OCCUPIER MARKET

Take-up increased by 23% during the second quarter, with the Finance, Banking and Insurance sector accounting for 57% of the total.

PETER BOWDEN
Given the current shortage of supply and the strong demand for space in the city, we expect prime headline rents to rise from £23.00 to £24.50 per sq ft by the end of the year.

PATRICK MATHESON
The lack of Grade A offices coupled with an absence of new development in the pipeline is creating increasing incentives for landlords to ramp up refurbishment activity. Central Square South is a prime example, which is due to complete in Q4 2017.

Key leasing transactions Q2 2017

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>SIZE (SQ FT)</th>
<th>OCCUPIER</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.2 St James Gate</td>
<td>21,261</td>
<td>Eldon Insurance</td>
</tr>
<tr>
<td>Baltic Place</td>
<td>9,426</td>
<td>Northern Gas &amp; Power</td>
</tr>
<tr>
<td>Generator Studios</td>
<td>4,068</td>
<td>Hedgehog Lab</td>
</tr>
<tr>
<td>MEA House</td>
<td>2,537</td>
<td>Tyneside and Northumberland Mind</td>
</tr>
<tr>
<td>Theatre Royal Suite</td>
<td>2,116</td>
<td>Maven Capital</td>
</tr>
</tbody>
</table>

Source for all charts: Knight Frank Research
Note: Percentage change reflect quarter-on-quarter movement
INVESTMENT MARKET

Q2 was a quiet quarter with a lack of investment stock continuing to limit transactional activity.

**TRANSACTION VOLUME**
- **Q2 2017**: £6.3m
- **LAST FOUR QUARTERS**: £94m ▲5%
- **PRIME NET INITIAL YIELD**: 6.00%

**FIGURE 3**
Investment volumes

**FIGURE 4**
Prime net initial yield and finance

DICKON WOOD
The North East market is being constrained by a lack of investment stock. Investors are still nervous of letting and funding risks, preferring to focus on the prime markets which as a consequence are experiencing strong downward pressure on yields.

DOUGLAS CRANSTON
Looking forward to H2 2017 we expect to see, as with previous recent years, an increase in available investment stock towards Q3 / Q4 driven primarily by funds rationalising their regional assets.

### Key investment transactions (last four quarters)

<table>
<thead>
<tr>
<th>BUILDING</th>
<th>PRICE (£M)</th>
<th>NET INITIAL YIELD</th>
<th>PURCHASER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newcastle Science Central</td>
<td>£65.00</td>
<td>N/A</td>
<td>Legal &amp; General Capital</td>
</tr>
<tr>
<td>Newcastle University BS</td>
<td>£60.00</td>
<td>N/A</td>
<td>Lime Property Fund</td>
</tr>
<tr>
<td>Strawberry Portfolio</td>
<td>£12.00</td>
<td>N/A</td>
<td>Kier Property</td>
</tr>
<tr>
<td>Sandgate House, Quayside</td>
<td>£10.75</td>
<td>5.88%</td>
<td>Rougemont Estates</td>
</tr>
<tr>
<td>Grainger Street, 27-35</td>
<td>£5.65</td>
<td>7.03%</td>
<td>TusPark Holdings Co Ltd</td>
</tr>
</tbody>
</table>

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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