# UK Cities

**H1 2024**

OFFICE MARKET MID YEAR REVIEW 2024

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# Foreword

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In the first half of 2024, the UK saw several positive developments that significantly impacted its socio-economic landscape. A decisive electoral outcome ensured essential stability, while key economic indicators pointed to an improving climate. Most notably, there were strong indications that the persistent inflation issue was now under control, enhancing the prospects for further interest rate cuts. Together, these factors create a favourable environment for businesses, which is expected to drive increased activity in the commercial property market. However, the exact scale and timing of any uptick is yet to be determined. For now, we can be sure that some urgency has permeated the decision-making narrative.

For occupiers, pressure is rising as they define the future role of office spaces in business structures and determine practical implementations.

In H1 2024, many occupiers opted for short-term solutions such as regearing leases or contracting serviced spaces. However, the market results from the first half of 2024 show a greater shift toward longer-term strategies. Total office space take-up was up by 10% compared to the same period in 2023, with deal numbers 14% higher than the five-year average for a first-half period.

Concurrently, vacancy rates for top-quality office spaces are at critically low levels in some major cities. With development being constrained and selective due to high costs and slipping market rates, the supply continues to narrow. This situation necessitates earlier occupier action ahead of lease events to secure the 'right' space.

For landlords, two contrasting scenarios are unfolding. Older buildings lacking significant capital improvements are facing tenant departures. Landlords must choose between investing to align buildings to current market standards or exploring repurposing for different uses.

In contrast, new or recently refurbished buildings in well-located areas are generating healthy leasing activity. Demand for the 'best' buildings is growing, with organisations keen on well-located and amenitised buildings that also support environmental, social, and corporate governance (ESG) aspirations.

Undoubtedly, caution will underscore every business decision in the latter half of this year. However, the rapidly evolving business and real estate landscape increasingly means that delay is no longer an option.

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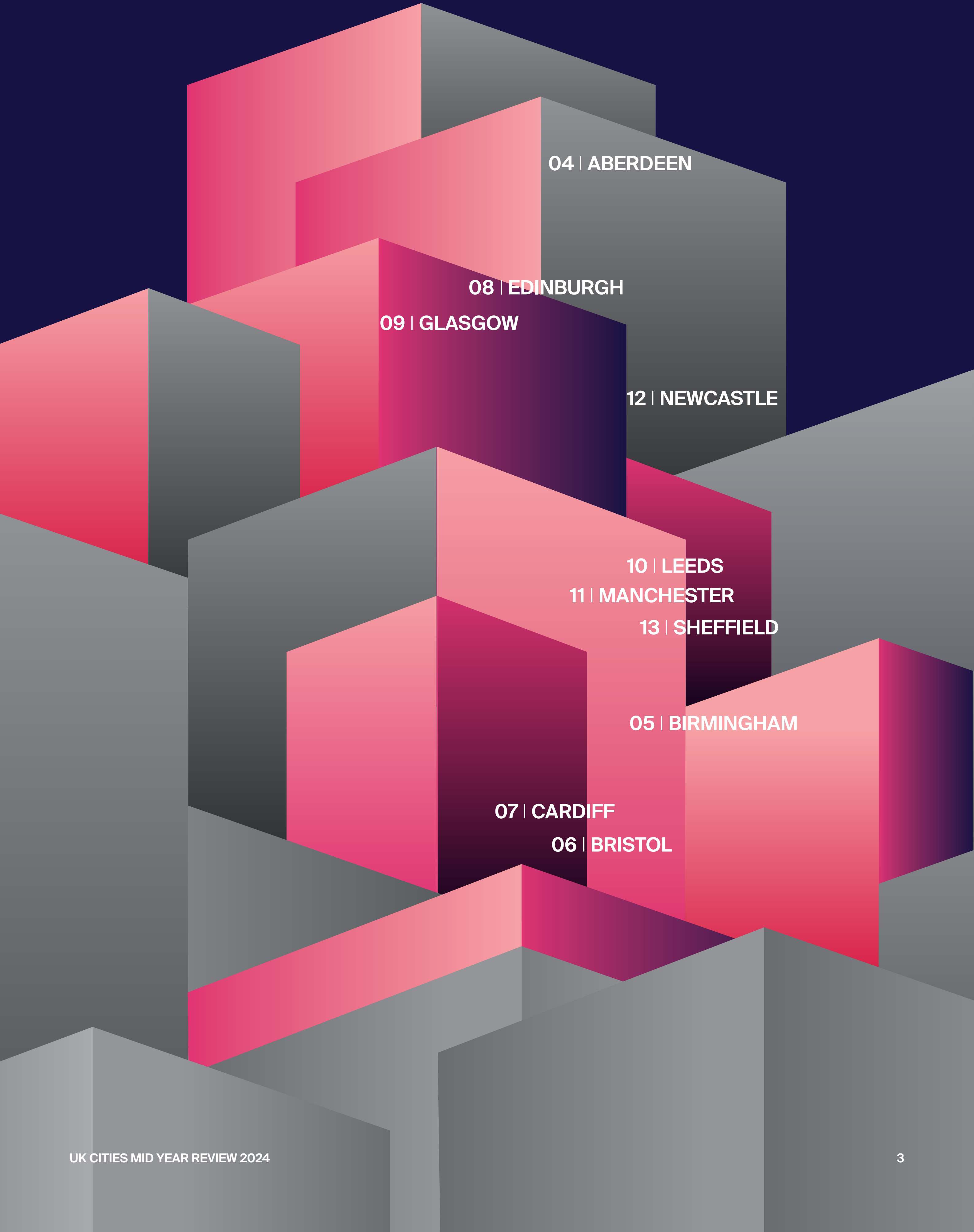

