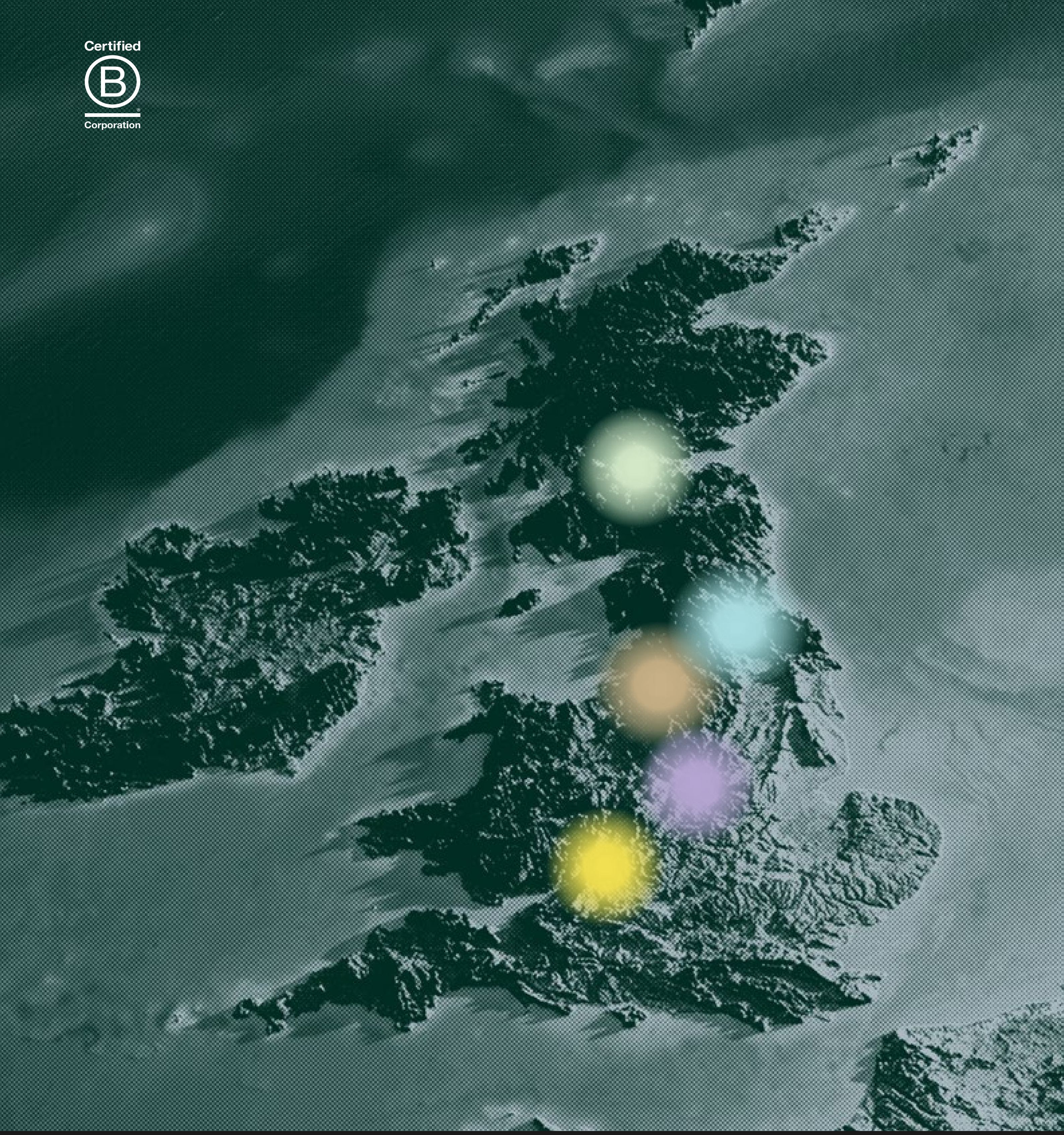


The UK 5: Market 2023 Review

Birmingham | Bristol | Glasgow | Leeds | Manchester

Contents

In 2023, businesses faced inflationary pressures and sectoral challenges which dampened optimism and spending, significantly influencing decisions on the workforce and workplace. Market activity in the UK's 5 largest office locations reflected this economic downturn, with leasing and availability volumes affected.

Despite ongoing challenges, businesses are showing confidence, as they look to solidify their workplace strategies over the next few years. Regional office hubs have garnered increased attention, especially following the pandemic, driven by factors like hybrid-working policies, access to diverse talent pools, and more affordable housing options. We expect robust commitment to office space in the key cities as workers return to the office and businesses eye the possible opportunities that are available to them.

As the 2024 local and national elections approach, all parties are expected to intensify their rhetoric on regional development, with 'levelling-up' becoming a political priority. Can the regional cities capitalise on this?

Shaun Dawson,

Head of Insights,

Devono

UK 5 Office Market Snapshot

Birmingham	776K SQ FT leased - up 8% on 2022 level	14% Annual increase in availability to 2.6m sq ft	£41.00 PSF Grade A rent remains stable	£350 Per desk p.m. average flex price up 12% in H2 '23
Bristol	418K SQ FT leased – down 34% on 2022 level	42% Annual increase in availability to 1.4m sq ft	£42.50 PSF Grade A rent stable since Q1 '22	£300 Per desk p.m. average flex price no movement in 2023
Glasgow	397K SQ FT leased – down 16% on 2022 level	3% Annual increase in availability to 2.8m sq ft	£38.50 PSF Grade A rent up 7% across 2023	£262 Per desk p.m. average flex price remains stable
Leeds	720K SQ FT leased – down 34% on 2022 level	10% Annual decrease in availability to 1.6m sq ft	£38.00 PSF Grade A rent up 6% across 2023	£287 Per desk p.m. average flex price remains stable
Manchester	1 M SQ FT leased – down 15% on 2022	1% Annual decrease in availability to 3.4m sq ft	£43.00 PSF Grade A rent up since Q2 '23	£400 Per desk p.m. average flex price up 7% since Q2 '23

*Per desk p.m. - Per Desk, Per Month

2023

Birmingham

Office Market Snapshot

Leasing

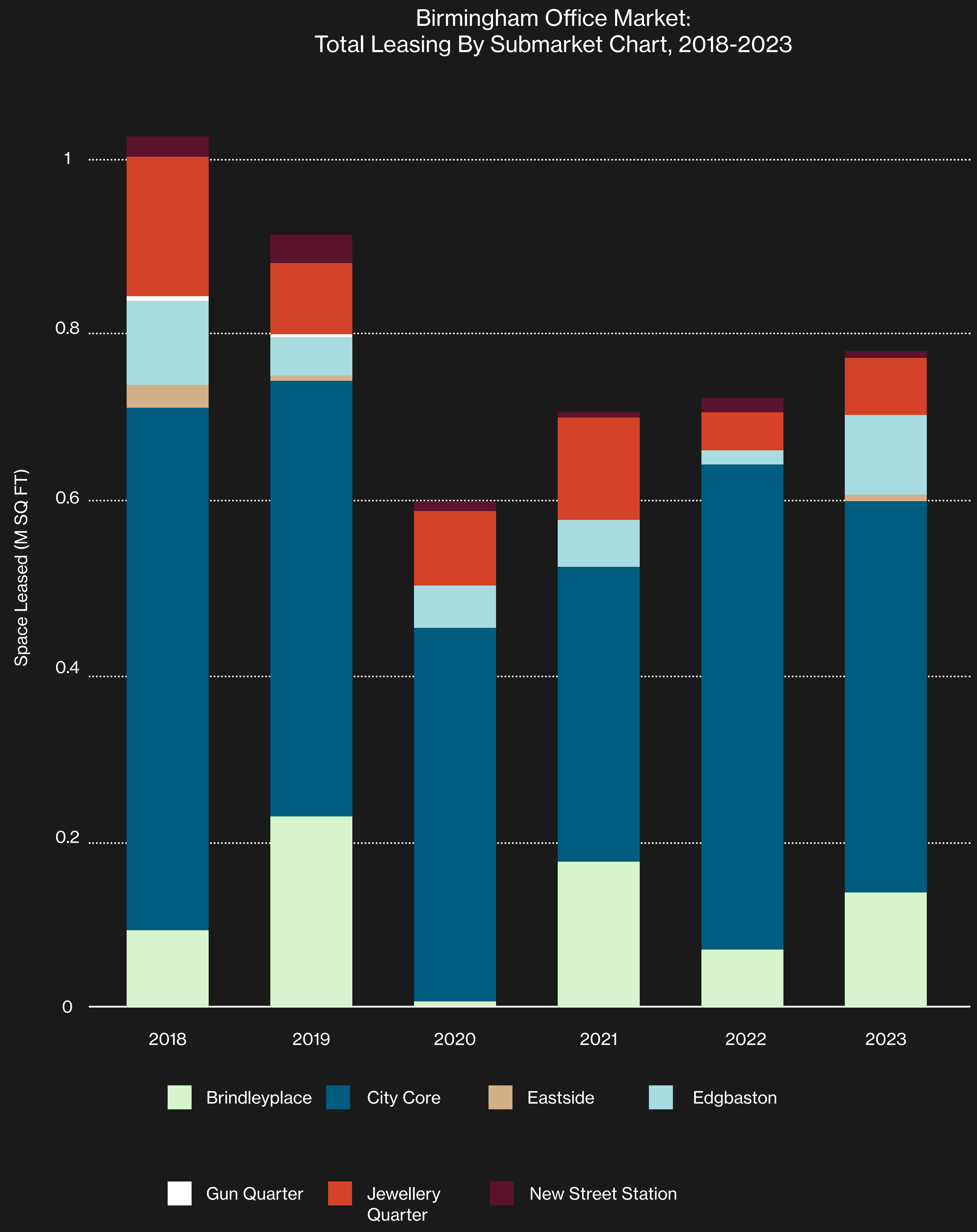
Leasing activity in Birmingham seems to be moving in the right direction. As we predicted following a solid first half of the year, the year-end total did exceed that of 2022 by 8%, amounting to 775,822 sq ft. That being said, leasing is still very much in the recovery stage, remaining below pre-pandemic levels at 2% below the short-term annual average.

