



8 First Street, Manchester

RESEARCH

The Big Nine

Quarterly update of regional office activity

Q2 2021

AVISON
YOUNG



CHARLES TOOGOOD

Principal and Managing Director,
National Offices Team

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Occupier activity across the Big Nine office markets during Q2 has been consistent with the post-Covid level of the last 12 months. Take-up amounted to 1.56 million sq ft during Q2, 26% down on the ten-year average.

Occupier market in brief

PUBLIC SECTOR AND HEALTH OCCUPIERS BOOST OFFICE DEMAND

Occupier activity across the Big Nine office markets during Q2 has been consistent with the post-Covid level of the last 12 months. Take-up amounted to 1.56 million sq ft during Q2, 26% down on the ten-year average.

Enquiry levels and viewings picked up in April and May as successive restrictions were lifted but slowed again in June. This corresponded with the increase in caution surrounding the Delta variant and the Government choosing to maintain its guidance to work from home.

Activity was strongest in the city centres, which accounted for the highest level since Q1 2020 and 65% of all take-up at 1.02 million sq ft, with 542,500 sq ft transacted in the out-of-town markets. Activity in all cities was below average but both Birmingham and Edinburgh performed well compared to quarterly averages, while Leeds continued to see robust levels of activity, following an exceptional Q1 performance.

There was a notable divergence in take-up by sector this quarter compared to the five-year average (see chart). Amongst the most notable is the increase in health-related take-up and continuing from Q1, we are seeing a return to activity from flexible workspace operators. The TMT & creative sectors and public services are also showing a comparatively robust performance. Conversely professional and financial services, which usually contribute 35% of activity are well down at 21%, a sign of some firms delaying new leases and downsizing.

The regional office market continues to benefit from the commitment of the public sector. The levelling up agenda, the movement of government jobs from London to the regions, is gaining momentum. The GPA is in advanced discussions in respect of its first post-Covid regional hub transaction in Birmingham. Discussions are also taking place in other regional cities outside the Big Nine, as the Treasury is moving jobs to Darlington, and the Home office to Stoke-on-Trent.

The sub 5,000 sq ft market remains robust, where occupier decision making can be more agile amongst the current uncertainty, and where transaction numbers are back to 90% of pre-Covid levels. However, occupiers are deferring decisions on larger acquisitions, making them difficult to get over the line, with this evident in the proportion of larger transactions this quarter (see chart). Take-up is being driven by lease events but where there is no pressure on occupiers to commit and short-term renewals can be agreed, we are seeing decision making pushed back.

We expect the current level of activity to continue over the summer, and there is hope that the change in Government's guidance will bring greater clarity on a return to office. There continues to be a divergence of views on the extent to which workers will return to the office, ranging from the likes of Goldman Sachs advocating a complete return to the office to Nationwide and NatWest preferring rationalisation and fully flexible working policy. However, we continue to expect most companies to return to an office culture.

What we are already seeing is that there is likely to be a split across sector, work type and the need for employees to collaborate. Many companies still see uncertainty over employees' frequency of occupation and occupational densities, although the expectation is that space per employee will increase as wellbeing, collaboration and the need to attract talent gain higher priority.

On the supply side, availability across the Big Nine amounts to 11.1 million sq ft and has increased steadily since its cyclical low in Q1 2020. We expect this upward trajectory to continue in the short term, albeit at an increasingly slow rate but coming from a low base means it is still 40% below the high it reached following the GFC in 2013.

There is currently 5.3 million sq ft of space under construction, 55% of which remains available. In addition, we are seeing a number of plans progressing for the repurposing of large city centre department stores to mixed use schemes, with a large element of new office space, such as the former House of Fraser stores in both Manchester and Birmingham.

Headline rents and inducements have remained constant this year, which is a factor of this limited supply of quality stock. Average regional office rents have also shown resilience according to the MSCI monthly index, which has increased 0.2% since the beginning of the year.

TOTAL TAKE-UP IN Q2

1,557,579 sq ft

▼ **26%**

DOWN ON THE 10 YEAR QUARTERLY AVERAGE



City Centre

1,015,023 sq ft



Out-of-town

542,556 sq ft

UNDER CONSTRUCTION

5.3 million sq ft

SKEWED TOWARDS



MANCHESTER

24%



GLASGOW

22%



BIRMINGHAM

14%

HEADLINE RENTS AVERAGE

£32.39 psf

Across all nine cities

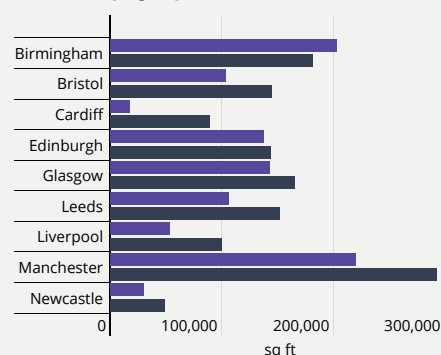
Occupier data

City Centre

TOTAL TAKE UP IN Q2

1,015,023 sq ft ▼ **23%** compared to the ten year quarterly average

TAKE UP (SQ FT)



● Q2 2021 ● 10 year quarterly average

TOP FIVE DEALS

City	Property	Occupier	Sq ft
Bristol	Bridgewater House	BBC Studios	60,251
Birmingham	Mailbox	IWG	50,000
Leeds	St George House	Global Banking School	41,097
Birmingham	Broadway, Broad Street	Binding Site	36,038
Glasgow	200 Renfield Street	Instant Managed Offices Ltd	35,787

HEADLINE RENTS (£PSF)

Location	Rent (£) Q2 2021	Rent free (mths on 10 yr term)	Net effective rent*(£)	Net effective rent (£) Q2 2020
Edinburgh	37.00	15.00	33.30	33.30
Bristol	38.50	21.00	32.73	31.06
Manchester	38.50	26.00	31.12	30.11
Glasgow	34.50	15.00	31.05	31.05
Birmingham	37.00	24.00	30.53	28.46
Leeds	33.00	24.00	27.23	26.40
Newcastle	26.00	18.00	22.75	22.75
Cardiff	25.00	18.00	21.88	21.88
Liverpool	22.00	27.00	17.60	17.74
Average	32.39	20.89	27.57	26.97

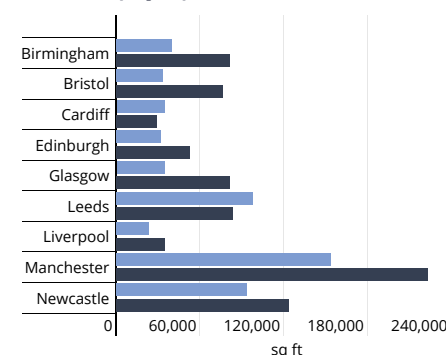
*including rent free period less three month fit-out.