# Aberdeen

Investment volumes in H1 2024 reached their strongest level since the equivalent period in 2018. Supply of best-quality stock remains limited, with no future space currently under construction.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

15% **91,445**
*2023 H1 Take-up 107,100 sq ft*

**GRADE A SUPPLY**
(SQ FT)

50% **184,089**
*2023 H1 Grade A Supply 370,000 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£32.50** 0%
*2023 H1 Prime Rent £32.50 per sq ft*

**40**

**NUMBER OF DEALS**
*versus 32 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**0**

**PRIME RENT FORECAST**
(PER SQ FT)

**£33.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

393% **£66.48m**
*2023 H1 Investment Volumes £13.49m*

**PRIME YIELD**

**10.00%** 175 bps
*2023 H1 Prime Yield 8.25%*

**PRIME YIELD FORECAST**

%

**Stronger**

## DEMAND

- Occupier activity was modest in H1 2024, with take-up totalling 91,445 sq ft. This reflects a 15% fall year-on-year and is 36% below the 5-year H1 average for Aberdeen.
- The largest occupier deal to complete was the 6,990 sq ft letting at the H1 Building, Hill of Rubislaw to Reach Subsea.
- The energy and utilities sector has consistently been the most active occupier group. The first half of 2024 has been no different, with the sector accounting for 42% of space leased and nearly a third of all transactions.
- Prime office rents remained at £32.50 per sq ft at the mid-year point.

## SUPPLY

- Grade A availability in Aberdeen fell by 50% year-on-year to 184,089 sq ft of office stock, a figure 60% below the 10-year average for the city.
- Owing to a number of office buildings having been lost to alternative uses, the total market vacancy rate stood at 18% at the mid-year juncture of 2024, down from 24% recorded at the same point in 2023.
- As at July 2024, there were no significant office developments currently under construction in Aberdeen.

## INVESTMENT

- Investment volumes reached £66.5m across 6 deals in the first half of 2024, the strongest total recorded for an H1 period since 2018.
- Volumes were underpinned by the sale of Annan House for £32m to Ariomori ThinkPark Limited in Q2.
- Prime office yields have stabilised at 10.00%, 175 bps softer than the level recorded at H1 2023.

# Birmingham

Occupier activity bounced back during the first half of 2024, with take-up 12% above trend. New build grade A supply rose notably, albeit the current level is below the long-term average.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

▲ 11% **368,794**
*2023 H1 Take-up 331,215 sq ft*

**GRADE A SUPPLY**
(SQ FT)

▼ 55% **293,618**
*2023 H1 Grade A Supply 648,564 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£42.50** ▲ 2%
*2023 H1 Prime Rent £41.50 per sq ft*