While we have seen more of Birmingham's office occupiers staying put than was the case in 2022 amidst the wider economic uncertainty of 2023, we can see that those businesses that have been leasing have been committing to larger spaces, with the average deal size now at 6,412 sq ft, up 8% on the short-term annual average.

The key contributors to leasing this year were the Education and Financial sectors, both having accounted for a share of 18% each and generated the two largest deals of the year: 59,896 sq ft by Lloyds Banking Group and 45,046 sq ft by QA Higher Education.

> Leasing remaining *below* pre-pandemic levels at 2%

As in previous years, the City Core was the most popular submarket for occupiers, although it has seen its share of take-up reduce, down from 79% the previous year to 60%. On the other hand, Edgbaston has seen a historic high in take-up at 101,870 sq ft leased, the highest level recorded since 2015. This has largely been driven by its newfound popularity with the charity sector, which accounted for 29% of the space leased.



Rents

Prime rents are only 2% *higher* than they were in Q4 2022, a more *muted* rise than that seen in other regional cities.

Prime rents in Birmingham have now remained at the same level for the entirety of 2023, currently standing at £41.00 per sq ft.

This is despite new high quality sustainable spaces coming onto the market in the last year such as One Centenary Way, with landlords yet to see fit to push for asking rents beyond this £41.00 per sq ft level.

As a result, prime rents are only 2% higher than they were in Q4 2022, a more muted rise than that seen in other regional cities.

Considering that rent-free incentives have remained high at 24 months on a 10-year lease, this means that occupiers are currently paying a net-effective rent of £32.80 per sq ft, nearer to the prime rental level seen pre-pandemic.

Availability

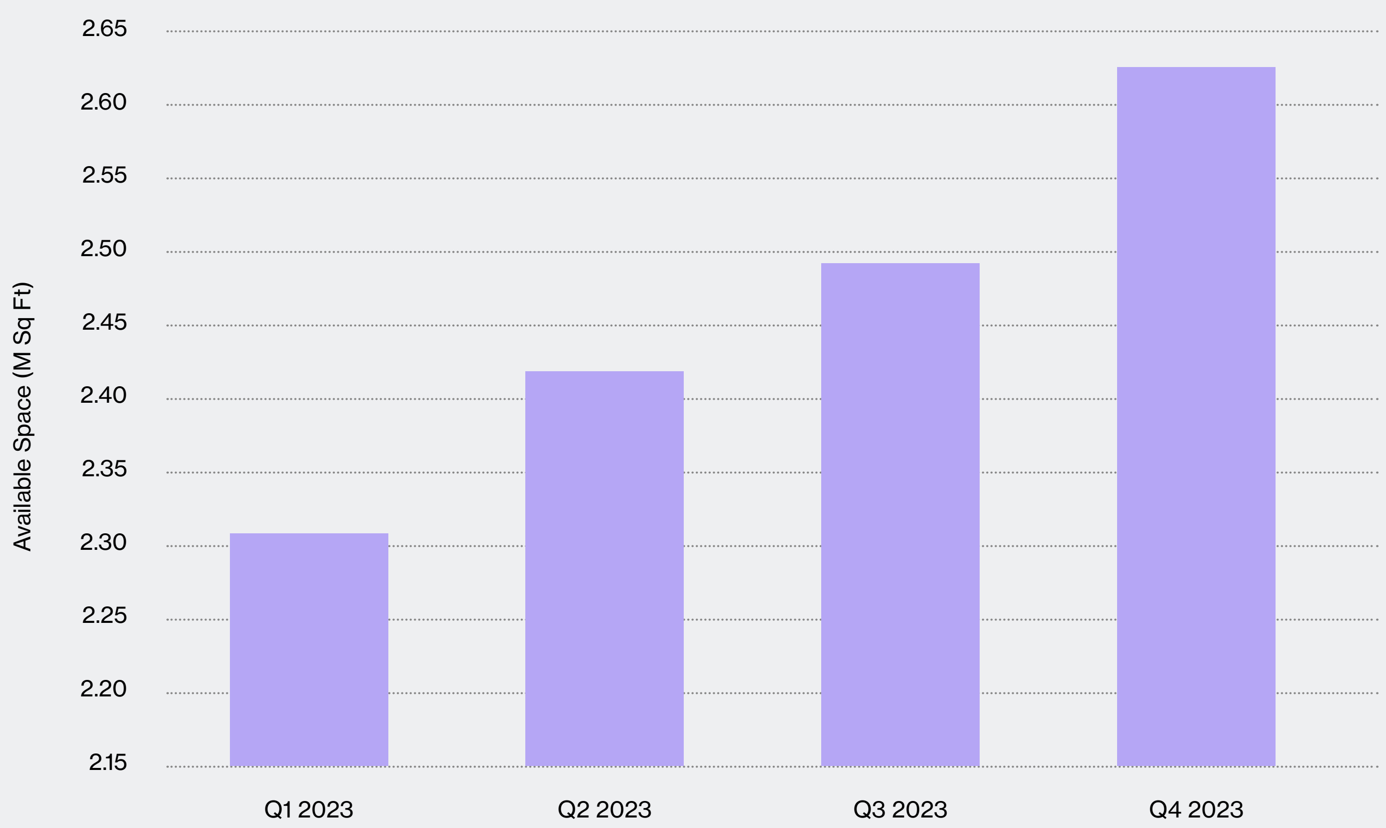
... for those firms that are making a more concerted push to achieving ESG goals, much of the space available in Birmingham may not satisfy requirements.

Availability is at an all-time high, with over 2.6M sq ft available to occupy, the culmination of three consecutive quarters of positive growth which has served to push the total to 14% above the previous Q4 figure.

As such, for the cost-conscious occupiers there is currently much opportunity to take office space in the centre of Birmingham, especially for those engaged in active searches as the vacancy rate is currently at a high of 11.9%.

However, despite schemes such as the newly built Enterprise Wharf having contributed new stock and boosted the Grade A supply by 18% in Q4, only 16% of the space available is of a Grade A standard, the lowest share registered by a regional city. As such, for those firms that are making a more concerted push to achieving ESG goals, much of the space available in Birmingham may not satisfy requirements.

Birmingham Office Market:
Total Availability, Q1-Q4 2023



Flexible Offices

Providers have seen fit to shift pricing upwards over H2, with the average increasing 12% to £350.00 per desk per month. This has been stimulated by an uplift in the pricing of existing spaces rather than by the opening of new centres, an example being WeWork's 55 Colmore Row offering where desk rates are now at £500.00 per desk per month as the provider looks to extract as much value as possible from its only centre in the city.

While we have seen more new flex spaces appear on the market than we did last year, provider take-up in 2023 was 45% lower than the short-term annual average.

