
Sheffield

UK Cities 2024 Insights

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Occupier

Take-up

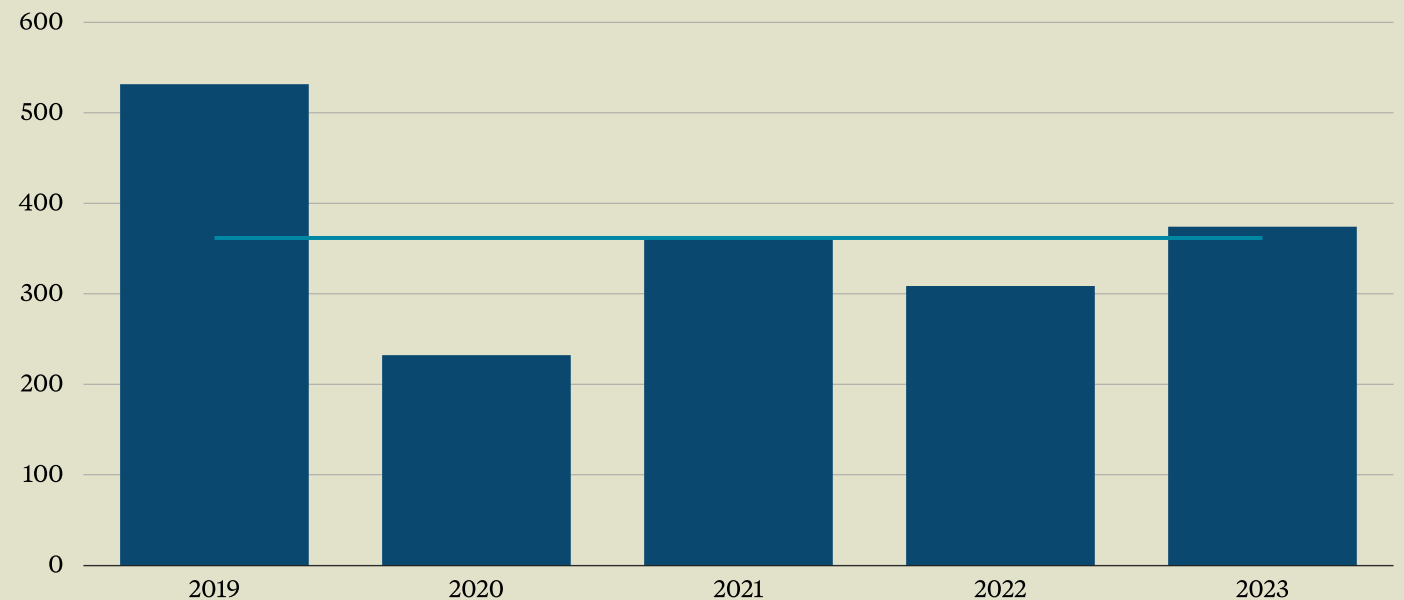
Leasing volumes rise above trend in 2023.

Key Takeaways

- Occupier activity increased in 2023, with take-up reaching 374,120 sq ft. This is a 21% increase on the previous year and is 6% above the 10-year annual average.
- The number of deals completed was slightly less than in the previous year, meaning the average deal size rose to 4,677 sq ft, nearly 1,000 sq ft higher than that of 2022.
- Despite above average levels of take-up, just 40% was for grade A space, owing to the lack of suitable space available.

Sheffield Annual Take-up

sq ft, 000s



Source: Knight Frank Research, Macrobond

Take-up by Sector

The Technology, Media and Telecom sector underpins office demand.

Key Takeaways

- The most active occupier group was the TMT sector, which accounted for 28% of annual take-up in 2023.
- The largest occupier transaction was the letting of 65,000 sq ft to BT Group at the Endeavor Building as the keys to the state-of-the-art building were formally handed over from developer, Scarborough Group International (SGI).

