



One Temple Quay, Bristol

INSIGHT

The Big Nine

Quarterly update of regional office activity

Q1 2022

AVISON
YOUNG



CHARLES TOOGOOD

Principal and Managing Director,
National Offices Team

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Demand for the best space continues to put pressure on headline rents, and as a result many Big Nine markets experienced rental growth during Q1 with the average net effective rent increasing by 3% in just three months.

Occupier market in brief

FOLLOWING AN EXTREMELY ACTIVE Q4, TAKE-UP ACTIVITY UNSURPRISINGLY REDUCED DURING Q1, WITH A TOTAL OF 1.1 MILLION SQ FT LET ACROSS THE BIG NINE MARKETS.

While this reflected a 40% decrease from the previous quarter, this is mainly down to take-up during the final three months of 2021 being so far ahead of the long-term average. Q1 take-up, therefore, fell just 17% below the 10-year quarterly average with the 5-year quarterly rolling average changing by just 0.2%.

While most markets saw activity fall below average levels; Bristol, Cardiff and Newcastle were notable exceptions. Bristol saw the highest take-up across the Big Nine with take-up reaching 249,944 sq ft, 62% above the five-year average. Key deals included two lettings greater than 20,000 sq ft – the largest of which was 54,767 sq ft to Paymentsense at CEG's speculative development, EQ. Separately, at Halo, Finzels Reach, Deloitte leased 22,500 sq ft.

In Cardiff, city centre take-up exceeded the 5-year average by 37% after more than a twofold increase on the amount of space let in Q4 2021. Cardiff saw the largest deal of the quarter across all Big Nine cities, with BT taking over 65,000 sq ft at 3 Capital Quarter. The move is part of BT's five-year workplace transformation hub programme which has seen the company upgrade many of their offices around the UK.

The professional services sector was particularly active across the Big Nine markets accounting for a third of Q1 take-up. Key deals included Deloitte's deal in Bristol, Shoosmiths which agreed to take 16,383 sq ft at Haymarket Square, Edinburgh; and Clifford Chance which leased 15,182 sq ft at The Lumen in Newcastle. The TMT & Creative and Financial Services sectors were also significant sources of demand, accounting for 24% and 14% of take-up respectively. Other significant deals across the Big Nine markets included OPG leasing 27,123 sq ft at Victoria Square House, Birmingham, Burnes Paul signing for 14,814 sq ft at 2 Atlantic Square, Glasgow and HG Construction leasing 14,126 sq ft at Belgrave Hall in Leeds.

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During the opening quarter of 2022, availability increased by 4% in total, however the amount of space on the market is still some 10% below the 10-year average. The Big Nine vacancy rate therefore also showed a slight increase, moving from 8.1% at the end of Q4 2021 to 8.3% at the end of Q1 2022. There is currently 4.6 million sq ft of office development under construction across the Big Nine markets, with Glasgow the most active, with 1.1 million sq ft currently being built. However, due to the significant demand in the market, 97% of this has already been pre-let, with only the remaining 30,764 sq ft at 177 Bothwell Street available.

Demand for the best space continues to put pressure on headline rents, and as a result many Big Nine markets experienced rental growth during Q1 with the average net effective rent increasing by 3% in just three months. In Bristol, rents increased by over 10%, moving from £38.50 per sq ft to £42.50 per sq ft. Newcastle also saw significant growth with rents increasing by 5.8%, while Liverpool, Birmingham and Glasgow all saw headline rents tick upwards during the quarter.

TOTAL TAKE-UP IN Q1

1,872,373 sq ft

▼ **12%**

DOWN ON THE 10 YEAR QUARTERLY AVERAGE



City Centre

1,104,849 sq ft



Out-of-town

767,524 sq ft

UNDER CONSTRUCTION

4,564,226 sq ft

SKewed TOWARDS



GLASGOW

25%



LEEDS

17%



BRISTOL

15%

HEADLINE RENTS AVERAGE

£33.64 psf

Across all nine cities

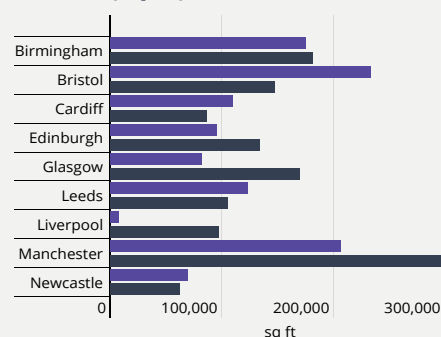
Occupier data

City Centre

TOTAL TAKE UP IN Q1

1,104,849 sq ft ▼ **17%** compared to the ten year quarterly average

TAKE UP (SQ FT)



● Q1 2022 ● 10 year quarterly average

TOP FIVE DEALS

City	Property	Occupier	Sq ft
Cardiff	3 Capital Quarter	BT	65,092
Bristol	EQ	Paymentsense	54,767
Birmingham	Victoria Square House	OPG	27,132
Birmingham	2 Chamberlain Square	Cubo Work	24,297
Bristol	Halo	Deloitte	22,500

HEADLINE RENTS (£PSF)

Location	Rent (£) Q1 2022	Rent free (months on ten year term)	Net effective rent* (£)	Net effective rent (£) Q1 2021
Birmingham	£39.00	24	£32.18	£30.94
Bristol	£42.50	21	£36.13	£32.73
Cardiff	£25.00	18	£21.88	£21.88
Edinburgh	£38.00	15	£34.20	£34.20
Glasgow	£35.25	15	£31.73	£31.05
Leeds	£34.00	24	£28.05	£28.05
Liverpool	£23.00	24	£18.98	£17.60
Manchester	£38.50	24	£31.76	£31.76
Newcastle	£27.50	18	£24.06	£22.75
Average	£33.64	20	£28.77	£27.88

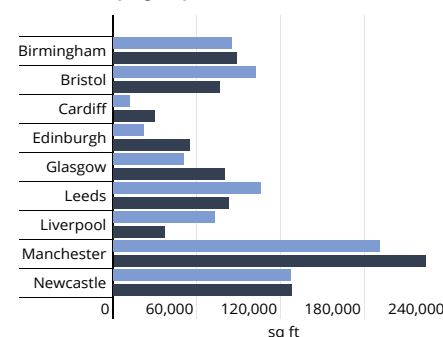
*including rent free period less three month fit-out.

Out-of-town

TOTAL TAKE UP IN Q1

767,524 sq ft ▼ **3%** compared to the ten year quarterly average

TAKE UP (SQ FT)



● Q1 2022 ● 10 year quarterly average

TOP FIVE DEALS

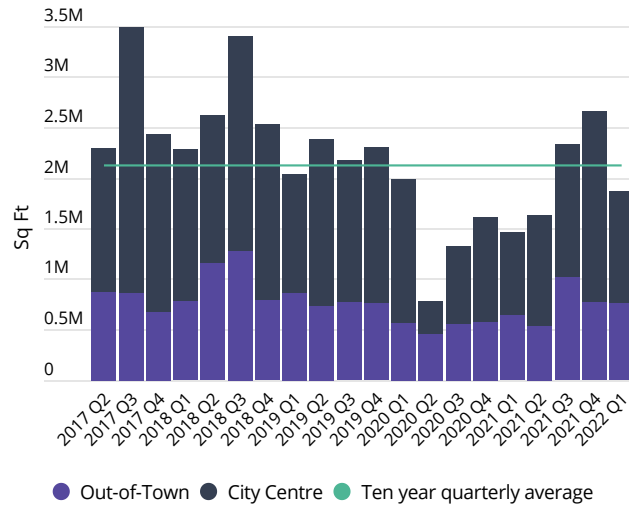
City	Property	Occupier	Sq ft
Birmingham	3010 and 3020, The Crescent	Confidential	37,509
Newcastle	Feethams House	Confidential	31,853
Bristol	Aztec West	Lysander Law	19,333
Bristol	1 Rivermead Court	Edwards Ltd	18,705
Leeds	Leeds Valley Park	Williams Lea	16,617

