

2021 Forecast



Liverpool

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Executive Summary

- Liverpool has a growing reputation as a centre of excellence in life sciences, particularly infectious disease and digital health, together with advanced manufacturing. These sectors along with the traditional professional and financial services, present opportunities for increased inward investment in addition to onshoring of operations and government relocations.
- Liverpool Port is bidding for tax advantageous 'free port' status, which would potentially provide a catalyst for economic growth.
- The key industrial activity in Liverpool is in the mid-box market. Whilst there is relatively little speculative development elsewhere in the region, InfraRed are in for planning on a 134,000 sq ft extension to Triumph Business Park.
- The city's retail sector has shown relative resilience with the City Council, Liverpool BID and other local stakeholders continuing to have an innovative approach to attracting consumers.
- We expect to see continued hotel developments come forward in the city, with the former Liverpool ECHO building due to reopen as Inside Hotel in the spring and Novotel's 221-bed Paddington Village likely to complete in 2022.

Looking forward into 2021 and beyond, the outlook remains positive for Liverpool. The loosening of major restrictions which have engulfed the city for much of 2020 will allow Liverpool to focus on regaining the strength it held prior to the pandemic. Although this will not be immediate, the resilience demonstrated by the local economy – as shown by the UK Cities Recovery Index – means that there is a firm foothold to launch the recovery during 2021.

Prior to the onset of Covid-19, Liverpool was achieving strong growth relative to both the North West region and the rest of the UK, with the promise of 'levelling up' a source of optimism for the city. Although this was short-lived following the substantial negative impacts of Covid-19, Liverpool showed significant resilience with mobility levels rebounding quickly as demonstrated in the UK Cities Recovery Index. With several significant developments already underway, the potential of increased UK-US trade post-Brexit adds to the positive outlook for the port and the city as a whole which will be looking to bounce back to pre-Covid economic strength in 2021, with employment growth forecast to be the second highest in the North West region by 2023.

While demand in the office market remains active in the very small end of the market, we do not expect it to pick up for the majority of medium to large size occupiers until at least the second half of 2021.

With Liverpool seeing relatively little speculative development over the last number of years anyway, the increase in home working added to a thin layer of occupational demand will create an added element of risk for developers looking to kick start new schemes. However, plans continue to progress for Hemisphere a 150,000 sq ft office development at Paddington Village, which will be home to Health Innovation Liverpool (The HILL) and the future home to Agent Academy and Labs, with proposals also for an additional 90,000 sq ft office adjacent. These build upon Liverpool's growing reputation as a centre of excellence in life sciences, particularly infectious disease and digital health, together with advanced manufacturing.

While indigenous office demand requirements are downsizing, there are opportunities for inward investment. With companies de-risking operations, Liverpool could benefit from new occupiers. The Government is committed to moving 22,000 civil service jobs out of London, including decision makers as well as back office staff. Aligning with Liverpool's strengths in life sciences, organisations such as NHS England have been identified as a potential new mover to the city.

Trend watch



Deglobalization 2.0

With companies de-risking operations, Liverpool could benefit from increased onshoring of operations such as call centres.



Workplace eXperience

With increased home working and flexibility of leases, refurbishments and landlord-led flexible space are expected to provide the short-term solution to grade A space, as we expect occupiers to identify less but better-quality space.