There was some new provider interest in the city, with Re-Defined setting up its Birmingham centre consisting of 36,343 sq ft of space at Louisa Ryland House following the company's acquisition by MAPP.

However, no new providers took space in the second half of the year, with it having been the case that the only provider deal registered was Regus taking additional space on the first floor of its existing centre at Apex House.

Outlook

Aside from the wider economic issues of continued high inflation and a reported technical recession, Birmingham's occupiers are set to experience some additional economic headwinds. Birmingham City Council has been grappling with bankruptcy over the course of 2023, resulting in a raft of measures including increasing council tax rates by 10% from this coming April and auctioning off much of its property portfolio.

The stock of Grade A space available in the market is set to be bolstered by the completion of new projects in 2024, including not only the much-awaited Three Chamberlain Square development but also the delivery of the Beorma Tower after a number of delays. This will serve to provide greater choice for those occupiers pursuing best-in-class spaces, whilst the market also continues to offer plenty of secondhand options.

Consequently, we expect some uplift in prime rents in the coming years, especially considering that the third phase of the Paradise development is set to be delivered in 2025 which will certainly push the dial upwards.

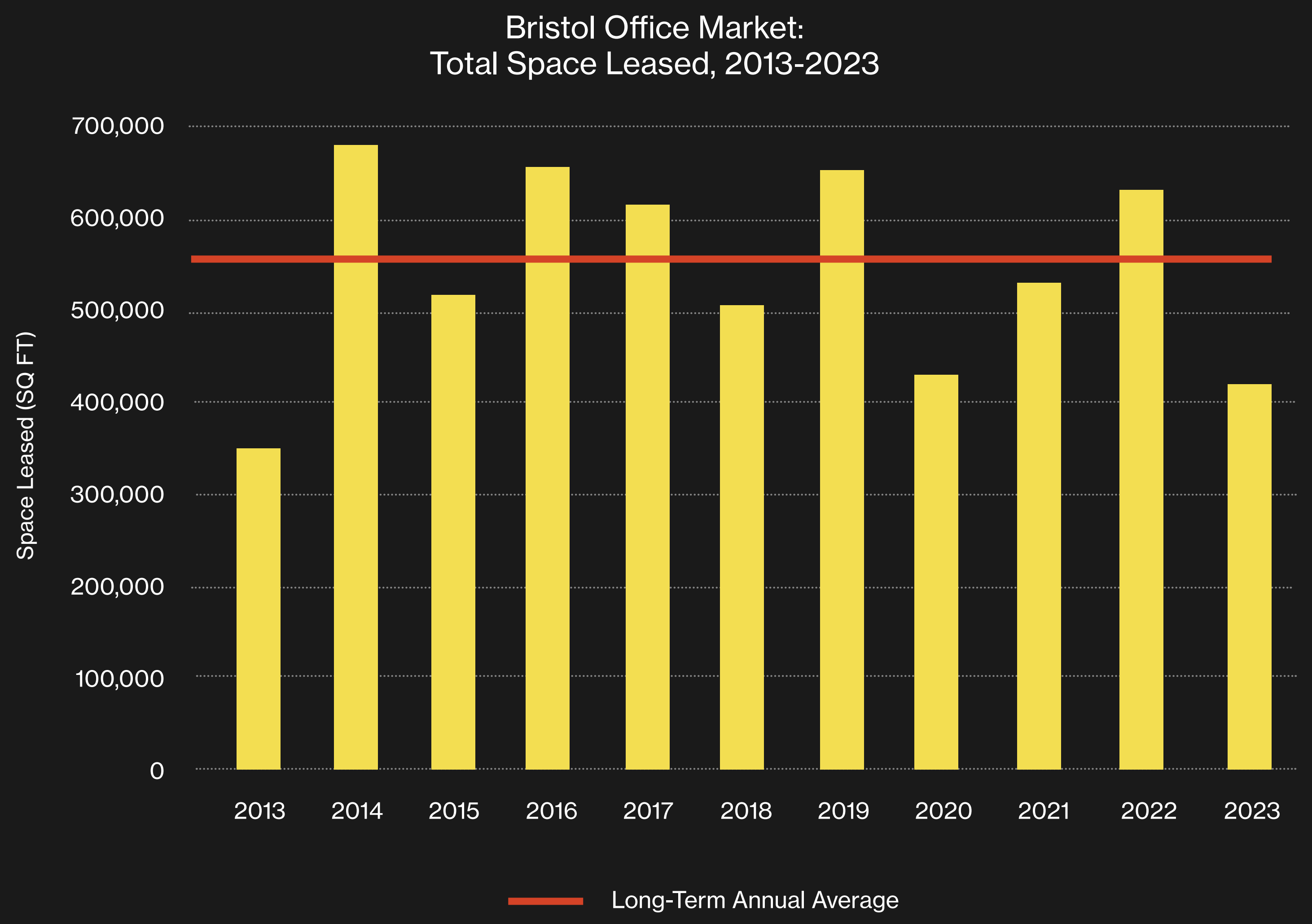
Although fewer providers took space in Birmingham this year, this is more reflective of the number of providers with an established footprint in the city rather than a reduced appetite for new spaces. As a result of this existing competition, we expect pricing to remain relatively stable in the coming year.

Outlook 2024
Tenant Impact

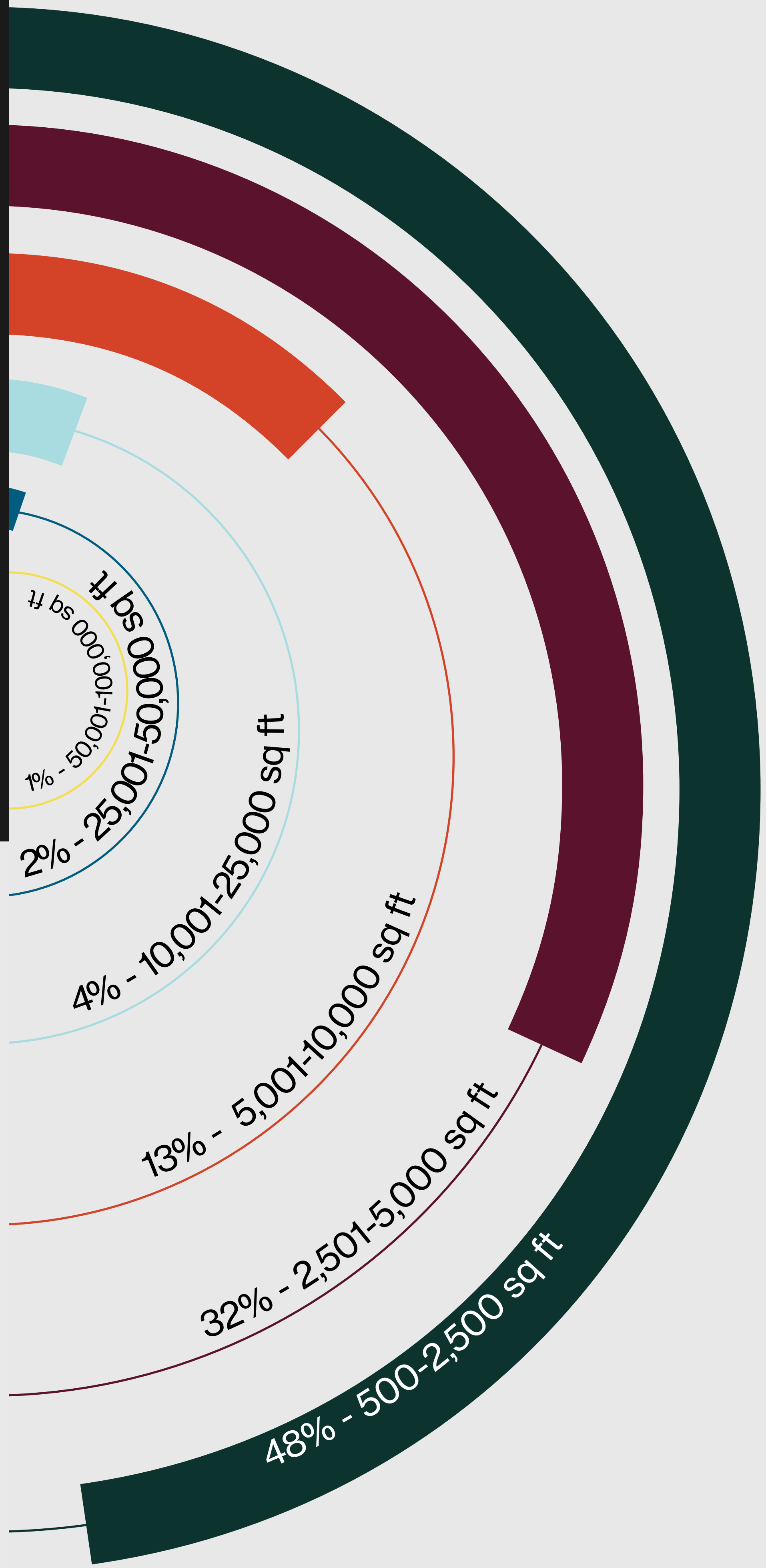
2023

Bristol

Office Market Snapshot



Bristol Office Market:
Number Of Deals By Size Range, 2023



Leasing

2023 not only represented Bristol's first post-pandemic drop in activity, with the 418,468 sq ft transacted representing a reduction of 34% on 2022, but also the lowest level of leasing since 2013, even coming in at 3% below the pandemic low of 2020.