**48**

**NUMBER OF DEALS**
*versus 54 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**724,000**

**PRIME RENT FORECAST**
(PER SQ FT)

**£45.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

▼ 69% **£13m**
*2023 H1 Investment Volumes £41.47m*

**PRIME YIELD**

**6.75%** ▲ 75 bps
*2023 H1 Prime Yield 6.00%*

**PRIME YIELD FORECAST**

**Stable**

## DEMAND

- Occupier take-up in H1 totalled 368,749 sq ft across 29 deals. This is 12% above the 5-year H1 average and is the highest total since 2020.
- The most active occupier group in the first half of 2024 was the technology, media and telecommunications sector, which accounted for nearly a third of all space leased.
- The largest transaction in Birmingham was the 84,000 sq ft pre-let to the BBC at the soon-to-be regenerated tea factory in Digbeth. Typhoo Wharf will become the BBC's headquarters. This was the largest transaction across all the regional cities tracked.
- The prime rent remained stable at £42.50 per sq ft in Q2, having risen by 21% since the onset of the Covid-19 pandemic.

## SUPPLY

- New build grade A availability rose to 293,618 sq ft at the end of H1. This reflects an increase of 59% quarter-on-quarter, but is 29% below the 5-year average.
- The total market vacancy rate rose to 5.8% at the mid-year juncture.
- At the mid-year point, 724,000 sq ft of speculative stock was under construction in Birmingham's city centre, all of which is expected to complete by the end of 2027.

## INVESTMENT

- Investment activity remained subdued in the first half of 2024, with volumes reaching £13m.
- The sale of One Temple Row for £10m to Legal and General Investment Management accounted for the majority of investment volumes in the H1 period.
- Prime yields remained stable at 6.75%, reflecting a 75 bps increase year-on-year.
- There are however a number of transactions either in the market or under offer. This will significantly improve volumes during Q3.
- The recent disposals received reasonable levels of investor interest confirming that liquidity is improving.

# Bristol

Take-up improved markedly to pre-Covid levels, and prime rents continue to grow. Investor confidence in the city was clear, with transaction volumes higher in Bristol than in any of the regional centres tracked.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

70%

**253,035**

*2023 H1 Take-up 148,744 sq ft*

**GRADE A SUPPLY**
(SQ FT)

113%

**180,504**

*2023 H1 Grade A Supply 84,786 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£48.00**

13%

*2023 H1 Prime Rent £42.50 per sq ft*

**49**

**NUMBER OF DEALS**

*versus 42 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**422,136**

**PRIME RENT FORECAST**
(PER SQ FT)

**£50.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

615%

**£177.86m**

*2023 H1 Investment Volumes £24.88m*

**PRIME YIELD**

**6.75%**

100 bps

*2023 H1 Prime Yield 5.75%*

**PRIME YIELD FORECAST**

%

**Stable**

## DEMAND

- Office take-up rose by 70% year-on-year, reaching 253,035 sq ft across 49 deals in H1 2024, broadly in line with the 5-year annual average for the city.
- The professional services sector dominated activity in H1, accounting for 47% of occupier demand and more than a third of all deals completed. This was underpinned by the pre-letting of 44,196 sq ft at Trammel Crow's and Tristan Capital's best-in-class Welcome Building to law firm DAC Beachcroft. Notably, this was the largest letting in Bristol during H1 and demonstrates the continued flight to quality.
- Prime office rents rose by 13% year-on-year to £48.00 per sq ft in the city. Alongside Manchester & Sheffield, this is the largest rental increase seen across the regional cities tracked.

## SUPPLY

- Owing to recent development completions, grade A availability stood at 180,504 sq ft at the mid-year point, more than double the level of the previous year and the long-term average.
- Overall market vacancy was 7.78% at the close of H1 2024, reflecting a rise from 6.6% measured at the equivalent period in 2023.
- At the close of H1, there was 162,862 sq ft of speculative space under construction and 201,332 sq ft under comprehensive refurbishment expected to complete by the end of 2024. As such, there is likely to be a short-term rise in vacancy in the coming months, though there are a number of pre-let discussions ongoing which will limit the impact.

## INVESTMENT

- Investment volumes registered a rise in H1 2024 to reach £177.86m across 6 deals, the highest H1 total since 2021 and the strongest H1 performance across the UK cities.
- Investment volumes were underpinned by a strong Q1 in which £161.8m of office stock was transacted, reflecting the strongest quarterly total in Bristol since Q3 2018.
- The largest asset to transact across all of the UK cities was Halo, which was bought for £69.75m at a NIY of 5.77% by CBRE IM, following lengthy negotiations lasting more than a year.
- Prime yields remained stable at 6.75%, 100 bps softer than recorded at the mid-year juncture in 2023.

