



# GLASGOW OFFICES

Market update Q3 2013

**Knight Frank**

## Key highlights

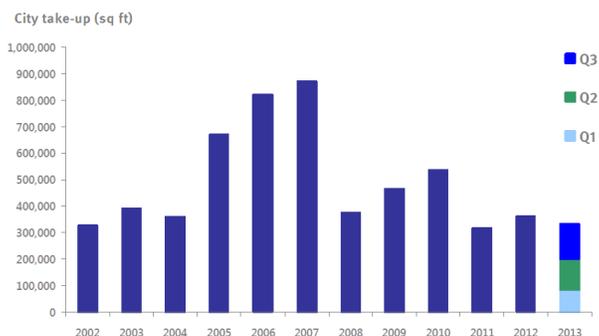
- Following an exceptional Q2, activity continues to improve. Q3 take-up of 128,211 sq ft was 10% up on Q2 and double the figure recorded during the same time last year. The total take-up for 2013 so far has reached 329,946 sq ft, exceeding 2012's take-up during the first nine months.
- Prime headline rents remain unchanged at £27.00 per sq ft while net effective rents are stable at £21.00 per sq ft.
- The vacancy rate has edged downward to 10.6% and availability of Grade A space has increased to 465,000 sq ft. Named requirements have increased slightly to reach 325,000 sq ft – up 17% from Q2 and down 17% year-on-year.

## Office gossip

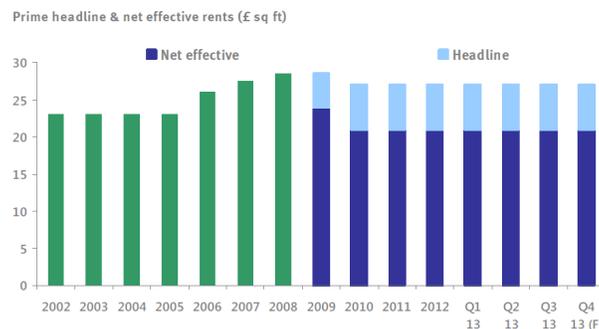
- The biggest deal of the quarter was Atos' acquisition of 37,000 sq ft at Capella. There has been an increase in availability within the city centre with the launch of Sixty7 Hope Street adding 65,000 sq ft of Grade A space.
- A number of transactions are expected to complete in Q4 which will most likely provide an increase in overall take-up for 2013, with the potential to see the strongest take-up for two years.
- There are a number of active requirements, including the Ministry of Justice, who are seeking 30,000 sq ft; Aquira, who have a requirement for 20,000 sq ft; and Teleperformance, who are searching for 30,000 sq ft.

## Looking ahead

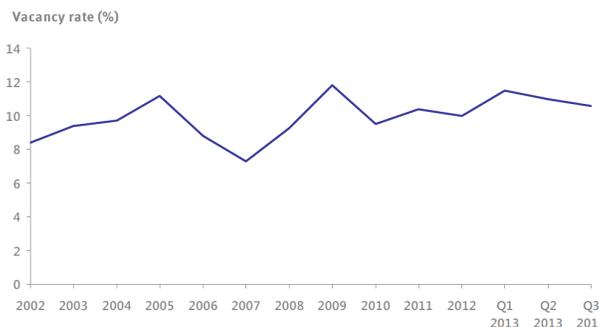
- Three speculative developments (namely St Vincent Plaza, 110 Queen Street and 1 West Regent Street) are now on site, with completion dates scheduled in 2015. This will provide c. 450,000 sq ft of much needed Grade A space.
- Occupier demand continues to strengthen; with take-up increasing quarter-on-quarter since Q3 2012. If this continues it is likely to be the case that 2013 take-up will be significantly higher than 2012.
- There are a number of professional organisations seeking new office accommodation, which are expected to make acquisitions in the next six months.