HEADLINE RENTS (£PSF)

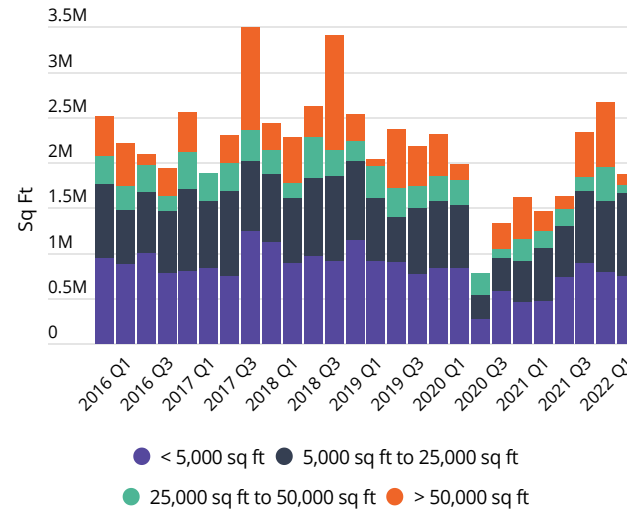
Location	Rent (£psf) Q1 2022	Rent (£psf) Q1 2021
Birmingham	£26.00	£26.00
Bristol	£23.50	£23.50
Cardiff	£15.50	£15.50
Edinburgh	£29.00	£24.00
Glasgow	£16.50	£16.50
Leeds	£24.75	£24.75
Liverpool	£16.50	£14.00
Manchester	£24.00	£24.00
Newcastle	£16.95	£16.95
Average	£21.41	£20.58

Occupier charts

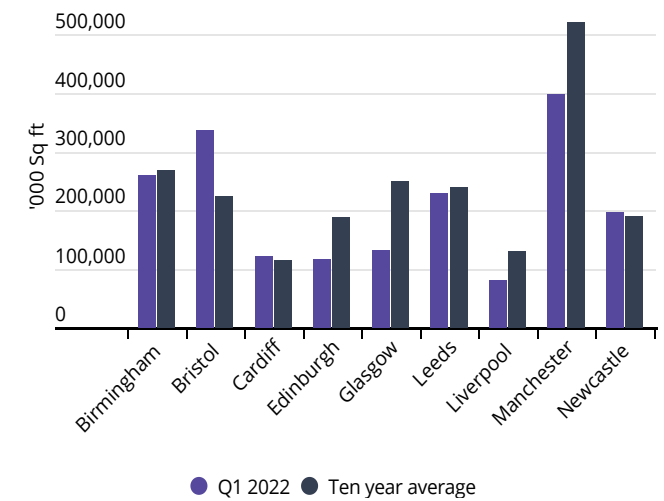
QUARTERLY TAKE UP



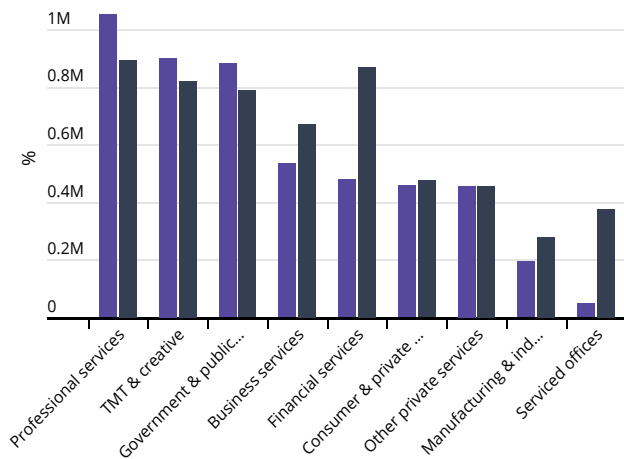
QUARTERLY TAKE-UP BY DEAL SIZE



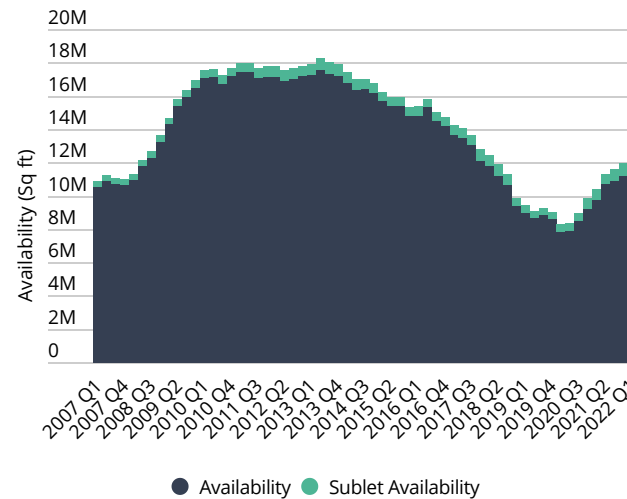
CC AND OOT TAKE-UP



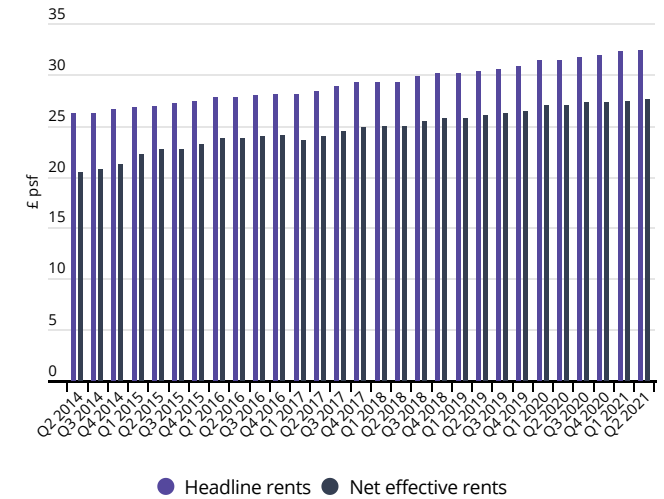
AVERAGE QUARTLY TAKE-UP BY SECTORS



BIG NINE CITY CENTRE AVAILABILITY



HEADLINE RENTS





MARK WILLIAMS

Principal and Managing Director,
Regional Investment

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Future proofed, well-located, good quality assets with a strong tenant base proved to be popular, particularly those that meet net zero carbon investment criteria, promote occupier well-being, and fulfil expectations for positive rental growth.

Investment market in brief

OVERSEAS INVESTORS DOMINATED OFFICE INVESTMENT IN Q1, ACCOUNTING FOR ALMOST THREE QUARTERS OF TOTAL SPEND ACROSS THE BIG NINE MARKETS

During the first quarter of 2022, the Big Nine regional office markets saw office investment of £755 million, reflecting a 21% increase from Q4 2021 and a 3% uptick against the 10-year average. Three overseas deals completed in excess of £100 million which led to overseas investors accounting for 74% of total volumes across just six deals. Future proofed, well-located, good quality assets with a strong tenant base proved to be popular, particularly those that meet net zero carbon investment criteria, promote occupier well-being, and fulfil expectations for positive rental growth.

This is highlighted by the most significant deals of the quarter. Spanish investment firm Pontegadea Group purchased 177 Bothwell Street, Glasgow at the beginning of March for circa £215 million. 177 Bothwell Street has a high focus on occupier well-being as the first office in Scotland to feature a roof top running track and has already been pre-let to Virgin Money, BNP Paribas, AECOM, CBRE and Transport Scotland.

