



One Centenary Way, Paradise, Birmingham

INSIGHT

The Big Nine

Quarterly update of regional office activity

Q3 2021

AVISON
YOUNG



CHARLES TOOGOOD

Principal and Managing Director,
National Offices Team

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A post-Covid focus on flexibility is underpinning an increase in demand from flexible workspace providers and driving the proliferation of Cat A+, plug and play space.

Occupier market in brief

OCCUPIER ACTIVITY AT HIGHEST LEVEL FOR TWO YEARS

Occupier confidence across the Big Nine office markets has reached its highest level since the pandemic started, which is reflected in the strongest take-up for two years.

Increasing confidence has released pent-up demand and requirements that have been on hold during the past 18 months. As such, there has been a depth to the number and size of deals this quarter, including some exceptional lettings.

Take-up amounted to 2.3 million sq ft across both the city centre and out-of-town markets, 11% up on the ten-year average. Out-of-town activity amounted to the strongest quarter for three years, at 45% of all take-up, more than a million sq ft. This was led by an exceptional inward investment deal of 217,000 sq ft to Just Eat at Rainton Bridge, near Newcastle. The city centre market accounted for the next seven largest deals, dominated by the take-up of newly delivered space.

Demand for Grade A, best-in-class office space remains robust, even if in some cases occupier requirements are slightly less than they may have been. There is also a growing focus on carbon reduction commitments, improving wellness for staff and ensuring that the 'return to the office' environment is as positive and safe as possible. In Birmingham for example, grade A take-up accounted for 85% of activity this quarter, with a number of deals at new developments Paradise and 103 Colmore Row. We are seeing an increase in the amount of space being refurbished as landlords make the most of enforced void periods, firstly in order to make their buildings more attractive to tenants, and in some cases to address the change in Minimum Energy Efficiency Standards.

A post-Covid focus on flexibility is underpinning an increase in demand from flexible workspace providers such as X+Why and Chadwick Business Centres, with the potential for more in the final quarter of the year. Unsurprisingly, this quarter was the sector's busiest in two years. An increased occupier focus on flexibility is also driving the proliferation of Cat A+, plug and play space. Up until recently, fully fitted space was relatively scarce, with landlords rarely seeing the need for additional capital expenditure against the prospect of a minimal return on investment. However, this is evolving with a premium being seen on oven-ready space across markets.

The quarter saw a marked increase in professional services activity, which has been relatively subdued during the pandemic and recorded its highest quarterly activity for five years. Among the other sectors, consumer services and healthcare have held up well over the past 12 months, while financial services and public sector activity has been relatively subdued - although this is expected to change with the prospect of a number of large Government deals completing in the near future.

Increased occupier activity and confidence is almost certainly a function of the numbers returning to the office continuing to increase, even if it is 'slowly but surely'. Avison Young's 'Return to Office' Index for the Big Nine cities average out at 55 - up from 33 in January, and although this compares to a pre-pandemic normal of 100, all cities are performing close to their highest level since then.

Availability across the Big Nine city centres continues on an upward trajectory, increasing from a cyclical low of 8.1 million sq ft in Q1 last year to 11.6 million sq ft over the course of the pandemic. To put this in context, availability was at about this level before the GFC in 2007 and reached 18.3 million sq ft during 2013.

There is a further 5.1 million sq ft of space under construction, of which 2.3 million sq ft remains available. When added to the standing supply, this amounts to 2.7 years' demand, given past take-up rates. With increasing demand for quality space, prime rents across the Big Nine average £32.61 psf, an increase of 2.8% over the past 12 months.

TOTAL TAKE-UP IN Q3

2,352,010 sq ft

▲ 11%

UP ON THE 10 YEAR QUARTERLY AVERAGE



City Centre

1,307,463 sq ft



Out-of-town

1,044,537 sq ft

UNDER CONSTRUCTION

5.3 million sq ft

SKewed TOWARDS



MANCHESTER

26%



GLASGOW

23%



BIRMINGHAM

15%

HEADLINE RENTS AVERAGE

£32.61 psf

Across all nine cities

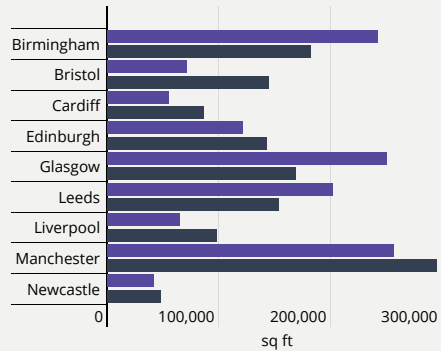
Occupier data

City Centre

TOTAL TAKE UP IN Q3

1,307,463 sq ft ▼ 1% compared to the ten year quarterly average

TAKE UP (SQ FT)



● Q3 2021 ● 10 year quarterly average

TOP FIVE DEALS

City	Property	Occupier	Sq ft
Manchester	Manchester Goods Yard	Cloud Imperium	87,130
Glasgow	Building 6, Buchanan Wharf	Student Loans Company	75,000
Birmingham	One Centenary Way	Arup	68,479
Leeds	Drapers Yard, Marshall St	Labcorp	68,345
Edinburgh	Elgin House	Confidential	50,000

HEADLINE RENTS (£PSF)

Location	Rent (£) Q3 2021	Rent free (months on ten year term)	Net effective rent* (£)	Net effective rent (£) Q3 2020
Edinburgh	37.50	15	33.75	33.30
Bristol	38.50	21	32.73	31.06
Manchester	38.50	26	31.12	30.11
Glasgow	34.50	15	31.05	31.05
Birmingham	37.50	24	30.94	30.53
Cardiff	25.00	18	21.88	21.88
Leeds	34.00	24	28.05	26.40
Newcastle	26.00	18	22.75	22.75
Liverpool	22.00	27	17.60	18.15
Average	32.61	20.89	27.76	27.25

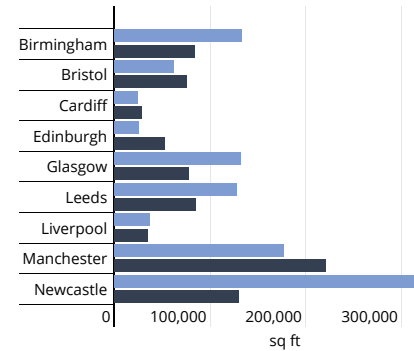
*including rent free period less three month fit-out.

Out-of-town

TOTAL TAKE UP IN Q3

1,044,537 sq ft ▲ 32% compared to the ten year quarterly average

TAKE UP (SQ FT)



● Q3 2021 ● 10 year quarterly average

TOP FIVE DEALS

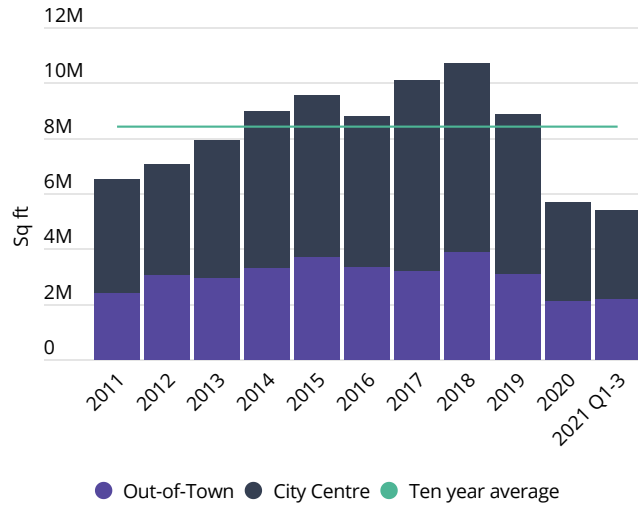
City	Property	Occupier	Sq ft
Newcastle	Rainton House, Rainton Bridge	Just Eat	217,339
Birmingham	T2 Trinity Park	Mitie	32,848
Glasgow	2 Central Quay, 89 Hydepark Street	American Night Productions Limited	30,997
Glasgow	Riverside Business Park, Braehead	Beeks Financial Cloud	27,999
Newcastle	Tenor House, Sunderland	Oak House Estate	27,000

