



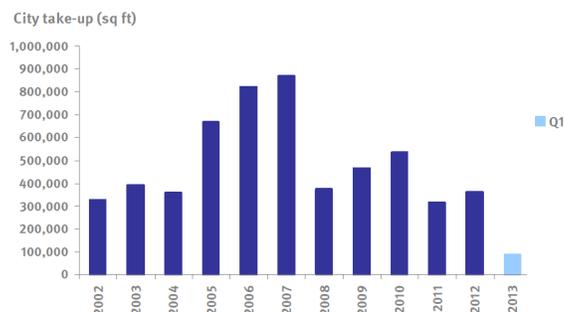
GLASGOW OFFICES

Market update Q1 2013

Knight Frank

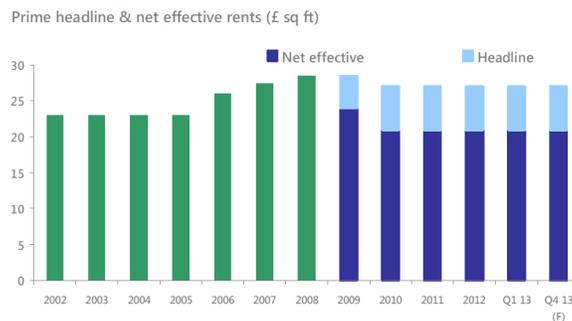
Key highlights

- Q1 take-up amounted to 85,000 sq ft, marginally up on Q4 2012, albeit down 26% on a year ago. The office market continues to be slow moving, with Grade A requirements being particularly slow to convert to actual deals despite active named requirements remaining at a healthy 300,000 sq ft.
- Prime headline rents have stabilised at £27.00 per sq ft and net effective rents are stable at £21.00 per sq ft – down from £25.50 in mid-2009.
- The availability of new and Grade A space stood at just 315,000 sq ft in Q1, down from 360,000 sq ft in Q1 2012.



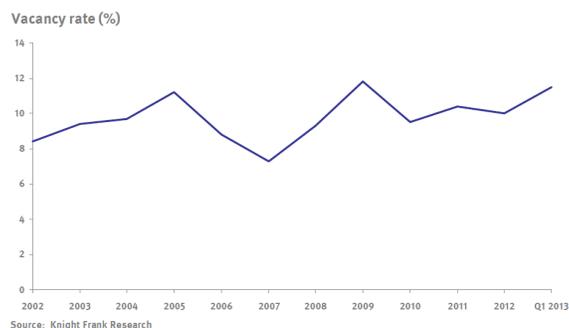
Office gossip

- Abstract Securities development at 303 St. Vincent Street is a speculative build which will provide c. 170,000 sq ft of new space to the market.
- First Scotrail and Salus Occupational Health have taken c.17,000 sq ft and c.10,990 sq ft respectively at Atrium Court, 42 Waterloo Street and The Bridge, Argyle Street.
- KPMG has taken c.15,000 sq ft at 123 St. Vincent Street for their new "tax centre of excellence".



Looking ahead

- Construction has started at the former Renfield Odeon building, 1 West Regent Street. The development is a joint venture between Prupim and Mountgrange which is expected to provide c. 145,000 sq ft of office space to the market from early 2015.
- Both headline and net effective rents are expected to remain broadly unchanged during this year.
- Whilst supply levels remain generally modest in the Grade A sector, the Grade B market is over-supplied.



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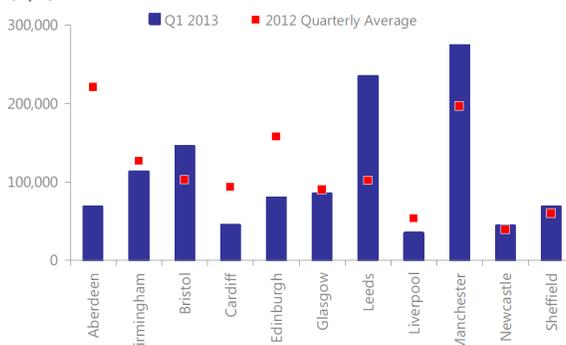
UK REGIONAL OFFICES ROUND-UP

