UK Cities

Q3 2024

OFFICE MARKET QUARTERLY REVIEW 2024

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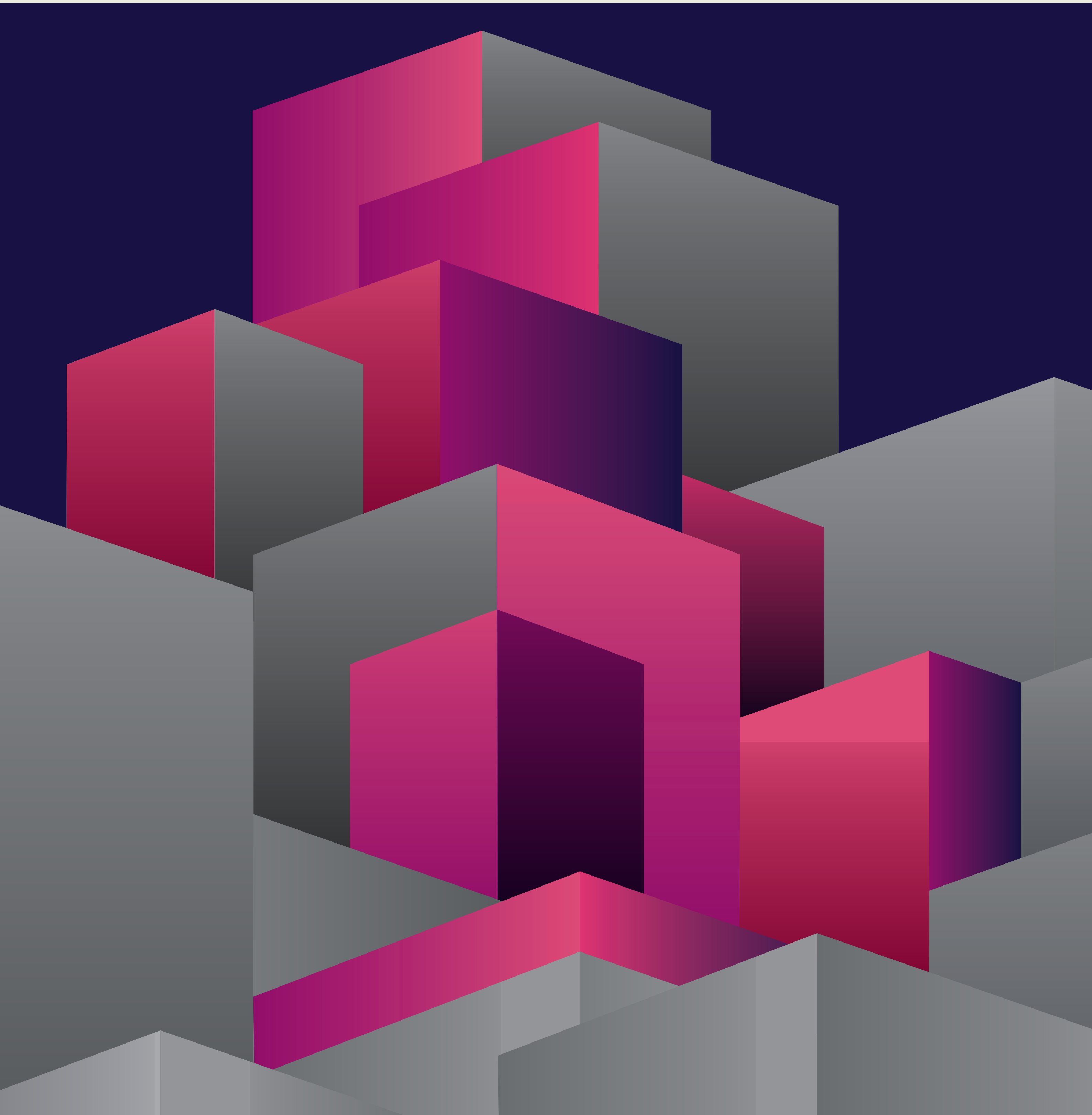

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Key takeaways

1

The leasing market saw continued improvement, with year-to-date take-up 14% ahead of the equivalent stage in 2023.

2

Education occupiers accounted for 12% of total space leased across the regional cities so far this year, bolstered by a pair of transactions totalling more than 250,000 sq ft in Q3.