HEADLINE RENTS (£PSF)

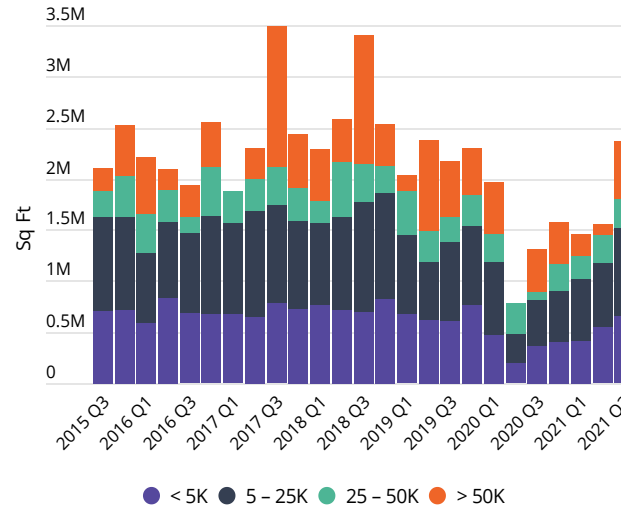
Location	Rent (£psf) Q3 2021	Rent (£psf) Q3 2020
Birmingham	26.00	26.00
Leeds	24.75	24.75
Manchester	24.00	24.00
Edinburgh	24.00	22.50
Bristol	23.50	23.50
Newcastle	16.95	16.95
Glasgow	16.50	16.50
Cardiff	15.50	15.00
Liverpool	14.00	14.00
Average	20.58	20.36

Occupier charts

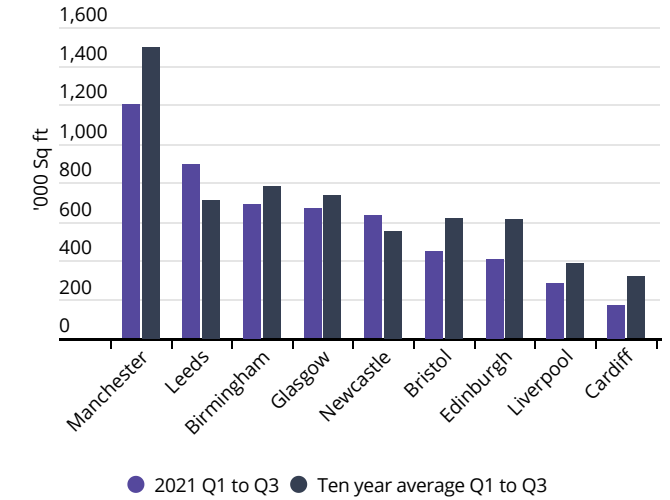
ANNUAL TAKE UP



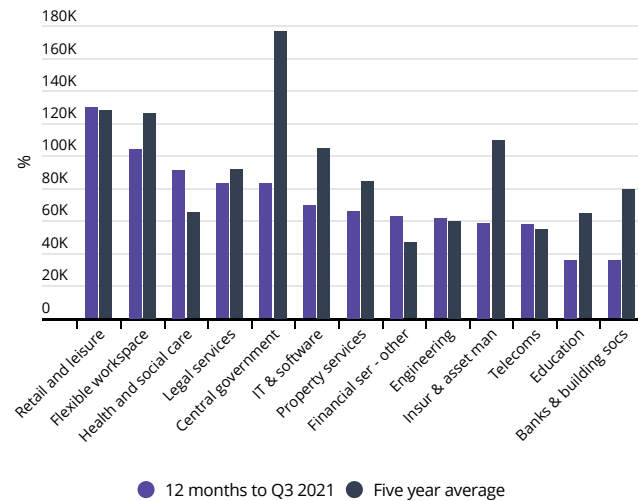
QUARTERLY TAKE-UP BY DEAL SIZE



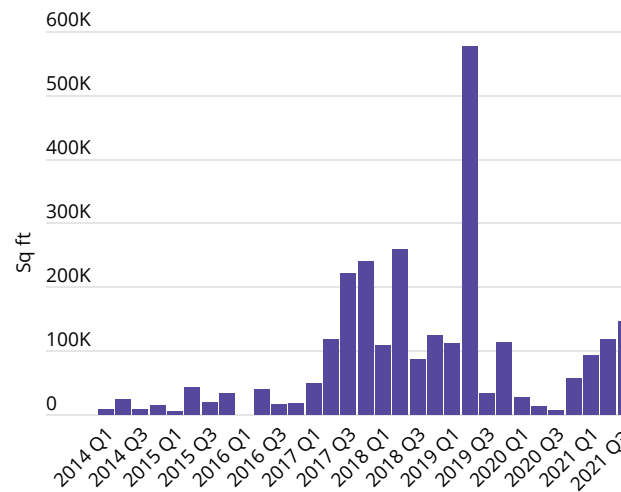
CC AND OOT TAKE-UP



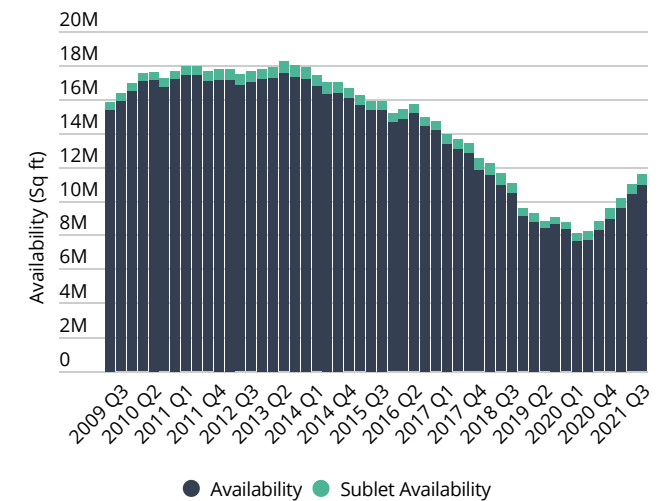
AVERAGE QUARTLERY TAKE-UP BY SECTORS



FLEXIBLE WORK SPACE TAKE-UP



BIG NINE CITY CENTRE AVAILABILITY





MARK WILLIAMS
Principal and Managing Director,
Regional Investment

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There continues to be a considerable weight of money looking to invest in the regional office market, and Q4 is expected to be the strongest quarter of the year, particularly given the slow start.

Investment market in brief

UK PROPERTY COMPANIES DOMINATE Q3 ACTIVITY

Confidence in the regional office investment market remains robust with activity over the past 15 months performing above the long-term average - a strong performance given the recent conditions. Total investment volumes during Q3 amounted to £753 million, 26% up on the ten-year average of £599 million.

Activity this quarter has been dominated by a large portfolio deal purchased by UK prop co Regional REIT from Squarestone Growth for £236 million; with the Big Nine accounting for two thirds of the multi-let office assets.

The largest single-let deal was the 320,000-sq ft 3-4 Piccadilly Place in Manchester, purchased by Longmead Capital for £143 million. These two headline deals and a number of single-let transactions were bought by UK property companies and as such accounted for 88% of volumes. This goes against the tide of strong overseas investment for the previous 12 months, although robust investor interest continues to back up the UK's status as a safe haven. In addition, some prop cos will be supported by foreign money.

