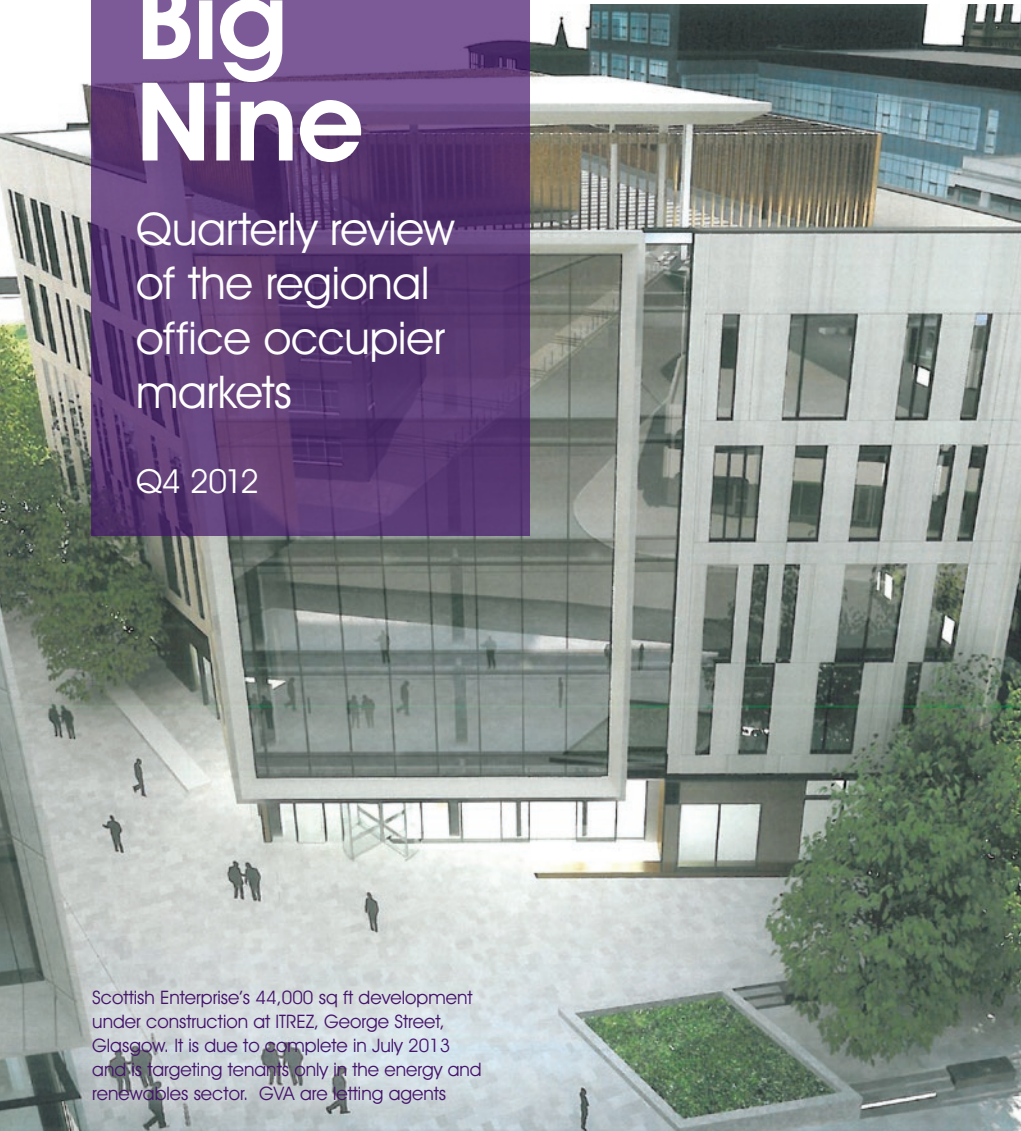


The Big Nine

Quarterly review of the regional office occupier markets

Q4 2012



Scottish Enterprise's 44,000 sq ft development under construction at ITREZ, George Street, Glasgow. It is due to complete in July 2013 and is targeting tenants only in the energy and renewables sector. GVA are letting agents



Grosvenor building, Gordon Street, Glasgow. IGNIS' 50,000 sq ft refurbishment. GVA are letting agents



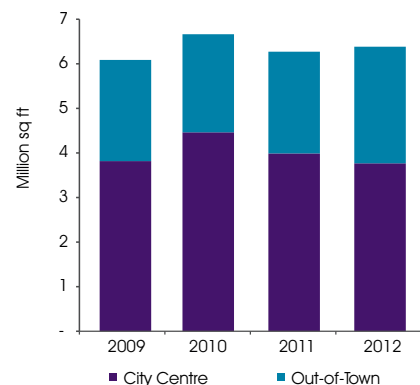
1 West Regent Street, Glasgow. 147,000 sq ft office scheme being developed by Mountgrange, advised by GVA

Summary

City centre and out-of-town activity reached 1,762,000 sq ft in Q4, 12% above the quarterly average. This makes overall take-up for 2012 consistent with levels over the last three years, supported by a stronger performance out-of-town. The shortage of grade A supply has been tempered by the lack of significant grade A deals this year but with healthy future demand in a number of cities and the prospect of lease events over the next three years, there are signs of developer sentiment improving to meet this demand (see Glasgow 'focus').