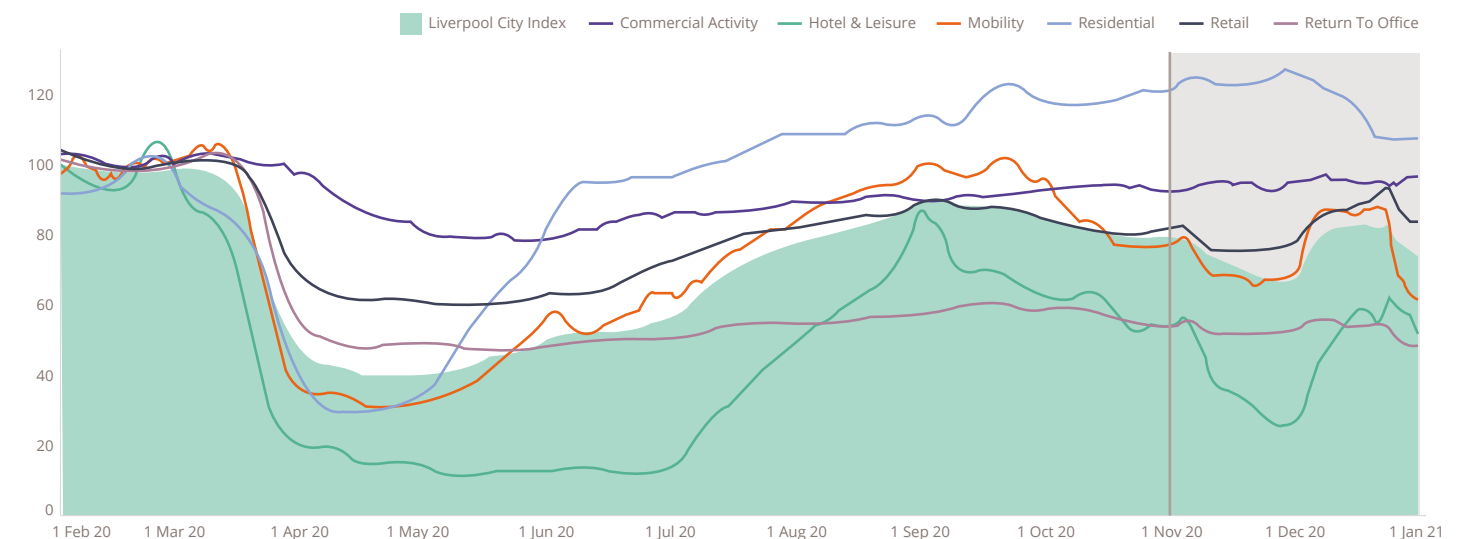


Building a recovery

The new city plan which launched in October 2020 will focus on delivering substantial, equitable improvements to health, education, neighbourhoods, economy, culture and climate across the city.

UK Cities Recovery Index | Sector Indices Liverpool

Avant by Avison Young



Although we are seeing a number of lease re-gears, many of the larger occupiers in the city are continuing to undertake strategic reviews of their occupational requirements, and we are aware of a number looking to downsize, with some citing cuts in the region of 30-50%. As such, we will see an increase in the amount of grey space coming to the market over the next 12 months, some of which will compete with existing grade A & B refurbished supply. In the short term we may also see a greater proportion of out-of-town take-up.

We expect new grade A supply to be in the form of refurbishments and landlord-led flexible space and occupiers to identify less but better quality space. The next phase of office developments such as Pall Mall and Liverpool Waters are likely to require large long lease pre-let commitments before starting. Across the river on the Wirral, there are currently two grade A speculative schemes currently under construction, Hythe at Wirral Waters (25,000 sq ft) which is being developed by Peel and will be completed later this year and Building A2 in Birkenhead Town Centre (58,000 sq ft) which is scheduled for completion in mid 2022.

