

The Big Nine

Quarterly update of
regional office activity



In this quarter

Take-up of office space during the first quarter across the 'Big Nine' cities was the lowest level for five years. Activity was particularly low in the city centre market (23% below average), where only Cardiff recorded above average take-up. Activity was more resilient out-of-town, where Newcastle, Edinburgh, Liverpool and Bristol recorded above average take-up.

In terms of deal size across the city centres this quarter there were no transactions above 50,000 sq ft to boost the figures. While mid-size deals were more common than average, there were fewer smaller 'churn' deals below 10,000 sq ft.

Following the Government Property Unit's deal in Bristol in December, no further GPU deals have been signed yet this year. However, transactions are being lined up in seven other cities across the 'Big Nine', most of which are well progressed and these very large deals will be a considerable boost to take-up figures throughout the year.

Encouragingly the level of transactional activity tends to increase quarter on quarter during the year. Between 2009 and 2016, Q4 total take-up was a third higher than Q1 take-up.

Professional services made up 28% of all take-up over 5,000 sq ft in the city centre during Q1, slightly higher than the usual profile, led by legal and engineering firms. Deals to universities in Cardiff and Bristol meant that the education sub-sector made up 15% of activity. It was a strong quarter for the TMT sector, which increased its share to 18% compared to an average of 13%, while recruitment companies were also very active (9% of take-up).



Carl Potter

National Head of Offices

Market data

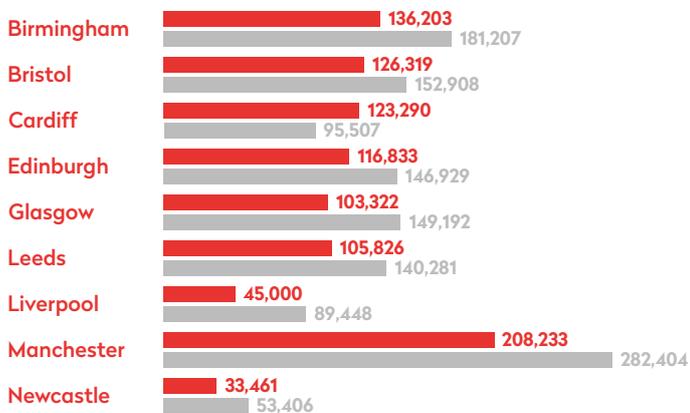
City centre

TOTAL TAKE UP IN Q1

998,000 sq ft **-23%** compared to the five year quarterly average

TAKE UP (sq ft)

■ Q1 2017
■ 5 year quarterly average



TOP FIVE DEALS

City	Property	Occupier	sq ft
Cardiff	2 Central Square	Cardiff University	44,580
Glasgow	St Vincent Plaza	Mott MacDonald	34,500
Bristol	Augustine's Courtyard	University of Bristol	31,780
Cardiff	St Patrick's House	Network Rail	31,500
Leeds	5 Wellington Place	Willis Towers Watson	26,000

HEADLINE RENTS (£psf)

Location	Rents (£)	Rent free (mths on 10 yr term)	Net effective rent*(£)	Net effective rent (£) Q1 2016
Manchester	33.50	24	27.64	28.05
Edinburgh	32.00	18	28.00	28.00
Birmingham	32.00	27	25.60	26.40
Glasgow	30.00	21	25.50	25.50
Bristol	28.50	18	24.94	24.94
Leeds	27.50	24	22.69	23.19
Cardiff	25.00	24	20.63	21.60
Newcastle	23.00	18	20.13	20.35
Liverpool	21.50	30	16.66	16.28
Average	28.11	21.67	23.53	23.81

*including rent free period less three month fit-out

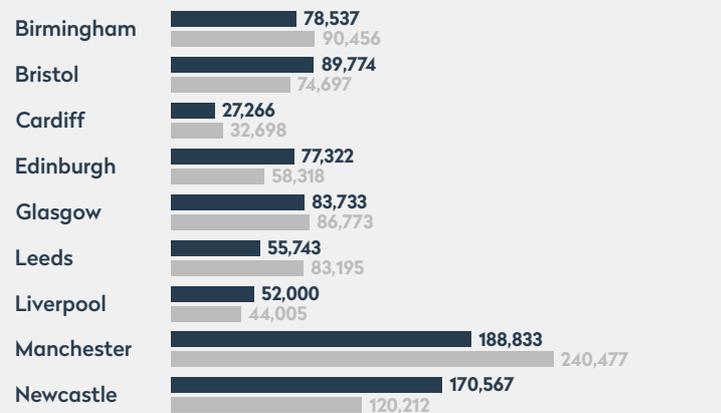
Out of town

TOTAL TAKE UP IN Q1

824,000 sq ft **-1%** compared to the five year quarterly average

TAKE UP (sq ft)

■ Q1 2017
■ 5 year quarterly average



TOP FIVE DEALS

City	Property	Occupier	sq ft
Liverpool	Estuary Point, Liverpool International Business Park	Northwest Ambulance Service	40,000
Newcastle	6 Admiral Way, Doxford	Durham Police	33,600
Manchester	Stockport Exchange	Stagecoach	32,550
Manchester	Broadway House, Salford Quays	Confidential	21,500
Glasgow	Redwood House, East Kilbride	Clyde Blowers	21,200

HEADLINE RENTS (£psf)

Location	Rents (£)
Birmingham (Solihull)	22.00
Bristol	21.00
Manchester (South)	20.00
Leeds	18.00
Newcastle	16.95
Edinburgh	17.00
Glasgow	16.50
Cardiff	14.50
Liverpool	14.00
Average	17.77

Market activity

Birmingham

The key deal in Birmingham was to Arcadis Consulting who have taken 23,000 sq ft at 2 Cornwall Street, prior to completion. The other two deals of note include two serviced office occupiers; lhub have taken 18,000 sq ft at Colmore Gate and Alpha Work took 14,000 sq ft at Alpha Tower. There has been a surge in demand for serviced office space with over 100,000 sq ft of short term contracts in response to HS2 receiving Royal Assent in February.