There were nine deals between £20 million and £56 million, with Aurora, 120 Bothwell Street in Glasgow transacting at £56 million. Three of these deals were in Bristol: RAC Control Centre (£27m) Augustine's Courtyard (£20m) and One Castle Park (£20m) and two in Birmingham: Summer Hill Road (B1) (£24m) and Colmore Gate (£40m). The latter was the largest overseas transaction, to Middle Eastern investment.

Volumes over the year to date have largely been targeted towards the 'Big Six' cities, led by Manchester at £463 million, followed by Bristol (£361m) and Birmingham (£296m). Edinburgh, Glasgow and Leeds have all transacted between £150 million and £250 million.

There continues to be a considerable weight of money looking to invest in the regional office market, and Q4 is expected to be the strongest quarter of the year, particularly given the slow start. Some decisions are still being delayed and there is a growing mismatch between vendors' and purchasers' expectations, particularly when pricing commitment to ESG requirements.

Prime yields for most cities have stayed the same over the quarter, at an average of 5.33%, which compares to 5.31% 12 months ago. According to the MSCI monthly index, average equivalent yields for all regional offices have moved in over the past three months from 7.69% in June to 7.44% in September, which compares to 7.30% 12 months ago.

Investors have a particular focus on prime and value add stock. Consequently the yield gap between prime and secondary property continues to widen. According to the MSCI quarterly index, it was 278 basis points at the end of June, compared to 228 at the end of 2019.

TOTAL FOR Q3

£753 million

▲ 26%

UP ON THE 10 YEAR QUARTERLY AVERAGE

VOLUMES BY CITY



VOLUMES BY INVESTOR TYPE



PRIME YIELD

4.75%

PREVIOUS PEAK (2007)

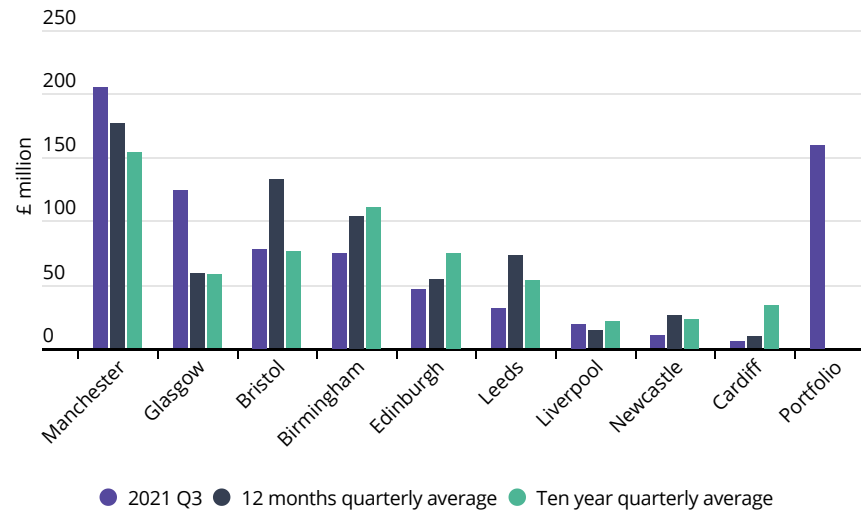
4.50%

Investment data

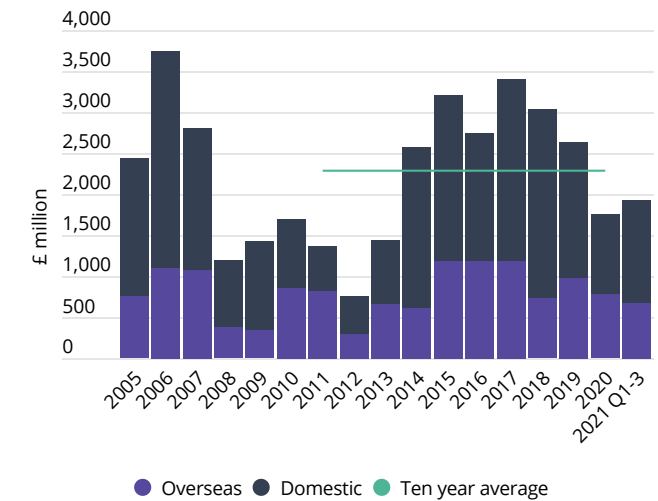
TOTAL INVESTMENT VOLUMES



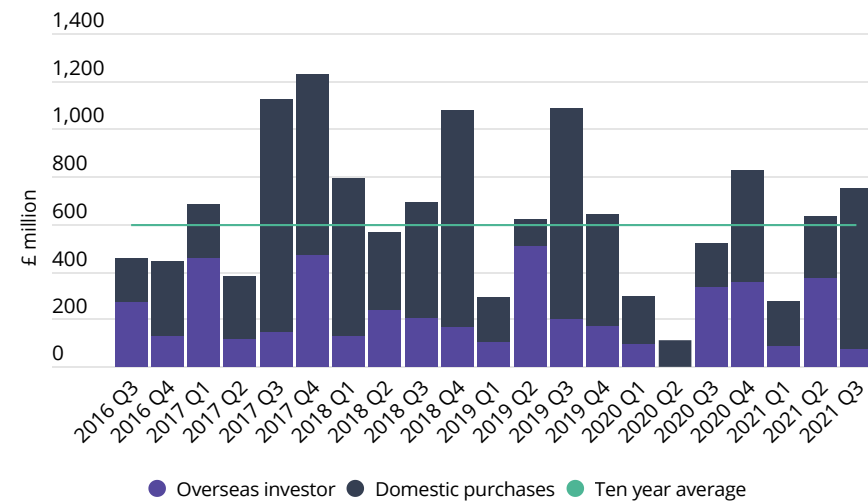
INVESTMENT VOLUMES BY CITY



ANNUAL INVESTMENT VOLUMES



INVESTMENT VOLUMES BY QUARTER



TOP FIVE DEALS - Q3 2021

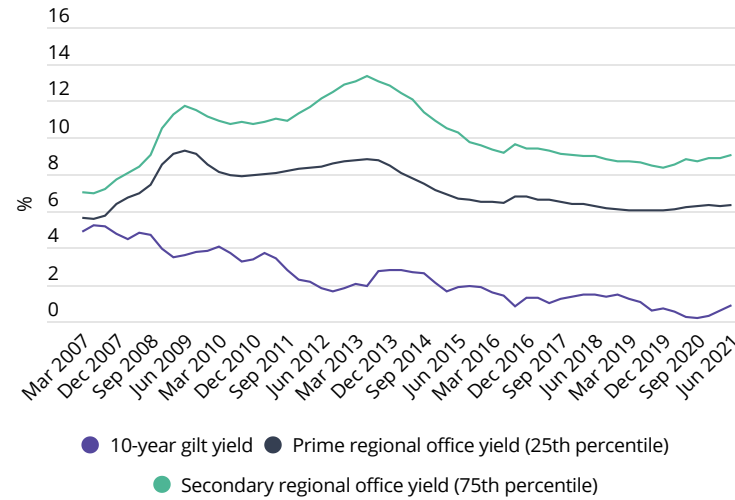
Date	Property	City	Purchaser	Vendor	Price (£m)	NIY (%)
Aug-21	Squarestone Portfolio	Portfolio	Regional REIT Ltd	Squarestone Growth LLP	160.0	7.80
Jul-21	Piccadilly Place, 3 & 4	Manchester	Longmead Capital LLP	Ares Management LLC	143.0	6.35
Aug-21	Aurora, 120 Bothwell Street	Glasgow	M&G	Forma Capital	55.5	8.00
Sep-21	Colmore Gate, Colmore Row	Birmingham	Ashtröm Properties UK	Aviva Investors	39.5	4.30
Sep-21	Albert Bridge House	Manchester	Oval Real Estate	Mapeley	30.0	N/A