The city experienced a two-pronged erosion of activity with not only a significant decrease in the number of businesses leasing space from 122 in 2022 to 94 in 2023, but also a reduction in their size requirements with only 7% of the deals having been over 10,000 sq ft.

As take-up in all of Bristol's submarkets dipped, take-up became more concentrated in the Eastern Fringe than it had been in 2022, accounting for 67% of leasing in 2023. In turn, the City Core experienced a 25% contraction in its share of leasing, registering its lowest share of take-up since 2017.

Bristol's corporate business community proved to be the main source of leasing in 2023, representing 26% of total take-up, its highest share for six years. However, this is not reflective of a renewed commitment to the office by Bristol's business community, but more specifically of Dyson's commitment to the city, having leased the entirety of 1 Georges Square, equating to 66,315 sq ft.

Availability

42%

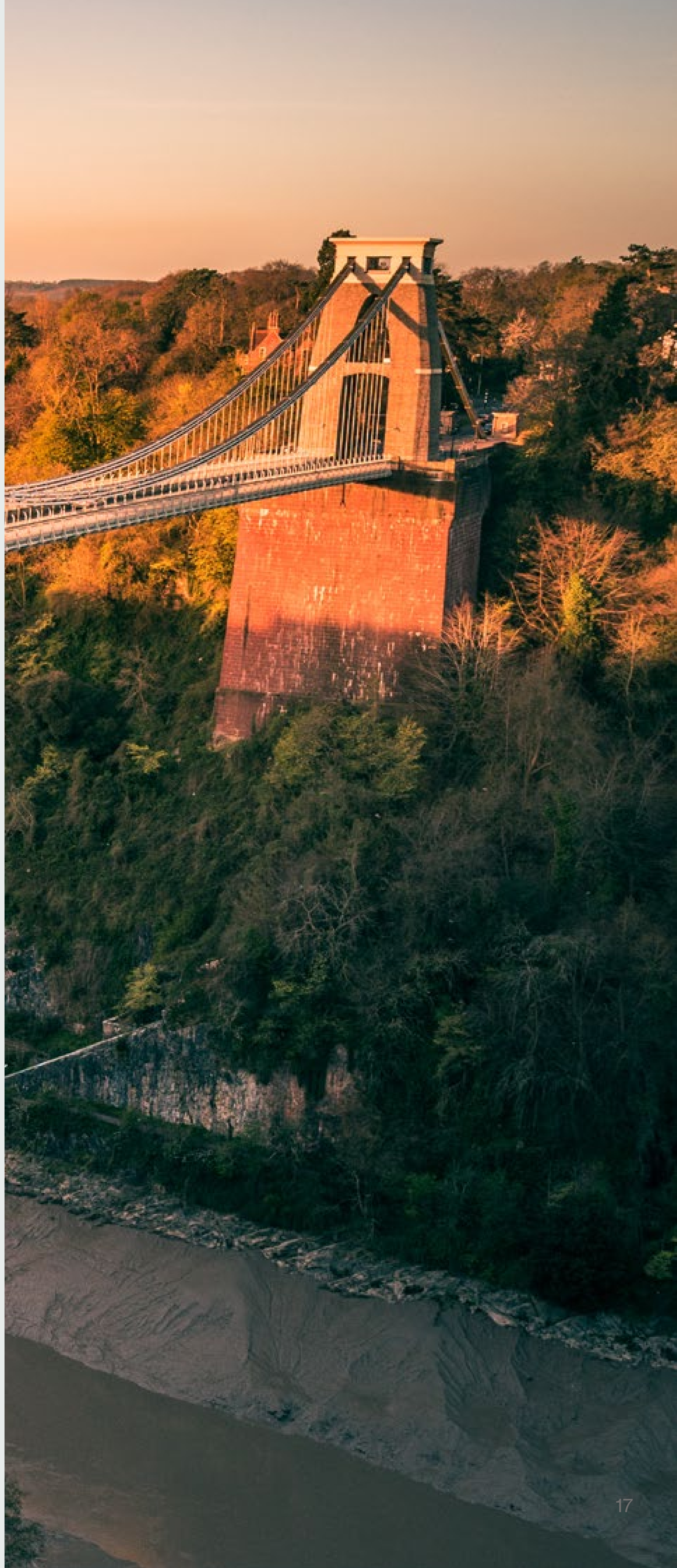
increase in availability

Bristol has seen the most rapid growth in availability of the regional cities

Bristol has seen the most rapid growth in availability of the regional cities, increasing 42% over the last year, with availability having remained above 1M sq ft for the entirety of 2023.

This has been stimulated primarily by the drop in leasing activity recorded over 2023 rather than the delivery of new stock, although the completion of Building C of the Assembly development did result in the addition of 65,000 sq ft to the market.

While the availability of Grade A has fluctuated over the year, overall the current level of 513,362 sq ft is 39% higher than that recorded in Q4 2022. In addition, whilst the quantity of Grade A space available is not as high as in other regional cities, the space quality represents 36% of the total availability, the highest Grade A share of the UK 5 cities.



Outlook

While office occupiers in Bristol seem to have been more conservative in their leasing activity over the last year, we do expect demand for office spaces to improve in 2024, most likely as we move beyond Q1.

Despite reduced business appetite, Bristol remains a key focus of knowledge sector investment, with £11 million of funding having been allocated to the REWIRE facility at the University of Bristol as part of the government's new UK National Semiconductor Strategy. This renewed investment, alongside the pool of talent being nurtured by the formidable existing higher education offering in the city will ensure that Bristol maintains its attractiveness for occupiers.

For occupiers keen to capitalise on this talent, 2024 will constitute a unique opportunity to take space. Not only is availability at an all-time high, but there are four new developments set to complete over the next year including EQ and Building B of the Assembly development, providing a boost to the best-in-class options.

The likelihood is that prime rents will remain at the £42.50 per sq ft level well into 2024, especially considering the drop in demand we have seen for office space over 2023.

While we do expect leasing activity more generally to improve, given the disparate nature of leasing from the serviced office sector in Bristol over the past 5 years it is possible that we will see few new centres open in 2024.

Rents

Prime rents in Bristol have remained stable now for nearly two years following the increase of 12% from Q4 2021 to Q1 2022.

While the current £42.50 per sq ft level is still comparatively high in relation to other regional cities, representing the second highest regional prime rent, it should be noted that the gap between rents in Bristol and other regional cities is closing.

Specifically, we can see that in H1 it was the case that on average prime rents in Birmingham were 11% higher than the other cities in the UK 5. However, now that figure has reduced to 6%, with rents in Manchester currently set even higher than those registered in Bristol.

That being said, taking into account the rent-free incentives being offered in the city, Bristol still constitutes the most expensive option for occupiers with a lower rent-free incentive of 18 months translating into a net-effective rent of £36.13 per sq ft, 7% higher than in Manchester.

Flexible Offices

In the second half of the year, pricing remained at the same level as was reported in H1 at £300.00 per desk per month, mainly due to a lack of new flex offerings coming to the city.

As we have commented previously, provider activity in Bristol has been considerably more volatile when compared with other regional cities. Specifically, following the first inroads of serviced offices into the city in 2012 we saw activity drop off completely in 2016 before another resurgence in 2018.

Since this point, we have consistently seen providers both new and established adding new spaces to their Bristol portfolio year-on-year, with provider take-up averaging 53,676 sq ft over the last five years.

However, 2023 represents the first year since 2017 in which there have been no provider deals recorded in the centre of Bristol.