3

Current and future supply of best quality stock is limited. The new and grade A vacancy rate dipped to 2.9% in Q3, whilst a third of space under construction has already been pre-let.

4

Competition for prime space has supported rental growth in eight of the ten regional cities in 2024, with prime rents reaching £48.00 per sq ft in Bristol.

5

Although investment activity was modest at £181.95m in Q3 2024, pricing for the best quality assets has stabilised.

Executive summary

OCCUPIER ACTIVITY CONTINUES TO IMPROVE

The leasing market continued to show improvement in Q3, with occupier take-up reaching 1.6m sq ft across the regional cities tracked. This total is 24% above the level recorded the previous year and is 11% above the 10-year quarterly average. The year-to-date measure of take-up shows that nearly 4m sq ft of space has been leased. This is 14% ahead of the equivalent point in 2023 and is 12% above the 5-year average. Notably, this is the highest total recorded at this stage since 2019.

During the first three quarters of 2024, 787 occupier deals completed across the ten UK cities tracked. Although this reflects a 2% fall compared to the equivalent period in 2023, it is 9% above the 5-year average at this stage. The uptick in leasing volumes meant the average deal size increased by more than 700 sq ft year-on-year to 4,985 sq ft.

DEMAND FROM EDUCATION PROVIDERS SURGES

Education is becoming increasingly intertwined with businesses to foster innovation. During the first three quarters of 2024, the education sector accounted for 12% of office space leased across the UK cities, up from 7% at the equivalent point in 2023. Notably, it was the most active occupier grouping in Q3, accounting for 23% of total take-up.

Underpinning the uptick in activity was the 189,053 sq ft letting to Aston University at 10 Woodcock Street, and the Global Banking School taking 68,192 sq ft at 1 Brindleyplace. Interestingly, the three largest transactions involving the education sector occurred in Birmingham. However, year-to-date, nine out of the ten regional cities tracked recorded take-up derived from education-based occupiers.

SUPPLY POLARISING

The regional average vacancy rate registered a small decrease in Q3 to 13.9%. Notably, the availability of new & grade A space also fell over the quarter as completions have not kept pace with letting activity. At the end of the quarter, the vacancy rate for new and grade A spaces dipped to 2.9%, demonstrating the gap between total vacancy and that of 'best quality'. Moving forward, the development pipeline remains limited for occupiers targeting new space. At the end of the quarter, 3.4m sq ft of office space was under construction and due for delivery over the next 24 months. Of this, almost one-third has already been leased.

RENTS CONTINUE TO RISE

The average prime rent across the major UK regional cities stood at £38.00 per sq ft at the close of the third quarter, with the highest prime rent in Bristol at £48.00 per sq ft. Considered across the year-to-date, eight of ten markets have registered an uplift in prime rent, with the highest annual percentage increase recorded in Bristol and Sheffield (13%). Further increases are possible in Q4 as competition for prime space remains heightened.

INVESTMENT ACTIVITY DIPS

Investment activity remained below trend in Q3, finalising at £181.95m across the regional office markets. This total is 3% below the previous quarter and 52% below the 5-year Q3 average. This brings the year-to-date level of office investment to £672.35m, 8% behind the respective stage in 2023 and 39% below the 5-year average. Despite this, the number of deals completed remains largely in line with the first nine months of 2023, resulting in an average deal size of £12.5m.

Following Labour's hotly anticipated budget announcement and the stabilisation of prime yields, we expect institutional and international investors to return to the market for the relative certainty and stability this has reintroduced.

IS THE PRICING SHIFT SUBSIDING?

Prime yields remained at 6.75% in Q3, with pricing at the top end of the market unchanged throughout 2024. The consensus is that Prime has now 'reached the market level' with further outward shift unlikely. However, the yield spread between Prime and secondary properties continues to widen as obsolescence, location disadvantages, and sustainability upgrade requirements challenge secondary assets.

Aberdeen

The energy and utilities sector continues to underpin occupier demand, which finalised 27% above the 10-year Q3 average. Current and future grade A supply remain limited, with no current construction underway.