In Bristol, US Investor Barings acquired the Soapworks offices scheme on Straight Street for £126 million, reflecting a net initial yield of 4%. The Soapworks project will comprise two new buildings alongside the restoration of the Grade II-listed former soap factory, with planning consent for 154,000 sq ft of flexible office space as well as 243 build-to-rent apartments, hospitality, and leisure space. Meanwhile, in Leeds, the White Rose Office Park was purchased by Belgian investor ImmoInvest, for £110 million which reflected a net initial yield of 6.75%.

Driven by the largest deals of the quarter, Glasgow and Bristol accounted for the majority of big nine investment, accounting for 28% and 25% respectively. During Q1 Manchester and Liverpool experienced yield compression both moving down by 25 basis points. As a result, the big nine average yield moved from 5.36% at the end of last year to 5.31% at the end of Q1 2022.

According to the MSCI monthly index, average equivalent yields for all regional offices reached a cyclical low prior to the pandemic of 6.9% in January 2020 and moved out to 7.5% by the end of the year. During 2022 the MSCI monthly index has moved out slightly and ended March at 7.6%. With demand focused on the best quality assets and secondary property not trading as strongly as pre-pandemic, the yield gap between prime and secondary property continues to widen. According to the MSCI quarterly index, it was 280 basis points at the end of December, compared to 228 at the end of 2019.

TOTAL FOR Q1

£754.9 million

▲ 25%

UP ON THE 10 YEAR QUARTERLY AVERAGE

VOLUMES BY CITY



GLASGOW
£215m



BRISTOL
185.5m



LEEDS
£121.5m

VOLUMES BY INVESTOR TYPE



OVERSEAS
74%



PRIVATE
16%



UK PROPERTY COMPANY
5%

PRIME YIELD

4.75%

PREVIOUS PEAK (2007)

4.50%

Investment data

TOTAL INVESTMENT VOLUMES

Q1 2022 £754.9 million

Compared to:

£625.6m

(previous quarter – Q4 2021)

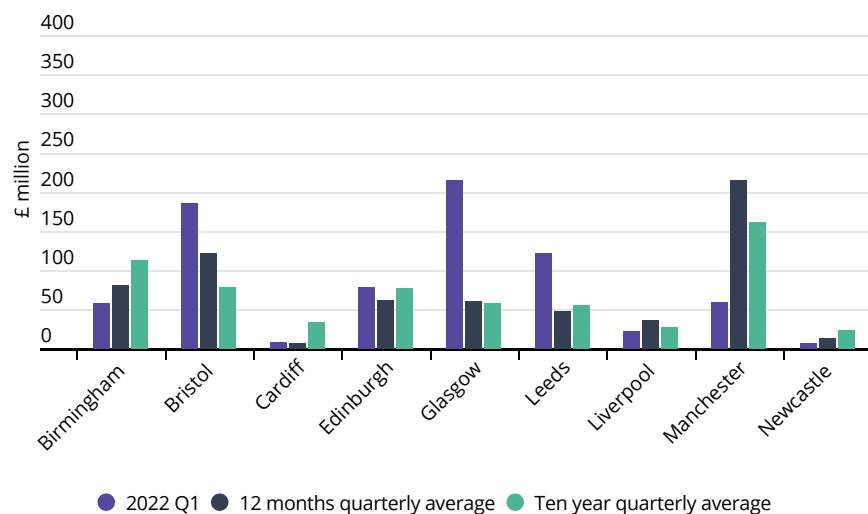
£337.6m

(a year ago – Q1 2021)

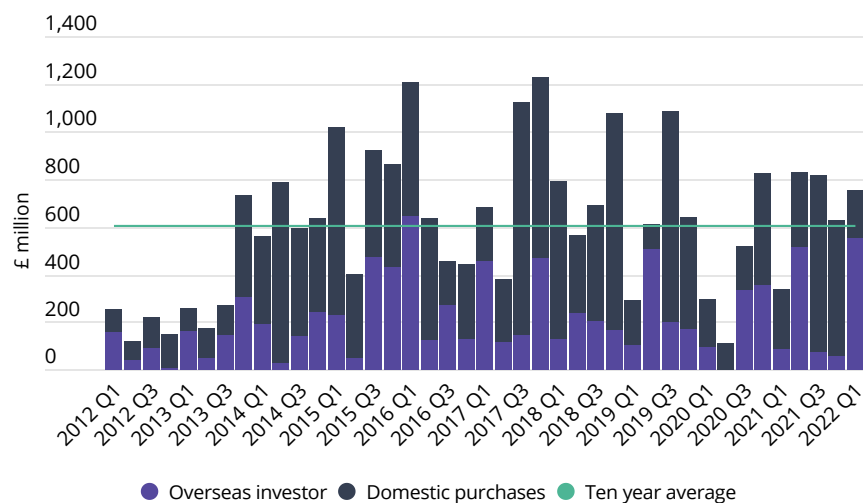
£605.6m

(ten year quarterly average)

INVESTMENT VOLUMES BY CITY



INVESTMENT VOLUMES BY QUARTER



TOP FIVE DEALS – Q1 2022

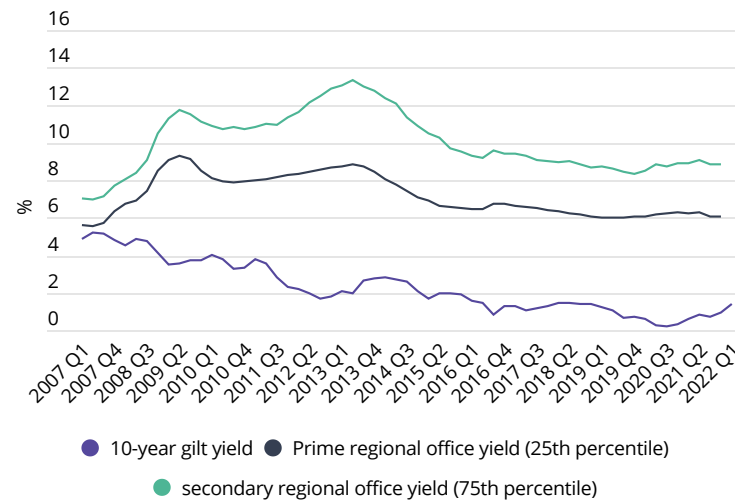
Date	Property	City	Purchaser	Vendor	Price (£m)	NIY (%)
March 2022	177 Bothwell Street	Glasgow	Pontegadea	HFD Group	215	N/A
March 2022	Soapworks Offices	Bristol	Barings	First Base	125.6	N/A
March 2022	White Rose Office Park	Leeds	Immobel	Orion Capital Managers	110	6.75%
February 2022	Waverley Gate	Edinburgh	Kennedy Wilson	Patrizia	77.9	5.66%
March 2022	St Philips Point	Birmingham	Confidential	EPIC-REIT	24.5	N/A

Investment data

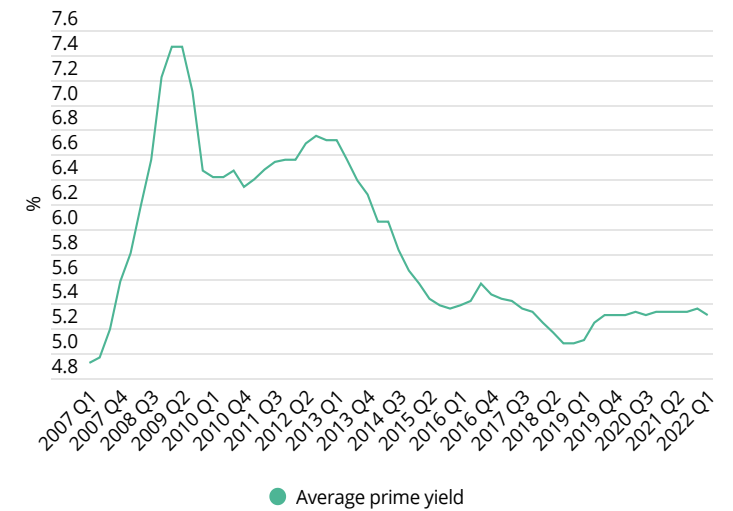
PRIME CITY CENTRE YIELDS

Location	Q1 2022	Q4 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	5.75	6.00	5.50
Manchester	4.75	5.00	4.50
Newcastle	6.50	6.50	5.25