Investment data

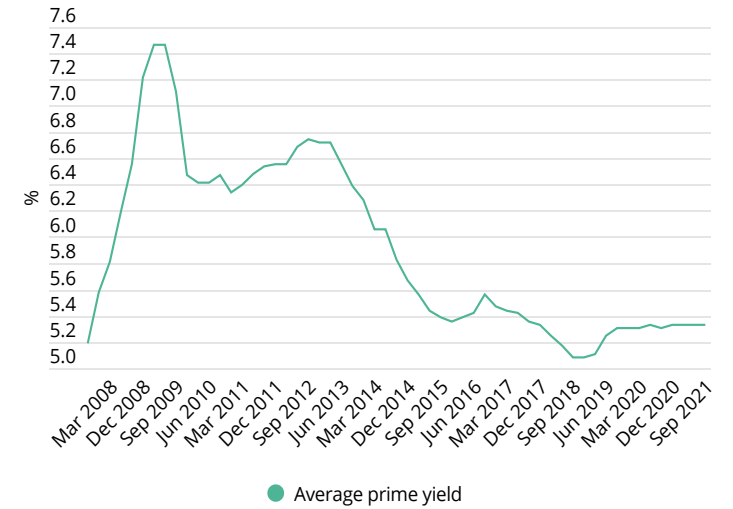
PRIME CITY CENTRE YIELDS

Location	Q3 2021	Q2 2021	2007 peak
Birmingham	5.00	5.00	4.50
Bristol	5.00	5.00	5.00
Cardiff	5.75	5.75	5.00
Edinburgh	4.75	4.75	4.75
Glasgow	5.00	5.00	4.75
Leeds	5.25	5.25	4.75
Liverpool	6.00	6.00	5.50
Manchester	5.00	5.00	4.50
Newcastle	6.25	6.25	5.25

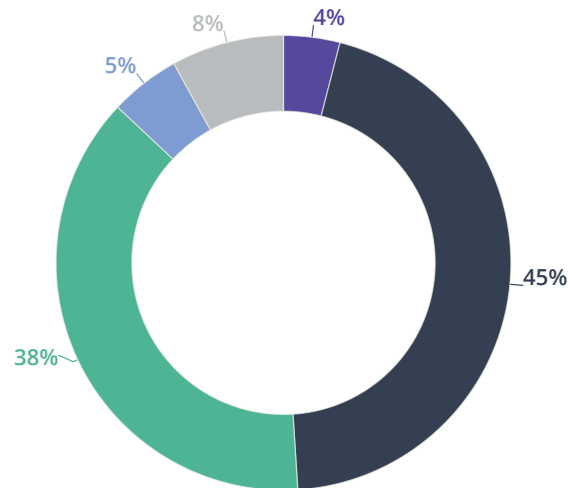
REGIONAL OFFICE YIELDS VS 10 YEAR GILTS



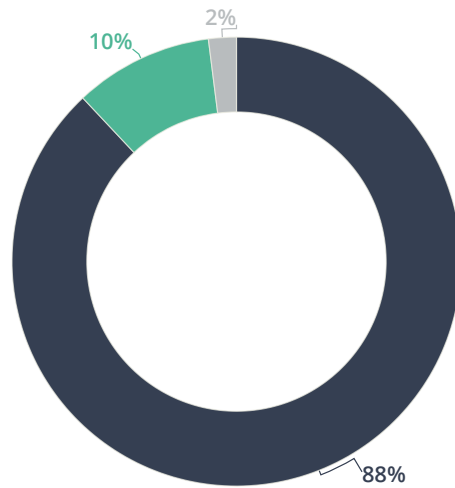
AVERAGE PRIME YIELD



INVESTOR VOLUMES BY PURCHASER TYPE: 12 MONTHS TO Q3 2021



INVESTOR VOLUMES BY PURCHASER TYPE: Q3 2021



- UK Institution
- UK Property company
- Overseas investor
- Occupier
- Other

Birmingham

There has been an exceptional level of demand in Birmingham city centre and out-of-town markets this quarter, totalling 376,000 sq ft, 41% above the ten year quarterly average.

Demand in the city centre has been dominated by grade A activity, which accounted for 85% of take-up. MEPC have concluded two deals at Paradise to engineering firms that were put on hold during the pandemic. Atkins is relocating its Birmingham office to 36,000 sq ft at Two Chamberlain Square, a scheme which completed last year, as part of the first phase of the development. Next door, Arup has taken 68,479 sq ft at 1 Centenary Way, which is now 25% let 14 months prior to completion.

Workspace providers are capitalising on occupiers' increased desire for flexibility. Following IWG's 50,000 sq ft deal at Mailbox in Q2, new entrant to Birmingham X+why has arranged management agreements on 34,500 sq ft at 103 Colmore Row and 40,616 sq ft at 6 Brindleyplace, which was vacated by WeWork. They will be joined by recently merged wealth management firm Tilney Smith Williamson (12,000 sq ft) at 103 Colmore Row, which is rumoured to have agreed a new headline rent for the city at £37.50 psf. These make up the first deals in this 23 storey, 224,000 sq ft building, which is due to complete before the end of the year.

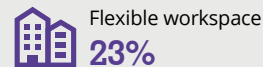
Overall availability has stabilised over the quarter, having increased by 11% since its cyclical low at the beginning of last year. In addition to the completion of 1 Centenary Way and 103 Colmore Row, CBREG's major refurbishment of 8/10 Brindleyplace (213,000 sq ft) is due for completion during the summer of 2022.

The strong out-of-town market was headlined by Mitie taking 32,848 sq ft at T2 Trinity Park and flexible workspace provider Chadwick Business Centres taking 14,952 sq ft at Blenheim Court, Solihull. There were also three 5,000 sq ft to 10,000 sq ft deals at Birmingham Business Park to Galliford Try, Imtech Environ and Morrison Energy.

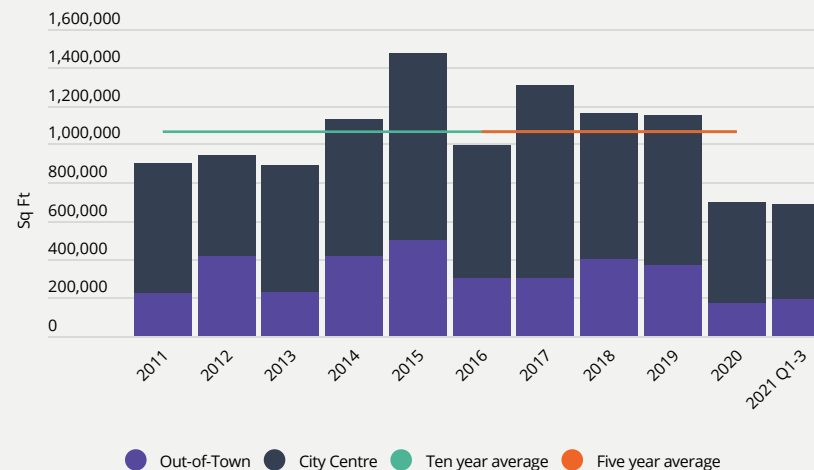
TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
One Centenary Way	CC	68,479	Arup
6 Brindleyplace	CC	40,616	X+Why
2 Chamberlain Sq	CC	36,057	Atkins
103 Colmore Row	CC	34,500	X+Why
T2 Trinity Park	OOT	32,848	Mitie

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



TAKE-UP



Q3 TAKE-UP



City Centre
242,901 sq ft



Out-of-town
132,964 sq ft

HEADLINE RENT

City Centre
£37.50 per sq ft

Out-of-town
£26 per sq ft

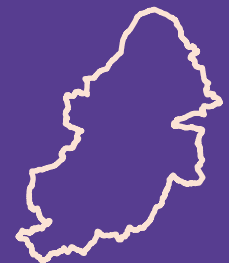
UNDER CONSTRUCTION



753,000 sq ft
15% prelet

PRIME YIELD

5%



Bristol

Office activity in Bristol has been headlined by some key flexible workspace deals in the city centre and a large deal in the out-of-town market.

