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LEGAL & FINANCIAL

Takeover activity is prime mover

Ongoing boom helps worldwide stockmarkets post a series of multi-year highs

THE bull market in global equities has shown few signs of faltering during the first half of the year as stockmarkets around the world have posted a series of multi-year highs in recent months.

Perhaps the most significant milestone has been passed by Wall Street where the wider market has finally climbed above the peak it reached at the height of the dotcom boom, although the technology sector itself remains well short of its previous pinnacle.

The primary driver behind the strength seen in share prices has remained takeover activity. The ongoing boom in mergers and acquisitions has



By Jon Dunn

Director, Rensburg Sheppards

been fuelled by the continued availability of cheap finance in global corporate credit markets, where yield spreads relative to government bonds have fallen to historically low levels.

This has enabled private equity groups and other predators to leverage ever higher

value acquisitions and has been reflected by a move up the scale of the sizes of companies being regarded as potential takeover targets.

For example, in the UK there have already been moves this year for Footsie constituents Alliance Boots, Hanson and Reuters, as well as heightened speculation surrounding a number of other companies.

Despite the generally bullish mood in recent months, global equity markets did suffer a correction in February, although its magnitude was not as great as that which hit investors in May last year.

This time around, the sharp fall in the Chinese equity

market acted as a catalyst for a broader sell off around the world which was compounded by concerns about the state of the US sub-prime lending markets.

However, investors soon regained their poise so that by mid April equity markets were generally trading back above their levels before the correction had taken place. Perhaps a sign of the current confidence amongst investors has been the fact that the Chinese equity market just recently suffered another sharp fall, following a renewed bout of exuberance during the late spring, but contagion into other global equity markets did not materialise.

Whilst equity markets have advanced in recent months, global bond markets have moved in the opposite direction. Stock prices have been falling and yields rising as bond investors have been pricing in the tightening of interest rate policy by the world's monetary authorities.

Inflation has replaced economic growth as the main concern for the central banks, with those in the UK and Europe forecast to raise interest rates further in the coming months.

In the US, the Federal Reserve is no longer expected to cut interest rates this year, but to keep them on hold.

Rising yields are increasing

the attraction of bonds relative to equities and at some stage could initiate a switch of capital between the two competing asset classes.

Furthermore, rising bond yields could turn off the tap of cheap finance which has fed the takeover boom underlying the strength in the equity markets in recent months.

As a consequence, equity investors will need to keep an eye on interest rate expectations and developments in the bond markets as they could have an important influence on the way in which the equity markets move in the coming months.

Confidence and employment up

THREE months of unexpectedly buoyant growth in consumer services and continuing high demand for business and professional services have led to very strong growth in employment, the latest survey of the sector by the Confederation of British Industry and Grant Thornton.

The number of jobs in professional services - accountancy, law and property - rose at the fastest rate recorded since the survey began in November 1998, and numbers employed in consumer services, such as hospitality, travel and leisure, increased at the strongest rate for two years.

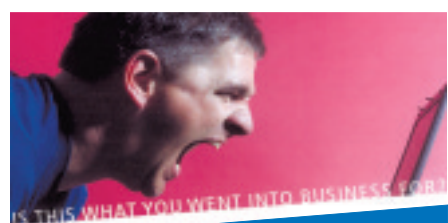
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Commercial district gains in confidence

Heart of Sheffield cannot be beaten for great scheme-making

YOU only have to look around the city skyline to see that there is still huge investment and development in the heart of Sheffield, which is great news for local businesses and the city in general.

The recent opening of the Mercure St. Paul's Hotel & Spa and St. Paul's Place around the Peace Gardens is a tremendous asset for the city and the completion of the new station frontage is a great gateway to the city centre.

The lively Leopold Street development, providing a new four star hotel, residential apartments, several café bars and a high-class restaurant, will mark the completion later this year of yet another phase of the regeneration.

The new ring road and the Velocity development are



By Philip Gregory

Senior partner,
PricewaterhouseCoopers LLP in
Sheffield

opening up a whole new area of the city.

I believe there is increasing confidence in the city which is demonstrated by the continuing investment by the professional services sector - major new offices for DLA and Irwin Mitchell, expansion by HBOS and new comers such as Halliwells and Handelsbanken. All signs that there is increased commercial activity in this region.

There are some great companies operating in and around Sheffield and many have been beneficiaries of national accolades and awards. You only have to look at recent headlines in the national press to see the success of businesses in South Yorkshire.

Our region's businesses are a regular feature in national league tables measuring success, such as The Sunday Times/ PricewaterhouseCoopers Profit Track and Fast Track rankings.

A few years ago there were few South Yorkshire companies mentioned. However, over the last year a number of the regions 'high flyers' earned their place in the league tables. This year local companies such as Special Steel Company, ABS Industrial Resources, Firth Rixson, Tuffnells Parcels Express and Keepmoat were recog-

nised as punching above their weight in the Profit Track survey.

In fact, Keepmoat was listed for the fourth year running. By focusing on the community regeneration and the government's Decent Homes

'There are some great companies operating in and around Sheffield'

Philip Gregory

programme, Keepmoat has achieved strong growth in sales and profits.

Interestingly though there were no companies in the region that made it to the Techtrack 100, perhaps a sign that high tech business in the

region remains a relatively underdeveloped area.

I am sure that the city's Universities and Creative Sheffield can play a major role in this area.

The continuing development of Robin Hood Airport is fantastic news for the region but to compete with Manchester there needs to be a significant expansion of scheduled flights for the region's business travellers, particularly to the US and the Far East. I also believe that there is an urgent need to build a link road from the M18 to the airport.

There are some clouds on the horizon but overall Sheffield has come a long way over the last few years and I am optimistic about the future growth of the city.

Certainly we are seeing more opportunities than for many years.

Rare chance to buy freehold office building

FOLLOWING the relocation of Sheffield commercial lawyers, hlw, to their new headquarters building, Commercial House on Commercial Street, and Knight Frank's relocation to the Synergy Building at Hartshead, Lane Walker have been instructed to dispose of the freehold of their former offices, Princess House.

Located in the heart of Sheffield's professional district, at 122 Queen Street, the building offers a rare opportunity to purchase freehold city centre offices with basement car park-

ing for up to 12 vehicles. The building is arranged on ground and three upper floors and provides 10,500 sq.ft opposite the Omnia Business Centre in Jubilee House and close to the new office schemes at Velocity and Metis on Tenter Street.

Martin Crosthwaite from the selling agents, Lane Walker said "It is not often that the opportunity arises to purchase a freehold office building such as Princess House in the heart of the business district and we are already in discussions with a number of owner occupiers and

investors/developers, reflecting the continuing demand for office buildings in the city centre.

"We are seeking offers in the region of £1.85m which equates to a figure of around £175 per sq.ft including car parking, a competitive and attractive figure in today's market.

"There is no doubt that this area is continually improving with Castlemore having recently signed a Development Agreement with Sheffield City Council for the West Bar Triangle site nearby."



Princess House: Queen Street premises for sale