# Cardiff

Take-up grew above trend in H1 2024, buoyed by the Welsh Government's out-of-town office acquisition to support the expansion of the compound semiconductor cluster in South Wales. Supply rose year-on-year, although there is a limited pipeline going forward.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

27%
**188,112**
*2023 H1 Take-up 148,463 sq ft*

**GRADE A SUPPLY**
(SQ FT)

38%
**391,647**
*2023 H1 Grade A Supply 282,813 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£25.00**
0%
*2023 H1 Prime Rent £25.00 per sq ft*

**49**
**NUMBER OF DEALS**
*versus 53 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**113,360**

**PRIME RENT FORECAST**
(PER SQ FT)

**£30.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

59%
**£13.9m**
*2023 H1 Investment Volumes £33.85m*

**PRIME YIELD**

**7.50%**
100 bps
*2023 H1 Prime Yield 6.50%*

**PRIME YIELD FORECAST**

%

**Stable**

## DEMAND

- Take-up in Cardiff's city centre reached 188,112 sq ft in the first half of 2024, 27% above the equivalent period in 2023 and 4% above the 10-year H1 average.
- The largest deal to complete in H1 involved the Welsh Government, who purchased over 50,000 sq ft of space at Centre 7, Cardiff Gate Business Park.
- Consequently, the public sector was the most active occupier group, accounting for 28% of space leased in the H1 period. However, Cardiff benefits from a diverse occupier pool, with total take-up comprised of 13 different occupier sectors.
- The prime office rent remained stable at £25.00 per sq ft but we expect this to increase in H2.

## SUPPLY

- Grade A availability stood at 391,647 sq ft at the mid-year point, reflecting an increase of 38% compared to the equivalent period in 2023 and is 34% above the 5-year average.
- Total market vacancy rose marginally to 12.5%, from 12.3% the previous year.
- The development pipeline in Cardiff is limited, with just one scheme under construction. John Street will deliver 113,360 sq ft of speculative space and is due to reach practical completion in 2025.

## INVESTMENT

- Investment activity in Cardiff was modest in H1 2024, with volumes totalling £13.9m, 59% below the equivalent period in 2023.
- Prime office yields softened by 100 bps to 7.50% over the past 12 months, reflecting an outward movement of 225 bps since the onset of the pandemic in 2020.

# Edinburgh

Supply edged up year-on-year, but the grade A refurbished vacancy rate remained largely stable. Although take-up dipped below trend, Edinburgh remains a key centre for the finance, banking and insurance sector.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

32% **162,570**

*2023 H1 Take-up 239,004 sq ft*

**GRADE A SUPPLY**
(SQ FT)

2% **711,361**

*2023 H1 Grade A Supply 696,555 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£45.00** 5%

*2023 H1 Prime Rent £43.00 per sq ft*

**53**

**NUMBER OF DEALS**

*versus 69 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**110,385**

**PRIME RENT FORECAST**
(PER SQ FT)

**£47.50**

## Investment - H1 2024

**INVESTMENT VOLUMES**

71% **£41.41m**

*2023 H1 Investment Volumes £143.3m*

**PRIME YIELD**

**6.75%** 100 bps

*2023 H1 Prime Yield 5.75%*

**PRIME YIELD FORECAST**

**Stable/stronger**

## DEMAND

- Occupier take-up in the city centre dipped in H1 2024, finalising at 162,570 sq ft. This reflects an annual decrease of 32% when compared to H1 2023 and is 8% below the 5-year H1 average for Edinburgh.
- The finance, banking and insurance sector accounted for the greatest proportion of space leased at 27% of total take-up and more than a quarter of total deals.
- The largest leasing deal of H1 involved accountancy firm Azets, who took 12,706 sq ft of space at Edinburgh Quay 2.
- Prime office rents remained stable at £45.00 per sq ft, reflecting an annual rise of 5% and a 27% increase when compared to the pre-pandemic level.

## SUPPLY

- Grade A availability increased marginally year-on-year to 711,361 sq ft at the mid-year juncture. This total is 57% above the 5-year H1 average for the city.
- The total market vacancy rate rose to 11.16%, from 10.2% the year previous. However, the grade A refurbished vacancy rate has remained largely stable.
- As of the mid-year point, 110,385 sq ft of speculative office stock was under construction in Edinburgh's city centre with delivery dates ahead of 2026.