The absence of new spaces or providers coming onto the scene in Bristol in 2023 has meant there has been little change to the level of competition in the market, and as a result pricing has remained at the same level as in H1.

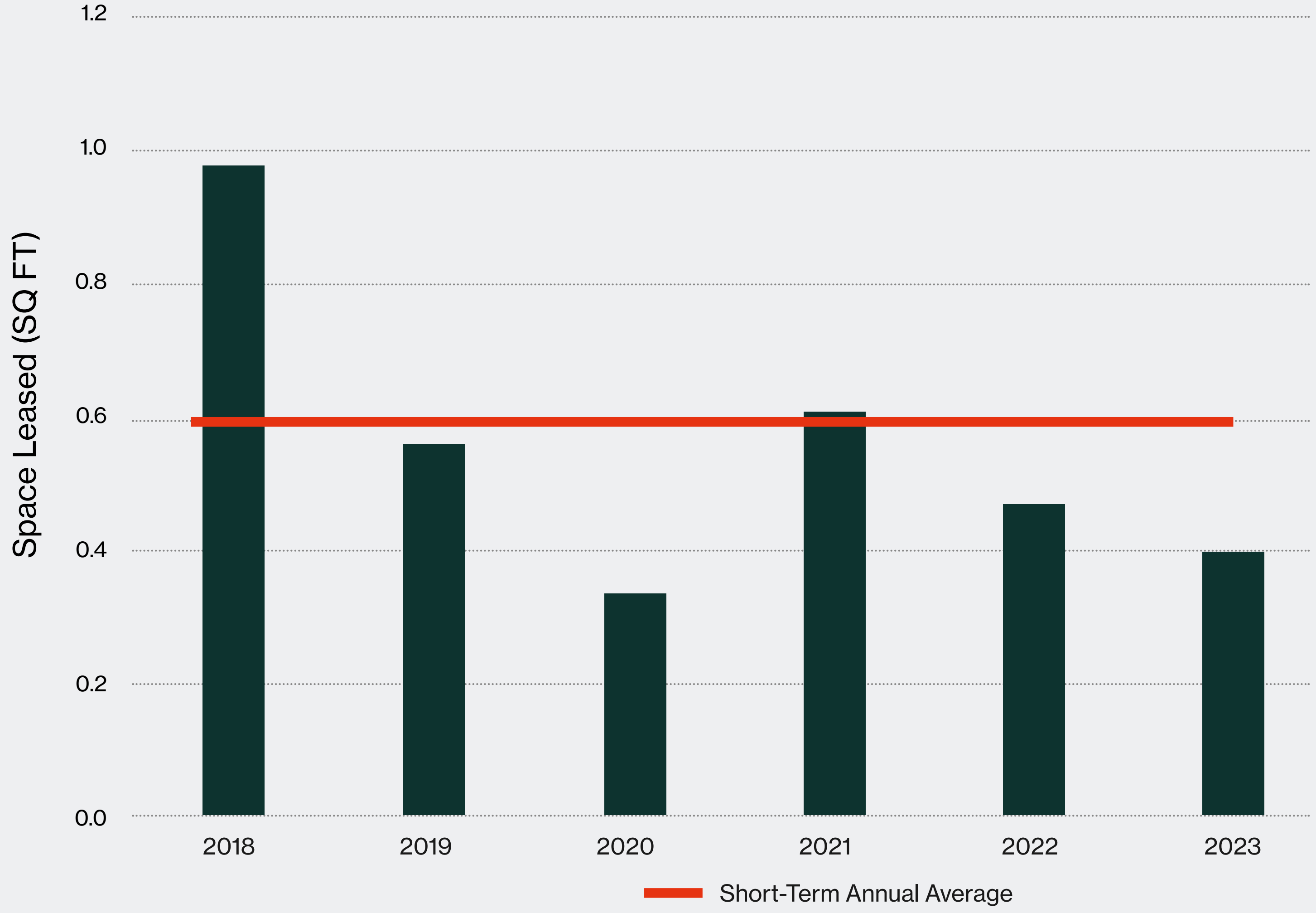
Outlook 2024
Tenant Impact

2023

Glasgow

Office Market Snapshot

Glasgow Office Market:
Total Space Leased, 2018-2023



Leasing

Whereas many of the UK cities are showing signs of recovering to a level of leasing more in keeping with levels prior to the pandemic, the same cannot be said for Glasgow. While leasing did bounce back in 2021, we have since seen leasing go into reverse, reducing year on year and inching closer to the 2020 low with only 397,161 sq ft leased in 2023.

As far as the confidence of firms in Glasgow is concerned, we saw only a small reduction in the number of businesses leasing compared to the previous year with the number of transactions remaining above the five-year annual average, suggesting that this is more due to short-term wider economic uncertainties rather than any newfound aversion to the city. In addition, we are seeing certain sectors showing a greater assertiveness in their leasing than in 2022, with the number of legal firms taking space having more than doubled this year.

> ...the number of legal firms taking space having *more* than doubled this year.

What is clear however, is that while it would be unfair to say that firms are being more cautious in their leasing activity, it is clear that they are being more focused in rationalising their spaces, with nearly three quarters of the spaces taken in Glasgow in 2023 having been below 2,500 sq ft.

Furthermore, Glasgow's firms are continuing to opt for shorter leases, now at an average of 5.5 years, indicating that these businesses are pushing for flexibility from every aspect of their lease.

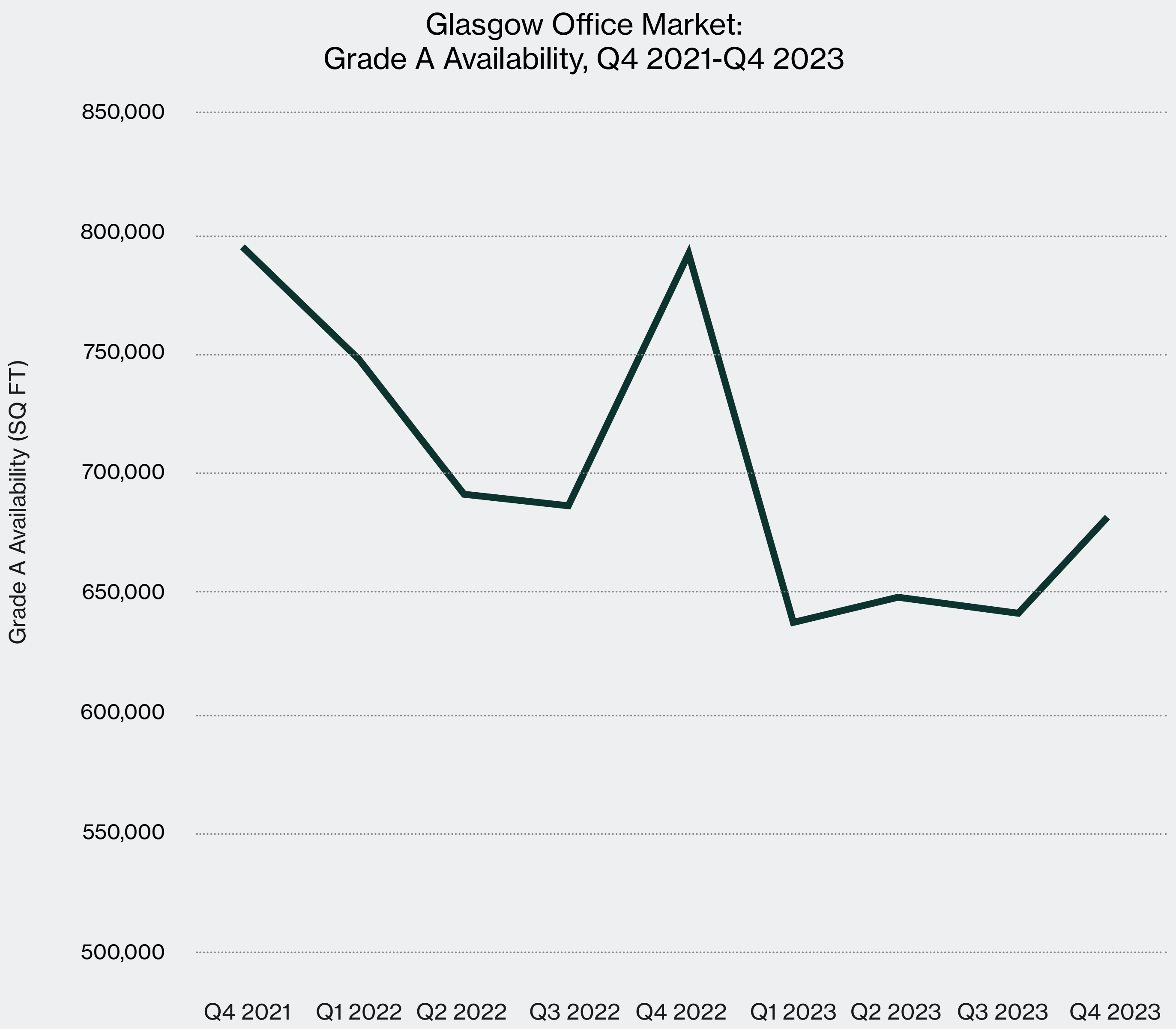
Availability

Glasgow has seen more moderate rises in total availability compared to some of the other regional cities over 2023, although the total recorded at the end of the year is still slightly higher than that recorded in Q4 2022, up 3%.

