

Jones Lang LaSalle Reports 30% Office Take-up

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Office take-up across the UK's 'Big Six' regional office markets, covering Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester, is expected to reach approximately 4.1 million sq ft, an estimated increase of 30% on the previous year according to new data from Jones Lang LaSalle. The global property firm says this significant revival in regional occupational activity, which has predominantly been driven by a return of larger sized Grade A transactions, means 2013 take-up is set to be the highest for six years and 20% above the annual five year average for the Big Six markets.

Jeremy Richards, lead director, Jones Lang LaSalle's Regional Office Agency team, said: "We have undoubtedly witnessed a revival in the fortunes of the key office markets outside London this year; total take-up levels across the 'Big Six' is on track to be the highest since 2007. Markets which have seen a particular turnaround include Leeds, which recorded take-up of 540,000 sq ft in the first three quarters of 2013, an increase of 61% compared to the equivalent period in 2012. Birmingham and Bristol also witnessed growth of 61% and 42% respectively during the same period.

"This momentum is expected to continue into 2014. Our research shows that there is over 2.7 million sq ft of active requirements across the 'Big Six' and we are also anticipating around 2.5 million sq ft of structural events across the four main English cities. Whilst some occupiers may seek to preserve flexibility by re-gearing on shorter leases, improved business confidence will encourage other occupiers to acquire new Grade A accommodation and we expect an increase in pre-letting activity."

According to Jones Lang LaSalle, the need for occupiers to act on office space requirements will become more pressing in 2014 due to further intensification of Grade A shortages in the Big 6 cities. In Leeds, the Grade A vacancy rate fell from 3.8% at the end of 2012 to just 2.0% at the end of Q3 2013. In Edinburgh city centre, the new build Grade A vacancy rate is just 0.9%.

Karen Williamson, Associate Director in Jones Lang LaSalle's UK Offices Research team, added: "The continued lack of Grade A supply is expected to drive prime rental growth across all of the Big Six cities in 2014, with average growth of 2.4%. Glasgow and Leeds are expected to see the most significant growth in headline rental values next year in excess of 3.5%."

Whilst there is still some way to go before occupational markets are fully recovered, Jones Lang LaSalle points to a substantial increase in investor interest in the 'Big Six' markets in 2013. This has been reflected in prime regional office yields moving inwards in 2013 by as much as 50 basis points (compared to end 2012) in Leeds, Birmingham and Manchester to 6.00%.

Angus Minford, director in Jones Lang LaSalle's National Office Investment team, concluded: "2013 has been a year of marked yield improvement in the city centre office markets across the key UK centres. Price pressure in the capital is encouraging some investors to look to the 'Big Six' in search of better returns. This includes the traditional investors in these markets, both UK and European, but also a growing trend of interest from global investors either directly or indirectly. The lack of existing Grade A supply and limited development pipeline points towards encouraging rental performance over 2014 and 2015, and investors are looking at investment opportunities across the spectrum."

- Ends -

Notes to Editors

The Big Six markets monitored by Jones Lang LaSalle are Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester.

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