Occupational

TAKE UP
Q3 2024 (SQ FT)
99%
118,210
YTD total 209,655 sq ft (2023: 248,531 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)
-10%
135,604
Q3 2023 Grade A Supply 150,000 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)
£32.50
0%
Q3 2023 Prime Rent £32.50 per sq ft

22
NUMBER OF DEALS
Q3 2024
YTD total 62 deals (2023: 61 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)
0

2024 PRIME RENT FORECAST
(PER SQ FT)
£32.50

Investment

INVESTMENT VOLUMES
Q3 2024
-99%
£0.3m
YTD total £66.78m (2023: £13.49m)

PRIME YIELD
Q3 2024
10.00%
175 bps
Q3 2023 Prime Yield 8.25%

PRIME YIELD FORECAST
%
Inward

DEMAND

- Take-up in Q3 reached 118,210 sq ft, more than double the level of the previous quarter and 27% above the 10-year Q3 average. Leasing volumes totalled 209,655 sq ft in the first three quarters of 2024, 16% below the equivalent period in 2023 and 9% below the 5-year average.
- The energy and utilities sector continued to underpin occupier demand in Aberdeen, accounting for nearly half of space leased across 19 deals so far this year.
- In line with this, the largest letting to complete in both Q3 and the year-to-date involved offshore solutions specialist OEG, which took 16,591 sq ft at The Stratus Building, ABZ Business Park.
- The prime office rent remained stable at £32.50 per sq ft.

SUPPLY

- Grade A availability fell to 135,604 sq ft in Q3 2024, a figure 10% below the equivalent point in 2023 and 70% lower than the 10-year average for Aberdeen.
- Following multiple offices having been lost to alternative uses, total market vacancy fell from 24% a year ago to 18% at the close of Q3 2024.
- At the close of the third quarter, no significant office developments were under construction in Aberdeen.

INVESTMENT

- In Q3, £0.3m of office stock was transacted, comprised solely of 10 Albyn Terrace.
- However, investment volumes registered a rise in 2024 to reach £66.8m across 7 deals, the highest Q1-Q3 total for Aberdeen since 2018.
- Prime yields remained stable at 10.00%, 175 bps softer than recorded at the equivalent point in 2023, albeit there has been a lack of transactional evidence.
- The improving interest rate environment is fostering the expectation of a yield tightening in the near-term.

Birmingham

Leasing volumes in Q3 reached their highest level since 2017, with the education sector accounting for 43% of take-up year-to-date. Investment activity was limited, albeit there are a number of transactions currently under offer.

Occupational

TAKE UP
Q3 2024 (SQ FT)

107%
348,690
YTD total 717,484 sq ft (2023: 462,719 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

-20%
295,020
Q3 2023 Grade A Supply 367,983 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£43.00
1%
Q3 2023 Prime Rent £42.50 per sq ft

23
NUMBER OF DEALS
Q3 2024
YTD total 71 deals (2023: 72 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

671,993

2024 PRIME RENT FORECAST
(PER SQ FT)

£45.00

Investment

INVESTMENT VOLUMES
Q3 2024

-100%
£0m
YTD total £13m (2023: £173.87m)

PRIME YIELD
Q3 2024

6.75%
50 bps
Q3 2023 Prime Yield 6.25%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Office take-up rose by 165% year-on-year, reaching 348,690 sq ft across 23 deals in Q3 2024. This total is more than double the 5-year quarterly average for the city and the strongest Q3 period since 2017. Leasing volumes so far this year stand at 717,484 sq ft, 55% above the equivalent period in 2023 and 36% above the 5-year average.
- The uptick in occupier activity was underpinned by Aston University taking 189,053 sq ft at 10 Woodcock Street, the second largest leasing deal to complete across all of the regional cities since 2021.
- Consequently, the education sector was the most active occupier group, accounting for 43% of space leased year-to-date. However, it was the professional services sector that accounted for the greatest number of deals at 25 out of 71, more than double the amount of any other sector.
- Prime office rents in Birmingham reached £43.00 per sq ft in Q3, reflecting a percentage point rise year-on-year and is 23% above the pre-pandemic level.

SUPPLY

- New build Grade A availability dipped to 295,020 sq ft at the close of Q3, a figure 20% below the previous year but largely in line with the 10-year average for the city.
- Overall market vacancy has increased from 3% in Q3 2023 to 5.8% over the past 12 months.
- As at quarter-end, 659,000 sq ft of speculative stock was under construction in Birmingham's city centre, with expected delivery by 2027. Comprised of 6 buildings, there is a mix of brand-new build and comprehensive refurbishment.