What we observe is that while reduced leasing over the year has allowed availability levels to rise, the absence of new developments coming onto the market over the last two years has softened more significant increases in availability, with even the 1 Clyde Place development that delivered in 2023 having been pre-let in its entirety to the Student Loans Company.

As a result, the most significant reductions in availability have been among the Grade A quality spaces, with a 19% drop having been recorded between the end of 2022 and the beginning of 2023. Although some more spaces have come available since this point, the 680,915 sq ft available in the market is still 14% below the Q4 2022 high.

In consequence, it remains the case that more than three quarters of the space available is of a secondhand quality.



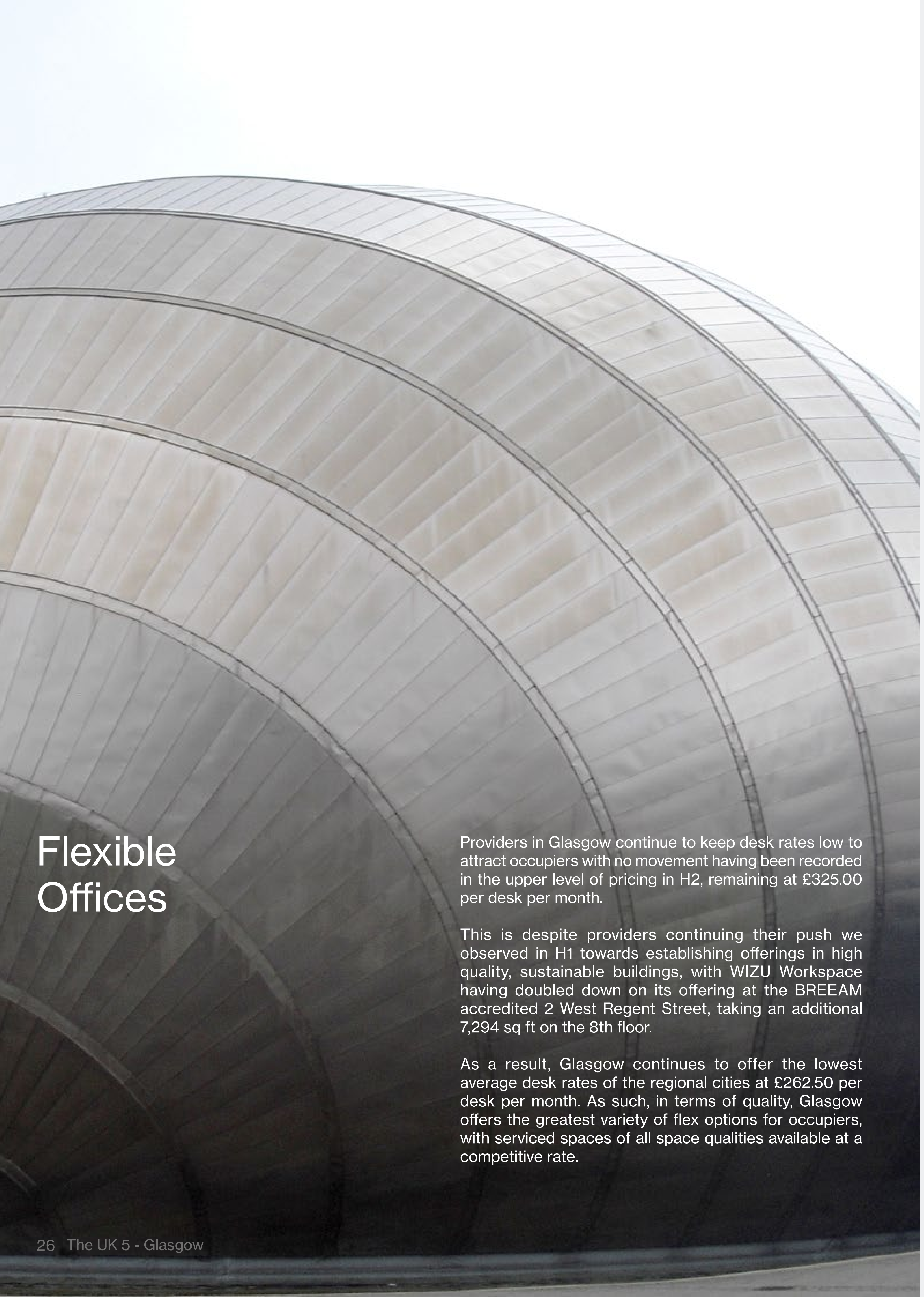
Rents

Although rents in Glasgow remain at a reasonable level, they have seen significant growth over the last year, rising 7% to £38.50 per sq ft, the second greatest annual increase of the UK 5 cities.

This is mainly due to the two consecutive quarters of growth experienced at the end of 2023, with rents having remained stable for the previous two quarters.

What we are starting to see here is the effect of the reduced pipeline of space coming into Glasgow, with no new spaces having been delivered over 2023, and the pressure that this has created on the supply of Grade A. Considering that only the Aurora renovation is set to complete in 2024, this pressure is unlikely to subside.

However, as rents have risen, landlords have begun offering a greater rent-free incentive in 2023, up from 21 to 24 months, bringing the net-effective rent to £30.80 per sq ft.



Flexible Offices

Providers in Glasgow continue to keep desk rates low to attract occupiers with no movement having been recorded in the upper level of pricing in H2, remaining at £325.00 per desk per month.

This is despite providers continuing their push we observed in H1 towards establishing offerings in high quality, sustainable buildings, with WIZU Workspace having doubled down on its offering at the BREEAM accredited 2 West Regent Street, taking an additional 7,294 sq ft on the 8th floor.

As a result, Glasgow continues to offer the lowest average desk rates of the regional cities at £262.50 per desk per month. As such, in terms of quality, Glasgow offers the greatest variety of flex options for occupiers, with serviced spaces of all space qualities available at a competitive rate.

Outlook

Having maintained their commitment thus far, it is unlikely that firms will stop taking advantage of flexible and hybrid working patterns, suggesting that in 2024 we will see similar patterns to 2023 in terms of the size of the spaces being taken as well as the lengths of the leases being opted for.

However, we hope to see the number of firms choosing Glasgow rise in the next year, especially considering the attention that international businesses are giving to the city, with representatives for the consultancy HFD group having recently cited the quality of Glasgow's talent and the sustainable offices available as a considerable draw.

That being said, occupiers should be prepared to grapple with what could be a significant undersupply of Grade A space in 2024-25 with no new projects in the pipeline.

As a result, competition for the best-in class spaces could become exclusionary for many occupiers, adding pressure to the competition for top quality secondhand spaces.

In turn, there is potential for further rental growth as we move into 2024, as pressure from squeezed availability continues to build. Furthermore, if we begin to see more businesses make inroads into the city as we predict, landlords may have even more impetus to act confidently in demanding higher rents for the best-in-class spaces.

Although serviced pricing has remained stable this year as providers have attempted to consolidate their offerings in the city, the high quality of some of the spaces on offer will soon endow providers with the confidence to increase desk rates, especially at the top end.