Total take-up in both markets for the year to Q3 of 447,000 sq ft is somewhat short of the ten-year average of 617,000 sq ft for the same period. However, we expect a strong finish to the year with a number of large deals including at least two over 50,000 sq ft due to complete in Q4.

The largest deal of the quarter was in the out-of-town market, with the letting of 26,823 sq ft to the Nuclear Decommissioning Authority at Key Point. There were also three 5,000 sq ft transactions, including Guinness Partnership at 2530 Aztec West.

Similar to other cities, activity in the flexible workspace sector is picking up, accounting for the two largest deals in the city centre. Runway East took 15,089 sq ft at 101 Victoria Street and DeskLodge took 11,797 sq ft at One Castlepark.

The demand for quality space continues and buildings under construction are receiving keen interest. CEG's 184,000 sq ft EQ development and the next phase of Assembly, 120,000 sq ft Assembly B&C are due to complete in 2023, while 1 Portwall Square and Halo at Finzels Reach, are both due to complete later this year.

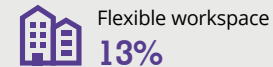
In terms of current supply, the vacancy rate for Bristol city centre has increased from a cyclical low of 3.1% pre-pandemic to 6% this quarter but remains low in historic terms and compares to a cyclical high of 12% in 2012. With space coming back to the market, there is an opportunity for landlords to improve accommodation, particularly to satisfy occupiers' ESG agendas. Significant refurbishments underway include 70,000 sq ft Tower House and the 96,000 sq ft Crescent Centre.

City centre headline rents have increased from £35.50psf at the end of 2020 to £38.50psf in Q2. They remain at this level, but further rental growth is predicted by the end of the year with at least one significant letting close to agreement in excess of £40.00 per sq ft.

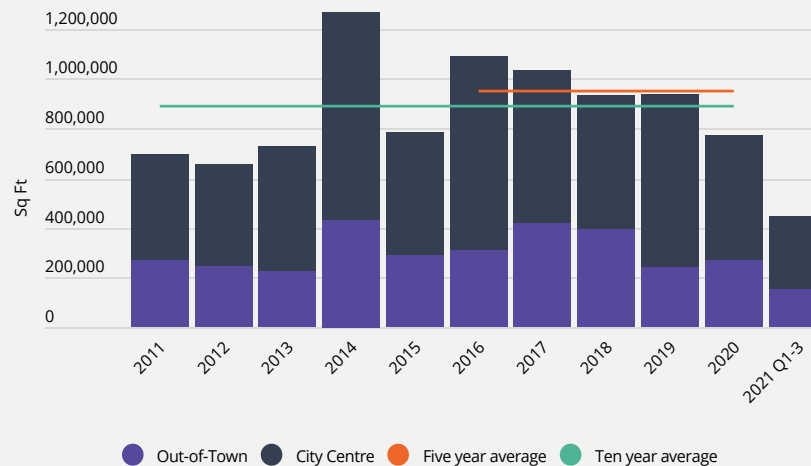
TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
Key Point	OOT	26,823	Nuclear Decommissioning Authority
101 Victoria Street	CC	15,089	Runway East
One Castlepark	CC	11,797	DeskLodge
8 Apex Court	OOT	5,264	MM Property Assets Ltd
2530 Aztec West	OOT	5,237	Guinness Partnership

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



TAKE-UP



Q3 TAKE-UP



City Centre
71,011 sq ft



Out-of-town
61,990 sq ft

HEADLINE RENT

City Centre £38.50 per sq ft
Out-of-town £23.50 per sq ft

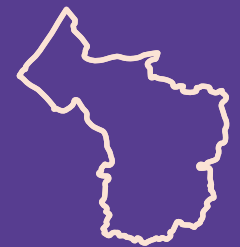
UNDER CONSTRUCTION



448,000 sq ft
18% prelet

PRIME YIELD

5%



Cardiff

Activity is improving in the Cardiff office market, with Q3 take-up at the highest it has been this year. While there have been no lettings over 10,000 sq ft, the market has seen the largest number of deals in a single quarter for over five years.

Take-up amounted to 55,500 sq ft in the city centre / Cardiff Bay and 24,700 sq ft in the out-of-town market, which overall was 31% below the ten year quarterly average. The key deals were in the public, health and social care sectors, with the largest in Cardiff Bay: 8,088 sq ft to Midatech at 1 Caspian Point. There were also three lettings circa 6,000 sq ft, two at One Canal Parade in the city centre to charity WCVA and the Welsh Local Government Association and one at Eastern Business Park to Victim Support.

Enquiries and viewings have increased since the summer, which is encouraging given that the return to the office messaging is more cautious in Wales. We are optimistic that there will be some larger transactions, as there are a handful of 20,000 sq ft plus requirements from existing Cardiff occupiers with forthcoming lease events.

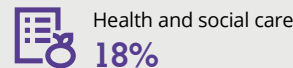
Although the vacancy rate remains relatively low at 5.6%, it has moved up from 4.2% since the beginning of the year. In addition, there is further space coming to the market next year with the completion of JR Smart's 109,000 sq ft office development at John Street, Callaghan Square. Groundworks are also underway at Rightacres' 60,000 sq ft Brewhouse, its latest development Central Quay, the former Brains brewery site.

Headline rents remain at £25 psf, with rent free periods at 18 months on a ten-year term.

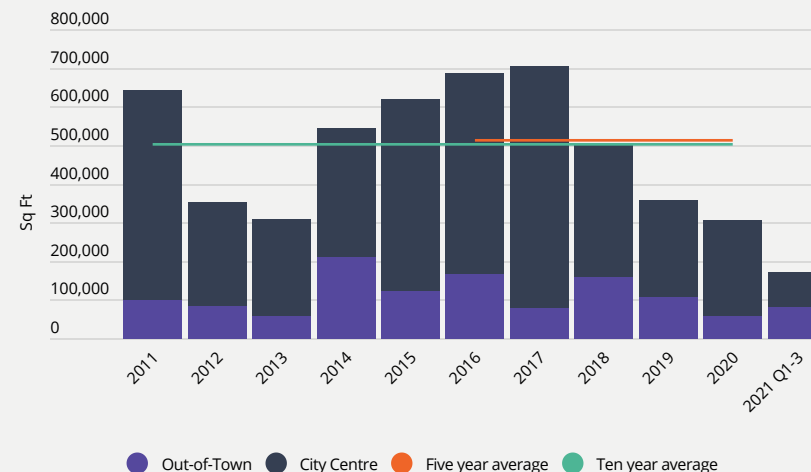
TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
1 Caspian Point	CC	8,088	Midatech
Building 3, Eastern Business Park	OOT	6,502	Victim Support
One Canal Parade	CC	6,248	Welsh Local Government Assoc.
One Canal Parade	CC	5,640	WCVA
Unit E Copse Walk, Cardiff Gate	OOT	4,812	GLJ Properties

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



TAKE-UP



Q3 TAKE-UP



City Centre
55,456 sq ft



Out-of-town
24,668 sq ft

HEADLINE RENT

City Centre
£25 per sq ft

Out-of-town
£15.50 per sq ft

UNDER CONSTRUCTION



227,000 sq ft
53%
prelet

PRIME YIELD

5.75%



Edinburgh

The Edinburgh office market has recorded a healthy level of take-up during Q3, with sentiment remaining upbeat into Q4. We expect to see several prime, city centre lettings and pre-lets announced before Christmas, which will put pressure on grade A stock levels, and we expect a new headline rent to be achieved in the city.

