

UK Regional Office Markets Bounce Back in 2013 After Sluggish Spell During The Recession

Contributed by Carter Jonas
Thursday, 12 June 2014

National research published by Carter Jonas, a firm of property consultants, chartered surveyors and estate agents, found that regional office markets in the UK has bounced back in 2013 after experiencing stagnation during the recession.

Businesses taking up office space in various regional office markets in the UK turned a corner in 2013 with Cambridge, Leeds, Oxford and Bath reporting good numbers of take-up after being stagnant during the recession.

According to national research published by Carter Jonas, a firm of property consultants, chartered surveyors and estate agents, rental growth seen across all cities for the first time since 2007 means immediate action related to speculative development of commercial spaces should be taken to ensure continuous growth and future viability of the country's office markets.

The letting activity in Cambridge totalled almost 700,000 square feet, which is an impressive 38% increase from its 2012 level and 32% above its 5-year average. This shows improving market sentiment and strengthening demand for good-quality office accommodation. The average volume of transaction completed during 2013 was 17,278 square feet, which is 62% up than its 2012 level, which was just over 10,000 square feet.

Leeds's office take-up totalled 600,000 square feet, which is the city's highest level in 10 years. This also almost doubled its 5-year average.

In Oxford, take-up totalled 185,000 square feet, which is 28% higher than its 2012 level, though it was just shy of its 5-year average. It is observed that much activity is in progress when it comes to letting, and a more prosperous year is predicted for the city.

Bath's office take-up totalled 115,000 square feet, which is its highest level in 4 years.

Prime office rental levels are also expected to improve across the regions with Cambridge increasing to £35 per square foot, Leeds to £27 per square foot, Oxford to £25 per square foot and Bath to £24 per square foot.

Head of research at Carter Jonas, Catherine Penman, said, "The supply of good quality accommodation is now acutely low across all our regional markets. Whilst the London's City market continues its development frenzy and the West End is increasingly hampered by opportunities, despite the notable market improvement, development activity remains acutely low throughout the regional markets.

"In Cambridge the development pipeline totalled 2.8 million sq ft at the end of 2013, 1.5 million sq ft less than its 2012 comparable figures. This is due to a number of significant design and build deals completing in the last year which have consequently reduced the amount of available consented land.

"The Grade A rents in central Cambridge are on a par with Wimbledon and higher than other strong M25/Thames Valley office submarkets such as Reading, Maidenhead and Uxbridge."

For the last 3 years, London has led other cities in investment terms and activity. However, evidence that London's appeal is fading appeared with prime yields in the city and the West End now at 5.25% and 3.75%, respectively—these are also forecast to see an inward shift of 25 basis points each over the next 4 years.

Penman added, "In contrast to London's investment market, economic recovery has bolstered the regional markets' competitiveness and these markets are forecast to witness a hardening of yields of between 50 and 75 basis points, based on a relatively conservative view of the market.

"Future compression should favour the regions, as economic growth filters out of London and the South East and investors increasingly exploit the pricing gap for greater returns."