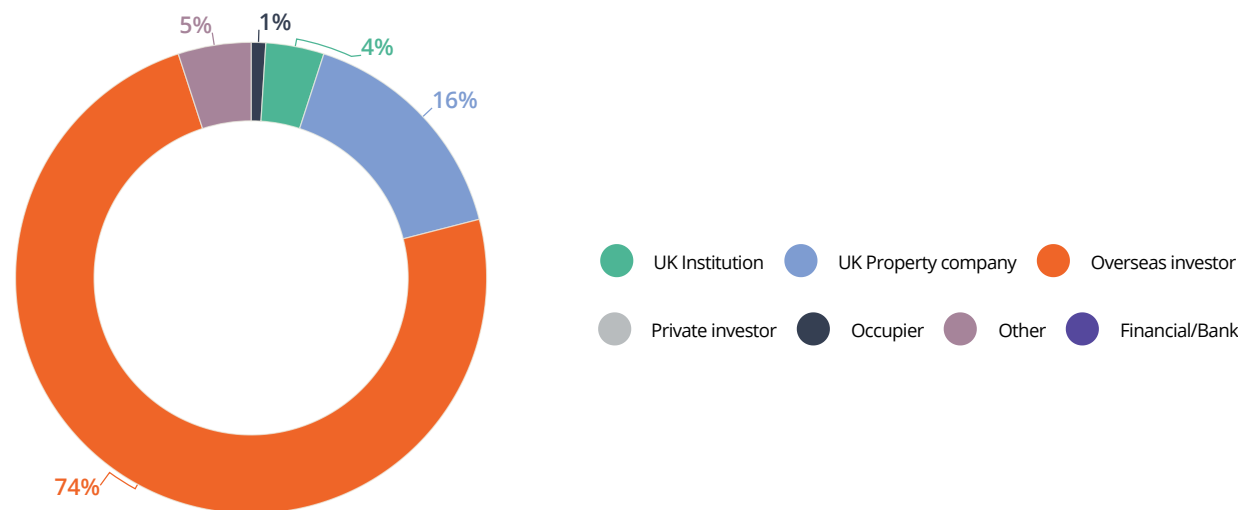
REGIONAL OFFICE YIELDS VS 10 YEAR GILTS



AVERAGE PRIME YIELD



INVESTOR VOLUMES BY PURCHASER TYPE: Q1 2022



Birmingham

2022 got off to a strong start with Birmingham's city centre take-up showing a 9% increase on the final quarter of 2021. Similarly, in the out-of-town market, take-up showed a 14% increase resulting in whole market take-up totalling 260,444 sq ft. However, while volumes were up quarter-on-quarter, they remain 2% below the 5-year average.

The continued flight to quality saw over 75% of Q1 city centre take-up come in Grade-A space, reflecting the highest such proportion since the first quarter of 2020.

During Q1 the professional services sector was the most active, accounting for 39% of city centre take-up. Key deals included Browne Jacobson which leased 12,132 sq ft of prime space at 103 Colmore Row, Capsticks which signed for 6,987 sq ft at 1 Temple Row, and Greens Solicitors which will also move into 1 Temple Row, occupying 5,651 sq ft. Activity continued in the flex sector, with Cubo Works leasing 24,300 sq ft at MEPC's Two Chamberlain Square, Paradise.

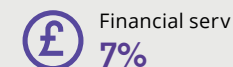
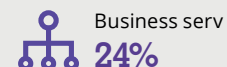
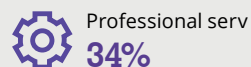
Throughout Q1 city centre availability increased by 19% and now totals 2.1 million sq ft; however just 22% of this is Grade A (470,436 sq ft). There is a healthy supply of new space coming forward which should help to satisfy demand – including MEPC's 1 Centenary Way (280,000 sq ft). CBREGi's major refurbishment of 8/10 Brindleyplace (213,000 sq ft), and 120,000 sq ft at Scitech's Enterprise Wharf, all of which are due to complete at the end of this year.

There was also an improvement in out-of-town leasing activity, which amounted to 85,183 sq ft and was dominated by professional, consumer & private services activity. Take-up in the Birmingham out of town market was significantly boosted by a 37,509 sq ft deal to an undisclosed Government department at Birmingham Business Park, Solihull.

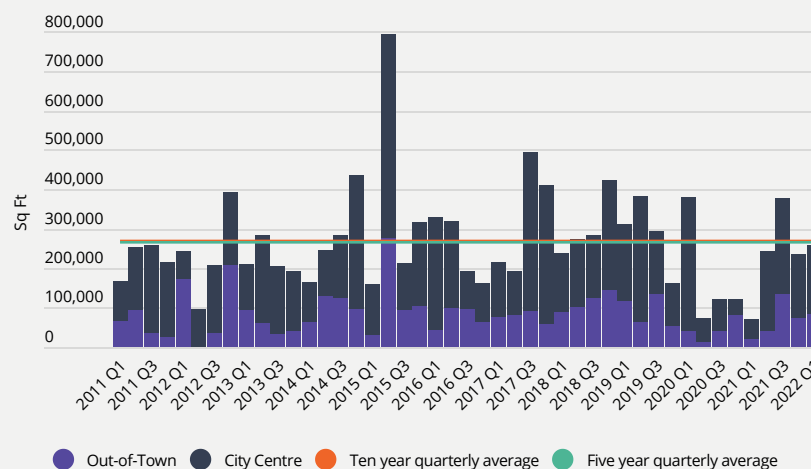
TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
The Crescent, BBP, Solihull	OOT	37,509	Confidential
Victoria Sq House	CC	27,132	OPG
2 Chamberlain Sq	CC	24,297	Cubo Work
103 Colmore Row	CC	12,132	Browne Jacobson
103 Colmore Row	CC	12,132	Gallaghers

KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022



TAKE-UP



Q1 TAKE-UP



City Centre
175,261 sq ft



Out-of-town
85,183 sq ft

HEADLINE RENT

City Centre
£39 per sq ft

Out-of-town
£26 per sq ft

UNDER CONSTRUCTION



613,000 sq ft
11%
prelet

PRIME YIELD

5%



Bristol

Bristol saw an extremely strong first quarter with take-up exceeding the 5-year average by 62%.

However, following an exceptionally strong end to 2021 which saw the highest quarterly take-up levels since Q4 2016, despite the strong showing, Q1 2022 take-up fell 6% below Q4 2021.

Total city centre take-up totalled 234,275 sq ft, underpinned by two deals greater than 20,000 sq ft. The largest of these was a 54,767 sq ft letting to Paymentsense at CEG's speculative development, EQ, while at Halo, Finzels Reach, Deloitte leased 22,500 sq ft.

The financial services sector was the largest source of city centre demand during Q1, accounting for 36% of total take-up due to the large deal for Paymentsense. The professional services and TMT & creative sectors were also significant sources of demand during Q1, accounting for 33% and 26% of take-up, respectively.