## INVESTMENT

- Investment activity was muted in the first half of 2024, reaching £41.41m across 4 deals. This total reflects a 71% year-on-year fall.
- The largest transactions to complete were the £16m sales of 40 Torphichen Street to Cervidae and Edinburgh One to Macaleer and Rushe.
- Prime yields remained at 6.75%, 100 bps softer than at H1 2023.

# Glasgow

H1 2024 saw a marked improvement in take-up across Glasgow's city centre. The supply and demand imbalance continues to fuel rental growth, with extremely limited availability of the best-quality space.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

**245,411** 82%
*2023 H1 Take-up 134,650 sq ft*

**GRADE A SUPPLY**
(SQ FT)

**779,500** 19%
*2023 H1 Grade A Supply 652,769 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£39.50** 10%
*2023 H1 Prime Rent £36.00 per sq ft*

**76**

**NUMBER OF DEALS**
*versus 54 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**358,397**

**PRIME RENT FORECAST**
(PER SQ FT)

**£39.50**

## Investment - H1 2024

**INVESTMENT VOLUMES**

**£100.1m** 55%
*2023 H1 Investment Volumes £64.52m*

**PRIME YIELD**

**7.50%** 100 bps
*2023 H1 Prime Yield 6.50%*

**PRIME YIELD FORECAST**

%

**Stable**

## DEMAND

- ◆ Occupier activity picked up during the first half of 2024, with take-up totalling 245,411 sq ft. This reflects a rise of 82% when compared to H1 2023 and is 22% above the 5-year average for a H1 period.
- ◆ The professional services sector underpinned occupier demand, accounting for nearly half of space leased across 21 deals.
- ◆ The largest deal to transact involved accountancy firm PWC, which took 25,887 sq ft at Forma Real Estate Fund's Aurora in Q1 2024.
- ◆ Notably, serviced office providers accounted for nearly a third of activity in Q2, with HFD Offices and Boutique Workplace leasing just shy of 50,000 sq ft of space between them.
- ◆ Prime rent in Glasgow was £39.50 per sq ft at the mid-year juncture, reflecting a 10% rise year-on-year.

## SUPPLY

- ◆ Grade A availability stood at 779,500 sq ft at the mid-year point, reflecting a 19% annual increase.
- ◆ Overall market vacancy has increased from 8.68% in H1 2023 to 10.88% over the past 12 months.
- ◆ As of H1 2024, 358,397 sq ft of office stock was under construction in Glasgow's city centre, all of which is expected to reach practical completion by 2026. Comprised of 4 schemes, all current construction is comprehensive refurbishment.

## INVESTMENT

- ◆ Glasgow registered an improvement in investment activity in H1 2024, with volumes reaching £100.1m. This total is 55% above H1 2023.
- ◆ The uplift in volumes was supported by a particularly strong Q2 in which more than £77m of office stock was transacted, the strongest quarterly performance across all of the UK cities tracked.
- ◆ The sale of One West Regent Street is the largest transaction to complete in 2024. The building was acquired by French investor Corum Asset Management for £45.8m.
- ◆ Prime office yields held firm at 7.50%. This reflects an outward movement of 100 bps year-on-year and is 225 bps softer than the pre-pandemic level.

# Leeds

Occupier demand was buoyed by an especially strong Q1 period. Supply of the best quality stock fell, supporting projections of rental growth.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

▼ 13% **349,332**
*2023 H1 Take-up 402,274 sq ft*

**GRADE A SUPPLY**
(SQ FT)

▼ 18% **192,841**
*2023 H1 Grade A Supply 233,934 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£38.00** ▲ 3%
*2023 H1 Prime Rent £37.00 per sq ft*

**53**
**NUMBER OF DEALS**
*versus 63 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**428,489**

**PRIME RENT FORECAST**
(PER SQ FT)

**£41.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

▲ 25% **£24.75m**
*2023 H1 Investment Volumes £19.8m*

**PRIME YIELD**

**7.00%** ▲ 75 bps
*2023 H1 Prime Yield 6.25%*

**PRIME YIELD FORECAST**

**Stable**

## DEMAND

- Take-up reached 349,332 sq ft in H1 2024, buoyed by a particularly strong Q1 period. Although this total is 13% below activity levels during H1 2023, it is 22% above the 5-year H1 average for Leeds.
- Underpinning occupier demand was the finance, banking, insurance and professional services sectors, which accounted for half of total office space leased in H1 2024.
- However, the largest occupier deal to complete was the 43,713 sq ft letting of Joseph's Well to Leeds Teaching Hospitals NHS Trust.
- Prime office rents remained at £38.00 per sq ft, reflecting a 3% increase compared to the equivalent point in 2023.