INVESTMENT

- No deals completed in Q3 this year. As such, investment activity was limited in the first three quarters of 2024, with transaction volumes reaching £13m, 91% below the 5-year average at this stage.
- Prime yields remained at 6.75%, 50 bps softer than at the equivalent point in 2023.
- There are a number of properties either exchanged or under offer including The Chatwin Building, 4 Temple Row, Two Snowhill & One Brindleyplace which should boost volumes for Q4.

Bristol

Following an especially strong Q1 period, investment volumes finished ahead of the long-term average at this stage of the year. Despite increased supply, Bristol continues to experience strong rental growth.

Occupational

TAKE UP
Q3 2024 (SQ FT)

-32% **86,157**
YTD total 339,192 sq ft (2023: 225,997 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

172% **171,054**
Q3 2023 Grade A Supply 62,781 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£48.00 13%
Q3 2023 Prime Rent £42.50 per sq ft

20
NUMBER OF DEALS
Q3 2024

YTD total 69 deals (2023: 59 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

423,194

2024 PRIME RENT FORECAST
(PER SQ FT)

£50.00

Investment

INVESTMENT VOLUMES
Q3 2024

-75% **£4m**
YTD total £181.86m (2023: £26.98m)

PRIME YIELD
Q3 2024

6.75% 75 bps
Q3 2023 Prime Yield 6.00%

PRIME YIELD FORECAST

Stable

DEMAND

- Leasing volumes in Bristol reached 86,157 sq ft in Q3, 32% below the total recorded in Q2 2024 but marginally above the 5-year Q3 average. The year-to-date measure of take-up shows that 339,192 sq ft has been leased. This total is 50% higher than the equivalent period in 2023, with activity in line with the 5-year average.
- The professional services sector accounted for the greatest proportion of space leased in 2024 so far at 40% of total take-up and a third of deals completed. This was supported by the largest occupier deal this year, involving law firm DAC Beachcroft, which took 44,196 sq ft at Welcome Building in Q1.
- However, the largest leasing transaction in Q3 involved business-to-business occupier Block, which took 21,235 sq ft over four floors at The Fairfax.
- Prime office rents remained stable at £48.00 per sq ft, reflecting an annual rise of 13% and a 28% increase when compared to the pre-pandemic level.

SUPPLY

- Following recent development completions, grade A availability increased by 172% year-on-year to reach 171,054 sq ft at the close of Q3. This level is more than double the 10-year average for the city.
- Total market vacancy rose marginally to 8% from 7.3% the previous year.
- As of Q3 2024, 423,194 sq ft of brand new and comprehensively refurbished speculative stock was under construction in Bristol's city centre, the majority of which is expected to complete by the end of this year.

INVESTMENT

- In Q3, £4m of office stock was transacted, following the sale of Somerset House.
- Investment volumes reached £181.9m across 7 deals in the first three quarters of 2024, 2% above the average for the period and the strongest performance across all of the UK cities tracked.
- The uplift in volumes was supported by a particularly strong Q1 in which £161.8m of office stock was transacted, the highest quarterly total recorded in Bristol since 2018. This includes the sale of Halo for £69.7m at a NIY of 5.77%, the largest transaction to complete across all of the regional cities this year.
- Prime office yields remained stable at 6.75% in Q3 2024, reflecting an outward shift of 75 bps from the equivalent point in 2023 and 175 bps since the onset of the pandemic.

Cardiff

Strong Q3 take up and limited Grade A supply delivers prime rental growth following a significant letting at One Central Square. Take-up continues to grow above trend, with activity across a broad spectrum of occupiers.

Occupational

TAKE UP
Q3 2024 (SQ FT)

96% **146,394**
YTD total 334,506 sq ft (2023: 214,400 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

12% **329,317**
Q3 2023 Grade A Supply 294,820 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£28.00 12%
Q3 2023 Prime Rent £25.00 per sq ft

22
NUMBER OF DEALS
Q3 2024
YTD total 71 deals (2023: 70 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

107,010

2024 PRIME RENT FORECAST
(PER SQ FT)

£30.00

Investment

INVESTMENT VOLUMES
Q3 2024

-100% **£0m**
YTD total £13.9m (2023: £33.85m)