Out-of-town

TOTAL TAKE UP IN Q2

542,556 sq ft ▼ **31%** compared to the ten year quarterly average

TAKE UP (SQ FT)



● Q2 2021 ● 10 year quarterly average

TOP FIVE DEALS

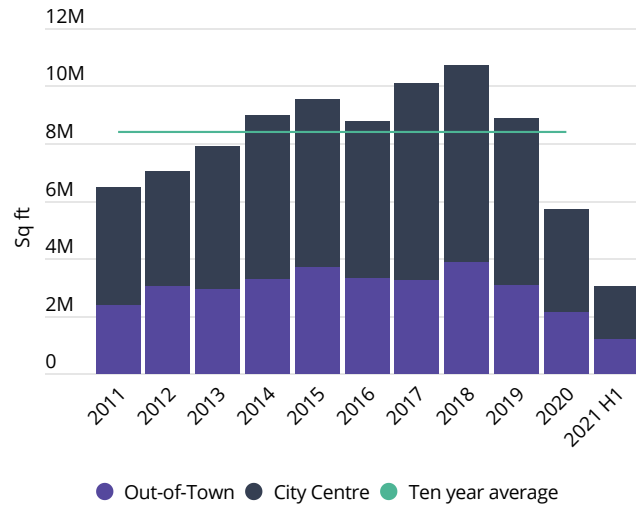
City	Property	Occupier	Sq ft
Manchester	Pacific House, Atlas Business Park	Mitie	33,567
Manchester	The Vic	Tech Mahindra	16,220
Leeds	Anglia House, Holly Park Mills, Calverley	Pure Technology	14,154
Cardiff	Fountain House, St Mellons	GenMed Limited	12,266
Leeds	Apsom House, Colton Mill Office Park	First Locate UK Limited	12,100

HEADLINE RENTS (£PSF)

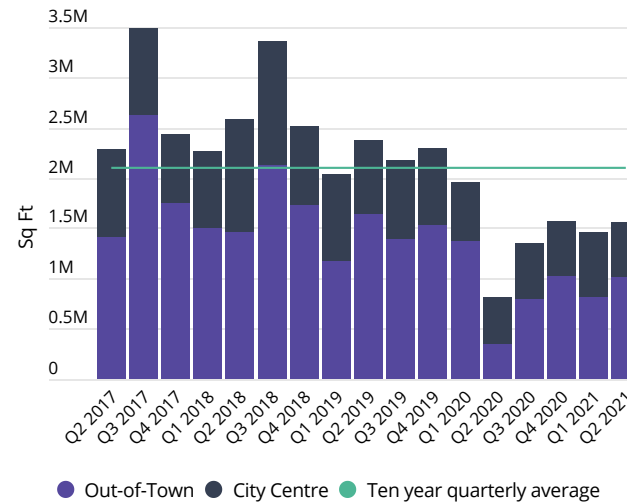
Location	Rent (£psf) Q2 2021	Rent (£psf) Q2 2020
Birmingham	26.00	26.00
Leeds	24.75	24.75
Manchester	24.00	24.00
Edinburgh	24.00	22.00
Bristol	23.50	23.50
Newcastle	16.95	16.95
Glasgow	16.50	16.50
Cardiff	15.50	15.00
Liverpool	14.00	14.00
Average	20.58	20.30

Occupier charts

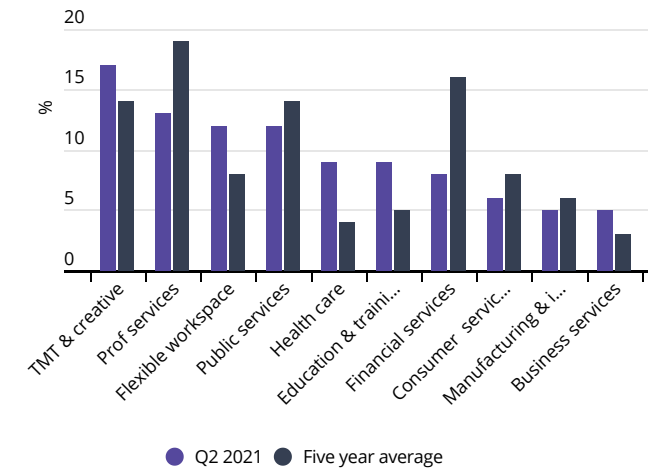
ANNUAL TAKE UP



QUARTERLY TAKE-UP



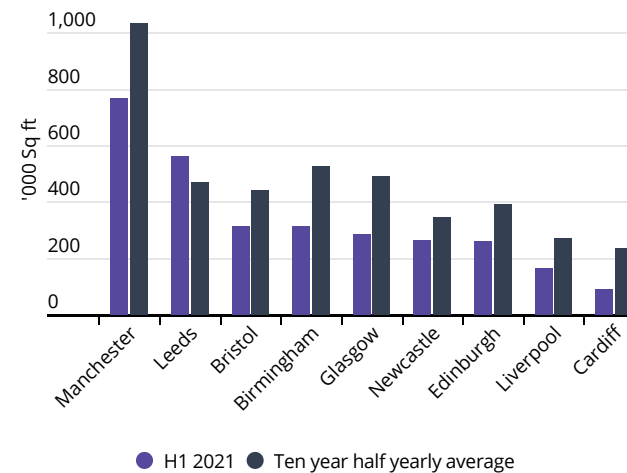
TAKE-UP BY KEY SECTORS



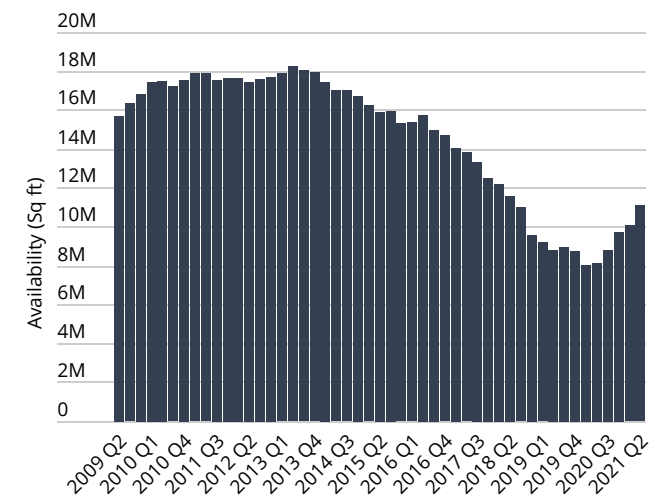
HEADLINE RENTS



CC AND OOT TAKE-UP



BIG NINE CITY CENTRE AVAILABILITY





MARK WILLIAMS

Principal and Managing Director,
Regional Investment

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Investment volumes are holding up well across the Big Nine cities. Total investment volumes during Q2 amounted to £628 million, 8% up on the ten-year average of £584 million.

Investment market in brief

LARGE INVESTMENT TRANSACTIONS DRIVEN BY OVERSEAS BUYERS

Investment volumes are holding up well across the Big Nine cities. Total investment volumes during Q2 amounted to £628 million, 8% up on the ten-year average of £584 million. This brings volumes for the past 12 months to £2.3 billion, which is in line with the ten-year average.

Q2 included the sale of Blythe Valley Business Park for £170 million (with the office element estimated at £130 million), one of the largest transactions of the past two years. It was bought by Singaporean investors Frasers Property Ltd, recent purchasers of several business parks.

There were a handful of deals at circa £80 million including The Headrow, Broad Gate in Leeds; 8 First Street in Manchester and New Ueberior House in Edinburgh. There were two further deals over £50 million in Manchester at New Victoria and Windmill Green. As a result, Manchester led investment volumes for the quarter, followed by Birmingham, thanks to the Blythe Valley deal. These two cities have also seen the most activity for the last 12 months, accounting for £572 million and £430 million respectively, followed by Bristol (£390 million), Edinburgh (£291 million) and Leeds (£260 million).

Overseas investors and UK property companies were the most active at the larger end of the market during Q2 and accounted for 59% and 32% of volumes respectively. This is the continuation of a trend over the past 12 months, with very little institutional investment since Covid.

