

# SHEFFIELD OFFICE STOCK STUDY

**Knight Frank**



## Highlights

- First and only comprehensive study of the city centre market
- Diminishing stock levels at the top end of the market that could create positive pressure on rents and capital values
- Stable levels of overall demand, in line with current economic trends
- Continued demand within the grade a and b sectors
- Potential significant drop in supply with in grades b and c due to alternative uses

In association with

**Creative Sheffield**  
Transforming Sheffield's Economy  
Investment  
Enterprise  
Economy

Total Office Stock	5,511,000 sq ft
No. of Buildings	237

### Total Office Stock By Grade

Grade	Sq Ft	%
A	1,540,000	27.9
B	2,255,000	40.7
C	1,730,000	31.4

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# Introduction

The Sheffield Office Stock Study is the first comprehensive study of the city centre market. It was borne out of a general confusion as to what the market actually comprised, how much office space is in the city centre and what the vacancy rate is.

The report and research has been undertaken by ourselves, with the support of Creative Sheffield.

The study has catalogued every single office building within the inner ring road, collating data on the properties themselves, including size, landlords, tenants, availability and take up. The take up figures are taken in the period 2008 – 2012.

In addition to this, the whole project uses a digital mapping system with links to a search engine and the database.

<b>Supply / Availability Total</b>	1,110,000 sq ft
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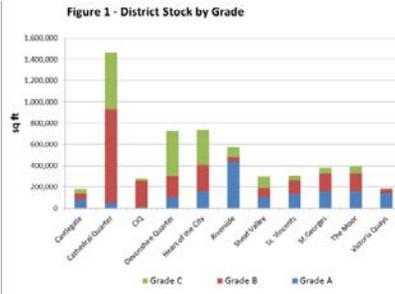
### Supply / Availability (split by grade)

Grade	Sq Ft	%
A	338,526	30
B	372,197	33
C	405,178	37

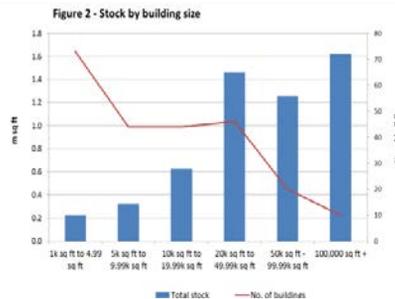
<b>Total No. Buildings Available</b>	85
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# Supply

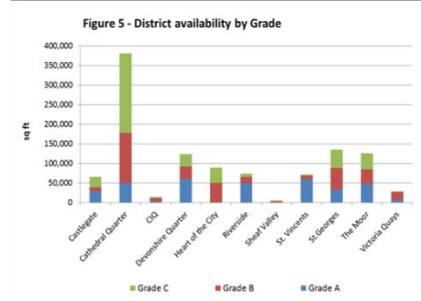
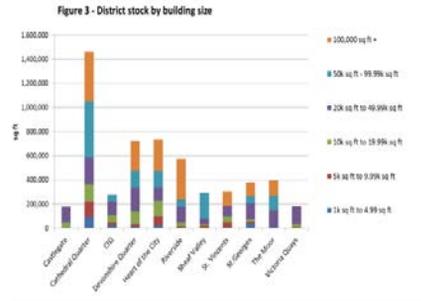
With a total office stock of 5,511,000 sq ft, spread over 237 buildings, the average size of the buildings in Sheffield is approximately 23,000 sq ft. Unfortunately only 27.9% of this is Grade A, the remaining falling between Grades B and C. However, whilst the average size may be in excess of 23,000 sq ft, there are 73 office buildings falling in the smallest band range of 1,000 – 1,499 sq ft, but this accounts for only 4.1% of the total stock.



The spread of Grade A space across the city centre is very disparate. For example, within the Cathedral Quarter, Grade A stock only accounts for 3.4% of the district total and the reverse of this is true at Riverside, where 75.7% of the stock is Grade A. In terms of current availability, at the end of Q4 2012, a total of 1,110,000 sq ft of offices were available within the city centre. This was spread across 85 buildings, equating to a vacancy rate of 20.25%.

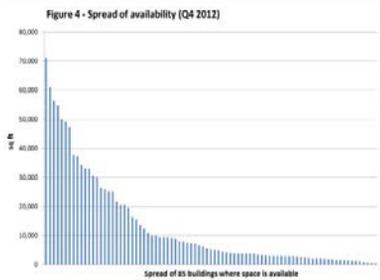


As with the total supply, the majority of this availability falls within the Grades B and C categories. 338,526 sq ft of the available Grade A space is found across 9 of the 11 districts within the city, but is only concentrated into 11 buildings. Of the 36 buildings where Grade B space is available, 11 are located in the Cathedral Quarter, accounting to 34% of the total Grade B space available. It is interesting to note that the same district also possesses the highest level of Grade C space of any district.



## Demand

Analysis of occupier transactions over the period of 2008 – 2012 reveals an average annual take up in Sheffield City Centre of 148,703 sq ft. 52 of the 237 buildings in the market saw transactional activity over that period. 2011 was the strongest year with 217,501 sq ft of take up. Unsurprisingly, Grade A and B space has dominated the demand profile. Over the 5 year period, Grade A buildings have accounted for 47% of the take up and Grade B buildings a further 38%. Four districts within the city have seen the lion share of occupier activity over the period.



The Heart of the City has been the most active district, with average annual take up of 32,288 sq ft, followed by the Cathedral Quarter, Sheaf Valley and St Georges. The average annual rate of churn, i.e. take up expressed as a percentage of stock stands at 2.7%. The Sheaf Valley is the most active district on this basis, with an average annual churn of 7.53%, albeit it is one of the smallest districts with regard to stock.

Total Take Up (sq ft) 2008 – 2012	743,516
Average Annual Take Up	148,703
Total Take Up (No. of buildings) 2008 – 2012	52

### Take Up 2008 – 2012 (Grade)

Grade	Sq Ft	%
A	348,972	47
B	283,546	38
C	110,998	15

### Looking Forward

There is evidence to suggest that there is a diminishing quality of supply. We have a situation whereby over the course of time buildings deteriorate, which is compounded by general economic factors that are dissuading people from investing in buildings or upgrading them, or alternatively building new. There is nothing on site within the city centre at present. However, there will be a polarisation in the quality of supply. The general level of quality of space within the Sheaf Valley and Heart of the City will continue to improve, whilst the general quality of space without significant investment in areas such as the Cathedral Quarter will undoubtedly decline. At first glance, a vacancy rate of 20.25% is a shocking figure. However, on further investigation most of this falls within the lower grades of quality.

Furthermore, the availability rate will drop over the course of time. Primarily due to two factors, firstly no new product will enter the market in the short term and secondly, there are a large number of buildings that are potentially coming out of the market due to change of use. We have seen new entrants into the market place in terms of conversion into residential and student residential which could take out a significant portion of the lower end quality of the market. We have also seen a propensity of organisations to concentrate on better quality buildings within the Grade A and B sectors. This potentially highlights a short to medium term supply issue at the top end of the market.

On the assumption that we see the overall stock level diminish and also availability start to fall, with even static levels of take up within the conventional office market and buildings falling out of office use and being converted into alternative uses, we can see a tightening of the market. This is particularly prevalent at the top end of the market, where new supply needs to be brought online. It also presents a compelling argument and a solid backdrop in terms of investing in well located Grade B and C buildings and bringing them into a useable condition via refurbishment.

Churn Rate	2.70%
Top 3 Most Active Areas	1. Sheaf Valley 2. St Georges 3. Heart of the City