Q3 take-up amounted to 121,413 sq ft in the city centre and 26,220 sq ft out-of-town, 25% down on the ten-year average. The largest deal in the city centre was the letting of Elgin House (50,000 sq ft), to a confidential occupier. Out-of-town, the standout deal was Scottish Prison Service's 21,757 sq ft acquisition at 1 Lochside Avenue, Edinburgh Park – the largest out-of-town letting in two years.

Demand remains robust with significant interest in the two city centre office buildings under construction – 1 New Haymarket Square (110,000 sq ft) & 2 Freer Street (60,000 sq ft). We expect the majority of this accommodation will be pre-let before the end of the year, which will create an acute shortage of prime office space in the city centre. Ediston's mixed-use development 'New Town Quarter', which includes an 80,000 sq ft office, is the only other city centre development on site.

Occupiers continue to seek 'best in class' accommodation as their need to satisfy ESG requirements gain importance and also to help attract staff back to the office once Scottish Government restrictions are lifted. Landlords are therefore investing in upgrading their buildings with better amenity space, shower and bike facilities to retain existing and attract new occupiers. This is occurring across all grades of office stock and we are seeing rents rising as competition is strong for the right product.

There are a number of comprehensive refurbishments underway and pending, including 50,000 sq ft Excel House, Semple Street; and 80,000 sq ft 60 Morrison Street, which was acquired for redevelopment by Odysseus Capital last Quarter, both of which will have additional floors added. 24-25 St Andrew Square and 116 Clarendon House are also to be repurposed having recently become vacant.

With a time lag in the city centre development pipeline, we expect some of the pent-up demand will look towards West Edinburgh and fringe or out-of-town locations where good quality, grade A offices with large floorplates exist. Improved infrastructure, public transport connections and new mixed-use development with residential, amenity and leisure facilities is transforming some of these locations. In West Edinburgh in particular, a number of existing buildings are already being significantly repurposed to meet occupier needs such as CEG's recently completed refurbishment of 70,000 sq ft at Verdant, 2 Redheughs Rigg where there is already good demand in the office space.

TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
Elgin House	CC	50,000	Confidential
1 Lochside Avenue	OOT	21,757	Scottish Prison Service
Apex 2, 97 Haymarket Terrace	CC	7,833	Optical Express
2 Semple Street	CC	7,346	RSM
8 Melville Crescent	CC	5,467	Beer 52

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



Central government

28%



Financial services - other

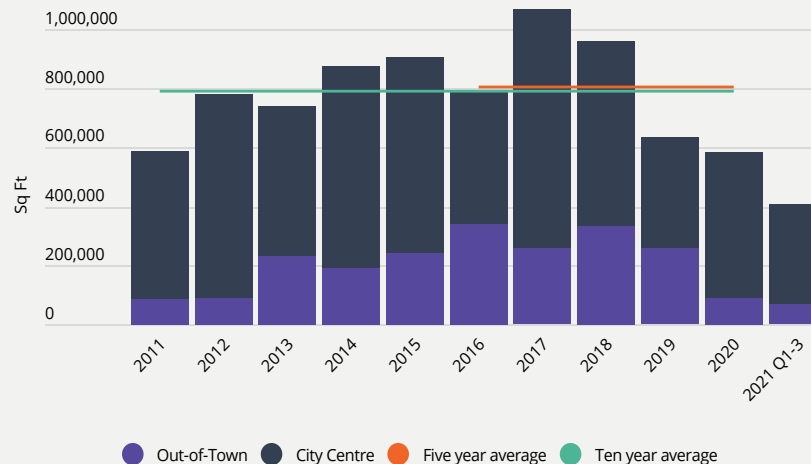
11%



Retail & leisure

10%

TAKE-UP



Q3 TAKE-UP



City Centre
121,413 sq ft



Out-of-town
26,220 sq ft

HEADLINE RENT

City Centre
£37.50 per sq ft

Out-of-town
£24 per sq ft

UNDER CONSTRUCTION



470,000 sq ft

60%
prelet

PRIME YIELD

4.75%



Glasgow

Throughout Q3 momentum has been building in the Glasgow office market, as occupiers reassess their office needs and the return to the office gathers pace. As such there is increased letting activity and exceptional take-up figures for Q3: 250,659 sq ft in the city centre and 131,960 sq ft out-of-town - 55% above the ten-year quarterly average.

The key deals of the quarter have all been agreed on new development space. The largest was a pre-letting to the Student Loans Company who secured 75,000 sq ft on the last building at Drum's transformational placemaking project on Glasgow's waterfront - Buchanan Wharf. The others were agreed at schemes that are about to complete. At 177 Bothwell St developer HFD has secured pre-lets to Aecom (19,028 sq ft) and CBRE (17,719 sq ft). Another landmark development 2 Atlantic Square also secured a recent 20,700 sq ft pre-let to Atkins and at Cadworks, Glasgow's most sustainable office building, the first tenant, TLT Solicitors, signed on the top floor.

These office developments will bring circa 200,000 sq ft of new Grade A available accommodation to the market. However, we expect this will be let quickly as there are over 500,000 sq ft of immediate requirements.

Another strong quarter in Q4 will bring 2021 activity close to the five-year average in both markets. Moreover, we expect this buoyant activity to continue for some time as many occupiers, who have pledged to reduce energy consumption and carbon emissions realise they cannot accomplish this in their existing office accommodation. With more space coming back to the market, typically older or more poorly specified offices will need comprehensive refurbishments and upgrades. We are seeing staff wellbeing, sustainability and technology emerging from the pandemic not as nice to haves but as essentials.

There is a lack of available grade A stock across both Glasgow markets, which may hold back some occupier relocations, however we are seeing this translate in some occupiers holding over and taking shorter term flex leases across the city.

TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
Building 6, Buchanan Wharf	CC	75,000	Student Loans Company
2 Central Quay, 89 Hydepark Street	OOT	30,997	American Night Productions Limited
Riverside Business Park, Braehead	OOT	27,999	Beeks Financial Cloud
2 Atlantic Square	CC	20,739	Atkins
177 Bothwell Street	CC	19,028	Aecom

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



Banks & building soc
19%

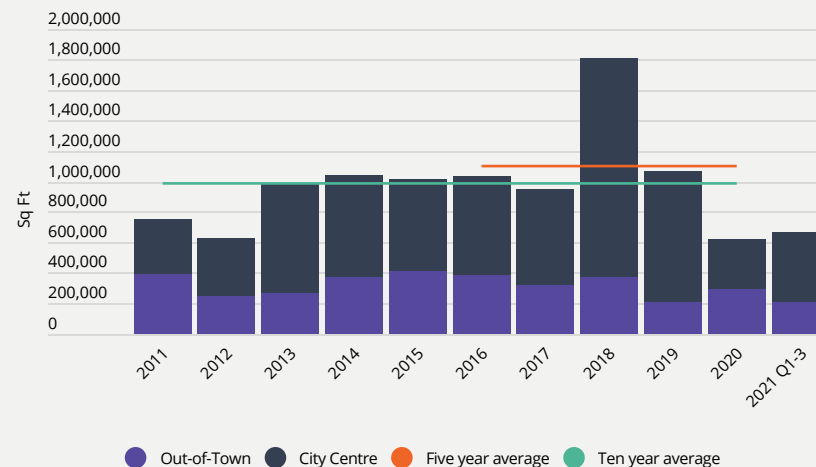


IT & software
9%



Property services
9%

TAKE-UP



Q3 TAKE-UP



City Centre
250,659 sq ft



Out-of-town
131,960 sq ft

HEADLINE RENT

City Centre £34.50 per sq ft
Out-of-town £16.50 per sq ft

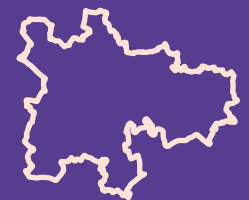
UNDER CONSTRUCTION



1,186,500 sq ft
79% prelet

PRIME YIELD

5%



Leeds

Leeds has seen the strongest office demand of the nine cities in 2021, when compared to average take-up. Another strong quarter in Q3 brings activity for the year to just shy of the annual ten-year average, dominated by transactions to financial, professional and business services.