During the first quarter of the year Bristol's office availability reduced by 20% and now totals just 619,000 sq ft, 8% below the five-year average. As a result, the vacancy rate has also reduced and now sits at 4.7%, still low by historical standards. Occupiers' continued preference for Grade A office space combined with the limited supply in Bristol city centre has enabled significant rental growth in recent years – and this has continued during the first three months of 2022. Prime rents increased to £42.50 – reflecting the highest rental tone within the big nine regional office markets.

With the current demand for quality space, there is continued development appetite with several schemes onsite. These include CEG's 184,000 sq ft EQ, the 207,000 sq ft Welcome Building and the next phase of Assembly, Assembly B&C (120,000 sq ft). In addition, 1 Portwall Square, Halo at Finzels Reach and CARGO work are all due to complete this year. However, due to the significant demand in the market, 30% of the 675,000 sq ft under construction has already been pre-let.

Activity in the out-of-town market was 76% above Q4 2021 totalling 102,133 sq ft. Key deals included Lysander Law which leased 19,333 sq ft at Aztec West, Edwards Ltd, which took 18,705 sq ft at 1 Rivermead Court, Clevedon, and Acadium which let 10,680 sq ft at The Pavilions. Out of town headline rents remain steady at £23.50 per sq ft.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
EQ	CC	54,767	Paymentsense
Halo, Finzels Reach	CC	22,500	Deloitte
740 Aztec West	OOT	19,333	Lysander Law
1, Rivermead Court, Clevedon	OOT	18,705	Edwards Ltd
Beacon Tower	CC	18,000	Desklogde

KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022



Professional serv
24%

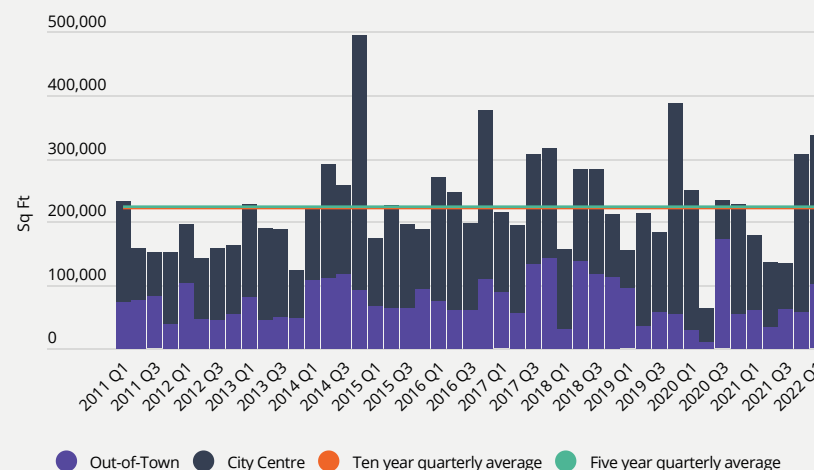


TMT & creative
23%



Other private serv
19%

TAKE-UP



Q1 TAKE-UP



City Centre
234,275 sq ft



Out-of-town
102,113 sq ft

HEADLINE RENT

City Centre **£42.50 per sq ft** Out-of-town **£23.50 per sq ft**

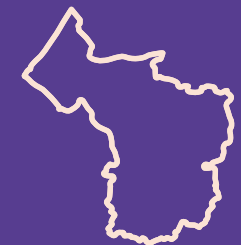
UNDER CONSTRUCTION



675,021 sq ft
30%
prelet

PRIME YIELD

5%



Cardiff

Cardiff had an exceptionally strong start to 2022 with city centre office take-up exceeding the 5-year average by 37% after more than a twofold increase on the amount of space let in Q4 2021. Cardiff saw the largest deal of the quarter across all big nine city centre office markets with BT letting over 65,000 sq ft at 3 Capital Quarter. The move is part of the BTs five-year workplace transformation programme which has seen the company upgrade many of their offices around the UK.

As a result of BTs large letting, the technology & creative sector saw the largest share of Q1 office take-up - accounting for 80% of activity. Other active sectors included financial services, with Hodge Bank acquiring an additional 12,187 sq ft at One Central Square.

During Q1, office availability in Cardiff city centre increased and now totals 907,000 sq ft. As a result, the vacancy rate has also increased and now totals 9%. Rents in Cardiff city centre remain at £25 per sq ft with rent free periods at 18 months on a ten-year term.

In terms of new development, JR Smart is expected to complete its 109,000 sq ft John Street office at Callaghan Square early next year. To the south of Central train station, work has started at Rightacres' 60,000 sq ft Brewhouse, its latest development at Central Quay, the former Brains brewery site. A sizeable pre-let will be required before the neighbouring 220,000 sq ft Ledger Building gets underway on the site.

In the out-of-town market, Q1 take-up fell below 55% below the 5-year average level totalling just 11,814 sq ft across 5 deals.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
3 Capital Quarter, CF10 4BQ	CC	65,092	BT
One Central Square	CC	12,187	Hodge Bank
5th floor, Hodge House	CC	6,187	Spectrum Fibre Limited
Wharton Place The Hayes	CC	5,288	Hydrock
Charetherhouse II Links Court	OOT	5,032	Provinca Ltd

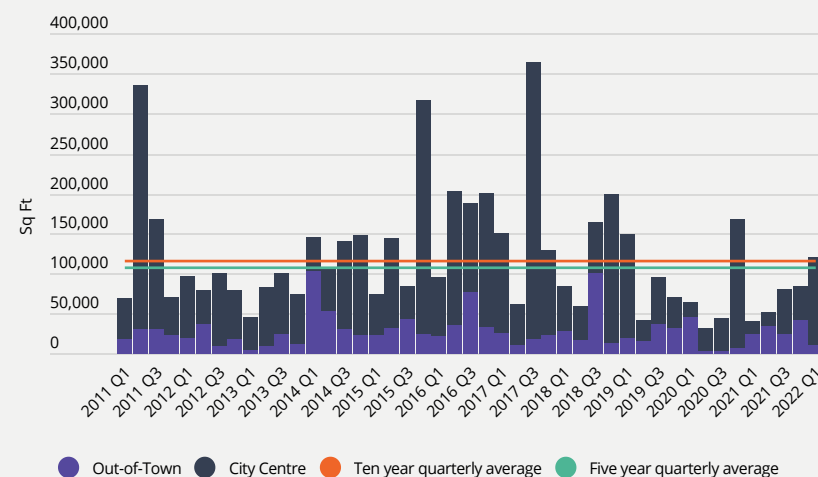
KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022

TMT & creative
38%

Other private serv
19%

Financial serv
12%

TAKE-UP



Q1 TAKE-UP



City Centre
109,461 sq ft



Out-of-town
11,814 sq ft

HEADLINE RENT

City Centre
£25 per sq ft

Out-of-town
£15.50 per sq ft

UNDER CONSTRUCTION



227,000 sq ft
82% prelet

PRIME YIELD

5.75%



Edinburgh

Following 3 strong quarters of take-up, as expected, activity in Edinburgh city centre declined in Q1 totalling 95,543 sq ft, which reflects a 34% decrease from the five-year average level.

Professional services came out as the most active business sector in Q1, accounting for 54% of take-up above 5,000 sq ft. Key deals within the sector included Shoosmiths LLP and Dentons which agreed to 16,383 sq ft and 14,962 sq ft respectively at Haymarket square.

These two deals took the last remaining space at the Haymarket Square development and as a result there is currently no new build office space under construction in Edinburgh city centre that is available to let.

Given the current development cycle and the planning/site constraints in Central Edinburgh, there is unlikely to be any new build offices completing in Edinburgh city centre until at least 2026. This will limit office relocations in the City Centre as we expect the trend for 'occupiers seeking best in class' space will continue and many existing occupiers will look to extend existing leases or consider out of town locations where fully refurbished and new accommodation has and will be delivered.