While the number of transactions has fallen by about a third over the past 15 months, there remains an enormous amount of active domestic and global capital waiting to be deployed in commercial real estate. However, given the uncertainty of the last year there continues to be a mismatch between vendor and buyer expectations, which means deals are taking longer to complete.

There continue to be very few forced sellers of offices, like there was during the GFC and therefore little repricing of assets. Yields for prime stock continue to remain relatively stable across the Big Nine, at an average of 5.36%, which compares to 5.33% 12 months ago. According to the MSCI monthly index, average equivalent yields for all regional offices have softened slightly over the same time period, at 7.69% in June, compared to 7.46% in December and 7.29% 12 months ago.

Q3 activity has started well with 320,000-sq ft 3-4 Piccadilly Place in Manchester under offer for £142.5 million to Longmead Capital at a yield of 6.35%. As occupiers and investors continue to favour grade A buildings, we expect the yield gap between prime and secondary property to increase, particularly as the appetite for quality buildings is being constrained by a lack of stock. Also, prime, well located space that is adaptable to change of use is sought after.

TOTAL FOR Q2

£628 million

▲ 8%

UP ON THE 10 YEAR QUARTERLY AVERAGE

VOLUMES BY CITY



VOLUMES BY INVESTOR TYPE



PRIME YIELD

4.75%

PREVIOUS PEAK (2007)

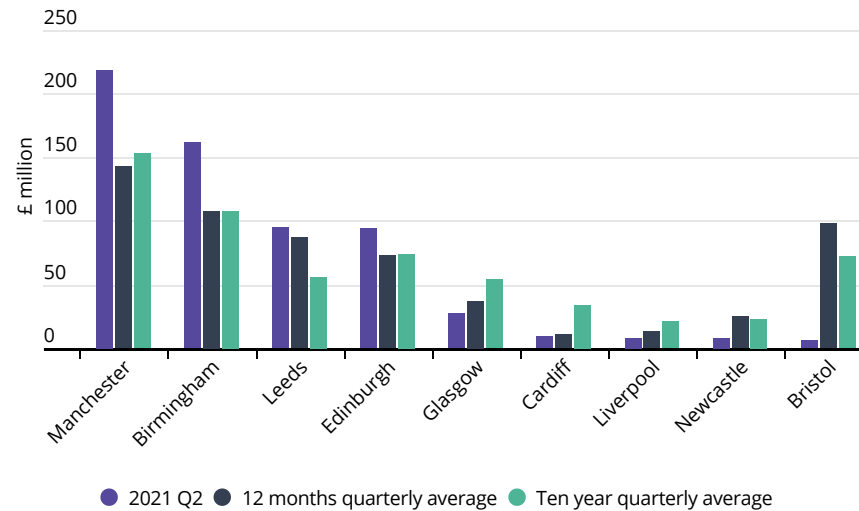
4.50%

Investment data

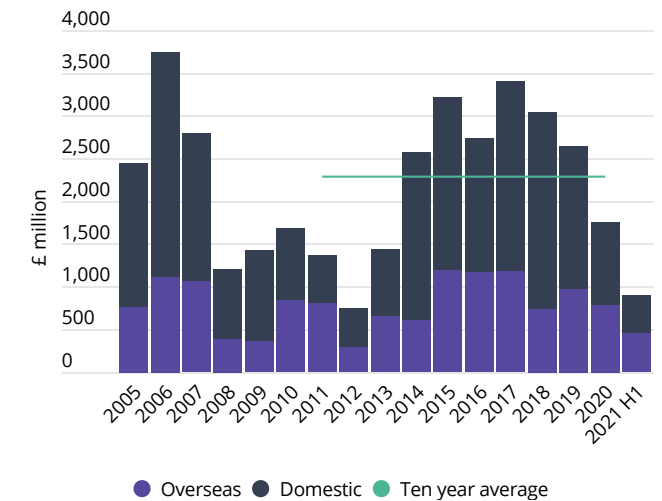
TOTAL INVESTMENT VOLUMES



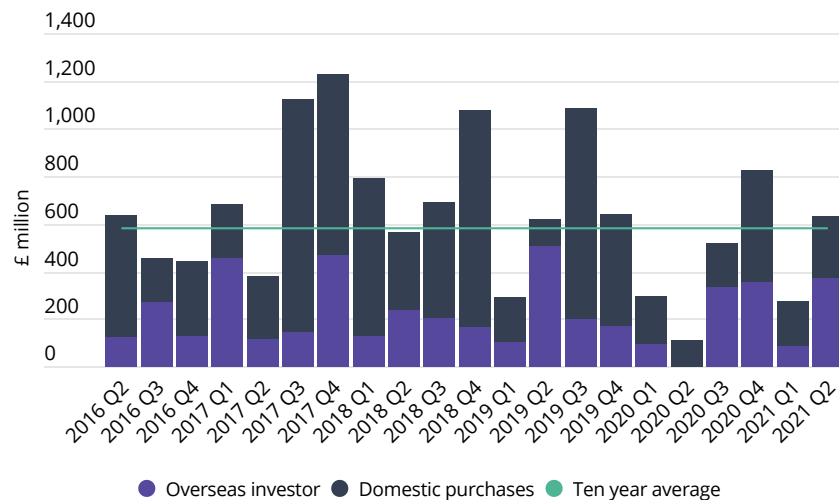
INVESTMENT VOLUMES BY CITY



ANNUAL INVESTMENT VOLUMES



INVESTMENT VOLUMES BY QUARTER



TOP FIVE DEALS - Q2 2021

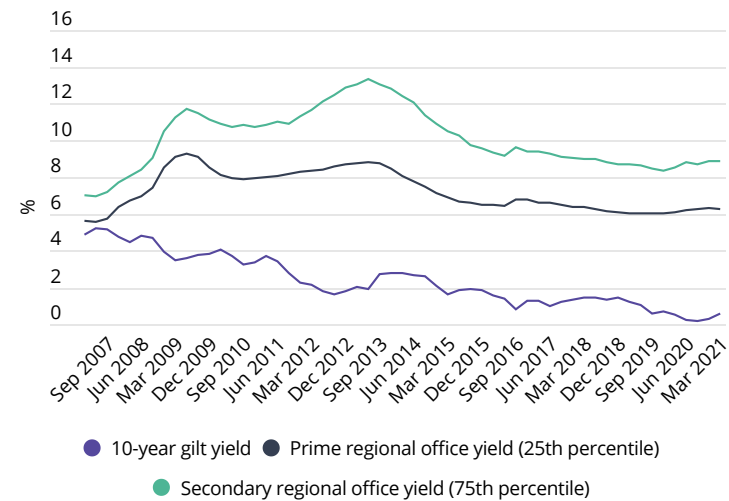
Date	Property	City	Purchaser	Vendor	Price (£m)	NIY (%)
Jun-21	Blythe Valley Park	Birmingham	Fraser's Property Ltd	IM Properties Plc	130	6.09
Apr-21	Broad Gate, Headrow	Leeds	Revcap	Northwood Investors	85	7.00
Apr-21	First Street, 8	Manchester	Ashtrom Properties UK	PATRIZIA Immobilien AG, GMPVF	82	5.65
May-21	New Uberior House	Edinburgh	Union Investment	MAS Real Estate, Roebuck Asset Mngmt	79	N/A
Jun-21	New Victoria (phase 2)	Manchester	Morgan Capital	Muse Developments Ltd	60	N/A