PRIME YIELD
Q3 2024

7.50% 50 bps
Q3 2023 Prime Yield 7.00%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Cardiff witnessed strong occupier activity in Q3 2024, with leasing volumes reaching 146,394 sq ft. This is more than double the level recorded during Q3 2023 and is 26% above the 10-year quarterly average. Notably, this is the highest total since Q4 2020.
- Year-to-date, take-up totalled 334,506 sq ft, 56% above the previous year and the strongest first nine month period since 2017.
- The finance, banking, and insurance sector dominated activity during the first three quarters of 2024, accounting for 27% of occupier demand.
- The professional services sector accounted for the greatest number of deals done at 16 out of 71.
- The largest letting to sign in Q3 involved PWC's lease of 33,166 sq ft of prime space at One Central Square.
- Following recent lettings, prime office rents rose by 12% to £28.00 per sq ft, the first prime rental uplift in Cardiff since 2016.

SUPPLY

- Grade A availability stood at 329,317 sq ft at the end of Q3 2024, demonstrating a sustained reduction in vacant prime office space. During Q3, Grade A availability fell by 16% from the previous quarter but still remained 9% above the 5-year average for Cardiff.
- The total market vacancy rate in the core Cardiff market stood at 9.9% at the close of Q3 2024, reflecting a continued downward trend throughout 2024 and fall from the 11% measured earlier in the year.
- Cardiff's pipeline remains very limited, with just one new office building currently under construction. John Street at Callaghan Square will deliver 113,360 sq ft of brand-new space and is already under offer to a single occupier with practical completion anticipated in Q4 2025.

INVESTMENT

- There were no office transactions in Q3.
- Investment activity was muted during the first three quarters of 2024, reaching £13.9m across 2 deals. This total reflects a 59% year-on-year fall.
- Prime office yields have stabilised at 7.50%, 50 bps softer than the level recorded at the previous year.

Edinburgh

Although supply has continued to increase marginally, there is a distinct lack of the very best quality stock. As such, competition continues to fuel rental growth year-on-year.

Occupational

TAKE UP
Q3 2024 (SQ FT)

27% **114,591**
YTD total 277,161 sq ft (2023: 342,413 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

1% **714,610**
Q3 2023 Grade A Supply 705,932 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£45.00 5%
Q3 2023 Prime Rent £43.00 per sq ft

29

NUMBER OF DEALS
Q3 2024

YTD total 82 deals (2023: 101 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

110,385

2024 PRIME RENT FORECAST
(PER SQ FT)

£46.50

Investment

INVESTMENT VOLUMES
Q3 2024

106% **£42m**
YTD total £83.41m (2023: £181.68m)

PRIME YIELD
Q3 2024

6.75% 75 bps
Q3 2023 Prime Yield 6.00%

PRIME YIELD FORECAST

%

Stable

DEMAND

- City centre take-up during Q3 2024 was 114,591 sq ft, reflecting an 11% rise year-on-year. However, this total is 6% below the 5-year quarterly average. Year-to-date, leasing volumes reached 277,161 sq ft, reflecting a 19% fall year-on-year and is 16% below the 5-year average.
- The largest letting of Q3 2024 involved financial services firm Diligenta Ltd taking 30,327 sq ft at Standard Life House.
- Owing largely to this and the 45,795 sq ft Bank of NY Mellon letting in Q2, occupier activity was dominated by the finance, banking, and insurance sector, which accounted for almost a third of space leased year-to-date.
- However, the professional services sector continued to underpin leasing activity in terms of deals done, accounting for nearly a quarter of total deals this year.
- Following steady rental growth, the prime rent in Edinburgh was £45.00 per sq ft at the close of Q3, reflecting a 5% rise year-on-year. Notably, this is 27% above the level recorded at the onset of the pandemic.

SUPPLY

- Grade A availability in Edinburgh rose marginally year-on-year to 714,610 sq ft of office stock, a figure 49% above the 5-year average for the city.
- The total market vacancy rate fell to 10.66% in Q3 2024.
- At the close of Q3, there was 110,385 sq ft of speculative space under construction in Edinburgh's city centre. With just over half of this expected to complete before the close of 2024, there is likely to be a short-term rise in vacancy toward year-end.

INVESTMENT

- Investment activity saw an uptick in Q3, reaching £42m owing to the sale of The Mint Building to Pontegadea UK Ltd.
- Investment volumes totalled £83.41m at the close of Q3 2024. Comprising 5 deals, the 2024 year-to-date total is 54% below the previous year.
- Prime office yields softened by 75 bps over the past 12 months to 6.75%, reflecting an outward movement of 200 bps since the onset of the pandemic in 2020.