Outlook 2024 Tenant Impact

2023

Leeds

Office Market Snapshot

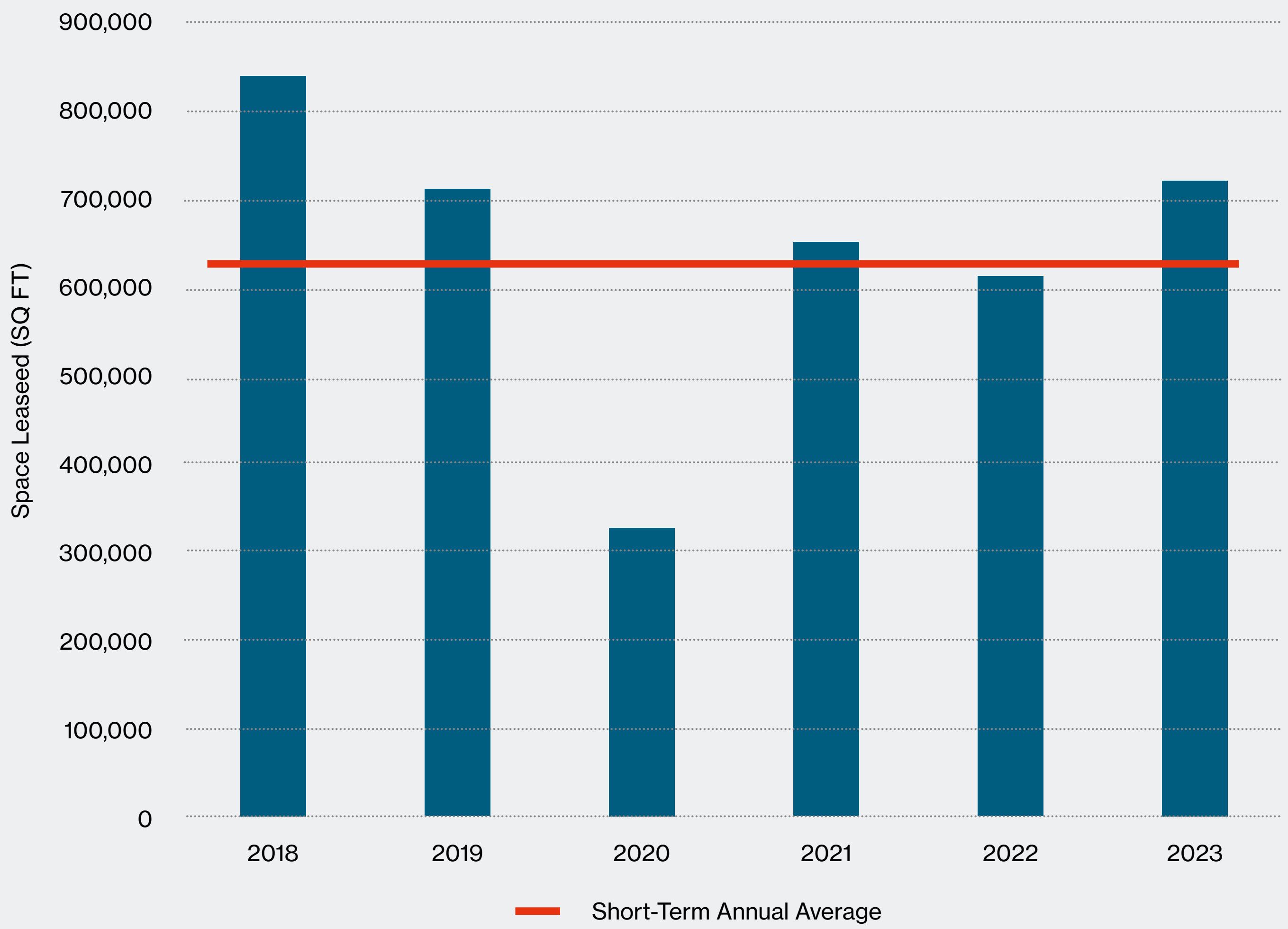
Leasing

Leeds seems to be a rare quantity amongst the UK regions given that 2023 constituted a post-pandemic peak in office activity for the city. While leasing in H2 did not quite keep the same pace as it did in the first half of the year, the total space leased over 2023 amounted to 719,798 sq ft. Even compared to pre-2020 levels, this constitutes a strong level of take-up, 12% higher than the ten-year annual average.

This has mainly been the result of a renewed commitment to the office by Leeds' business community as 128 firms took new space, a historic high, with 34% of these deals having been generated by the Professional sector. However, it should be acknowledged that it was the Financial sector that was responsible for Leeds' first mega deal in three years, as Lloyds Bank took 138,513 sq ft at 11-12 Wellington Place in the first half of the year.

In the opposite fashion to Glasgow, the pursuit of lease flexibility appears to be more of an afterthought for occupiers in Leeds, considering the longer leases that they are taking, now at an average of 6.9 years.

Leeds Office Market:
Total Space Leased, 2018-2023



Availability

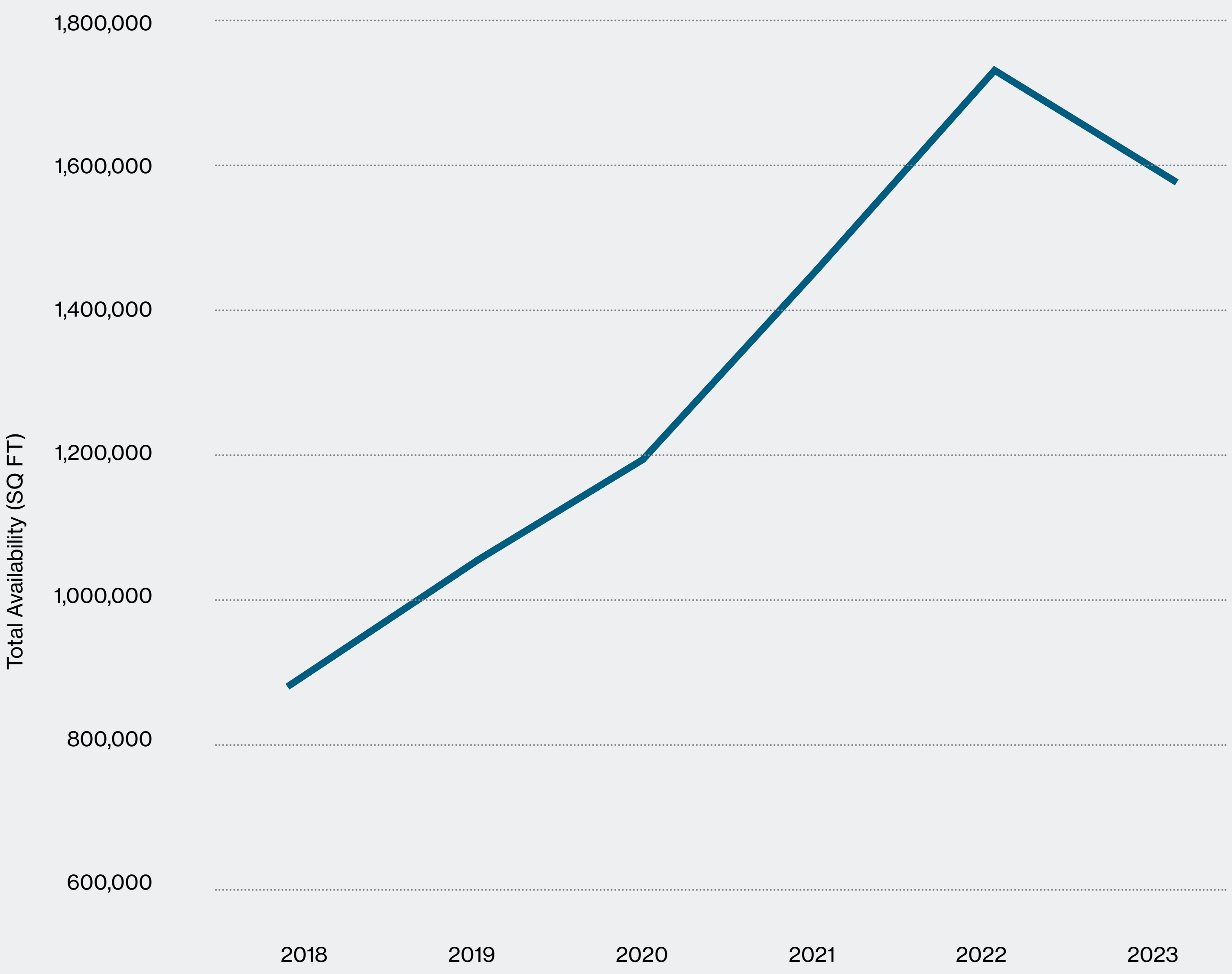
Leeds represents the only regional city where the current total office availability is considerably lower than in Q4 2022, with the 2023 total amounting to a reduction of 10%.

This is largely the result of an abnormally high level of leasing in Q1, which chipped away at the quantity of space available and resulted in a reduction of 19% on the previous quarter.