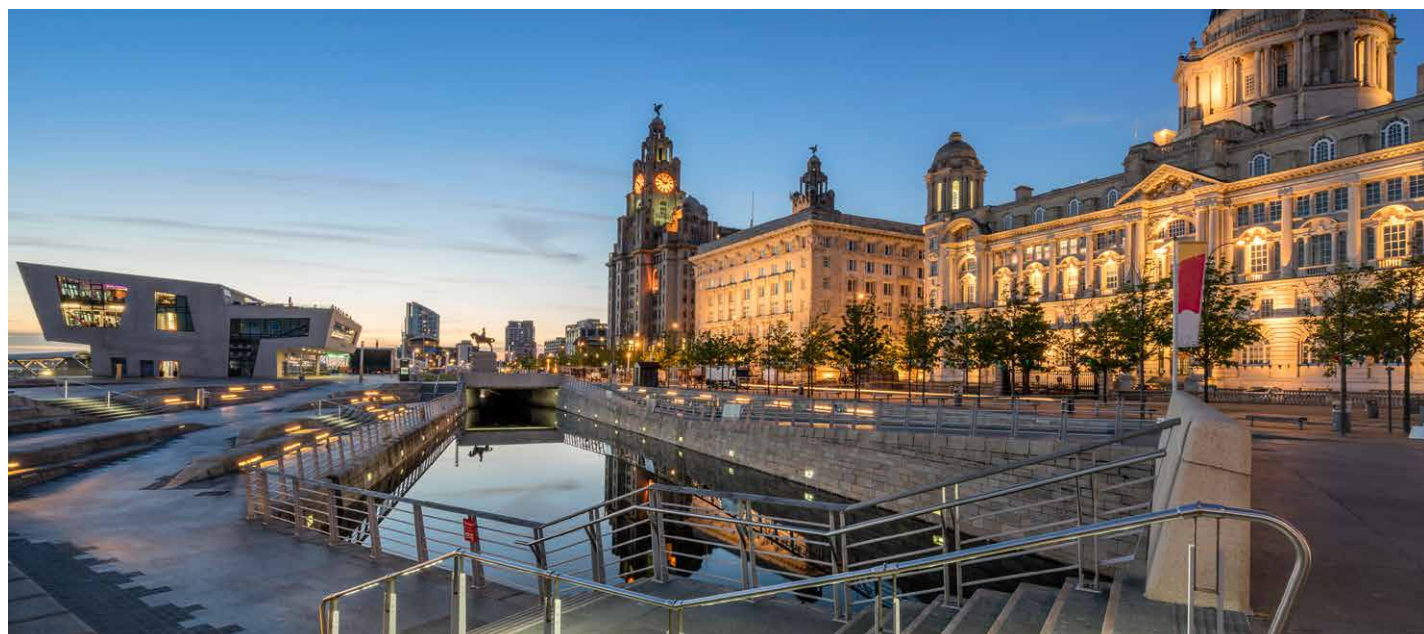
The key industrial activity in Liverpool is in the mid-box market. InfraRed are in for planning to speculatively develop 134,000 sq ft at Triumph Business Park.

Other new proposed schemes include: Phase 2, Mersey Reach in Aintree (Chancerygate), Knowsley Hub in Knowsley (Redsun) and Magazine Point in Bromborough (Redsun).

