 sq ft in Q4.



Source: Knight Frank Research

Office gossip

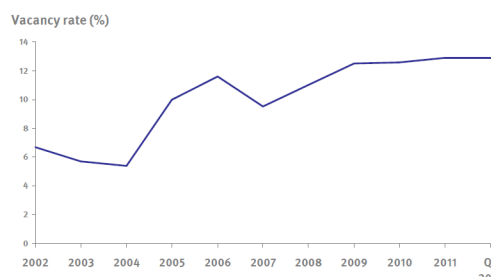
- Fountain Precinct (approx 100,000 sq ft) on Balm Green is now 96% let with only one small suite of approximately 4,200 sq ft remaining. This success story underlines the merits of good quality secondhand refurbishments in good central locations.
- Market interest in the city is improving with a number of confidential contact centre requirements viewing city centre buildings in the 10,000 - 20,000 sq ft size range.
- Consideration is being given to starting Phase 3 at St Paul's Place - the final phase of development in the Heart of the City scheme which can provide up to 100,000 sq ft of prime offices. Phase 1 and Phase 2 secured DLA Piper Solicitors, Barclays, RBS and Government occupiers.



Source: Knight Frank Research

Looking ahead

- With a number of notable requirements active in the market, we are confident that 2013 take-up will improve on 2012's rather disappointing level and end up closer to the annual average level of 350,000 sq ft.
- Prime headline rents should remain at £20.00 per sq ft until prime development sites in the city centre secure a pre-let, namely Phase 3, St Paul's Place in the Heart of the City and Digital Campus.
- The majority of out-of-town activity will continue to focus at J33/34 of the M1, around Meadowhall and Sheffield Business Park.



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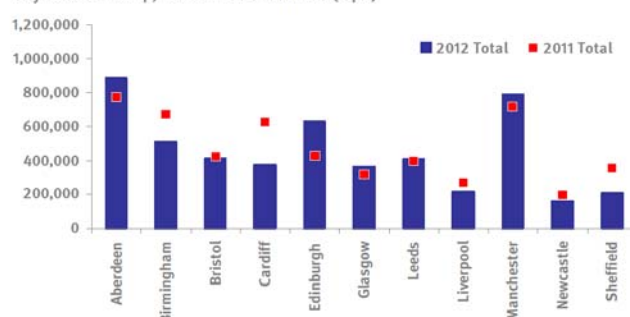
UK REGIONAL OFFICES ROUND-UP

Q4 2012

Occupier demand

- Take-up in the key regional office markets was generally resilient in Q4 2012. Across the 11 markets combined, total quarterly take-up of 1.22m sq ft was up 2% on Q3, although, 2012 as a whole was marginally lower than 2011.
- Annual take-up for 2012 totalled 4,930,430 sq ft - some 4% down on 2011 and 11% down on the 10-year annual average. A number of markets enjoyed stronger 2012 take-up compared with 2011 including Edinburgh (+47%), Glasgow (+15%), Aberdeen (+14%), Manchester (+10%) and Leeds (+3%).
- Transactions completed in 2012 comprised predominantly secondary space and relatively small lot sizes. However, the 'fight to quality' in most markets continued and we have seen renewed requirements from professional services firms prompted by forthcoming lease expiries.

City centre take-up, 2012 total vs 2011 total (sq ft)

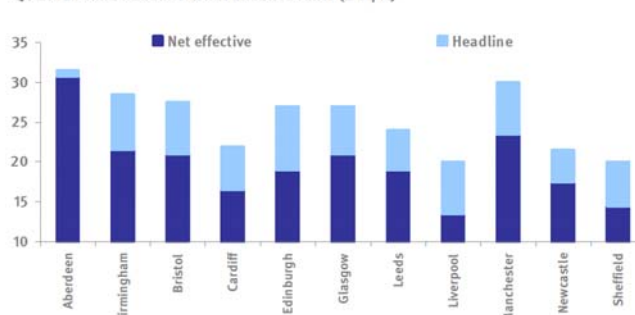


Source: Knight Frank Research

Supply and rents

- While the speculative development pipeline remains generally limited, Q4 saw another quarterly increase from Q3's 661,431 sq ft to 734,545 sq ft. Despite the improved speculative activity, general sentiment remains cautious and developers will demand a significant pre-let before any large new-build scheme can progress.
- Supply continues on a downward trend in the absence of new completions. At the end of Q4 2012, Grade A supply across the 11 cities combined was down 18% on Q4 2011, with the largest falls seen in Edinburgh (-38%), Glasgow (-36%), Leeds (-30%) and Birmingham (-27%).
- Headline rents remained stable in Q4. However, more generally, incentive packages are either hardening or expected to harden across the regional cities, as a result of this steady erosion of Grade A supply.

Q4 2012 Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

Investment market

- The latest figures from Property Data reveal that Q4 investment turnover was c.£550m outside London and the South East, an improvement on Q3 but nevertheless 36% below the 10-year quarterly average.
- There remains strong investor interest in prime office stock, although a shortage of suitable product, namely prime and long-income assets, remains a major barrier to activity. In the secondary spectrum, investor interest is highly selective, confined to good quality secondary stock where there is potential to add value through asset management.
- Generally, prime yields were unchanged in the regional cities in Q4 albeit this is based largely on sentiment. Secondary office yields are under pressure and sentiments remains cautious.

Prime office yields

	2012				Yield sentiment
	Q1	Q2	Q3	Q4	
Aberdeen	6.25%	6.50%	6.50%	6.50%	◀ ▲
Birmingham	6.25%	6.50%	6.50%	6.50%	◀ ▲
Bristol	6.25%	6.50%	6.50%	6.50%	◀ ▲
Cardiff	6.25%	6.50%	6.50%	6.50%	◀ ▲
Edinburgh	6.25%	6.50%	6.50%	6.50%	◀ ▲
Glasgow	6.25%	6.50%	6.50%	6.50%	◀ ▲
Leeds	6.25%	6.50%	6.50%	6.50%	◀ ▲
Liverpool	7.00%	7.25%	7.50%	7.50%	◀ ▲
Manchester	6.00%	6.50%	6.50%	6.50%	◀ ▲
Newcastle	6.50%	6.75%	6.75%	6.75%	◀ ▲
Sheffield	7.00%	7.25%	7.25%	7.25%	◀ ▲

Source: Knight Frank Research

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