Source: Knight Frank Research



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# UK REGIONAL OFFICES ROUND-UP

Q3 2013

## Occupier demand

- Sentiment and demand continued to improve in the regional office markets in Q3, with occupier demand remaining relatively robust. Indeed, there is a healthy list of sizeable requirements, mainly from occupiers in the legal and financial sectors.
- The 11 markets combined recorded total take-up of 1,461,951 sq ft during Q3. Whilst this represents a modest increase of 6% on Q2 2013, it is 22% above the overall total take-up recorded for the same period, with strong performance and double digit increases seen in Glasgow (+100%), Newcastle (+95%), Aberdeen (+71%), Liverpool (+52%), Sheffield (+34%), Bristol (+22%) and Manchester (+11%).
- However, there was a healthy level of activity, transactions continued to be predominantly characterised by smaller deals.

City centre take-up, Q3 2013 vs Q3 2012 total (sq ft)

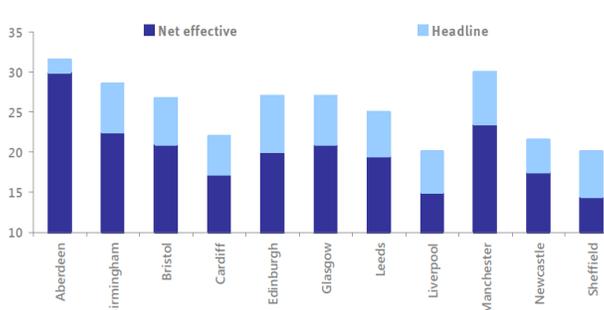


Source: Knight Frank Research

## Supply and rents

- Q3 saw a marginal quarterly decrease in Grade A supply, which slipped from 3,225,544 sq ft in Q2 to 3,069,805 sq ft in Q3. This reflects the continuing erosion of Grade A space in the absence of new completions/development activity. Quarter-on-quarter double-digit falls were seen in Cardiff (-19%), Birmingham (-17%), and Newcastle (-10%). Only two cities experienced a quarterly increase in supply, namely Aberdeen (+45%) and Glasgow (+4%).
- Whilst occupier sentiment is improving, headline rents have been largely stable, with only Aberdeen projected to see an increase in headline rents by the year-end. While growth in regional headline rents is unlikely over the remainder of 2013, net effective rents may edge up as Grade A supply continues to decline.

Q3 2013 Prime headline & net effective rents (£ sq ft)



Source: Knight Frank Research

## Investment market

- Q3 saw a buoyant level of investment activity. According to the latest figures from Property Data, investment turnover for offices outside London and the South East was c. £870m, up 82% on a year ago.
- Whilst investor demand for prime office assets in the regions has remained strong, most regional office markets have started to, and are likely to continue to, suffer from a shortage of available stock (prime and long-income assets). Since prime buying opportunities are limited, increasing interest is being seen in good quality secondary assets which offer sound fundamentals, with prospects for active management.
- Prime yields in the regional cities generally hardened during Q3, with Aberdeen, Bristol, Edinburgh, Glasgow, Liverpool, Manchester and Newcastle seeing prime yields move in by 25 bps. Birmingham and Cardiff were the exceptions, with prime yields remaining stable in Q3.

Prime office yields

	2012	2013			Yield sentiment
	Q4	Q1	Q2	Q3	
Aberdeen	6.50%	6.50%	6.25%	<b>6.00%</b>	→↘
Birmingham	6.50%	6.25%	6.00%	<b>6.00%</b>	→↘
Bristol	6.50%	6.50%	6.25%	<b>6.00%</b>	→↘
Cardiff	6.50%	6.50%	6.25%	<b>6.25%</b>	→↘
Edinburgh	6.50%	6.50%	6.25%	<b>6.00%</b>	→↘
Glasgow	6.50%	6.50%	6.25%	<b>6.00%</b>	→↘
Leeds	6.50%	6.50%	6.25%	<b>6.15%</b>	→↘
Liverpool	7.50%	7.50%	7.50%	<b>7.25%</b>	→↘
Manchester	6.50%	6.25%	6.25%	<b>6.00%</b>	→↘
Newcastle	6.75%	7.00%	7.00%	<b>6.75%</b>	→↘
Sheffield	7.25%	7.25%	7.25%	<b>6.75%</b>	→↘

Source: Knight Frank Research

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