Investment data

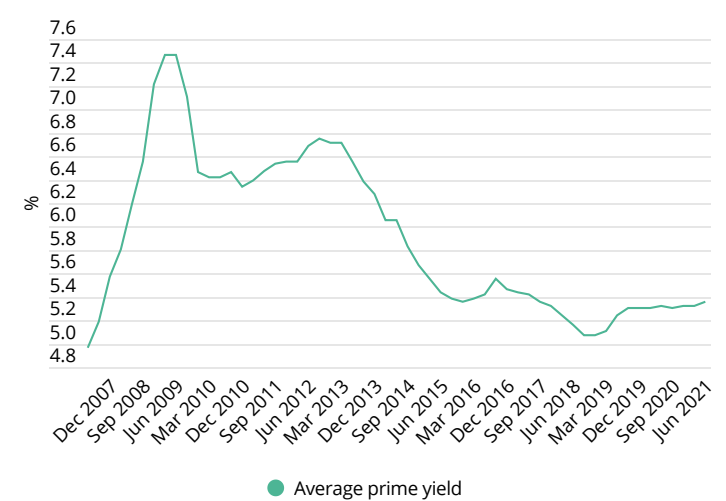
PRIME CITY CENTRE YIELDS

Location	Q2 2021	Q1 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	6.50	6.25	5.25

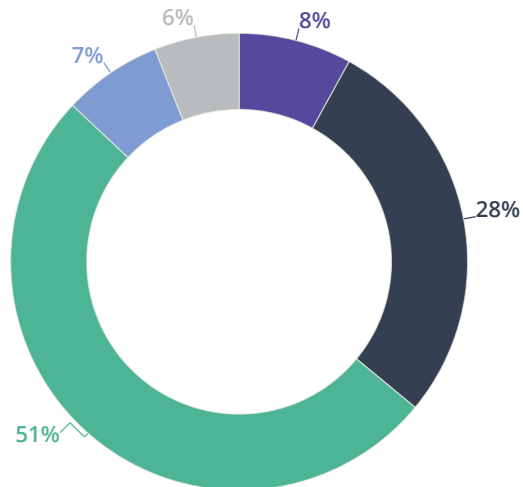
REGIONAL OFFICE YIELDS VS 10 YEAR GILTS



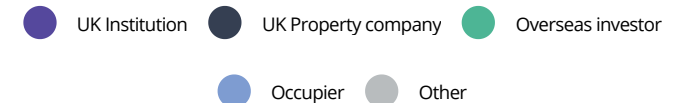
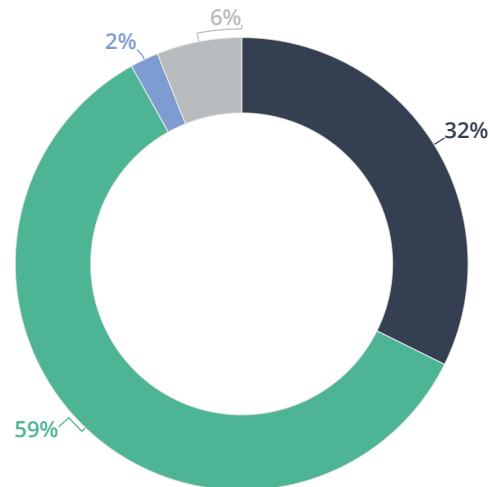
AVERAGE PRIME YIELD



INVESTOR VOLUMES BY PURCHASER TYPE:
12 MONTHS TO Q2 2021



INVESTOR VOLUMES BY PURCHASER TYPE:
Q2 2021



Birmingham

Take-up activity in Birmingham city centre amounted to 203,499 sq ft during Q2, 12% above the ten-year average and the strongest activity post Covid, which included a number of medium sized transactions.

The largest deal this quarter was IWG Spaces committing to 50,000 sq ft at M7's Mailbox on a management agreement basis. Given occupiers' desire for greater flexibility, enquiries and viewing activity from flexible workspace providers has increased in recent months and having been severely affected by Covid, this is the first significant flexible workspace deal since 2019.

Among the deals were 36,038 sq ft to medical research firm the Binding Site on Broad Street and three lettings to the public sector: 28,267 sq ft to Commonwealth Games, 17,885 sq ft to the British Transport Police Authority and 10,161 sq ft to the Office of the Public Guardian.

Over the next 12 months, there are some large and notable inward investor occupiers that will commit to Birmingham: The Government will shortly announce its preferred location for a 200,000 sq ft third hub, which will be occupied by 2025. Goldman Sachs is also looking at its preferred location for 50,000 sq ft of premium space but in the meantime has agreed to take 7,000 sq ft on a short-term basis at WeWork's 55 Colmore Row.


In terms of development opportunities, two UK institutions have brought refurbishment schemes to the market. Aviva is selling a major 170,000 sq ft refurbishment opportunity at Colmore Gate and Legal and General are reviewing a short list of purchasers for House of Fraser, for a mixed-use strategic office-led redevelopment opportunity, with possible residential and hotel use.


Overall availability remains historically low, increasing by 12% from its cyclical low level a year ago. Grade A supply will increase this year as two schemes are due to complete: 228,000 sq ft 103 Colmore Row, where 198,000 sq ft is available and 110,000 sq ft STEAMhouse is pre-let to Birmingham City University with 32,000 sq ft available for corporate occupiers. In addition, the speculative 280,000 sq ft 1 Centenary Way, Paradise and CBREGi's major refurbishment of 8/10 Brindleyplace (213,000 sq ft) are due for completion towards the end of 2022.


TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
Mailbox	CC	50,000	IWG
Broadway, Broad Street	CC	36,038	Binding Site
6 Brindleyplace	CC	28,267	Commonwealth Games
Baskerville House	CC	17,885	British Transport Police Authority
2620 Kings Court, Birmingham Business Park	OOT	11,701	Rivus

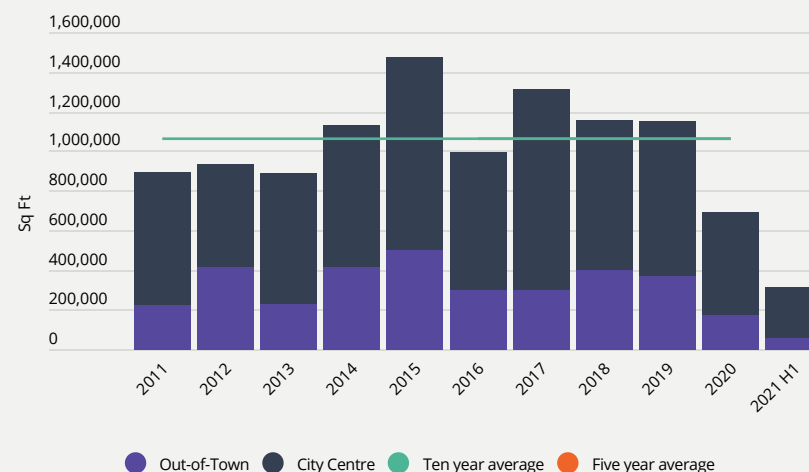
KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021

 Central government
19%

 Flexible workspace
15%

 Retail & Leisure
14%

TAKE-UP



Q2 TAKE-UP



City Centre
203,499 sq ft



Out-of-town
39,970 sq ft

HEADLINE RENT

City Centre
£37 per sq ft

Out-of-town
£26 per sq ft

UNDER CONSTRUCTION



753,000 sq ft
0% prelet

PRIME YIELD

5%



Bristol

The BBC has headlined office activity in Bristol city centre by taking 60,251 sq ft at Bridgewater House, Finzels Reach - recently vacated by EDF. This was by far the largest deal of the quarter as take-up amounted to 103,498 sq ft in the city centre and 33,259 sq ft out-of-town, 28% and 19% below respective ten-year averages, but positive in the light of the ongoing pandemic and high levels of working from home.