## SUPPLY

- Grade A availability fell to 192,841 sq ft at the mid-year point, a figure 18% below that in H1 2023 and 28% lower than the 10-year average for Leeds.
- Total market vacancy rose marginally to 6.8%, from 6.3% recorded at the equivalent period in 2023.
- As at H1 2024, there was 428,489 sq ft of speculative office space under construction across 7 buildings. Comprised of both brand-new builds and comprehensive refurbishments, delivery is scheduled throughout the rest of 2024 and during the first half of 2026.

## INVESTMENT

- Investment volumes totalled £24.75m at the mid-point of 2024. Comprising 4 deals, the H1 2024 total is 25% higher than in H1 2023.
- The largest asset to transact in H1 was 7 Park Row, which was bought by financial services firm Firefly Capital Limited for £8.35m.
- Prime yields remained stable at 7.00%, 75 bps softer than recorded at the mid-year point in 2023.

# Manchester

Occupier activity increased during the first half of 2024, ahead of H1 2023 and above trend. Demand for best-quality space supported strong rental growth in Manchester.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

29%
**504,885**
*2023 H1 Take-up 390,470 sq ft*

**GRADE A SUPPLY**
(SQ FT)

29%
**712,231**
*2023 H1 Grade A Supply 551,471 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£45.00**
13%
*2023 H1 Prime Rent £40.00 per sq ft*

**102**

**NUMBER OF DEALS**
*versus 110 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**478,615**

**PRIME RENT FORECAST**
(PER SQ FT)

**£46.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

8%
**£44.3m**
*2023 H1 Investment Volumes £47.95m*

**PRIME YIELD**

**6.75%**
100 bps
*2023 H1 Prime Yield 5.75%*

**PRIME YIELD FORECAST**

**Stable**

## DEMAND

- Manchester registered improved occupier activity in H1 2024, with take-up reaching 504,885 sq ft. This total is 29% ahead of H1 2023 and is 14% above the 5-year H1 average.
- Underpinning demand was the professional services sector, which accounted for more than half of all space leased across 36 deals.
- Of this, serviced office providers represented 46% of total professional services take-up.
- In line with this, the largest letting to complete involved serviced offices firm Cubo, which took nearly 60,000 sq ft at WeWork's former home of No.1 Spinningfields.
- Alongside Bristol and Sheffield, Manchester registered the highest year-on-year rental growth of the regional cities at 13%, reaching £45.00 in Q2 2024. The prime rent has risen by 20% since the onset of the pandemic.

## SUPPLY

- City centre Grade A availability stood at 712,231 sq ft at the end of H1 2024, reflecting an annual increase of 29%. This total is 8% above the 5-year average for Manchester.
- Following the completion of Havelock and 4 Angel Square, the grade A vacancy rate rose from 3.1% in H1 2023 to 4% in H1 2024. However, with the entire of 4 Angel Square currently under offer, once legally completed this will reduce the vacancy rate to 2.9%.
- As of the mid-year point, 584,109 sq ft of office stock was under construction in Manchester's city centre. Of this, c.105,500 sq ft was let and c.276,000 sq ft was under offer, leaving c.203,000 sq ft or 35% of space available. Development is spread across 4 schemes, all of which are new build and are due to be delivered within the next 12 months. Beyond this, there are no significant developments under construction.

## INVESTMENT

- Investment volumes were modest in H1 2024, reaching £44.3m, 8% below the equivalent period in 2023.
- The largest deal to transact involved Trinity Bridge House, which was purchased by a private investor for an undisclosed sum.
- Prime office yields held firm at 6.75%, reflecting an outward shift of 100 bps year-on-year and 175 bps since the onset of the pandemic.