City centre take-up amounted to 202,000 sq ft in Q3, made up of the largest number of deals in the market since the beginning of 2019. In the city centre, there was one stand-out deal of 68,345 sq ft to Labcorp at Drapers Yard and four deals over 10,000 sq ft to Highways England, IPF, Yorkshire Housing and Leeds City College. Looking forward, there are a healthy number of deals in the pipeline including demand from serviced office providers.

There has been an increase in city centre availability levels from 700,000 sq ft at the beginning of the year to 990,000 sq ft, although grade A supply continues to remain tight. In order to satisfy the increasing demand for quality space, there are some refurbishments underway, including 54,368 sq ft 12 King Street, 48,371 sq ft Whitehall Quay II and 25,000 sq ft at Taylor's Corner. In addition, the schemes under construction, 244,000 sq ft 11 and 12 Wellington Place and 37,800 sq ft Globe Point at Temple, will complete next year. 138,000 sq ft City Square House, which is 60% pre-let to DLA Piper is also under construction.

The out-of-town market is on course for its strongest year since at least 2013. Q3 activity of 128,000 sq ft, included 14,000 sq ft to flexible workspace provider Wizu at Lawnswood Business Park, as one of the main deals.

TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
Drapers Yard, Marshall Street	CC	68,345	Labcorp
26 Whitehall Road	CC	15,884	IPF
2 City Walk	CC	15,861	Highways England
Richmond House, Lawnswood Business Park	OOT	14,037	Wizu
7-25 Eastgate	CC	11,744	Leeds City College

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



Financial services - other
19%

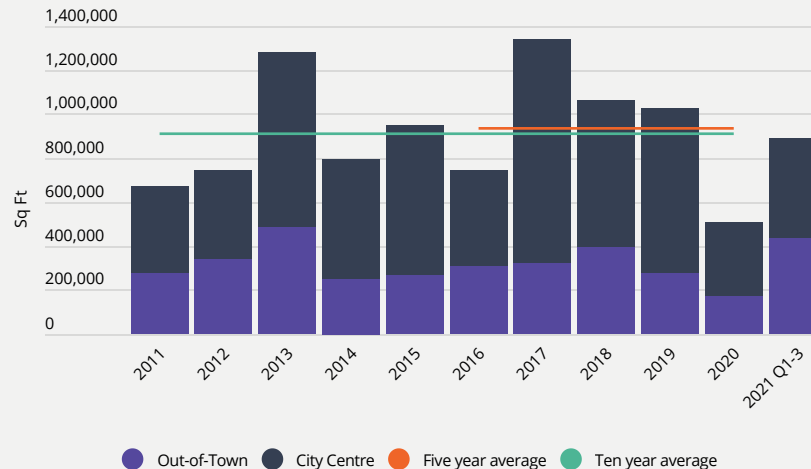


Legal services
13%



Science
10%

TAKE-UP



Q3 TAKE-UP



City Centre
202,543 sq ft



Out-of-town
128,125 sq ft

HEADLINE RENT

City Centre
£33 per sq ft

Out-of-town
£24.75 per sq ft

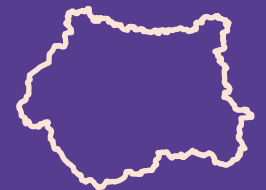
UNDER CONSTRUCTION



420,721 sq ft
20%
prelet

PRIME YIELD

5.25%



Liverpool

Both occupier demand and transactional activity in Liverpool are improving with take-up during Q3 reaching its highest level since the onset of Covid, at 65,133 sq ft in the city centre and 34,415 sq ft out-of-town.

Continuing from last quarter, transaction levels remain healthy for smaller deals in the sub 5,000 sq ft bracket, while some of the larger deals are taking longer to complete as occupiers continue to review their occupational requirements. The key deals of the quarter were the lettings of 11,186 sq ft to Alder Hey at Liverpool Innovation Park and 11,550 sq ft to Clatterbridge Cancer at The Spine.

There has been a significant increase in the number of enquiries and there are a number of active requirements in the market, which bodes well for Q4 and next year. These include DWP (40,000-60,000 sq ft), Firesprite (25,000-30,000 sq ft), LJMU (25,000-30,000 sq ft) and Reed (10,000 sq ft).

There has been very little construction activity in Liverpool over the past ten years, and this is reflected in the vacancy rate, which remains at a historically low level. The current rate of 5.1% has increased from a cyclical low of 3.7% last year but compares favourably to a high of 18.5% in 2014.

The Spine at Paddington Village (160,000 sq ft) has recently completed with approximately 70,000 sq ft available. On the Wirral, Peel's 25,000 sq ft speculative office development Hythe at Wirral Waters is due for completion in Q4 this year and Building A2 in Birkenhead Town Centre (58,000 sq ft) is scheduled for late 2022.

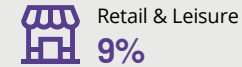
Otherwise, refurbishments will provide the quality stock sought by occupiers. The largest transaction during Q3 was the sale of 24 Norton Street which was formally occupied by Liverpool John Moores University to Norton Street Developments Ltd (29,382 sq ft), who are looking to comprehensively refurbish the building.

Headline rents remain at £22 psf in the city centre and £14 psf out-of-town.

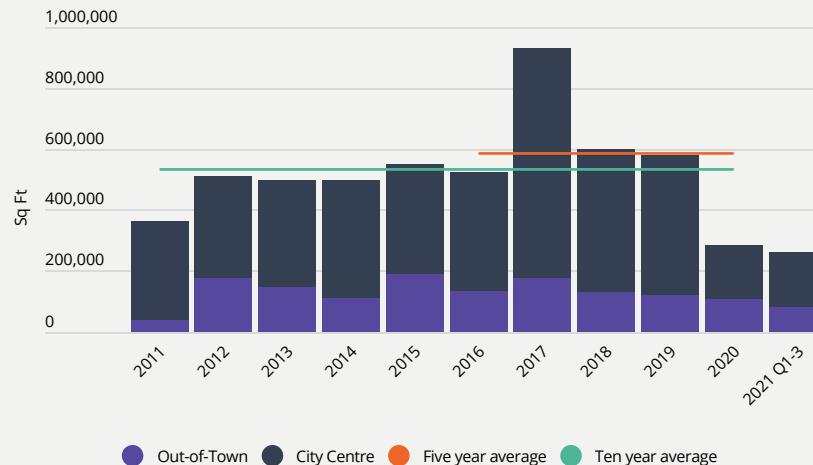
TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
The Spine	CC	11,550	Clatterbridge Cancer
Liverpool Innovation Park	OOT	11,186	Alder Hey
Atlantic Pavilion	CC	7,342	Avalanche Studios
Walker House	CC	6,301	Sedulo
Aviation House	OOT	5,686	Pinnacle Group

KEY SECTOR ACTIVITY: 2021



TAKE-UP



Q3 TAKE-UP



City Centre
65,133 sq ft



Out-of-town
34,415 sq ft

HEADLINE RENT

City Centre
£22 per sq ft

Out-of-town
£14 per sq ft

UNDER CONSTRUCTION



0 sq ft
0% prelet

PRIME YIELD

6%



Manchester

There has been another robust quarter of occupier activity across all Manchester office markets, similar to the past 12 months, although down on the heady levels pre-pandemic.