Carl Potter, National Head of Offices

Big Nine office take-up



The Big Nine

Regional office market review

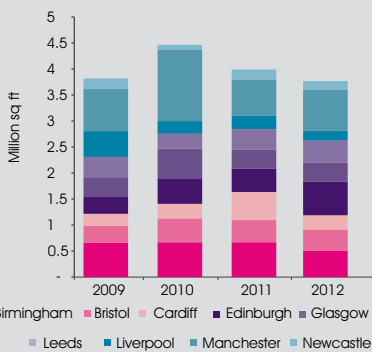
City centre

- City centre take-up totalled 995,095 sq ft in Q4, similar to the quarterly average and was 3.77 million in 2012, 6% below the annual average.
- Take-up was strongest in Manchester and Birmingham in Q4 when compared to the quarterly average, followed by Bristol.

City centre take-up across the nine GVA regional offices for Q4 was 995,000 sq ft, similar to the quarterly average. **Manchester** and **Birmingham** finished the year strongly, recording the majority of the top deals in Q4.

For 2012 as a whole take-up was 6% below average. **Edinburgh** showed the strongest performance compared to the average as a result of activity in the first half of the year. Take-up in Leeds and Bristol was also above average.

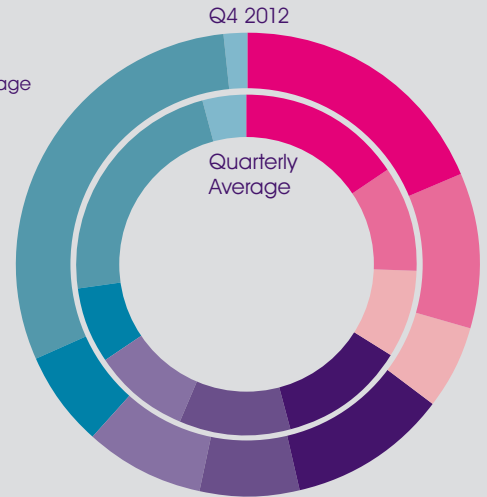
City centre take-up



While 2012 was characterised by a larger number of smaller secondary deals, there remains a reasonably healthy level of demand, evidenced by known

Figure 1 City centre take up

	Q4 2012	Quarterly Average
Birmingham	185,401	156,252
Bristol	108,503	101,301
Cardiff	59,784	82,296
Edinburgh	108,164	119,969
Glasgow	71,697	105,759
Leeds	81,808	92,502
Liverpool	66,943	74,125
Manchester	297,311	229,592
Newcastle	15,484	40,575
Total	995,095	1,002,855



requirements and upcoming lease events. This is set against a backdrop of ever reducing grade A supply. This shift in balance is likely to underpin rental values and should theoretically reduce incentive packages, however landlords are still having to offer large inducements to convince occupiers to move.

In the wider secondary market, existing landlords are keen to renegotiate short term extensions to mitigate void periods and the consequent rating liabilities and service charge shortfalls.

The strong take-up in **Edinburgh** this year will be balanced by the supply of new grade A accommodation at Atria (200,000 sq ft), 145 Morrison Street (25,000 sq ft), and Charlotte Square (20,000 sq ft) all to be completed this year. At Atria 65,000 sq ft is already pre-let to Brewin Dolphin and Green Investment Bank with strong evidence pointing to a further 40,000 sq ft under offer to PWC.

In the central **Manchester** office market, the final quarter showed a healthy return of grade A transactions with HSB Insurance taking 19,300 sq ft at Chancery Place and i2 serviced offices taking 22,000 sq ft at 3 Hardman Square. However, we did not see the torrent of anticipated deals with the long awaited 'Project Tomorrow' (100,000 sq ft plus) experiencing further delays and BUPA (140,000 sq ft) going on hold for the foreseeable future.

In **Birmingham** 360,000 sq ft of take-up in the second half of the year doubled that

of the first, with some significant deals in Q4 (highlighted in the table below).

There have been some significant long term planning decisions in **Birmingham**. Paradise Circus has been granted outline planning permission with a first phase of 450,000 sq ft offices and Masshouse has received consent for 600,000 sq ft of offices, with both seeking pre-lets. Developer sentiment is improving as the over-supply from pre-recession speculative space is being absorbed.

In **Leeds** there are a number of significant requirements of over 30,000 sq ft, particularly from the professional sector. Lease events in 2015/16 are causing occupiers to mobilise due to the shortage of quality space.

Top 5 city centre deals (Q4 2012)

City/property	Occupier	Sq ft
Birmingham – 2 Colmore Square	Shoosmiths	40,000
Birmingham – Centre City	HM Courts and Tribunals Service	29,800
Birmingham – 3 Brindleyplace	i2	27,900
Liverpool – The Plaza	Service Source	22,275
Liverpool – 1 Tithebarn	TATA	22,100

Rents and forecasts

Headline net effective rents have remained stable over the last six months. Since Q1 2012 Edinburgh has seen an increase in the net effective rent as a result of the strong take-up during the year and Glasgow has seen a fall (see table on page 3).