# Newcastle

Occupier demand recorded an increase quarter-on-quarter, but remains below the long-term average for a H1 period. Investment activity was muted, however pricing for the best-quality assets appears to have stabilised.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

▼ 10% **77,324**

*2023 H1 Take-up 86,213 sq ft*

**GRADE A SUPPLY**
(SQ FT)

▼ 10% **299,500**

*2023 H1 Grade A Supply 333,700 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£32.00** ▲ 10%

*2023 H1 Prime Rent £29.00 per sq ft*

**24**

**NUMBER OF DEALS**

*versus 25 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**0**

**PRIME RENT FORECAST**
(PER SQ FT)

**£32.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

▼ 79% **£8.6m**

*2023 H1 Investment Volumes £41.45m*

**PRIME YIELD**

**7.50%** ▲ 125 bps

*2023 H1 Prime Yield 6.25%*

**PRIME YIELD FORECAST**

**Stable**

## DEMAND

- City centre take-up during H1 2024 was 77,324 sq ft, reflecting a 10% fall year-on-year. This total is also 13% below the H1 5-year average.
- Occupier activity was dominated by the professional services sector, which accounted for 48% of space leased in H1 and 46% of deals completed.
- However, the largest leasing transaction in the city involved software developer Oak Engage, which took 7,456 sq ft at Central Square.
- Prime office rents held firm at £32.00 per sq ft in 2024 following a rise of 10% in the previous six-month period. Notably, rents at H1 2024 are 31% above the level recorded at the onset of the pandemic, the largest growth seen across all of the regional cities tracked.

## SUPPLY

- Grade A availability dipped to 299,500 sq ft at the mid-year juncture, a figure 10% below the previous year but 34% above the 10-year average for the city.
- The overall market vacancy rate remained stable at 9%.
- Following the completion of 8 Nelson Street and Pattern Shop in Q1 2024, there were no significant developments under construction in Newcastle's city centre at mid-year.

## INVESTMENT

- Investment activity was limited in the first half of 2024, with transaction volumes reaching £8.6m, 79% below the equivalent period in 2023.
- The only deal to complete involved Newcastle City Council, who bought Stockbridge House, Trinity Gardens for £8.6m from UK-based property company Praxis.
- Prime yields have stabilised at 7.50%. This is 125 bps softer than 12 months previous and is 175 bps softer than the pre-pandemic level.

# Sheffield

Development completions pushed availability above trend. The addition of best-in-class office stock drove year-on-year rental growth.

## Occupational - H1 2024

**TAKE UP**
(SQ FT)

30% **96,276**
*2023 H1 Take-up 137,936 sq ft*

**GRADE A SUPPLY**
(SQ FT)

56% **202,300**
*2023 H1 Grade A Supply 130,000 sq ft*

**PRIME RENT**
(£ PER SQ FT)

**£30.00** 13%
*2023 H1 Prime Rent £26.50 per sq ft*

**28**

**NUMBER OF DEALS**
*versus 36 in 2023*

**DEVELOPMENT PIPELINE**
(U/C SPECULATIVE SQ FT)

**110,000**

**PRIME RENT FORECAST**
(PER SQ FT)

**£30.00**

## Investment - H1 2024

**INVESTMENT VOLUMES**

100% **£0m**
*2023 H1 Investment Volumes £6.55m*

**PRIME YIELD**

**7.50%** 75 bps
*2023 H1 Prime Yield 6.75%*

**PRIME YIELD FORECAST**

**Stable**

## DEMAND

- Occupier activity in the first half of 2024 was muted, with take-up totalling 96,276 sq ft across the city. This reflects a 30% fall year-on-year and is 35% below the 5-year H1 average.
- Underpinning activity in Sheffield was the TMT sector, which accounted for 34% of space leased in H1 2024.
- As such, the largest letting of the year thus far involved law firm DLA Piper taking 17,500 sq ft at Elshaw House.
- Prime rents reflected a 13% rise annually at the mid-point of 2024 reaching £30.00 per sq ft. Alongside Bristol and Manchester, this is the strongest rental growth seen across the regional centres tracked.

## SUPPLY

- Following recent development completions and occupier consolidation, grade A availability rose 56% year-on-year to reach 202,300 sq ft at the mid-year point. This total is 41% above the 10-year average for the city.
- The grade A vacancy rate was 2.2% at the close of H1 2024, reflecting an increase from 1.4% measured at the equivalent period in 2023.
- As of H1 2024, development activity in Sheffield was muted with 110,000 sq ft of brand-new speculative space under construction. Comprised solely of Plot 4a, West Bar, delivery is expected later this year.

## INVESTMENT

- Although there were no significant office transactions in Sheffield in H1 2024, with pricing levels having now largely corrected, we expect to see an uptick in activity during H2.
- Prime office yields remained stable at 7.50% in Q2 2024, reflecting an outward shift of 75 bps from the equivalent point in 2023 and 125 bps since the onset of the pandemic.

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