Take-up by Sector 2023

%



Source: Knight Frank Research

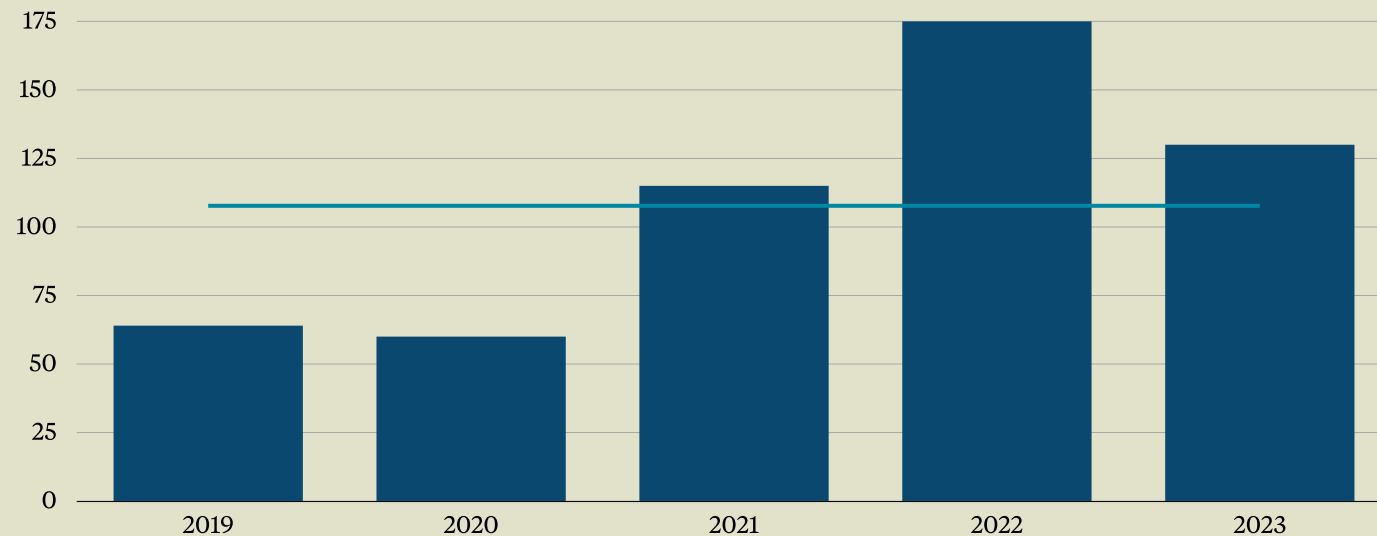
Availability

Availability dips.

Sheffield Grade A Supply

sq ft, 000s

■ Grade A Availability — 5-Yr Average



Source: Knight Frank Research, Macrobond

Key Takeaways

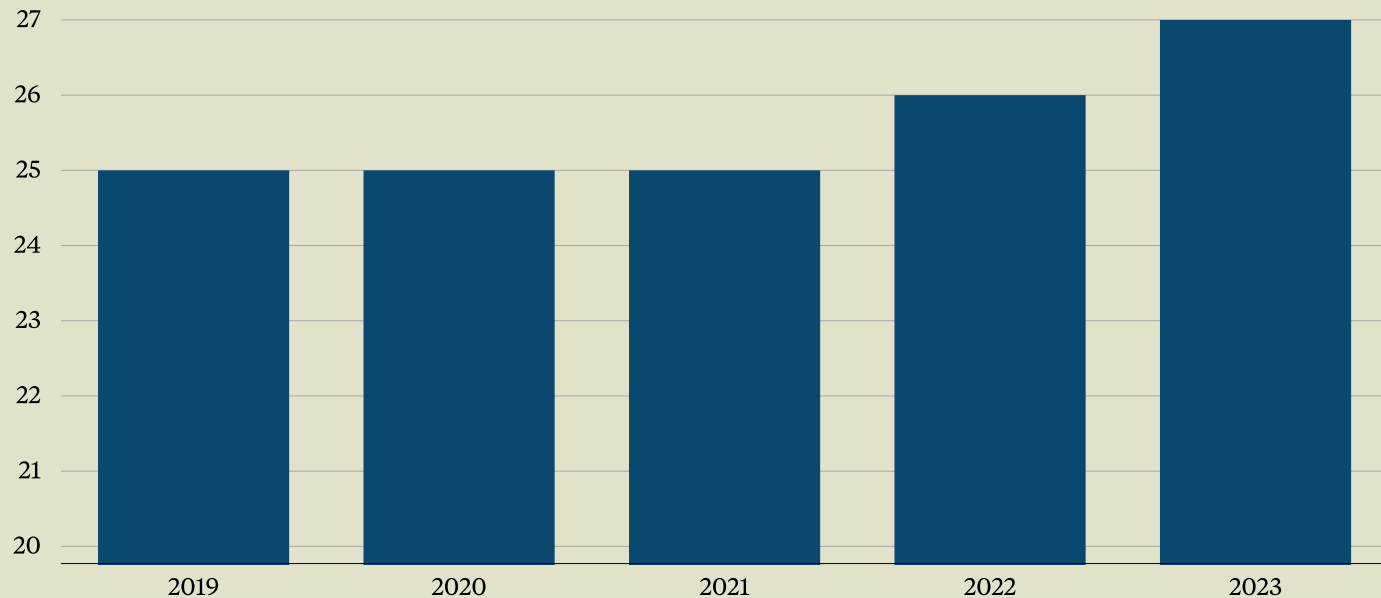
- Grade A availability fell by 26% to 130,000 sq ft during 2023. This total is 14% below the 10-year average.
- Moving forward, the development pipeline is set to deliver 110,000 sq ft of new speculative space via completion of Plot 4, West Bar. However, there is nothing under construction beyond this year.

