

RESEARCH



SHEFFIELD

OFFICE MARKET QUARTERLY
Q2 2017



OCCUPIER MARKET

A steady level of letting activity in Q2 meant that take-up in H1 2017 reached the second highest total for the period for seven years.

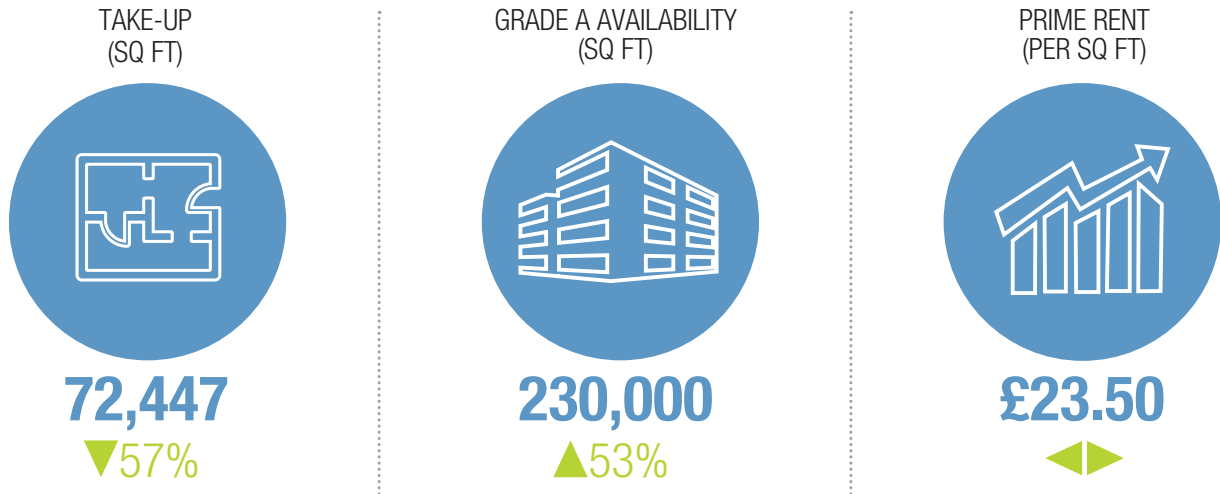
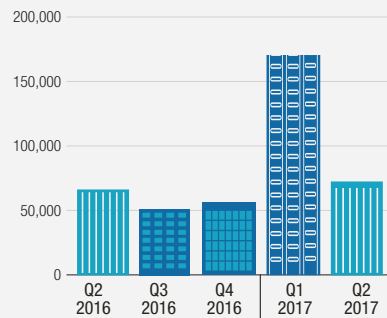


FIGURE 1
Take-up (sq ft)



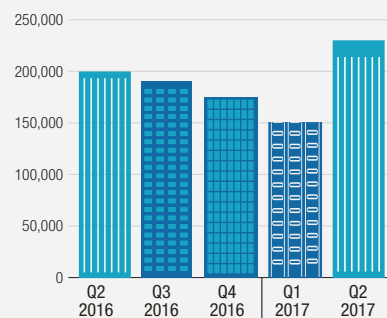
0.28m
ACTIVE
REQUIREMENTS
SQ FT



PETER WHITELEY

Occupier demand remains strong in 2017, with over 240,000 sq ft of take-up so far for the first half of the year. Given the relative discount to other regional centres, occupiers now view Sheffield as a good cost-effective option to satisfy space requirements.

FIGURE 2
Supply (sq ft)



14%
BELOW THE
5-YR AVERAGE



BEN WHITE

The completion of Acero at Digital Campus in early July 2017, has provided an additional 80,000 sq ft of high quality Grade A space. This is in addition to 3 St Pauls, which has under 60,000 sq ft available with interest from a number of household names.

Key leasing transactions Q2 2017

ADDRESS	SIZE (SQ FT)	OCCUPIER
City Gate	20,000	ARM
Thornccliffe Hall	8,940	Kier
Waterside Ct	6,300	Utility Alliance
Ironworks	5,000	Inspec Solutions
Montague House	4,000	Sky Bet

Source for all charts: Knight Frank Research

Note: Percentage change reflect quarter-on-quarter movement

INVESTMENT MARKET

Yields hardened to 6.00% in Q2, reflecting the higher level of investor interest, particularly for prime opportunities.

TRANSACTION VOLUME
Q2 2017



£28m

TRANSACTION VOLUME
LAST FOUR QUARTERS



£65.5m

▲24%

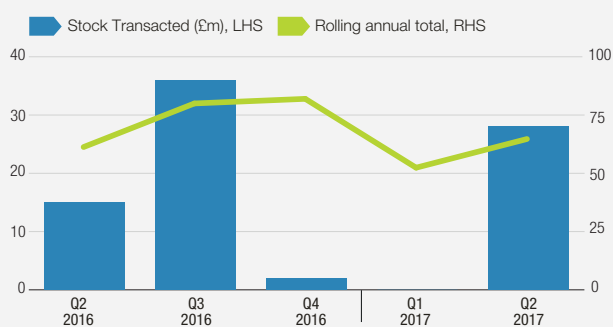
PRIME NET INITIAL YIELD



6.0%

▼50bps

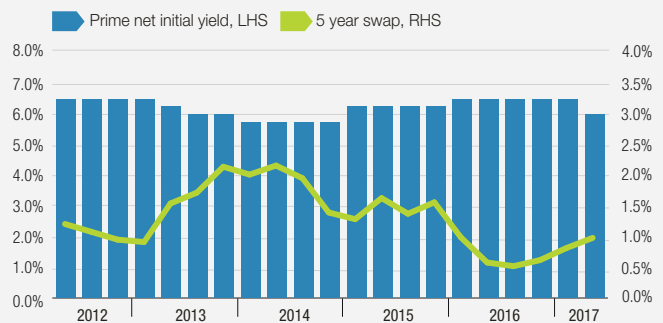
FIGURE 3
Investment volumes



NICK WALES

As vacancy levels erode and demand continues to rise, the market imbalance will fuel rental growth. 2017 has already seen an uplift in prime rent with Knight Frank's forecasts indicating that values could rise further to £25.00 per sq ft by the end of 2018.

FIGURE 4
Prime net initial yield and finance



Key investment transactions (last four quarters)

BUILDING	PRICE (£M)	NET INITIAL YIELD	PURCHASER
J2 Riverside Exchange	£30.95	6.8%	Trinova Real Estate Spain
Cutlers Gate, 2	£20.17	5.0%	UK CPT Ltd
Velocity Village (Office)	£5.00	Undisclosed	Europa Capital Partners

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

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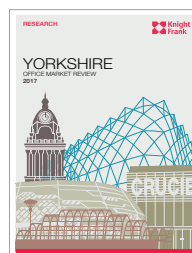
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