Bristol

Unusually the largest deals were to owner occupiers: The University of Bristol purchased 32,000 sq ft at Augustine's Courtyard and White Oak Capital will occupy part of the 34,500 sq ft they bought at 40 Berkeley Square. There has been a good level of enquiries with a number of indigenous requirements for 10,000 to 25,000 sq ft, as well as The Department for Work and Pensions who are looking for around 70,000 sq ft.

The high rate of office to residential conversion is resulting in a lack of choice for occupiers. Consequently grade B rents have shown very strong growth in recent years, almost doubling in some locations, while prime grade A rents have seen a flatter growth profile.

Cardiff

Two standout grade A deals put take-up for the city centre well over 100,000 sq ft for the fourth quarter in succession. Cardiff University's School of Journalism is taking 44,500 sq ft at 2 Central Square, which is due for completion next year and Network Rail took 31,500 sq ft at St Patrick's House.

Edinburgh

There were a good number of medium sized deals in the TMT sector, such as telecommunications company Cirrus Logic and software firm IPOS. Of the larger deals, investment manager State Street is expected to take a 73,000 sq ft pre-let at Quatermile 3 and there are also a number of requirements in the out-of-town market above 20,000 sq ft.

Glasgow

This quarter's two key lettings were at new build scheme St Vincent Plaza; 34,500 sq ft to engineers Mott MacDonald and 17,500 sq ft to Sgurr Energy, a Wood Group business. Department of Work and

Pensions is under offer at 3 Atlantic Quay for circa 80,000 sq ft and there are a number of known requirements for 50,000 to 100,000 sq ft. Glasgow is experiencing the lowest level of existing grade A availability for at least ten years (around 100,000 sq ft), meaning live requirements are considering high quality refurbishments such as 2-4 Blythswood Square, 100 Queen Street and Atlantic Quay.

Leeds

The largest deal of the quarter was to insurance company Willis Towers Watson, who have taken 26,000 sq ft at 5 Wellington Place. The Government Property Unit has selected Wellington Place as the preferred option for 380,000 sq ft civil service hub requirement. The building will be jointly occupied by HMRC and the Department of Health.

Liverpool

City centre take-up during Q1 was 45,000 sq ft, well below the five year average. However, there is in excess of 425,000 sq ft of deals in the immediate pipeline, which would be a record if all are completed in Q2. These include HMRC (350,000 sq ft) at India Buildings and The Football Pools (14,155 sq ft) at No 4 St Paul's Square.

Manchester

Below average Q1 take-up can be put down to several factors. Firstly the sheer number of transactions in the final three months of 2016 suggested that we were likely to see reduced figures at the start of the year. Secondly we have not seen the completion of some of the big requirements such as DWP, Irwin Mitchell or Weightmans – we anticipate these transactions will bolster the second quarter figures. Finally, while the anticipated GPU requirement has been delayed, a decision on a preferred destination is still expected to be taken in 2017.

Newcastle

As is often the case the strongest activity has been in the out-of-town market this quarter with 170,000 sq ft of take-up. Newcastle's blue ribband business parks of Cobalt and Quorum delivered three deals around 12,000 sq ft, with Accenture and Insure the Box both expanding their existing occupation. The largest out-of-town deal was to Durham Police, who took 33,000 sq ft at Doxford. In the city centre, Frank Recruitment's 19,000 sq ft deal at The St Nicholas Building is the standout deal.

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

National Head of Offices

carl.potter@gva.co.uk

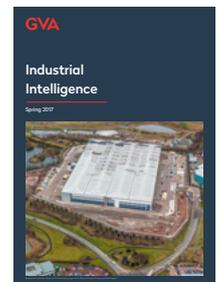
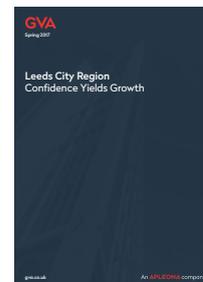
0121 609 8388

Research enquiries

giles.tebbitts@gva.co.uk

020 7911 2670

Click to view our other market research updates.



GVA
65 Gresham Street, London EC2V 7NQ

This report has been prepared by GVA for general information purposes only. Whilst GVA endeavours to ensure that the information in this report is correct it does not warrant completeness or accuracy. You should not rely on it without seeking professional advice. GVA assumes no responsibility for errors or omissions in this publication or other documents which are referenced by or linked to this report. To the maximum extent permitted by law and without limitation GVA excludes all representations, warranties and conditions relating to this report and the use of this report. All intellectual property rights are reserved and prior written permission is required from GVA to reproduce material contained in this report. GVA is the trading name of GVA Grimley Limited. ©GVA 2017.

11384