Aside from the BBC deal there were a handful of transactions around 5,000 sq ft, which included lettings to surveyors Hartnell Taylor Cook and recruitment consultant Sanderson in the city centre and Countryside Properties Limited at Harlequin Business Park.

Enquiries and viewings picked up early in the quarter to the highest level for a year, but take-up activity was tempered by the guidance to work from home up until the 19th July. We do expect to see an improvement in the depth of deals with the lifting of the formal work from home advice, although we anticipate a phased return. However, we are also observing a number of professional services firms favouring hybrid working and downsizing their space requirements, with banks and lawyers most notable.

As a result, availability is on an upward trajectory since its cyclical low at the end of 2019, although it remains less than half the 2012 high, meaning Bristol remains well placed to bounce back following the end of lockdown restrictions. New supply coming through includes One Portwall Square and Halo at Finzels Reach, both of which will complete later this year. Completing in 2022 and 2023 are CEG's 184,000 sq ft EQ development and the next phase of Assembly 120,000 sq ft Assembly B&C, Temple Way, which is now on site.

The market received a further boost with the recent announcement that Legal & General have agreed terms with Bristol City Council to invest £350 million in a major mixed-use development at Bristol Temple Island, and a public consultation is expected soon on the scheme that will include a conference centre, hotel, 550 new homes and two grade A office buildings.

TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
Bridgewater House	CC	60,251	BBC Studios
Nightingale House	CC	5,970	Hartnell Taylor Cook
H2 Harlequin Office Park	OOT	5,541	Countryside Properties UK Limited
Building 340, Bristol Business Park	OOT	5,229	Pearson Professional
Clifton Down House	CC	4,987	Sanderson

KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021



Engineering consultancy
30%

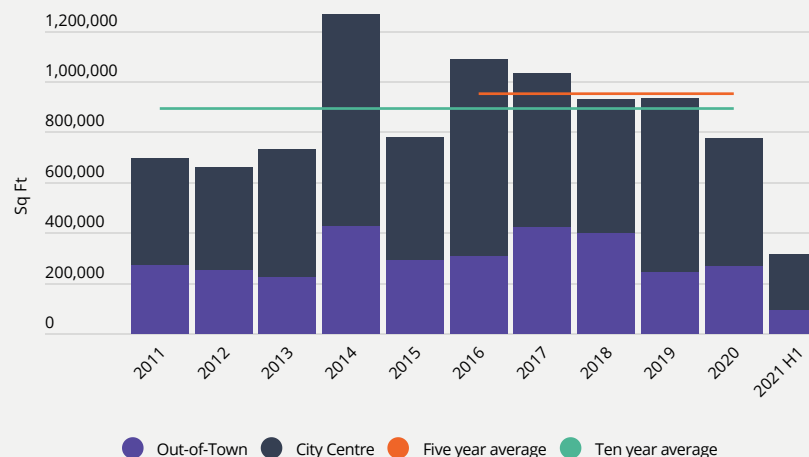


Media
12%



Legal services
8%

TAKE-UP



Q2 TAKE-UP



City Centre
103,498 sq ft



Out-of-town
33,259 sq ft

HEADLINE RENT

City Centre
£38.50 per sq ft

Out-of-town
£23.50 per sq ft

UNDER CONSTRUCTION



648,000 sq ft
44% prelet

PRIME YIELD

5%



Cardiff

There was over 130,000 sq ft of new enquiries in the Cardiff office market during June, predominantly agent led, which is the highest monthly level since Covid started. However, they have yet to translate into take-up, which continued at a subdued level during Q2.

Take-up totalled 52,000 sq ft, 17,582 sq ft in the city centre and 34,433 sq ft out-of-town. For the second quarter in succession, the out-of-town market has outperformed the city centre, where all deals greater than 5,000 sq ft occurred.

The key office transactions were in the healthcare sector in St Mellons - 12,266 sq ft to GenMed Limited at Fountain House and 6,651 sq ft to Ludlow Street Healthcare at St Mellons Business Park, where Shaw Healthcare also took 5,780 sq ft at the beginning of the year.

City centre availability has significantly increased over the past 12 months from 550,000 sq ft in June 2020 to 825,000 sq ft in 2021, with a number of companies releasing 'grey space' back to the market. However, it is still at a relatively low level historically. There will be 109,000 sq ft of new space coming forward next year when JR Smart completes the John Street office development. We also expect Rightacres to start on site this year on the 60,000 sq ft Brewhouse at 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 Q2

Property	CC / OOT	Sq ft	Occupier
Fountain House, St Mellons	OOT	12,266	GenMed Limited
11 & 12 Neptune Court	OOT	8,388	Confidential
Castleton Court, St Mellons Business Park	OOT	6,651	Ludlow Street Healthcare
2 Caspian Point	CC	3,258	Dept of Foreign Affairs Ireland
5 Callaghan Square	CC	3,240	Confidential

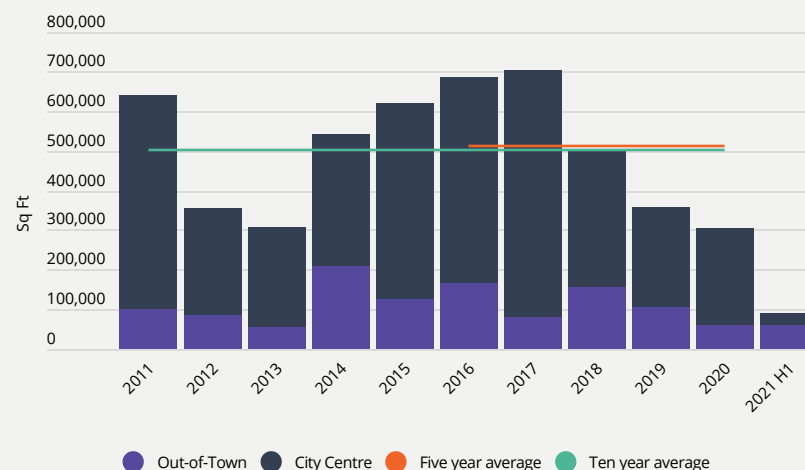
KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021

 Insurance
60%

 Health and social care
12%

 Central government
10%

TAKE-UP



Q2 TAKE-UP



City Centre
17,582 sq ft



Out-of-town
34,433 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

Edinburgh has seen a healthy level of activity during Q2 which is particularly focussed on the city centre. City wide office take-up totalled 153,992 sq ft with 137,705 sq ft recorded in the city centre. This is only marginally down on the ten-year average by 4% and the largest number of deals since Q4 2018. The out-of-town market saw 32,131 sq ft of take-up.

The largest deal of the quarter was an assignment to financial services company FNZ of 20 West Register Street from Baillie Gifford, who originally pre-leased the building. FNZ will occupy 28,974 sq ft, with the remaining 28,728 sq ft sub-let over 3 floors to Scottish Ministers. The public sector has been the most active sector this year following these two deals, 11,353 sq ft to the Nursing and Midwifery Council at 10 George Street and a further 10,414 sq ft deal to Scottish Ministers in Q1.

