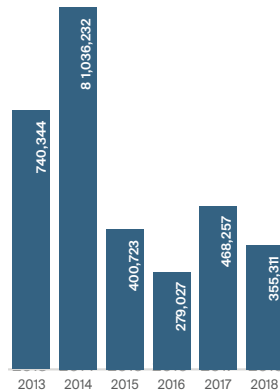


OCCUPIER HEADLINES

- Total take-up for 2018 reached 388,227 sq ft, 30% below the 10-year average and 17% less than recorded in 2017. Even so, deal count in 2018 was up year-on-year, with 95 transactions recorded compared with 69 deals in 2017. This increase in the number of office deals provides indication of greater stability to the market and less reliance on large single lets.
- Headline deals from the year included the sale of the 141,000 sq ft Silverburn House. The former Office HQ facility was sold at auction and is expected to go for alternative use, thus meaning this was not included in the year end total. Other key office transactions during the year included, the auction sale of the 33,079 sq ft KMD Business Centre and the leasing of 26,300 sq ft to serviced office provider Spaces at Marischal Square.

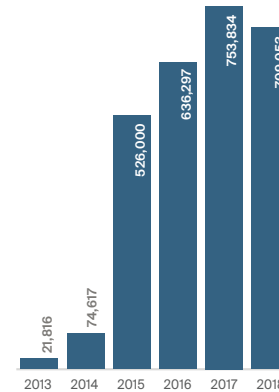
TAKE-UP (sq ft)

Year End 2018 **388,227**
2018 vs 10 year average **-30%**



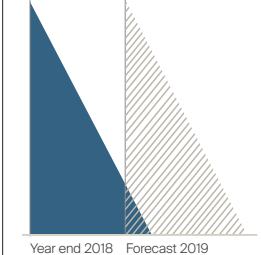
GRADE A SUPPLY (sq ft)

Year End 2018 **709,053**
2018 vs 10 year average **+150%**



PRIME RENT (£ per sq ft)

Year end 2018 **£32.50** Forecast 2019 **£32.50**



DEVELOPMENT PIPELINE (sq ft)

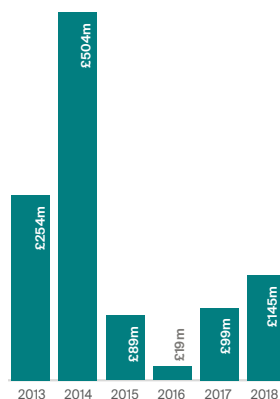
At the time of writing, no new office development schemes were underway in Aberdeen

INVESTMENT HEADLINES

- Investment volumes increased by 46% year on year to reach £145m at year end. This total is just short of the 10-year average for the city.
- The increase in volumes was due to the sale of the Aker UK Campus by L&G in March 2018 for £112.5m reflecting a yield of 6.92%. The remaining lease term to Aker Solutions ASA was c.17.5 years. Notably, the asset was bought by LCN Capital Partners and was their second large acquisition in the city following that of Lloyds Register, Prime Four in 2017.
- Prime yields remained at 6.5% through 2018, higher than any other UK regional city. At this level, yields are 100 basis points above the market peak of 5.50% recorded in 2007. Despite some improvement to sentiment, pricing is expected to remain stable in the coming 12 months.

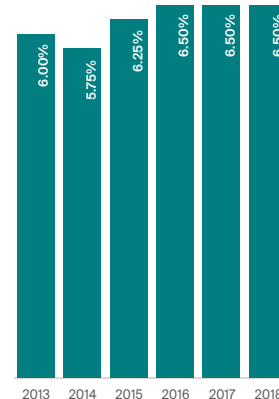
INVESTMENT VOLUMES (£)

Year End 2018 **£145m**
2018 vs 10 year average **-1%**

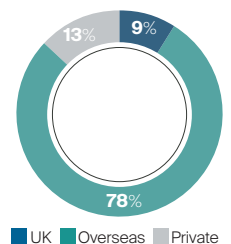


PRIME YIELD (NIY)

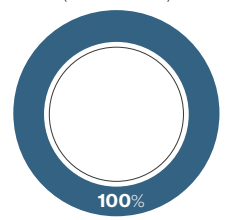
Year End 2018 **6.50%**
Forecast 2019 **6.50%**



PURCHASERS (last 12 months)



VENDORS (last 12 months)



KNIGHT FRANK VIEW



Eric Shearer
Partner

2018 set a new record headline rent of £32.50 per sq ft in Aberdeen, which was achieved at The Silver Fin Building and is expected to be maintained in future transactions during 2019. However, in general lease terms have shortened, headline rents have reduced (for all but the newest City Centre stock) and incentives have increased dramatically.

Early indications for 2019 are encouraging with many occupiers seeing the current imbalance of supply over demand being a great "buying" opportunity. Trend for the year is likely to be a continued interest by

occupiers in new build or refurbished space within the City Centre.

Office buildings that are considered functionally obsolete will likely go to alternative use and will help decrease the over supply of office stock.