City centre headline rents Q4 2012 (£psf)

Location	Rents (£)	Rent free (mths on 10 yr term) (£)	Net effective rent*	Net effective rent (£) Q1 2012
Glasgow	27.50	24	22.69	23.51
Manchester	29.50	30	22.86	22.86
Birmingham	27.50	36	19.94	19.94
Bristol	27.50	36	19.94	19.94
Leeds	25.00	30	19.38	19.38
Edinburgh	26	36	18.85	18.49
Cardiff	22.50	36	16.31	16.31
Newcastle	20.00	24	16.50	16.50
Liverpool	21.00	36	15.23	15.23

*Including rent free period less three month fit-out.

In 2011 average regional office rents declined by -1.7%. We estimate a continued fall of -2.4% in 2012, followed by a rise of about 0.5% in 2013. This improvement is forecast to continue with 1.5% growth in 2014 and 2.9% pa by 2017.



Capella building, York St, Glasgow. Recently let to Capquest Recovery Ltd at £26 psf. Managed by GVA.

In focus: Glasgow

You wait ages for a speculative development and then...

Two speculative developments have broken ground in Glasgow since December: Mountgrange's 147,000 sq ft former Odeon site at One West Regent Street and BAM's 163,000 sq ft at 110 Queen Street.

PRUPIM are financing the Mountgrange development, while 110 Queen Street will receive a £9.6 million loan from the Scottish Partnership for Regeneration in Urban Centres (SPRUCE) Fund. Both include a retail element, of 9,000 sq ft and 20,000 sq ft respectively.

The two schemes, which will complete during the first half of 2015 aim to meet anticipated demand against the limited supply of grade A stock in the city. The specification of these new developments will also meet occupier needs of changing working practices, including higher density occupation.

Current grade A supply

As well as the existing 270,000 sq ft of new build grade A stock available, significant refurbishments include 74,000 sq ft at Hermes' 151 St Vincent Street, Ignis' 50,000 sq ft at the Grosvenor building, Gordon Street and 74,000 sq ft at Redevco's George Square, where Spiers and Jeffrey recently agreed to take 15,000 sq ft at £19.60 psf on a 10 year lease.

Alison Taylor, Director – Glasgow

Out-of-town

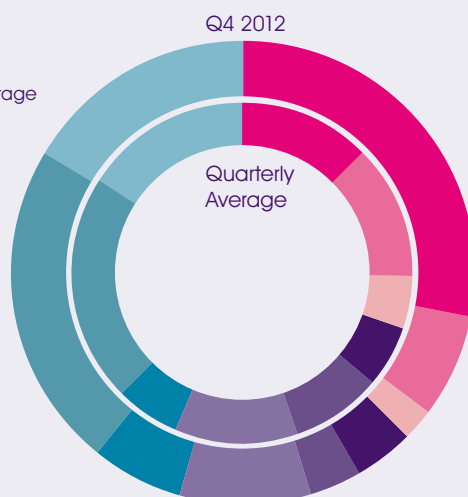
- Take-up in the out-of-town markets was 767,000 sq ft in Q4, 34% above the quarterly average.
- Activity was particularly strong in Birmingham at nearly 217,000 sq ft, with over 100,000 sq ft of deals in Manchester and Newcastle.
- The largest deal was at Birmingham Business Park: the sale of land to AEC to develop a new office and research facility totalling 250,000 sq ft, of which 125,000 sq ft will be of an office nature. This amounted to more than half of the total Q4 take-up.
- Headline rents vary between £11 psf in Liverpool and £21.50 psf in Bristol.

Top 5 out-of-town deals (Q4 2012)

City/property	Tenant	Sq ft
Birmingham Business Park	AEC	125,000
Newcastle – Partnership House, Gosforth	Amec	29,700
Manchester – Abbey and Prudential bldgs, Stockport	Private owner occupier	21,900
Birmingham Business Park	Waterloo Housing	16,600
Newcastle – Team Valley	Doosan	14,600

Figure 2 Out-of-town take-up

	Q4 2012	Quarterly Average
■ Birmingham	216,795	74,494
■ Bristol	53,736	74,635
■ Cardiff	18,517	28,777
■ Edinburgh	31,422	34,806
■ Glasgow	28,296	49,463
■ Leeds	69,740	69,258
■ Liverpool	48,226	35,326
■ Manchester	175,317	126,621
■ Newcastle	124,636	92,115
Total	766,685	573,415



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London City

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Birmingham

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Birmingham B1 2JB

Bristol

St Catherine's Court
Berkeley Place
Bristol BS8 1BQ

Cardiff

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Cardiff CF10 3AN

Edinburgh

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Edinburgh EH3 9QG

Glasgow

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Glasgow G2 5SG

Leeds

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Leeds LS1 2HL

Liverpool

Mercury Court
Tithebarn Street
Liverpool L2 2QP

Manchester

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Manchester M2 2EE

Newcastle

Central Square
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