Similar to other cities there was an increase in enquiries and viewings during the quarter, as well as a number of pre-let discussions - a clear indication that occupiers are now focussing on their return to office strategies.

Availability in the city centre has been increasing since its cyclical low two years ago but remains less than half the level recorded in the aftermath of the GFC. Broadly this is a reflection of new stock entering the market rather than occupiers releasing surplus accommodation. In terms of new space coming forward, Capital Square (54,000 sq ft available) completed in Q2 and 2 Freer Street (60,000 sq ft) has nearly completed.

We understand there is strong interest in M&G and QMile Group's 110,000 sq ft speculative development at Haymarket Square, due for completion next year. Ediston's mixed-use development 'New Town Quarter' is also now on site and includes 80,000 sq ft of office space.

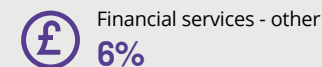
The out-of-town market is starting to see more activity following a lacklustre 12 months and is expected to see an improvement in requirements later in the year, given the lack of availability in the city centre. Among the largest deals this quarter were 9,219 sq ft to Business Stream at 7 Lochside view, and two lettings at Orchard Brae House on the periphery of the city centre to Innis & Gunn and MBM Commercial.

In West Edinburgh, as space has returned to the market, developers have had the opportunity to refurbish stock. CEG's, comprehensive refurbishment of Verdant, 2 Redheughs Rigg in South Gyle completed in Q2 and provides circa 70,000 sq ft of available accommodation. Shelborn Asset Management' also completed the acquisition of Drummond House (243,000 sq ft) and Younger Building (90,000 sq ft) for redevelopment.

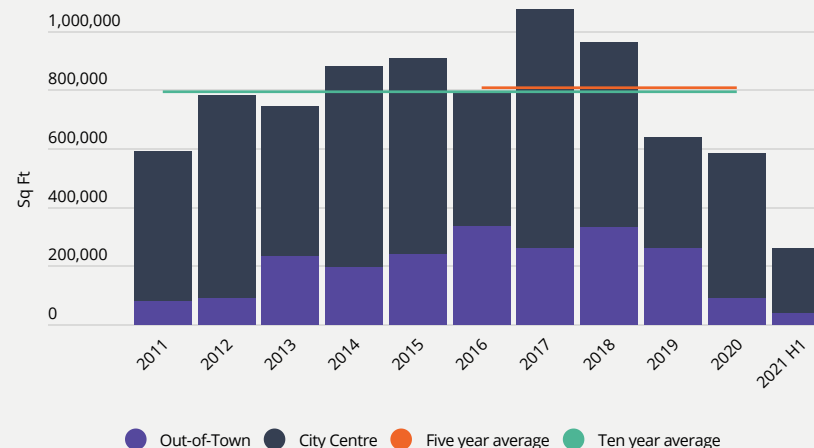
TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
20 West Register Street	CC	28,974	FNZ
20 West Register Street	CC	18,314	Scottish Ministers
10 George Street	CC	11,353	Nursing and Midwifery Council
20 West Register Street	CC	10,414	Scottish Ministers
7 Lochside View	OOT	9,219	Business Stream

KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021



TAKE-UP



Q2 TAKE-UP



City Centre
137,705 sq ft



Out-of-town
32,131 sq ft

HEADLINE RENT

City Centre
£37 per sq ft

Out-of-town
£24 per sq ft

UNDER CONSTRUCTION



470,000 sq ft
60% prelet

PRIME YIELD

4.75%



Glasgow

Office occupiers are on the move in Glasgow. While there is still uncertainty over space requirements, businesses are having to make decisions and activity has increased during Q2. The city centre recorded the highest level of take-up since Q1 2020, which amounted to 142,821 sq ft, 13% down on the ten-year average, and a handful of notable deals are expected to complete during Q3.

A number of lettings have been agreed on developments due to complete this year. At 177 Bothwell Street BNP Paribas has taken the 20,700 sq ft first floor at a headline rent of £34.50 psf and there is strong interest in the remaining space. Elsewhere, the top floor of Cadworks (10,000 sq ft) is under offer and Atkins is under offer on 20,000 sq ft at 2 Atlantic Square. Both these deals will fall into Q3.

Flexible workspace deals are returning to the regional markets and accounted for the largest deal of the quarter in Glasgow: 35,787 sq ft to Instant Managed Offices Ltd c/o DWP at 200 Renfield Street. With companies looking for greater flexibility in their leases, some are also looking for less space, such as DWF Solicitors, which has recently downsized from 18,500 sq ft at 110 Queen Street to 8,800 sq ft at the recently refurbished Sentinel. Meanwhile, NatWest Group has taken an assignment of DWF's former space at 110 Queen Street.

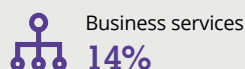
There remains a healthy level of new requirements. The Cabinet Office is looking for between 20,000 sq ft and 40,000 sq ft, engineering company Aecom have a requirement for 25,000 sq ft and power supplier Aggreko is looking for 15,000 sq ft. In addition, there are a number of sub-10,000 sq ft requirements looking to progress for which there is a growing amount of newly refurbished stock coming on stream, including 80,000 sq ft at 200 Broomielaw, 70,000 sq ft at 6 Atlantic Quay and the recently completed 85,000 sq ft at 55 Douglas Street.

Grade A space within the city remains at a premium with only 6,500 sq ft currently on the market but just over 200,000 sq ft of speculative space will soon complete, which includes 84,500 sq ft at Cadworks, 77,000 sq ft at 2 Atlantic Square and the remaining floors at 177 Bothwell Street. With no further new build stock in the pipeline, refurbishment space will satisfy further requirements looking for quality space.

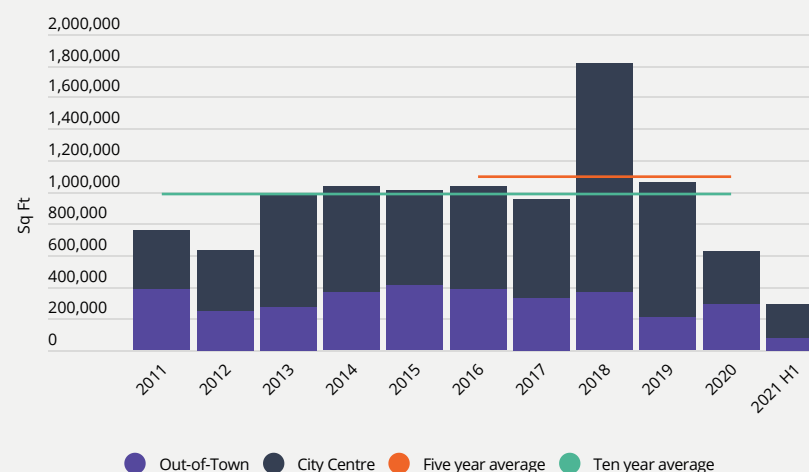
TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
200 Renfield Street	CC	35,787	Instant Managed Offices Ltd
Ciytpoint 2, Tyndrum Street	CC	30,734	Gap Group
177 Bothwell Street	CC	20,676	BNP
110 Queen Street	CC	18,544	National Westminster Bank Plc
Sentinel	CC	8,844	DWF

KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021



TAKE-UP



Q2 TAKE-UP



City Centre
142,821 sq ft



Out-of-town
34,497 sq ft

HEADLINE RENT

City Centre
£34.50 per sq ft

Out-of-town
£16.50 per sq ft

UNDER CONSTRUCTION



1,181,500 sq ft
79% prelet

PRIME YIELD

5%



Leeds

Take-up in the Leeds office market totalled more than 563,000 sq ft during the first half of 2021, 25% up on the H1 average, and surpassing the 2020 figure at the half year stage. Following the exceptional activity during Q1, Q2 take-up totalled 204,184 sq ft, 13% below the ten year quarterly average.

