

Research

# The Big Nine

Quarterly review of the regional office occupier markets

Q3 2015



5 Princes Dock, Liverpool

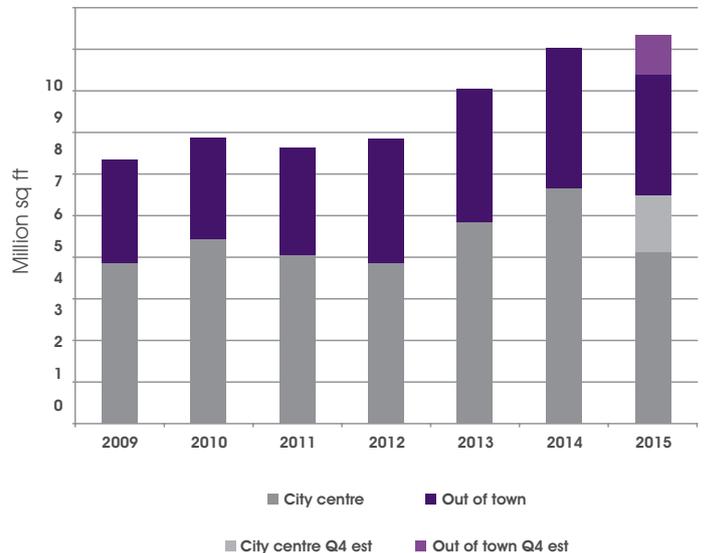
## Summary

The UK's regional office markets have produced some dramatic levels of take up in recent quarters and whilst Q3 2015 was more muted the figures are still 7% above the 5 year average – with the out of town markets having bounced back significantly and being 12% ahead. Our full-year forecast for 2015 is that total take-up will eclipse the strong occupier activity of 2014.

The lack of speculative development and hence Grade A stock is beginning to lead to pre-let activity across a number of city centres. Whilst higher take-up levels have been previously more noticeable in the larger UK Core Cities, there is now evidence that the smaller Core Cities such as Newcastle and Liverpool are also benefiting from increased activity.

**Carl Potter**  
National Head of Offices

### Big nine take-up



# The Big Nine

## Regional office market review

### City centre

- City centre take-up totalled 1,226,600 sq ft in Q3, 4% above the five-year quarterly average.
- Take-up was driven by pre-let activity in Manchester, which was almost 50% above the five year quarterly average.
- Take-up was twice the quarterly average in Newcastle and 48% above average in Liverpool.
- The largest deal was 60,200 sq ft pre-let to NCC Group at XYZ building in Manchester.

Figure 1 City centre take up

	Q3 2015	Five-year quarterly average
■ Birmingham	90,779	171,208
■ Bristol	131,162	133,784
■ Cardiff	40,403	85,153
■ Edinburgh	143,954	149,002
■ Glasgow	119,164	134,661
■ Leeds	112,103	131,645
■ Liverpool	110,000	74,488
■ Manchester	373,477	252,461
■ Newcastle	105,586	51,072

Q3 2015



**Take-up figures across the 'big nine' regional cities over the third quarter have been supported by very strong activity in Manchester's city centre and out of town markets. Similarly Newcastle has seen strong activity in both markets as has Liverpool in the city centre.**

Elsewhere activity has been more muted this quarter but set in the context of strong activity in the first two quarters, 2015 has seen the highest Q1-3 take-up since the downturn: 6.9 million sq ft (city centre and out of town) compared to 6.2 million sq ft last year. With significant deals under offer and in legals, if Q4 take-up matches the average of the first three quarters, 2015 take-up will eclipse the strong occupier activity of 2014.

Pre-let activity in **Manchester** over the summer has been led by Allied London's 160,000 sq ft XYZ building in Spinningfields, due to complete next year. Three tenants have signed in quick succession: 60,300 sq ft to NCC, 32,000 sq ft let to Shoosmiths and 16,700 sq ft to Global Radio. There has also been a 51,000 sq ft pre-let deal to Gazprom at 5 First Street.

There are six major schemes under construction in the city and planning applications have also been recently submitted for further schemes: 2 and 3 Angel Square at 145,000 sq ft and 250,000 sq ft respectively, the 86,000 sq ft redevelopment of 40 Fountain Street and 125,000 sq ft at 125 Deansgate.

With five deals over 10,000 sq ft **Newcastle** city centre take-up has breached 100,000 sq ft, more than double the quarterly average; the largest deal was 18,000 sq ft to property

company Adderstone at Kings Manor. Due to the diminishing prime supply in the city, quoting rents at The Rocket are now £23 psf, with secondary space also declining as conversion to other uses continues. The largest deals continue to be in the out of town market at Cobalt and Quorum (see opposite).

The stand out deal in **Edinburgh** was 58,000 sq ft to American online gaming company Fanduel at Quatermill 4, providing further evidence of the strength of the TMT sector in the city. There was a noticeable absence of mid-range deals between 5,000 and 15,000 sq ft, with 90% of deals sub 5,000 sq ft. Take-up was below average but Q4 is looking like providing a higher total both in and out of town. This quarter also saw 30,000 sq ft of re-gears and 60,000 sq ft of office converted to alternative use.

In **Glasgow** the market remains buoyant and over the summer several corporate occupiers committed to space including WSP leasing 11,000 sq ft at 110 Queen Street, breaching the £30 psf rental barrier in Glasgow for the first time. In addition, FDM acquired 13,700 sq ft at 1 West Regent St and Whyte and Mackay entered legals to be the first tenant at Abstract's St Vincent Plaza (17,295 sq ft).