Prime Rent

Prime rents up to record.

Sheffield Prime Rent

£ per sq ft



Source: Knight Frank Research, Macrobond

Key Takeaways

- In 2023, prime headline rents reached £27.00 per sq ft, a 4% increase on the previous year. Following the recent completion of Elshaw House, which offers 72,000 sq ft of prime space, it is hoped that this will push the prime rent in excess of £30.00 per sq ft by the end of the year.



Market Sentiment

- Even with the backdrop of Macro uncertainty and local 'issues', the UK office market is active albeit market polarisation is widening.
- Longer-term signs of recovery and involvement in requirements of occupiers are being monitored, but currently demand is being driven by actioning lease events.



Future Demand

- The TMT sector underpinned occupier demand in 2023, and it is envisaged that this will continue in 2024.
- Serviced office providers are also active and accounted for 8% of take-up across the UK Cities in 2023. This is the highest representation for 5 years.



Trending

- There is a longer time lag between occupiers being out in the market inspecting options ahead of completing deals.
- Pre-letting activity or leasing during construction is having a greater impact on the market. This will support the viability of some development schemes moving forward.



Rents, Incentives etc

- The pursuit of 'best in class' is resulting in increased rents being recorded in many of the UK markets, with occupiers focusing on prime buildings.
- With a limited pipeline of new office stock coming to market and falling supply, incentive packages will tighten.

Investment

Investment Market

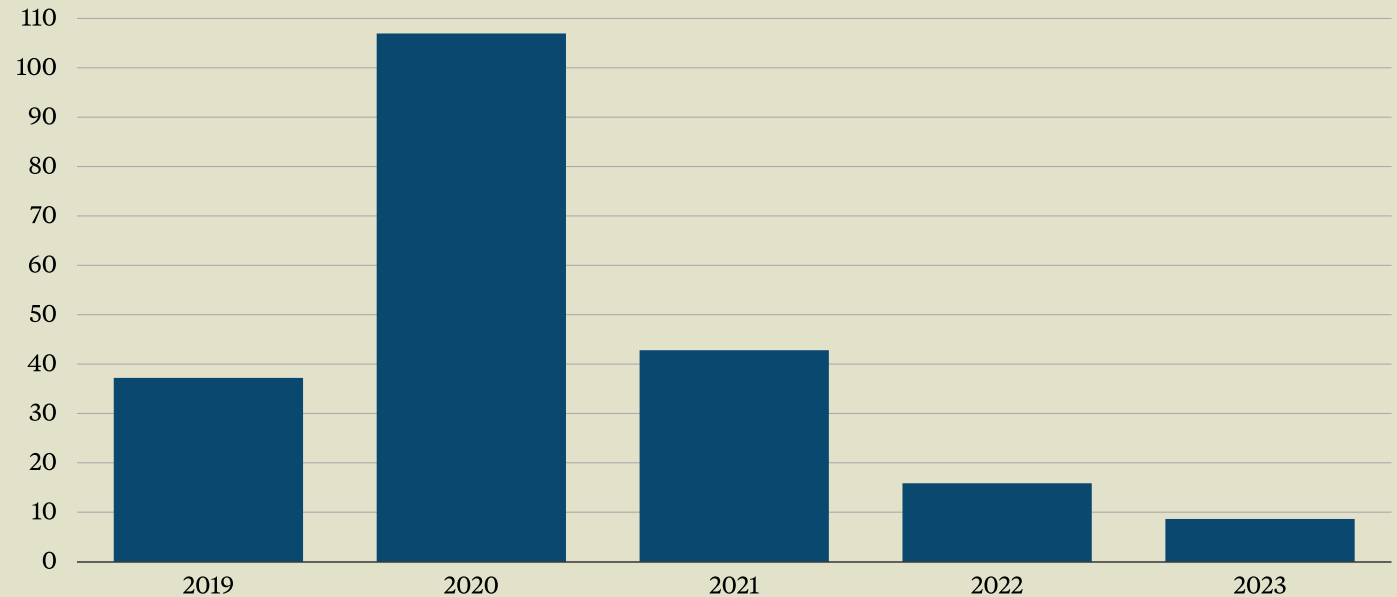
Investment market subdued in 2023.