Q1 2013

Occupier demand

- Following a strong final quarter in 2012, activity in the key regional office markets has been maintained in Q1 2013. A number of markets have performed well and saw Q1 take-up exceeding 2012's quarterly average including Bristol, Leeds, Manchester, Sheffield and Newcastle. The 11 markets combined recorded total take-up of 1.19m sq ft during Q1 - marginally down on Q4 2012 but up 9.8% on a year ago.
- In most markets, activity was predominantly characterised by a high number of small deals, typically for second-hand refurbished space.
- There is a healthy level of requirements in the regional office markets, with notable quarterly increases seen in Newcastle (+60%) and Aberdeen (+36%), although the majority are in the sub-5,000 sq ft bracket.

City centre take-up, Q1 2013 vs 2012 quarterly average total (sq ft)

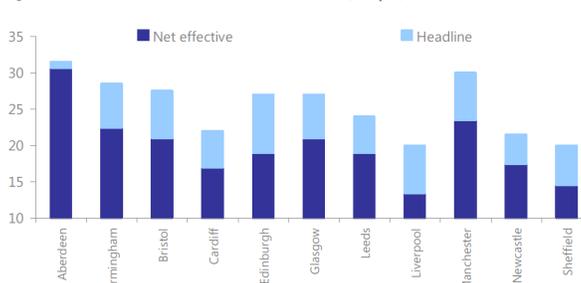


Source: Knight Frank Research

Supply and rents

- Q1 saw a marginal quarterly increase in Grade A supply up from 3,013,043 sq ft in Q4 2012 to 3,067,043 sq ft. However, the current level is 11% down on a year ago. The availability of Grade A space continues to be eroded in most markets in the absence of new completions. Year-on-year double-digit fall was recorded in Birmingham (-33%), Leeds (-14%), Glasgow (-13%), Manchester (-13%), Newcastle (-12%) and Liverpool (-10%).
- Headline rents and incentives have been fairly static over the quarter, although there has been an increase in the net effective rent in Birmingham (from £21.50 to £22.50) and Cardiff (from £16.50 to £17.0).

Q1 2013 Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

Investment market

- According to Property Data, Q1 investment turnover was c.£600m outside London and the South East, an improvement on Q1 2012 but nevertheless 30% below the 10-year quarterly average.
- Whilst strong investor interest in prime office stock has been maintained, the availability of suitable product (prime and long-income assets) is the major barrier to activity. One interesting deal in Q1 was Gingko Tree's acquisition of a part share of One Angel Square in Manchester, although it remains to be seen as to whether this marks the start of more sustained interest from foreign investors in the UK regions.
- Prime regional office yields were largely unchanged in Q1, albeit there were some tentative signs of improved sentiment for prime stock. Indeed, Birmingham and Manchester both saw prime yields move in by 25bps to stand at 6.25%, whilst Newcastle was the only city to see prime yields soften Q1.

Prime office yields

	2012			2013	Yield sentiment
	Q2	Q3	Q4	Q1	
Aberdeen	6.50%	6.50%	6.50%	6.50%	◀ ▶
Birmingham	6.50%	6.50%	6.50%	6.25%	◀ ▼
Bristol	6.50%	6.50%	6.50%	6.50%	◀ ▶
Cardiff	6.50%	6.50%	6.50%	6.50%	◀ ▶
Edinburgh	6.50%	6.50%	6.50%	6.50%	◀ ▶
Glasgow	6.50%	6.50%	6.50%	6.50%	◀ ▶
Leeds	6.50%	6.50%	6.50%	6.50%	◀ ▶
Liverpool	7.25%	7.50%	7.50%	7.50%	◀ ▶
Manchester	6.50%	6.50%	6.50%	6.25%	◀ ▼
Newcastle	6.75%	6.75%	6.75%	7.00%	◀ ▲
Sheffield	7.25%	7.25%	7.25%	7.25%	◀ ▶

Source: Knight Frank Research

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