Glasgow

Professional services firms continue to underpin occupier demand in the city centre, which is above trend year-to-date. An uptick in investment activity reflects returning confidence to the market.

Occupational

TAKE UP
Q3 2024 (SQ FT)

-19% **106,182**
YTD total 326,729 sq ft (2023: 237,104 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

29% **784,006**
Q3 2023 Grade A Supply 605,972 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£39.50 3%
Q3 2023 Prime Rent £38.50 per sq ft

34
NUMBER OF DEALS
Q3 2024

YTD total 109 deals (2023: 84 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

289,356

2024 PRIME RENT FORECAST
(PER SQ FT)

£39.50

Investment

INVESTMENT VOLUMES
Q3 2024

-49% **£39.3m**
YTD total £139.4m (2023: £73.4m)

PRIME YIELD
Q3 2024

7.50% 50 bps
Q3 2023 Prime Yield 7.00%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Occupier take-up in Glasgow reached 106,182 sq ft in Q3, 4% above the level recorded in 2023 and 3% below the 5-year quarterly average. The year-to-date measure of activity shows that 326,729 sq ft of space has been leased. This total is 38% ahead of the equivalent point in 2023 and is 2% above the 5-year average for the period.
- Underpinning demand was the professional services sector, which accounted for 40% of space leased year-to-date across 24 deals.
- As such, the largest occupier deal to complete in Q3 involved law firm Clyde & Co, which took 18,548 sq ft of space at 110 Queen Street. Year-to-date, it was the 25,887 sq ft letting at Aurora, 120 Bothwell Street to PWC. Notably, professional services firms were responsible for the largest deal in all three quarters of 2024 to-date.
- Prime office rents remained at £39.50 per sq ft, reflecting a 3% increase compared to the equivalent point in 2023.

SUPPLY

- Grade A availability rose to 784,006 sq ft at the end of Q3 2024. This remains largely stable from the previous quarter and is 29% above the level recorded in Q3 2023.
- Overall market vacancy was 10.97% at the close of Q3, reflecting a rise from 8.65% measured at the equivalent period in 2023.
- As at Q3 2024, there was 289,356 sq ft of speculative office space under construction across 3 buildings. Comprised solely of comprehensive refurbishments, delivery is scheduled by the end of 2025.
- Following delays, all pre-let agreements have been rescinded at Lucent, 50 Bothwell Street. However, occupiers are thought to be renegotiating with the landlord.

INVESTMENT

- Investment activity fell 49% quarter-on-quarter to reach £39.3m in Q3 2024, 9% below the 5-year quarterly average.
- However, investment activity registered a year-to-date improvement in 2024, totalling £139.4m across 12 deals. This reflects a 90% increase year-on-year and has already surpassed the 2023 annual total. Despite this, it is marginally below the 5-year average for the period.
- Prime yields have stabilised at 7.50%. This is 50 bps softer than 12 months previous and is 225 bps softer than the pre-pandemic level.

Leeds

Occupier activity remained above trend, whilst availability edged downward in Q3, supporting sustained rental growth in the city. Pricing for the best assets has stabilised.

Occupational

TAKE UP
Q3 2024 (SQ FT)

47% **146,372**
YTD total 495,704 sq ft (2023: 539,189 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

11% **190,461**
Q3 2023 Grade A Supply 171,223 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£39.00 3%
Q3 2023 Prime Rent £38.00 per sq ft

33

NUMBER OF DEALS
Q3 2024

YTD total 86 deals (2023: 94 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

336,688

2024 PRIME RENT FORECAST
(PER SQ FT)

£40.00

Investment

INVESTMENT VOLUMES
Q3 2024

-100% **£0m**
YTD total £24.75m (2023: £73.95m)

PRIME YIELD
Q3 2024

7.00% 50 bps
Q3 2023 Prime Yield 6.50%

PRIME YIELD FORECAST

Stable

DEMAND

- Take-up across the city centre reached 146,372 sq ft in Q3 2024, 47% above the previous quarter and 2% above the 5-year quarterly average. Year-to-date, leasing volumes totalled 495,704 sq ft, 15% above the 5-year average for the period.
- The largest deal to transact in Q3 involved the University of Law, which took 15,241 sq ft at Yorkshire House, Greek Street. Year-to-date, it was the 43,731 sq ft letting to Leeds Teaching Hospitals NHS Trust at Joseph's Well.
- However, underpinning activity in Leeds was the professional services sector, which accounted for 31% of space leased and 28% of deals done in the first three quarters of 2024.
- Prime rents reflected a 3% rise annually at the close of Q3 2024 reaching £39.00 per sq ft.