Key Takeaways

- Investment volumes in 2023 finished at £8.6m, 85% below the 10-year annual average, reflecting general sentiment across the sector.
- The largest deal of 2023 was the sale of Fountain Precinct from Aegon Asset Management to EP Properties in Q1. New Oxford House and 54 Shoreham Street having transacted at circa. £2m each helped investment turnover in 2023.

Sheffield - Annual Investment

£m



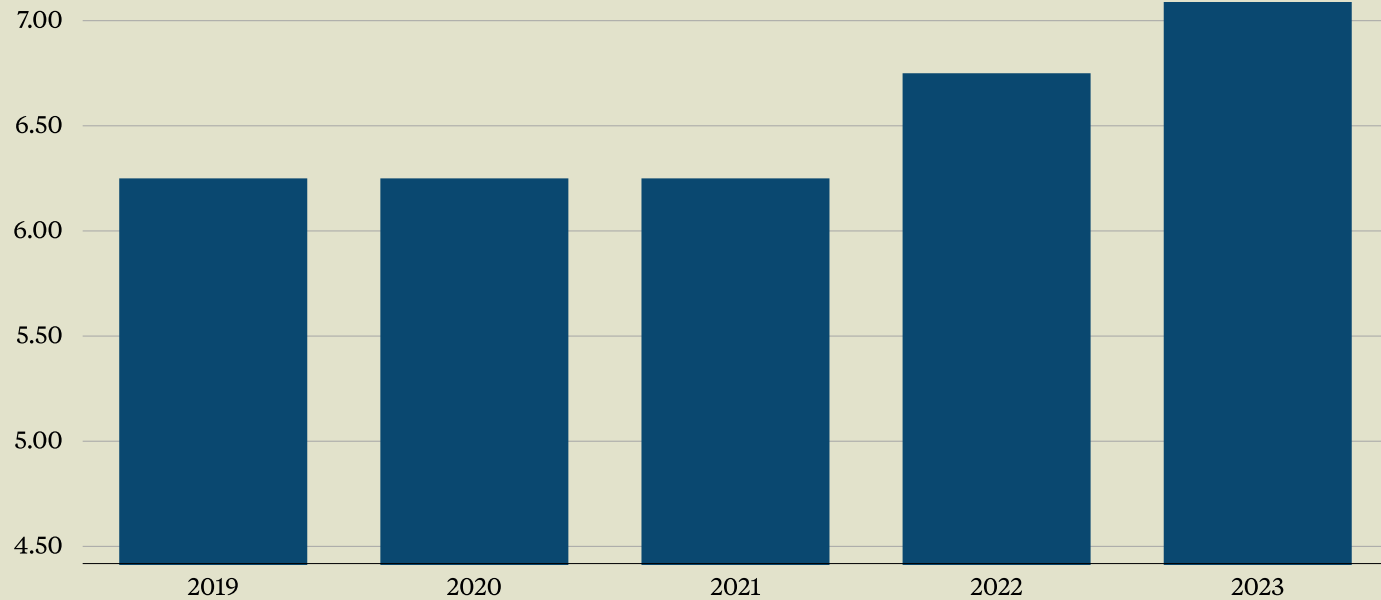
Source: Knight Frank Research, Macrobond

Investment Pricing and Outlook

Yields move out.

Sheffield Prime Yield

%



Source: Knight Frank Research, Macrobond

Key Takeaways

- Prime office yields softened by 50 bps during 2023 to stand at 7.25% at year-end.
- Out-of-town yields typically stand at 8.50%, depending on the age and quality of the asset.



Market Sentiment

- Many investors remain “off” offices.
- The outlook feels positive given the last interest rate decision and the current downward direction of inflation.
- Some pricing discovery is being accepted.
- Yields set to improve slightly in 2024.



Who's Buying, Who's Selling

- Core plus investors are looking at core and value add looking at core plus.
- Traditional property companies are active, with overseas buyer interest growing.
- Limited institutional appetite.



Opportunities

- Investing in the main regional cities at yields in the 6's and 7's presents value.
- Core plus with strong ESG credentials is an opportunity.
- Development is a challenge given build costs and yield levels.
- Alternative uses considered for obsolete assets.



Pricing

- A perfect storm for development resulting in a limited residual site value.
- Prime office yields have moved out by 100bps on average over the past 12 months.

Questions?

Rebecca Schofield

Sheffield Commercial, Office Head
rebecca.schofield@knightfrank.com
+44 7776 172 123

Nick Wales

Sheffield Commercial, Partner
nick.wales@knightfrank.com
+44 7767 291 353

Darren Mansfield

Commercial Research, Partner
darren.mansfield@knightfrank.com
+44 7469 667 194

knightfrank.com/uk-cities

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