During the first quarter of the year, Edinburgh's office availability reduced by 19% and now totals 681,000 sq ft. The vacancy rate has also reduced, falling from 6.5% in the Q4 2021 to 5.3% at the end of Q1 2022.


This bodes well for the comprehensive refurbishments underway, that will partly fulfil occupier demand for quality space. These include 50,000 sq ft at Excel House, Sempole Street, and 80,000 sq ft at 60 Morrison Street. There is upward pressure on prime rents which remain at £38 per sq ft. There is also pressure on incentives which are beginning to reduce from the current average based on 15-months for a 10-year term.


In the out-of-town market, while take-up fell 41% below the 5-year quarterly average level and 60% below Q4 2021, there is growing momentum, particularly in West Edinburgh where prime rents increased by 21% to £29 per sq ft, which is the quoting rent at the newly completed 80,000 sq ft 1 New Park Square. There are also full building refurbishments underway at 1 Lochside Avenue (11,000 sq ft remaining), Broadway Park (39,000 sq ft) and 10 Lochside Place (20,000 sq ft) which will address growing occupier ESG, wellness and sustainability requirements.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
Haymarket Square	CC	16,383	Shoosmiths LLP
Haymarket Square	CC	14,962	Dentons UK and Middle East LLP
10 George Street	CC	10,515	Trustpilot Ltd
Quay 2	CC	9,472	IFS UK Ltd
Exchange Crescent	CC	6,254	Sustrans

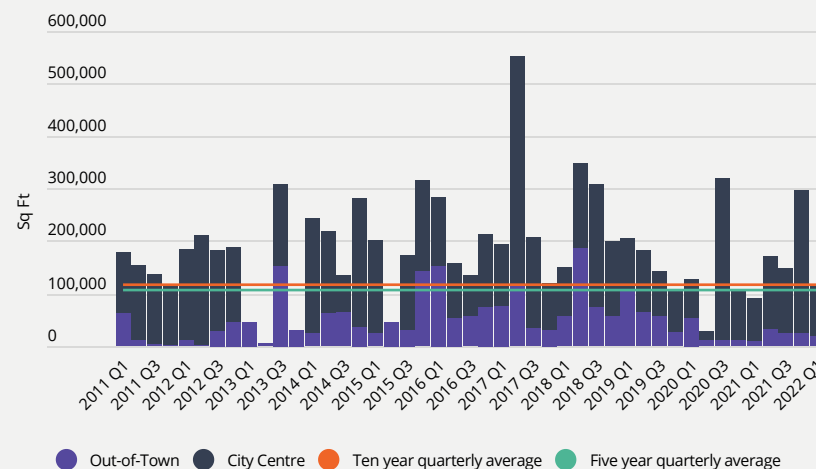
KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022

 TMT & creative
29%

 Professional serv
17%

 Government serv
16%

TAKE-UP



Q1 TAKE-UP



City Centre
95,543 sq ft



Out-of-town
21,587 sq ft

HEADLINE RENT

City Centre
£38 per sq ft

Out-of-town
£29 per sq ft

UNDER CONSTRUCTION



390,000 sq ft
100% prelet

PRIME YIELD

4.5%



Glasgow

Q1 2022 city centre office take-up in Glasgow totalled 82,270 sq ft, reflecting a 57% decrease from the 5-year average and a 5% decrease from Q4 2021. However, while take-up was down, deal count remained in line with the 10-year average and showed a slight improvement on the previous quarter.

The Professional services sector was the most active during Q1 accounting for almost 90% of city centre take-up above 5,000 sq ft. Key new occupiers included Burness Paull and BDO, who leased 14,814 sq ft and 8,078 sq ft respectively at 2 Atlantic Square; and Fairhurst which signed for 10,262 sq ft at Tay House, 300 Bath Street.

During Q1, office availability in Glasgow increased by 6% and now totals 2.26 million sq ft, as a result the vacancy rate has also increased from 10% at the end of 2021 to 10.6% at the end of Q1 2022. However, there remains a lack of available Grade A stock within Glasgow city centre and just 169,214 sq ft of total availability is considered to meet Grade A standards; made up of space within Cadworks, 2 Atlantic Square and 177 Bothwell Street.

The majority of Glasgow's development pipeline is pre-let, with 97% of office space under construction already pre-committed to with only the remaining 30,764 sq ft at 177 Bothwell Street available to let.

The significant demand for Grade A office space in Glasgow has seen rents increase by 15% over the last 5 years – which has continued into 2022, with prime rents increasing by a further 2%, reaching £35.25 per sq ft, with rent free periods remaining at 15 months on a ten-year term.

In the out-of-town market, take-up totalled 50,544 sq ft, which reflects a 32% decrease from both Q4 2021 and the five-year quarterly average. Key deals included Linear UK Group Limited which leased 15,089 sq ft at Maxim 7, Eurocentral and SWECO which signed for 6,449 sq ft at City Park.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
Maxim 7, Eurocentral	OOT	15,089	Linear UK Group Limited
2 Atlantic Square	CC	14,814	Burness Paull
Tay House	CC	10,262	Fairhurst
2 Atlantic Square	CC	8,078	BDO LLP
180 West George Street	CC	7,459	Frazer Nash Consultancy

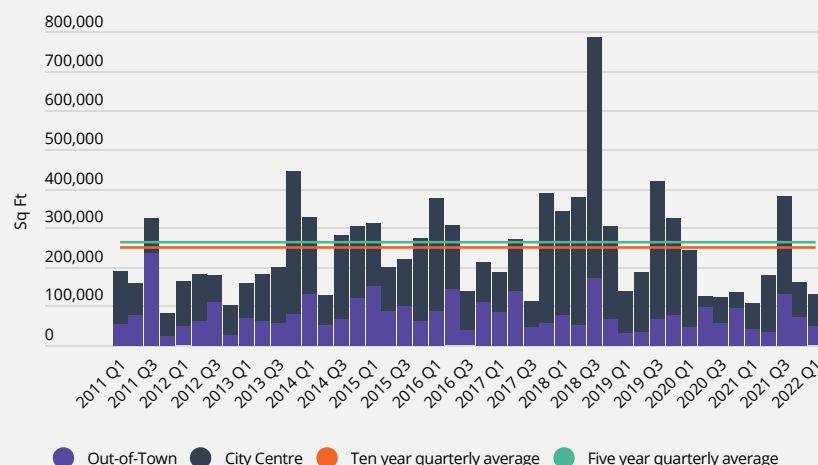
KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022

Financial serv
31%

Professional serv
27%

Government serv
11%

TAKE-UP



Q1 TAKE-UP



City Centre
82,270 sq ft



Out-of-town
50,544 sq ft

HEADLINE RENT

City Centre
£35.25 per sq ft

Out-of-town
£16.50 per sq ft

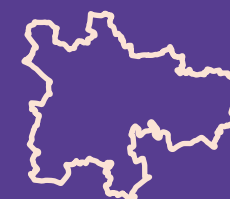
UNDER CONSTRUCTION



1,130,000 sq ft
97% prelet

PRIME YIELD

5%



Leeds

Take-up in Leeds city centre reached 123,463 sq ft during the first quarter of 2022, with take-up falling slightly below the level seen during Q4 2021.

Professional services firms were the most active business sector throughout the quarter, accounting for 34% of take-up. Key deals included HG Construction which leased 14,126 sq ft at Belgrave Hall and Lupton Fawcett which signed for 11,510 sq ft at 2 The Embankment. Business Services and Manufacturing & Services sectors were also particularly active, comprising 19% and 18% of take-up, respectively.

Supply has shown little change since the end of Q4 2021, increasing by just 1%, the vacancy rate also moved slightly from 7.9% in Q4 2021 to 8% at the end of Q1 2022. There is currently 766,200 sq ft of office space under construction in Leeds city centre of which 11% is pre-let. 11 and 12 Wellington Place are due to compete this year, becoming the most sustainable office buildings in Leeds upon completion.