Q3 take-up amounted to 257,164 sq ft in the city centre and 176,266 sq ft out-of-town. This brings the total for the year to 1.2 million sq ft, 20% below the ten-year average for the same period but up by a third on 2020 demand.

Similar to other cities, there has been a healthy proportion of grade A take-up. The largest deal of the quarter was to Cloud Imperium taking 87,130 sq ft at Manchester Goods Yard and there were two lettings at Circle Square to Accenture (25,000 sq ft) and Ofcom (9,400 sq ft).

Overall, the sub 10,000 sq ft market continues to perform well but there has been a lack of mid-size deals this quarter, while larger transactions have been slow to progress. However, there are number of large deals in the pipeline, such as those under offer at Circle Square to Roku (100,000 sq ft), Uber (20-30,000sq ft) and Octopus Energy (20-30,000 sq ft). In addition, there are further known public and private sector requirements and increasing activity in the tech sector, to occupiers such as SG Gaming. Expectations are that year end city centre take-up will comfortably exceed 1 million sq ft.

With key schemes completing and space returning to the market, there is now a significant choice of space available to occupiers. The Manchester vacancy rate has increased to 11%, up from 6% at the end of 2019 but still some way off the cyclical high of 15% in 2013.

There are a number of speculative schemes completing this year including 102,000 sq ft at the Lincoln Building, 80,000 sq ft at 11 York Street and around 100,000 sq ft remaining at Circle Square. In addition, there is further space coming forward next year at Hermes' 198,000 sq ft 4 Angel Square.

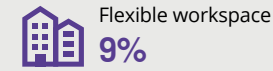
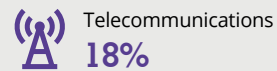
In the pipeline HBD and GMPVF have submitted plans for net zero carbon 100,000 sq ft The Island and progress continues on the repurposing of department stores to mixed use schemes, such as the former Kendal Milne / House of Fraser building and Debenhams.

Headline rents are holding up at £38.50 psf. With the increasing demand for managed workspace at the smaller end of the market, landlords are receiving a premium above these rents for providing an element of fit-out.

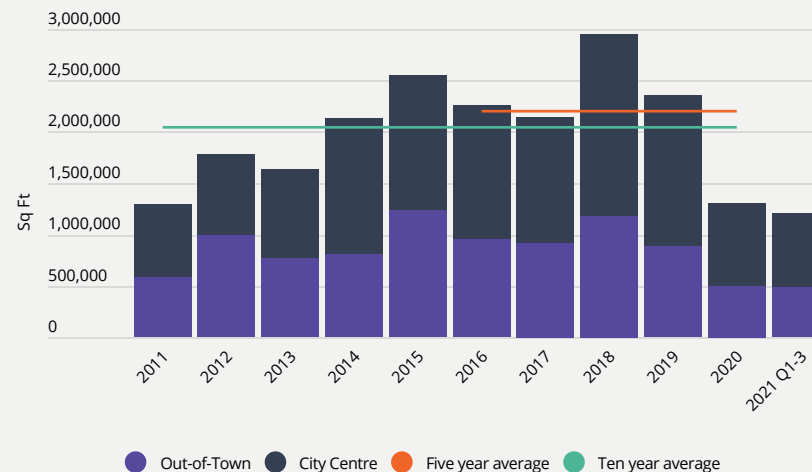
TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
Manchester Goods Yard	CC	87,130	Cloud Imperium
Circle Square	CC	25,000	Accenture
Maple House, M60 Business Park	OOT	23,500	In The Style
Waterside	OOT	12,238	Comlit Group
Egerton House	OOT	12,000	Circular 1 Health Limited

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



TAKE-UP



Q3 TAKE-UP



City Centre
257,164 sq ft



Out-of-town
176,266 sq ft

HEADLINE RENT

City Centre
£38.50 per sq ft

Out-of-town
£24 per sq ft

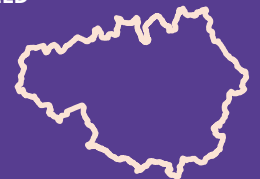
UNDER CONSTRUCTION



1,311,339 sq ft
46% prelet

PRIME YIELD

5%



Newcastle

The Newcastle office market has recorded its strongest quarterly take-up on record, following an exceptional letting to inward mover Just Eat. The online food delivery service has taken 217,339 sq ft at the former EE contact centre at Rainton Bridge.

The out-of-town market accounted for almost 90% of the 369,000 sq ft take-up total, which included four further deals over 10,000 sq ft. The largest occupier in the city centre was also an inward mover into the city, 13,334 sq ft to Debit Finance at Central Square South.

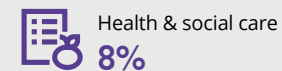
Sentiment remains positive with deals in the pipeline and a healthy level of enquiries, many of which were put on hold during the pandemic. Occupiers are returning and viewings are increasing, albeit many are looking for slightly less but better-quality space. A number of occupier moves are considering carbon commitments, which means new or refurbished space is in high demand.

Consequently, there continues to be considerable interest in the remaining four floors at the recently completed Lumen and The Spark, which is under construction. In addition, 120,000 sq ft Bank House on Pilgrim Street is fully available but not due to complete until Q1 2023. Headline rents remain at £26 psf, although asking rents are now at £27 psf.

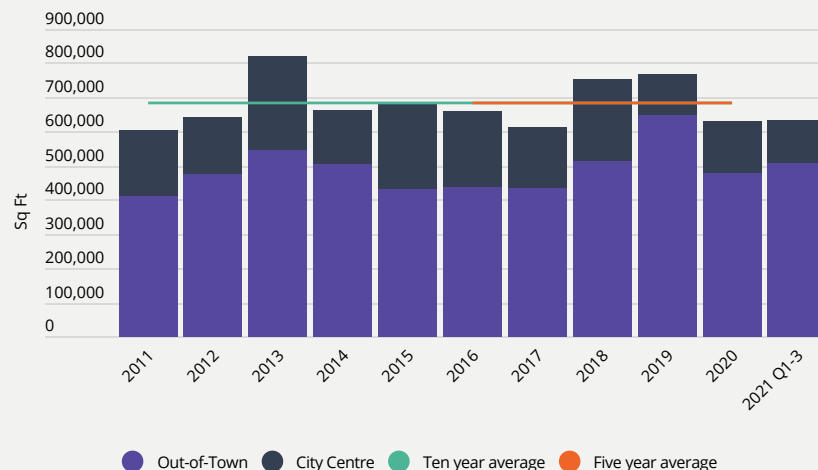
TOP FIVE DEALS Q3

Property	CC / OOT	Sq ft	Occupier
Rainton House, Rainton Bridge	OOT	217,339	Just Eat
Tenor House, Sunderland	OOT	27,000	Oak House Estate
Central Square South	CC	13,334	Debit Finance Collections
Q15, Quorum Park	OOT	10,450	National Utility Hub
Cedar House, Teeside	OOT	10,000	Lusso Stone

KEY SECTOR ACTIVITY: 12 MONTHS TO Q3 2021



TAKE-UP



Q3 TAKE-UP



City Centre
41,193 sq ft



Out-of-town
327,929 sq ft

HEADLINE RENT

City Centre
£26 per sq ft

Out-of-town
£16.95 per sq ft

UNDER CONSTRUCTION



297,000 sq ft
39% prelet

PRIME YIELD

6.25%



Should you wish to discuss any details within this update please get in touch

Charles Toogood

Principal and Managing Director,
National Offices Team

charles.toogood@avisonyoung.com
0121 609 8448

Mark Williams

Principal and Managing Director,
Regional Investment

mark.williams@avisonyoung.com
0161 956 4144

Giles Tebbitts

Associate Director, Research

giles.tebbitts@avisonyoung.com
020 7911 2670

Visit us online

avisonyoung.co.uk/research

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