SUPPLY

- Grade A availability stood at 190,461 sq ft at the end of Q3, reflecting a percentage point fall compared to the previous quarter and is 29% below the 10-year average.
- The total market vacancy rate fell marginally to 6.75% at the close of Q3 2024.
- As of quarter-end, 336,688 sq ft of office stock was under construction across 5 buildings in Leeds's city centre, the majority of which is expected to reach practical completion by the end of the year.

INVESTMENT

- There were no investment deals in Leeds in Q3 2024.
- Investment activity in Leeds was modest in 2024 to-date, with volumes totalling £24.7m across 4 deals, 67% below the equivalent period in 2023.
- Prime yields remained stable at 7.00%, reflecting a 50 bps increase year-on-year.

Manchester

Leasing volumes reached their highest level since 2019, underpinned by the largest occupier transaction in nearly three years. An uptick in investment activity indicates returning investor confidence.

Occupational

TAKE UP
Q3 2024 (SQ FT)

30% **432,619**
YTD total 937,504 sq ft (2023: 741,533 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

8% **553,751**
Q3 2023 Grade A Supply 512,278 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£45.00 5%
Q3 2023 Prime Rent £43.00 per sq ft

51

NUMBER OF DEALS
Q3 2024

YTD total 153 deals (2023: 169 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

297,911

2024 PRIME RENT FORECAST
(PER SQ FT)

£46.00

Investment

INVESTMENT VOLUMES
Q3 2024

1734% **£84.38m**
YTD total £128.68m (2023: £105.75m)

PRIME YIELD
Q3 2024

6.75% 50 bps
Q3 2023 Prime Yield 6.25%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Occupier take-up in Q3 totalled 432,619 sq ft across 51 deals. This is 23% ahead of the previous year and 39% above the 10-year quarterly average. Leasing volumes this year-to-date stand at 937,504 sq ft, 26% above the equivalent period in 2023 and is the highest total since 2019.
- The largest occupier transaction in Manchester was the 196,443 sq ft letting of the entire 4 Angel Square building to the Bank of NY Mellon. This was the largest deal to complete across all the regional cities tracked since 2021.
- As such, the finance, banking, and insurance sector underpinned occupier demand in 2024 to-date, accounting for nearly half of all space leased.
- However, in terms of deals done, it was the TMT sector that accounted for the greatest proportion of activity, with a greater balance of sector contribution.
- Prime rents remained stable at £45.00 per sq ft, having experienced sustained long-term growth.

SUPPLY

- Grade A availability in Manchester's city centre fell by 22% quarter-on-quarter to 553,751 sq ft in Q3 2024. This total is 18% below the 5-year average for the city.
- The grade A vacancy rate stood at 3.1% at the close of Q3 2024, down from 4% recorded in Q2.
- At the close of Q3, 297,911 sq ft of speculative office stock was under construction in Manchester's city centre with delivery dates ahead of 2026, all of which is brand new.

INVESTMENT

- Manchester registered an improvement in investment activity in Q3, with office investment totalling £84.38m. This reflects a year-on-year increase of 46%, but is 15% below the 5-year quarterly average for Manchester. The first three quarters of 2024 saw volumes reach £128.7m across 11 deals. This total is 22% above the equivalent period in 2023.
- Prime office yields remained stable at 6.75%, 50 bps softer than recorded at Q3 2023.

Newcastle

Current supply of best quality stock sits below the long-term trend, with no speculative developments under construction. This is expected to fuel rental growth in the medium-term.