Prime rents in Leeds remained stable throughout Q1 at £34 per sq ft with rent free periods remaining at 24 months on a ten-year term.

Meanwhile, in the out-of-town market, take-up totalled 105,434 sq ft, almost double Q4 2021 and 27% above the five-year average. Key deals included Williams Lea which leased 16,617 sq ft at Leeds Valley Park and Cennox which signed for 10,620 sq ft at 2 City West. Prime rental tone in Leeds' out-of-town market remains at £24.75 per sq ft.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
Leeds Valley Park	OOT	16,617	Williams Lea
Belgrave Hall	CC	14,126	HG Construction
Bank House	CC	13,551	2Work
2 The Embankment	CC	11,510	Lupton Fawcett
2 City West	OOT	10,620	Cennox

KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022



Professional serv
34%

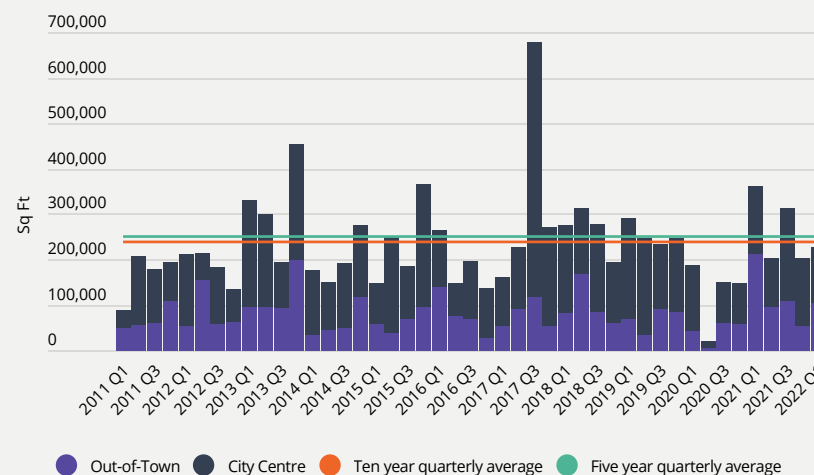


Business serv
19%



Manufacturing & ind
18%

TAKE-UP



Q1 TAKE-UP



City Centre
123,463 sq ft



Out-of-town
105,434 sq ft

HEADLINE RENT

City Centre
£34 per sq ft

Out-of-town
£24.75 per sq ft

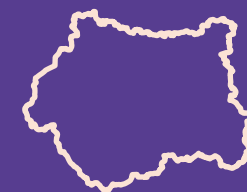
UNDER CONSTRUCTION



766,205 sq ft
11% prelet

PRIME YIELD

5.25%



Liverpool

Although take-up in Liverpool city centre was limited, The Out-of-Town market saw a significant increase in take-up and transactional activity.

Q1 Take-up for Liverpool city centre was significantly lower than the previous 5 quarters which was primarily due to a decrease in occupier demand and transactional activity. Take-up totalled just 8,005 sq ft in Q1 across 5 deals but there are a number of deals close to completion which should see a significant increase in take-up during Q2 & Q3.

The largest deal in Liverpool city centre was a letting to Keller Lenker UK Ltd (3,293 sq ft) at the Cotton Exchange. Although Q1 take-up was low, demand and enquiry levels have increased and there are a number of large active requirements in the market including Firesprite, Avalanche Studios and GUS all looking to commit to space during the next 12 months. We would therefore expect take-up in Liverpool city centre will see a significant uplift throughout the year.

Significant pre-letting activity will be required to underpin any new development in the city at either No 5 Princes Dock (Liverpool Waters) or One Pall Mall Gardens.

These would be the first new buildings to be delivered in the commercial district since 2011. Elsewhere, Kinrise are looking to comprehensively refurbish and reposition the 160,000 sq ft Martin's Building for office use, which is scheduled for completion in late 2024.

The lack of office development in Liverpool city centre has seen the vacancy rate fall rapidly since it reached a high of 18% in 2014. While the vacancy rate did show an increase during Q1, moving from 4.9% to 5.2%, it remains significantly below the five-year average level of 7%.

A lack of good quality supply has put upward pressure on rents, with any pre-letting activity likely to set a new rental tone for the city. Headline rents increased during Q1 and are now at £23.00 per sq ft.

The out-of-town market saw significantly more activity than the city centre with take-up totalling 72,743 sq ft for Q1. Wirral was the most active submarket accounting for 19% of take-up and which also set a new record Headline Rent of £16.50 psf with the letting at Hythe (Wirral Waters) to Starship. Hythe was speculatively developed by Peel and is the first new office building to be developed on the Wirral for over a decade.

In addition to the Wirral, both Wavertree and Knowsley also saw significant activity, accounting for 18% and 15% of take-up, respectively. Key deals included MJ Quinn who committed to a lease on 11,224 sq ft at Nexus, Knowsley and ITS Technology Group Limited for 7,019 sq ft at Cinnabar Court.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
Nexus	OOT	11,224	MJ Quinn
Unit 6 Cinnabar Court	OOT	7,019	ITS Technology Group Limited
107 & 108 Mere Grange	OOT	4,924	Balance Power Limited
Hythe	OOT	4,682	Starship
Building 101 Mere Grange	OOT	4,105	James Fisher Marine Services

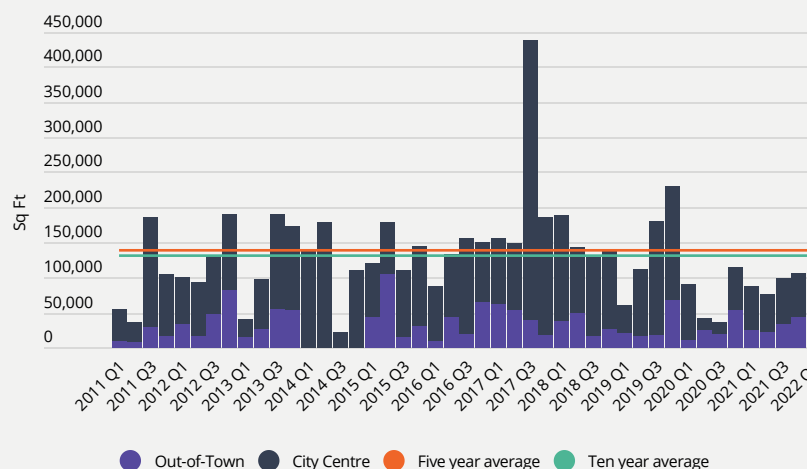
KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022

Professional serv
34%

Financial serv
13%

TMT & creative
12%

TAKE-UP



Q1 TAKE-UP



City Centre
8,005 sq ft



Out-of-town
72,743 sq ft

HEADLINE RENT

City Centre
£23 per sq ft

Out-of-town
£16.50 per sq ft

UNDER CONSTRUCTION



0 sq ft
0%
prelet

PRIME YIELD

4.75%



Manchester

During the first quarter of 2022 take-up in Manchester city centre totalled just 206,763 sq ft. Whilst this may well be a hangover from the frenetic end to 2021 it is reflective of a quiet time in the market as occupiers continue to wrestle with occupational needs and macro-economic influences.

This, to an extent reflects the position of 12 months ago where just 234,000 sq ft was transacted over the quarter and there are sufficient market signals to suggest that take up will gather momentum as the year progresses. The TMT & Creative sector was the most active of the quarter accounting for 33% of take-up across 4 deals. Telcom leased 11,514 sq ft at Northstar, Thoughtworks signed for 8,489 sq ft at Federation and Gameys leased 5,670 sq ft at 60 Spring Gardens. The Professional Services and Consumer & private services were also significant sources of demand accounting for 20% and 18% of take-up, respectively.