City centre take-up amounted to 106,150 sq ft and was dominated by a 41,000 sq ft letting to the Global Banking School at St George House on a 15-year lease. Elsewhere a confidential occupier took 18,000 sq ft at Prospect House, 23 Sovereign Street and there were a handful of circa 5-7,000 sq ft lettings, including two at The Pinnacle.

City centre availability has increased to 855,000 sq ft, up from its cyclical low at the end of 2020 but is still 50% below the peak in 2016. However, grade A availability remains very low and is indicative of the lack of transactions for prime space during the quarter. There are no developments due to finish this year to add to quality supply but 244,000 sq ft 11 and 12 Wellington Place and 37,800 sq ft Globe Point at Temple will complete in 2022.

The out-of-town market performed the strongest when set against the ten-year average and there was a greater depth to the number of deals, totalling 36. These were led by 14,154 sq ft to Pure Technology at Holly Park Mills, Calverley and 12,100 sq ft to First Locate UK Limited at Apson House, Colton Mill Office Park.

TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
St George House	CC	41,097	Global Banking School
Prospect House, 23 Sovereign Street	CC	18,000	Confidential
Anglia House, Holly Park Mills, Calverley	OOT	14,154	Pure Technology
Apson House, Colton Mill Office Park	OOT	12,100	First Locate UK Ltd
1 East Parade	CC	7,440	Q Parks

KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021



Financial services - other
22%

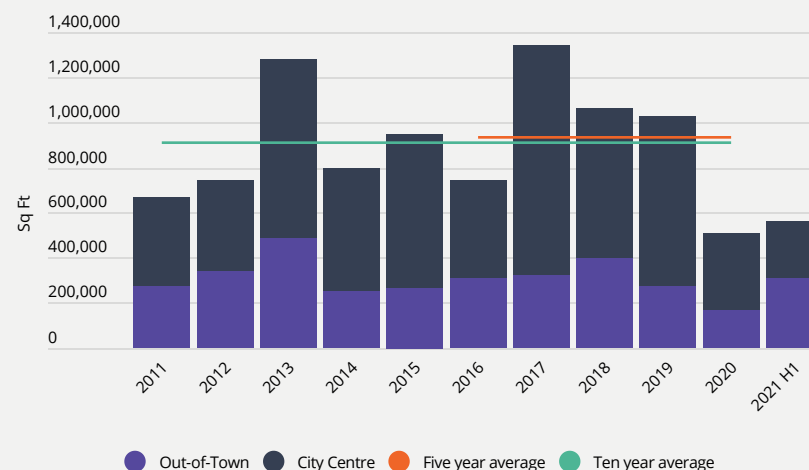


Legal services
18%



Health & social care
11%

TAKE-UP



Q2 TAKE-UP



City Centre
106,150 sq ft



Out-of-town
98,034 sq ft

HEADLINE RENT

City Centre
£33 per sq ft

Out-of-town
£24.75 per sq ft

UNDER CONSTRUCTION

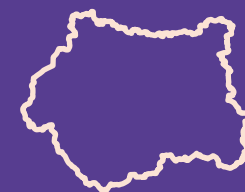


282,721 sq ft

0% prelet

PRIME YIELD

5.25%



Liverpool

Take-up in Liverpool amounted to 50,297 sq ft in the city centre and 23,277 out-of-town, which overall was 43% down on the ten-year average and broadly consistent with activity in Q1.

There was a good depth to deals sub 10,000 sq ft with both take-up and the number of deals consistent with long term averages. However, many of the larger occupiers are taking longer to complete deals or are taking short term renewals while the Covid uncertainty persists. The largest deal in the city centre was 11,640 sq ft to lawyers Angelus Law and there were two further deals above 5,000 sq ft, including 7,480 sq ft to Origym at Exchange Court. In the out-of-town market PCR Covid testing supplier BioGrad agreed the largest letting of 7,240 sq ft at St Hughs in Sefton.

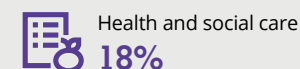
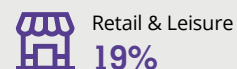
There are a number of active requirements in the market, the largest of which are Pinnacle (10,000-15,000 sq ft), LJMU (20,000-35,000 sq ft) and Orega (20,000-30,000 sq ft). In addition, there are also a number of large contract led requirements, some of whom will look to take space in Q4. The sub 5,000 sq ft bracket still remains the most active in the market and there has also been a marked increase in the number of occupiers looking to acquire fitted space.

Availability remains at an historically low level, almost a quarter of its peak in 2014. With there being no grade A space in the city, the three schemes under construction will be a welcome addition to supply. The Spine at Paddington Village (160,000 sq ft) is due for completion this summer and has approximately 80,000 sq ft available, Peel's 25,000 sq ft Hythe at Wirral Waters is due to complete in Q4 this year and Building A2 in Birkenhead Town Centre (58,000 sq ft) is scheduled for late 2022.

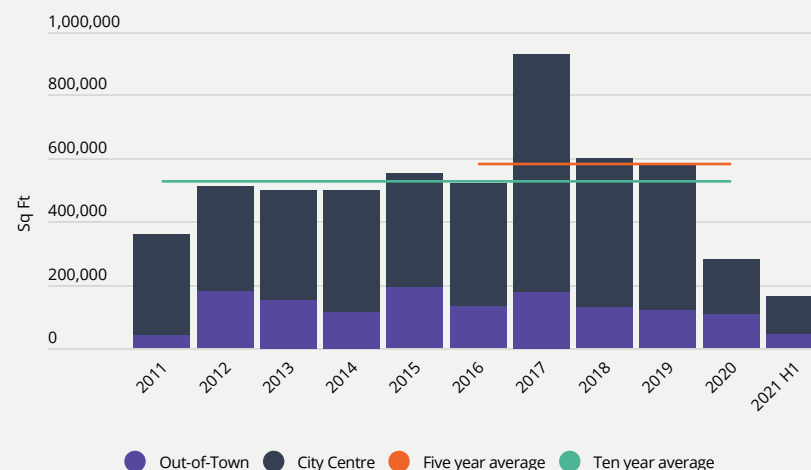
TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
West Tower, Brook Street	CC	11,640	Angelus Law
Exchange Court, Dale Street	CC	7,408	Origym
St Hughs	OOT	7,240	BioGrad
43 Castle Street	CC	5,780	Verb Marketing
Century Buildings	CC	4,130	Cardinal Maritime

KEY SECTOR ACTIVITY: H1 2021



TAKE-UP



Q2 TAKE-UP



City Centre
53,297 sq ft



Out-of-town
23,277 sq ft

HEADLINE RENT

City Centre
£22 per sq ft

Out-of-town
£14 per sq ft

UNDER CONSTRUCTION



160,000 sq ft
44% prelet

PRIME YIELD

6%



Manchester

The Manchester office market is continuing to perform well in the current conditions, with take-up of 220,183 sq ft and 153,355 sq ft in the city centre and out-of-town markets respectively, 25% and 31% below ten-year averages - a similar level to Q1.