Occupational

TAKE UP
Q3 2024 (SQ FT)

14% **46,598**
YTD total 123,922 sq ft (2023: 148,855 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

-11% **296,242**
Q3 2023 Grade A Supply 333,730 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£32.00 0%
Q3 2023 Prime Rent £32.00 per sq ft

9

NUMBER OF DEALS
Q3 2024

YTD total 33 deals (2023: 34 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

0

2024 PRIME RENT FORECAST
(PER SQ FT)

£32.00

Investment

INVESTMENT VOLUMES
Q3 2024

100% **£10.4m**
YTD total £12.6m (2023: £41.45m)

PRIME YIELD
Q3 2024

7.50% 50 bps
Q3 2023 Prime Yield 7.00%

PRIME YIELD FORECAST

Stable

DEMAND

- Occupier take-up in Q3 totalled 46,598 sq ft, broadly in line with the 5-year Q3 average. Leasing volumes reached 123,922 sq ft in the first three quarters of 2024, 17% below the equivalent period in 2023 and 8% below the 5-year average.
- The prime rent remained stable at £32.00 per sq ft in Q3, having risen by 31% since the onset of the covid-19 pandemic. This remains the highest rental uplift recorded across all of the UK cities tracked.
- The largest leasing transaction to complete in Q3 and this year involved train operator LNER, which took 16,454 sq ft of space over two floors at 1 St James Gate.
- Despite this, the professional services sector continued to underpin occupier demand in 2024, accounting for 40% of space leased year-to-date.

SUPPLY

- Grade A availability fell marginally to 296,242 sq ft in Q3 2024. Although this reflects an 11% decrease year-on-year, this total is 31% above the 10-year average for Newcastle.
- Total market vacancy remained stable at 9%.
- At the close of Q3 2024, there were no significant office developments under construction in Newcastle's city centre.

INVESTMENT

- In Q3, £10.4m of office stock was transacted, 32% below the 5-year quarterly average.
- Investment volumes were modest throughout 2024 to-date, reaching £19m across 3 transactions, 54% below the equivalent period in 2023 and 47% below the 5-year average.
- Prime office yields held firm at 7.50%. This reflects an outward movement of 50 bps year-on-year and is 175 bps softer than the pre-pandemic level.

Sheffield

Occupier activity has registered quarter-on-quarter improvement, albeit take-up remains below trend. Investment activity was muted, although pricing for prime assets has now stabilised.

Occupational

TAKE UP
Q3 2024 (SQ FT)

24%
70,277
YTD total 166,553 sq ft (2023: 273,878 sq ft)

GRADE A SUPPLY
Q3 2024 (SQ FT)

56%
202,300
Q3 2023 Grade A Supply 130,000 sq ft

PRIME RENT
Q3 2024 (£ PER SQ FT)

£30.00
13%
Q3 2023 Prime Rent £26.50 per sq ft

23

NUMBER OF DEALS
Q3 2024

YTD total 51 deals
(2023: 58 deals)

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

110,000

2024 PRIME RENT FORECAST
(PER SQ FT)

£30.00

Investment

INVESTMENT VOLUMES
Q3 2024

100%
£1.58m
YTD total £1.58m (2023: £6.55m)

PRIME YIELD
Q3 2024

7.50%
50 bps
Q3 2023 Prime Yield 7.00%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Occupier activity picked up during Q3 2024, with take-up totalling 70,277 sq ft. This reflects a rise of 24% when compared to the previous quarter but is 13% below the 10-year Q3 average. Take-up so far this year stands at 166,553 sq ft, 28% below the 5-year average. However, this reduces to 12% when comparing the number of deals completed.
- The most active occupier group in 2024 has been the professional services sector, which accounted for 28% of all space leased to-date.
- However, the largest occupier deal to complete in Q3 was the 17,500 sq ft letting of Fountain Precinct to education provider Fairfield Business School.
- This was also the largest letting of the year, alongside law firm DLA Piper taking 17,500 sq ft of space at Elshaw House in Q1.

SUPPLY

- Grade A availability remained at 202,300 sq ft at the end of Q3. This reflects an increase of 56% year-on-year and is 43% above the 10-year average.
- The grade A vacancy rate remained stable at 2.2% across the city.
- The development pipeline in Sheffield is limited, with just one scheme under construction. Plot 4a, West Bar will deliver 110,000 sq ft of speculative space and is due to reach practical completion within the next 6 months.

INVESTMENT

- Investment activity was subdued in the first three quarters of 2024, with volumes reaching £1.58m, comprised solely of the sale of Sheffield Business Park in Q3.
- Prime office yields held firm at 7.50%, reflecting an outward shift of 50 bps year-on-year and 125 bps since the onset of the pandemic.

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