A number of deals are lined up for Q4, including two top professional firms, who have committed to take space at 1 West Regent St and St Vincent Plaza. Morgan Stanley is also anticipated to sign a 150,000 sq ft pre-let, boosting year end take-up way above the 5 year average. Other large requirements AXA, Jacobs, DWF Biggart Baille and ACCA are all tipped to make final decisions in Q4.

The **Bristol** market has followed a similar pattern to Q2 with a higher proportion of smaller and medium sized deals than usual, but no headline grade A transactions, and

take-up around the five year average. The highest out-of-town rent in over ten years has been achieved in north Bristol with Northgate taking 12,000 sq ft at £21 psf, on an extensive refurbishment at Aztec West.

In spite of subdued activity in **Birmingham** during Q3, take-up over the first three quarters has totalled 740,000 sq ft. With significant deals under offer we anticipate a record of over 900,000 sq ft by the end of the year. Rental growth is coming through, with aspirations from investors to achieve £32 psf on new stock by the year end. Incentives continue to fall, currently standing at 24 to 30 months on a ten year term.

Activity in **Leeds** has been evenly spread across the city centre and out of town markets. The largest transaction was the sale of 17,600 sq ft 17-19 York Place to the Church of England Diocese, for part occupation. Out of town, the 13,100 sq ft letting of 3 City West to Reed Elsevier was one of three deals over 10,000 sq ft.

### Top five city deals (Q3 2015)

City/property	Occupier	Sq ft
Manchester – XYZ Building	NCC Group	60,246
Edinburgh – Quatermill 4	Fanduel	58,567
Manchester – 5 First Street	Gazprom	51,200
Liverpool – The Department	NHS	33,400
Manchester – Arndale House (Floors 8, 9 & 19)	CIS Insurance	32,619



The Department, Liverpool

## In focus: Liverpool

Quarterly take-up in Liverpool has exceeded 100,000 sq ft for the first time in two years, with the first pre-let in excess of 30,000 sq ft since 2010.

NHS Clinical Commissioning Group has taken a ten year lease on 33,400 sq ft of refurbished space at the Department, Renshaw street. This has enabled the developer to speculatively refurbish the two remaining floors (35,000 sq ft), which are due for completion by the end of the year.

The majority of deals this year have been from SMEs for sub 5,000 sq ft but this quarter there were two other notable deals, both of which were in No 1 Tithebarn: Carpenters solicitors committed to 19,000 sq ft and Speedy Medical took 7,600 sq ft.

There are currently in excess of 400,000 sq ft of active requirements, all of which are anticipated to take space during the course of the next 12-18 months. With increasing demand, supply is tightening. Current grade A availability and speculative space under construction make up less than a year's supply (based on past grade A take-up rates).

In terms of the development pipeline, Peel recently received planning consent for No 5 Princes Dock which will comprise a grade A eight storey 81,000 sq ft office building at Liverpool Waters.

**Ian Steele**  
Director – Liverpool

## Rental growth

Over the 12 months to Q3 2015 headline rents across the 'big nine' cities have increased by 4%. With rent free periods falling by an average of 4.8 months to 23 months on a ten

year term, net effective rents have increased by 10% over the same time period. Growth has been strongest in Edinburgh, Bristol and Leeds.

### City centre headline rents Q3 2015 (£psf)

Location	Rents (£)	Rent free (mths on 10 yr term)	Net effective rent* (£)	Net effective rent (£) Q3 2014
Edinburgh	32	18	28	22.86
Manchester	32	24	26.4	25.33
Glasgow	30	21	25.5	24.23
Bristol	28.5	18	24.94	20.93
Birmingham	30	30	23.25	22.13
Leeds	26.5	24	21.86	19.38
Newcastle	23	21	19.55	17.74
Cardiff	22.5	21	19.13	17.74
Liverpool	21	30	16.28	16.28
<b>Average</b>	<b>27.28</b>	<b>23</b>	<b>22.77</b>	<b>20.73</b>

\*Including rent free period less three month fit-out.

### Top five out-of-town deals (Q3 2015)

City/property	Occupier	Sq ft
Newcastle – Cobalt Business Park	Accenture	57,100
Manchester – Crescent House, Didsbury	Syngenta	32,330
Newcastle – Quorum Business Park	Greggs plc	30,742
Manchester – Trident Business Park	Avecto	29,000
Manchester – Venus, Trafford Centre	Travel Counsellors	28,500

## Out of town

- Take-up was 859,900 sq ft in the out-of-town markets during Q3, 12% above the five year quarterly average.
- Manchester and Newcastle take-up were both 30% above the quarterly average and have monopolised the top five deals table.
- The largest deal was 57,100 sq ft to Accenture at Cobalt Business Park, Newcastle.

Figure 2 Out-of-town take-up

	Q3 2015	Five-year quarterly average
■ Birmingham	94,001	90,294
■ Bristol	64,641	73,815
■ Cardiff	42,950	28,900
■ Edinburgh	30,010	40,130
■ Glasgow	101,373	80,612
■ Leeds	72,314	79,184
■ Liverpool	17,000	46,960
■ Manchester	282,869	215,144
■ Newcastle	154,707	115,755

Q3 2015



London  
Birmingham  
Bristol  
Cardiff  
Dublin  
Edinburgh  
Glasgow  
Leeds  
Liverpool  
Manchester  
Newcastle

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