In the city centre the largest transaction was 33,374 sq ft to Instant Group at 58 Mosely Street taken as part of the agreement to provide managed space for the Department for Work & Pensions, and one of several flexible workspace transactions across the regional markets. The next largest deals were to clothing companies, 22,085 sq ft to Castore at One Central and 23,702 sq ft to Whispering Smith who purchased 274 Deansgate.

The take-up of sub 5,000 sq ft units is continuing to gain traction. In this size range occupiers' decision making can be more agile and we are seeing more landlords working together with tenants to provide a leasing structure that is suitable for both parties in these uncertain times. Landlords are increasingly open to shorter leases and the availability of flexible workspace, such as plug and play, continues to rise.

The delayed government guidance on a return to the office has meant some slippage on deals towards the end of the quarter, which may extend into the summer. Grey space is coming back to the market and while overall availability levels have increased 75% since the cyclical low at the end of 2019, the consistently robust levels of take-up levels in Manchester mean it is well placed to absorb the increased supply.

There is approximately 460,000 sq ft of speculative development completing this year including 288,000 sq ft at Circle Square, 102,000 sq ft at the Lincoln Building and 80,000 sq ft at 11 York Street, with further space coming forward next year at Hermes' 198,000 sq ft 4 Angel Square.

There has also been progress on the repurposing of former department stores to mixed use schemes with a large proportion of office space. Investec has been granted planning permission to redevelop the former Kendal Milne / House of Fraser building to include more than 500,000 sq ft of office space and in Stockport the 50,000 sq ft refurbishment of Stoc, formerly M&S, is due to complete this year.

In the out-of-town markets take-up amounted to 117,200 sq ft in South Manchester, which included the largest deal in Manchester, 33,567 sq ft to facilities company Mitie. Take-up in Salford Quays and Old Trafford totalled 35,820 sq ft, half of which was Tech Mahindra's 16,600 sq ft expansion at Peel's Victoria Building.

TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
Pacific House, Atlas Business Park	OOT	33,567	Mitie
58 Mosely Street	CC	33,374	Instant Group
274 Deansgate	CC	23,702	Whispering Smith
One Central	CC	22,085	Castore
St Anns House	CC	16,903	Ingeus UK

KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021



Telecommunications
22%

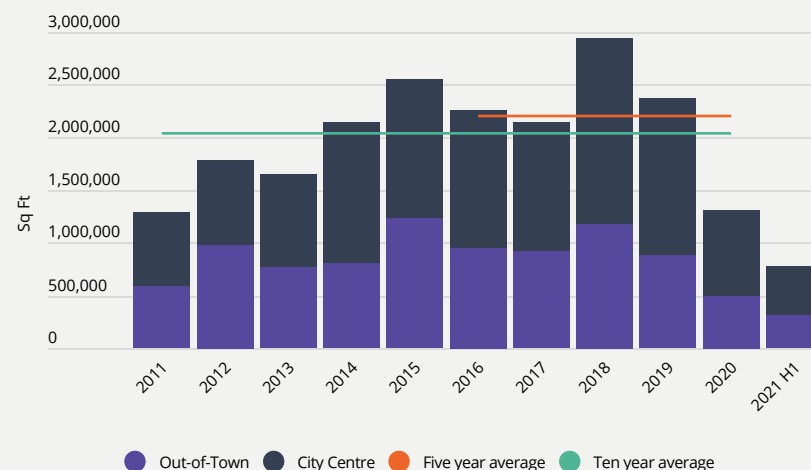


Flexible workspace
10%



Accountancy
8%

TAKE-UP



Q2 TAKE-UP



City Centre
220,183 sq ft



Out-of-town
153,355 sq ft

HEADLINE RENT

City Centre
£38.50 per sq ft

Out-of-town
£24 per sq ft

UNDER CONSTRUCTION



1,292,165 sq ft
44% prelet

PRIME YIELD

5%



Newcastle

A steady level of activity in the Newcastle office market has resulted in city centre take-up of 30,288 sq ft during Q2 and 93,600 sq ft out-of-town, overall 28% below the ten-year average. The quarter produced the largest number of transactions since Covid but they were mostly a churn of smaller deals, as these businesses are better able to project their future requirements given the current uncertainty.

Activity is improving with more and better enquiries and a greater number of viewings. While occupiers are downsizing their requirements, the sentiment in favour of office occupation has improved significantly since last year. There are also a handful of deals that narrowly missed Q2, which will provide a good start to the next quarter.

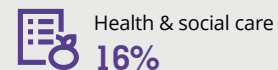
The largest deal was 14,461 sq ft to business outsourcing company Arvato at Stockbridge House in the city centre. The out-of-town market transacted the rest of the larger deals with eight over 5,000 sq ft. These included 11,560 sq ft to inward investor security company Verisure, which took further space at NEON on Quorum business park, in addition to 35,000 sq ft at the beginning of the year.

On the supply side, Portland House Developments and funding partners AHCS One have bought 65,000 sq ft Portland Place as an investment for an office refurbishment, which will add to the growing amount of quality space in the city centre. There continues to be considerable interest in the remaining four floors at the recently completed Lumen and The Spark, which completes next year. Elsewhere 120,000 sq ft Bank House on Pilgrim Street is not due to complete until Q1 2023.

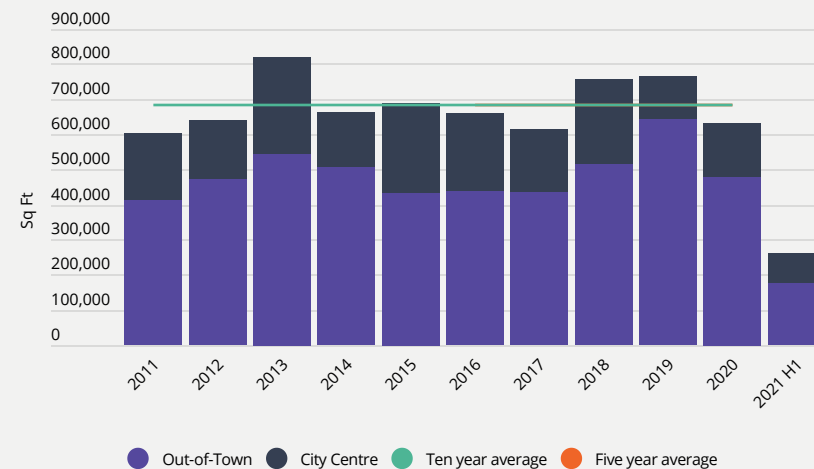
TOP FIVE DEALS Q2

Property	CC / OOT	Sq ft	Occupier
Stockbridge House, Newcastle	CC	14,461	Arvato
NEON, Quorum	OOT	11,560	Verisure
Independent House, Team Valley, Gateshead	OOT	10,090	Confidential
Rainton Bridge, Frankland House	OOT	10,000	DBS
The Edge, Team Valley, Gateshead	OOT	7,809	SpaMedica

KEY SECTOR ACTIVITY: 12 MONTHS TO Q2 2021



TAKE-UP



Q2 TAKE-UP



City Centre
30,288 sq ft



Out-of-town
93,600 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
6.50%



**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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