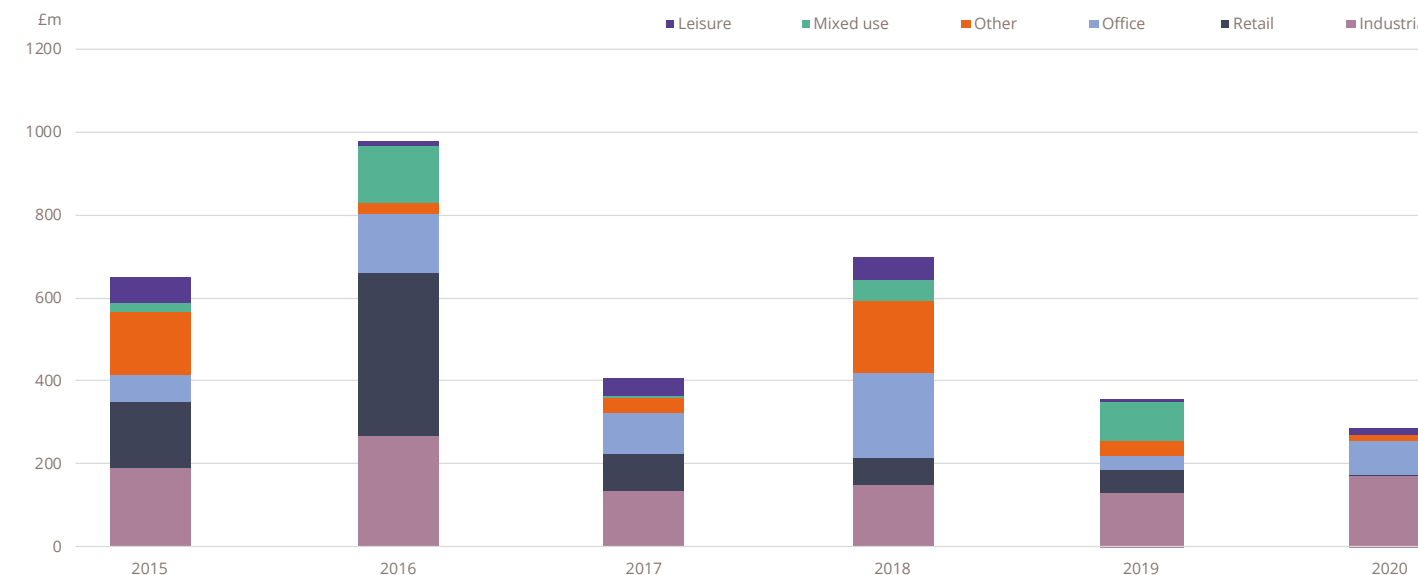
Liverpool Port is bidding for 'free port' status in order to drive economic growth after Brexit. The tax advantageous conditions would potentially provide a catalyst for development opportunities in the immediate and surrounding areas, such as Atlantic Park.

We anticipate seeing ongoing significant change to the retail landscape over the coming year. Liverpool One continues to attract new, innovative brands with its open streetscape an important characteristic in the city's resilience. There have already been examples of innovative repurposing of space in response to changing consumer demands, with Queensberry's Metquarter securing a major letting of 50,000 sq ft of the shopping centre to LMA, a Liverpoolian media, music and performing arts institution, creating a state-of-the-art teaching campus which opened in Autumn 2020.

Looking forward into 2021 and beyond, the outlook is positive for Liverpool. The loosening of major restrictions which have engulfed the city for much of 2020 will allow Liverpool to focus on regaining the strength it held prior to the pandemic.



Merseyside Investment



Liverpool City Council's "Without Walls" initiative provided several outdoor spaces to enable customers of restaurants and bars to enjoy their food and beverages outside in line with social distancing requirements. There have also been efforts to pedestrianise key retail areas such as Castle Street and Bold Street in the city centre to encourage footfall.

The historic strength of tourism in the city continues to underpin hotel development. The converted former Liverpool ECHO building will reopen as Ininside Hotel by the hotel chain Melia, with ground floor retailing and a sky bar on the top of the 17 storey, 208-room building which is set to open in Spring 2021. Plans continue to progress on Pall Mall for a 284 bed hotel with cafe, bar and restaurant. Also, Novotel's 221-bed Paddington Village, which commenced construction in late 2019, will help to serve the growing demand for hotel accommodation in the Knowledge Quarter – the city's innovation district. Liverpool's life sciences expertise is housed in the Knowledge Quarter, with world-leading institutions such as the hospital, University of Liverpool, the newly opened Clatterbridge Cancer Centre and the Liverpool School of Topical Medicine, along with innovation spaces including The Accelerator and Liverpool Science Park.

The Knowledge Quarter is also leading the city's push for sustainability. The Spine, a 160,000 sq ft Paddington Village development is set for completion in 2021, which is to be the northern headquarters of the Royal College of Physicians, will be the first UK building to gain both a BREEAM Excellent rating and a WELL Standard Certification. Although Liverpool has a way to go toward sustainability, the new city plan which launched in October 2020 will focus on delivering substantial, equitable improvements to health, education, neighbourhoods, economy, culture and climate across the city.

We expect to see significant change to the retail landscape over the coming year.

Get more market information

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