There continues to be clear evidence of both public and private sector occupiers looking to locate into central Manchester to gain exposure to Manchester's deep labour pool. As occupiers rationalise their occupational footprint, they are focusing on best-in-class workspace assets in order to attract their workforce back to the office. This flight to quality is further evidenced by 27% of the number of transactions in 2021 achieving in excess of £30.00 per sq ft in comparison to 11% in 2020 and 9% in 2019.

Availability has shown little change since the end of 2021 however it is currently 39% below the five-year average level totalling 3.6 million sq ft. the vacancy rate has reduced slightly moving from 11.2% at the end of Q4 2021 to 11.0% at the end of Q1 2022.

During Q1, Island on John Dalton Street began on site the speculative development will provide Manchester city centre with an additional 110,000 sq ft of Grade A office space. The development, which is a joint venture between HBD and Greater Manchester Pension Fund plans to be net zero carbon with an EPCA, BREEAM Excellent and 5.5-star carbon NABERS rating. There is now 570,000 sq ft of office development under construction on Manchester city centre of which 30% has been pre-let.


Prime rent in Manchester remains at £38.50 with rent free periods at 24 months on a ten-year term. The 'Lincoln' is currently quoting rents of £42 per sq ft and 11 York Street is quoting between £38.50 per sq ft and £40.00 per sq ft and it is believed there is reasonable interest at these levels across both buildings. Quoting rents for prime Grade A workspace in the city range from £36.50 - £42.00 per sq ft. We expect £40.00 per sq ft will be achieved in 2022. Rents for good quality refurbished space have sustained and we have not seen discounting from landlords to secure transactional commitment. Cost remains a significant driver for occupiers but not the most important with quality of space and staff/visitor experience being fundamental as workspace plays its role in recruiting and retaining employees as well as supporting and encouraging the ongoing return to the office.


In the out-of-town market, take-up was also limited totalling 190,851 sq ft. Key deals in the market included Thrive which leased 11,217 sq ft at The Parks, Haydock, Wain Group which signed for 7,170 sq ft at Trident Business Park and ITS Technology that agreed to 7,019 sq ft at Daresbury Park.


TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
Northstar	CC	11,514	Telcom
Building 18 The Parks, Haydock	OOT	11,217	Thrive
One Express	CC	11,003	Beevers & Struthers
City Tower	CC	9,181	Ooodle
Federation	CC	8,489	Thoughtworks

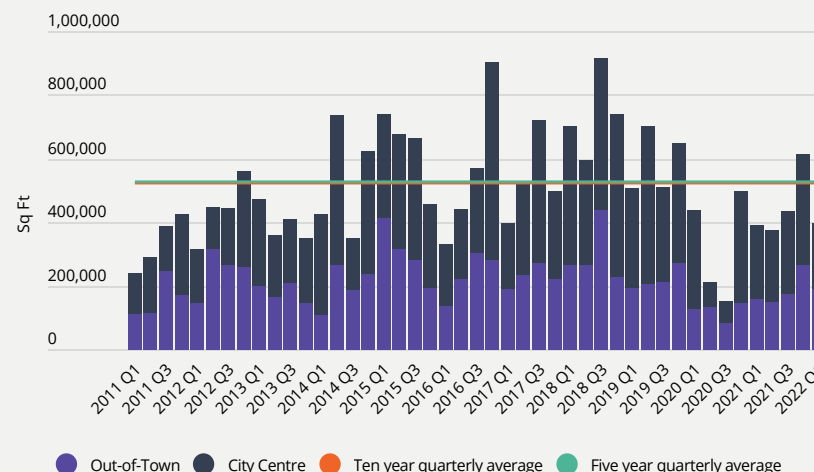
KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022

 TMT & creative
36%

 Professional serv
17%

 Business serv
14%

TAKE-UP



Q1 TAKE-UP



City Centre
206,763 sq ft



Out-of-town
190,851 sq ft

HEADLINE RENT

City Centre
£38.50 per sq ft

Out-of-town
£24 per sq ft

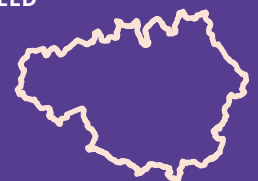
UNDER CONSTRUCTION



573,000 sq ft
31% prelet

PRIME YIELD

4.75%



Newcastle

Following an exceptionally strong final quarter, take-up in Newcastle city centre unsurprisingly slowed during Q1. However, take-up was still over 40% above the quarterly average level totalling an impressive 69,912 sq ft.

The professional services were the most active sector during the first quarter, accounting for 83% of city centre activity. Key deals within the sector included Clifford Chance which leased 15,182 sq ft at The Lumen, and AECOM which signed for 10,360 sq ft at One Trinity Gardens.

Total city centre availability across all grades reduced by 8% during Q1 and now totals 527,377 sq ft. As a result, the vacancy rate also reduced, moving inwards from 4.8% to 4.4%. At present there is just one development under construction in Newcastle that has availability. Bank House is due to complete in the first quarter of 2023 - and will provide Newcastle with an additional 120,000 sq ft of Grade A office space.

During Q1 prime office rents in Newcastle city centre increased by 6% and are now at £27.50 with rent free periods remaining at 18 months on a ten-year term.

In the out-of-town market, there was significantly more activity with take-up totalling 127,235 sq ft. This was driven by a large deal of 31,853 sq ft at Freethams House, Darlington, to a confidential tenant. As well as several professional services and government & services deals.

TOP FIVE DEALS Q1

Property	CC / OOT	Sq ft	Occupier
Feethams House, Darlington	OOT	31,853	Undisclosed
The Lumen	CC	15,182	Clifford Chance
One Trinity Gardens	CC	10,360	AECOM
Quayside House	CC	9,448	Norton Rose Fullbright
Stoney Land, Sunderland	OOT	8,813	MOJ

KEY SECTOR ACTIVITY: 12 MONTHS TO Q1 2022



Government serv
49%

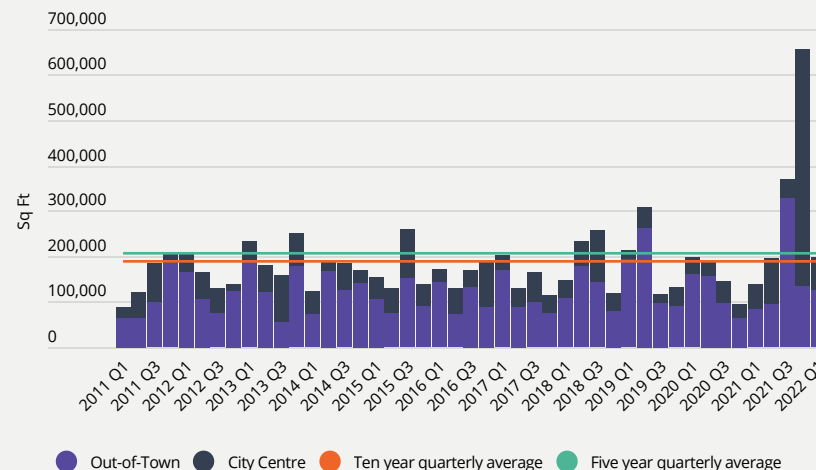


Consumer serv
23%



Professional serv
11%

TAKE-UP



Q1 TAKE-UP



City Centre
69,912 sq ft



Out-of-town
127,235 sq ft

HEADLINE RENT

City Centre
£27.50 per sq ft

Out-of-town
£16.95 per sq ft

UNDER CONSTRUCTION



190,000 sq ft
39% prelet

PRIME YIELD

6.5%



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

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