Fortunately for occupiers, and unlike in the other regional cities, the reduction in availability has mainly been concentrated in the secondhand category, with the quantity of Grade A space available actually being 14% higher than at the end of 2022.

A contributor to this uplift was the completion of the new 11-12 Wellington Place office development, the first net zero carbon emitting building outside of London, which totalled 244,879 sq ft.

Leeds Office Market:
Total Availability, 2018-2023



Rents

Although previously rents in Leeds have plateaued for extended periods, remaining at the same level for over a year from Q3 2021, prime rents have seen a considerable degree of upward movement this year as demand has increased, now 6% higher than the Q1 level at £38.00 per sq ft.

In fact, Leeds has seen the most rapid rental growth post-pandemic out of all the regional cities, with the current level representing an increase of 17% on the short-term annual average.

That being said, despite these significant increases occupiers will be relieved to hear that Leeds registered the lowest prime rent of the UK 5 cities in Q4, coming in at £38.00 per sq ft.

In addition, landlords in the city also continue to offer a competitive rent-free incentive of 24 months on a 10-year lease, allowing occupiers to take space in this market at a net-effective rent of £30.40 per sq ft, the lowest net-effective rent of the regional cities.

Flexible Offices

Pricing remained stable in Q4, with spaces continuing to attract between £200.00-£375.00 per desk per month. This has largely been due to a reduced commitment to Leeds by serviced office providers in 2023 compared to previous years, registering the lowest level of provider take-up since 2016, marking a considerable slowdown in what had been a concerted push by providers into the city.

No new providers made inroads into the city during the year and while Cubo did take 7,600 sq ft of space at 6 Wellington Place on the second floor, this merely serves to augment their existing offering in the building on the third floor.

Given that there have been no new spaces in Grade A best-in-class buildings occupied by providers in 2023 despite strong levels of availability, it is unsurprising that pricing has remained stable in Q4.

For occupiers, this represents a good opportunity to occupy flex space in Leeds, with desk rates remaining below those in Birmingham, Bristol and Glasgow.

Outlook

While leasing in Leeds is on an upward trajectory, we do expect significant constraints to come into effect in the coming year, one in particular being the mayoral election in May which is set to create considerable uncertainty.

Moreover, in the same manner as in Birmingham, a considerable budget overspend has meant a council tax increase of 4.98% has been proposed. As such, it is unlikely we will see any considerable public sector projects take shape in Leeds in the near future.

That being said, we expect to see a high number of new businesses commit to Leeds in the coming year, with solicitors Irwin Mitchell predicting in its UK Powerhouse 2022 report that Leeds will see the greatest level of job creation out of the northern regional cities going into 2024.

Despite strong levels of Grade A availability, we do expect the availability of best-in-class spaces to reduce in 2024 as demand for these spaces remains high, with only 44,684 sq ft at the newly built 11-12 Wellington Place development still being available following a flurry of letting activity.

That being said, two new buildings are set to be delivered as part of the Aire Park development in 2024, with 35,584 sq ft also still available to let at the soon to be completed City Square House development.

The rental growth that Leeds has experienced over 2023 is likely to continue, especially considering that the city is currently experiencing a peak in occupier demand which will encourage landlords to remain bullish in their asking rents. The question next year will be more as to what the extent of the rental growth will be, and if this will serve to shake up Leeds' place in the rental hierarchy compared to those regional cities that are experiencing less significant growth.

Similarly, while we have not seen any new centres push the envelope on desk rates this year, the lack of provider spaces coming onto the market may serve to create pressure on pricing in 2024 as the existing serviced offerings begin to reach capacity and competition increases.

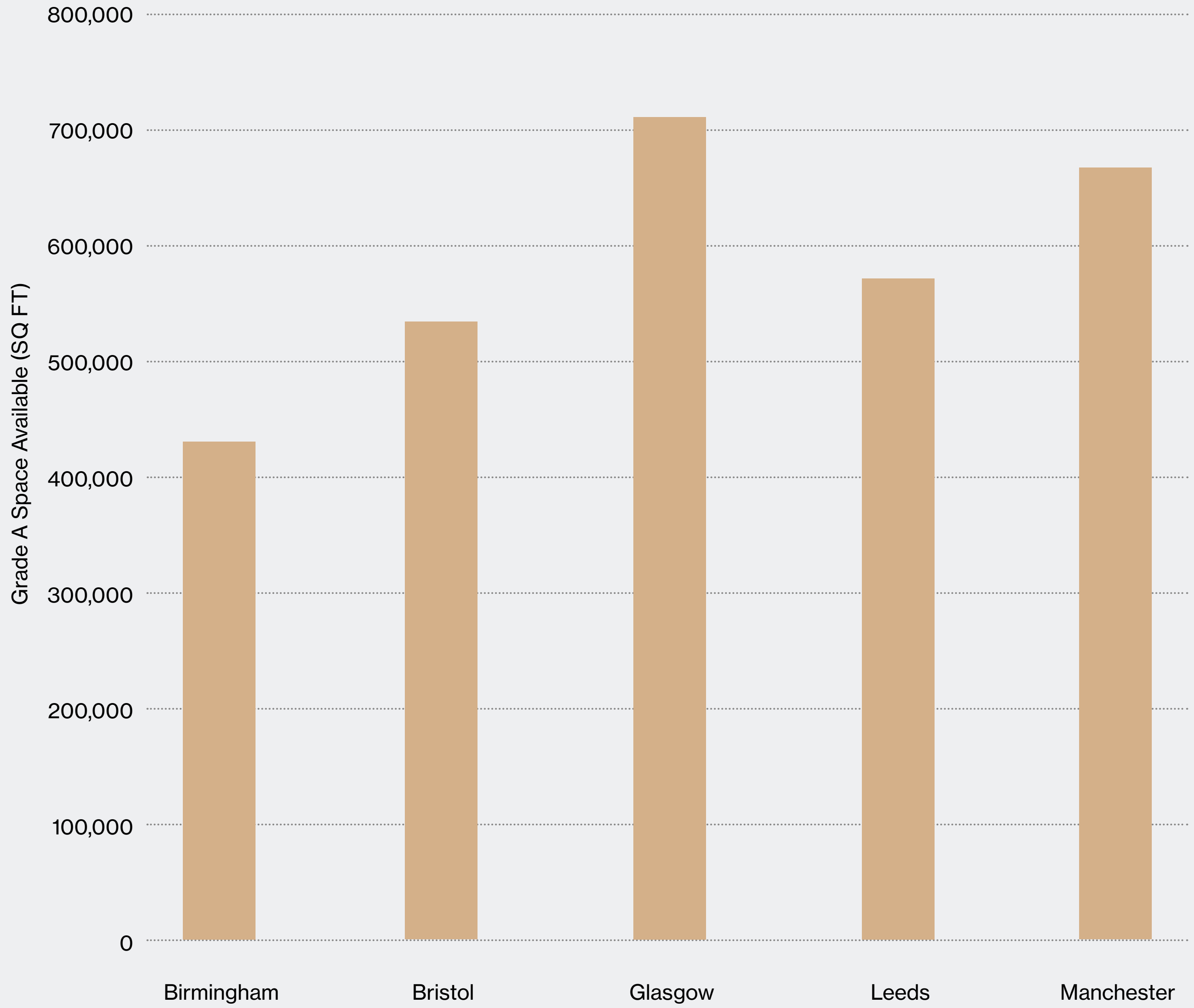
Outlook 2024 Tenant Impact

2023

Manchester

Office Market Snapshot

UK 5:
Grade A Availability By City, Q4 2023



Leasing

Activity in Manchester showed some improvement in the latter half of the year following a disappointing H1, although this still constitutes a comparatively weak second half for leasing at 16% below the short-term half-yearly average for H2. As such, it will come as no surprise that the year-end total constitutes a post-pandemic low for the city with only 1.0M sq ft leased.

> 16% below the short-term half-yearly average for H2

As was the case in Glasgow, it appears that space rationalisation is still the name of the game for Manchester's firms, with the average deal size now down at 5,934 sq ft, the lowest level since 2016. More specifically, we can see that it is the Professional sector that has dropped its space requirements the most significantly, having accounted for the largest number of new spaces leased at 31 deals, the same total as in the previous year.

That being said, those firms that have been committing to spaces have been doing so on a longer-term basis, averaging 6.6 years, suggesting that these firms still remain committed to retaining an office footprint, albeit a smaller one.

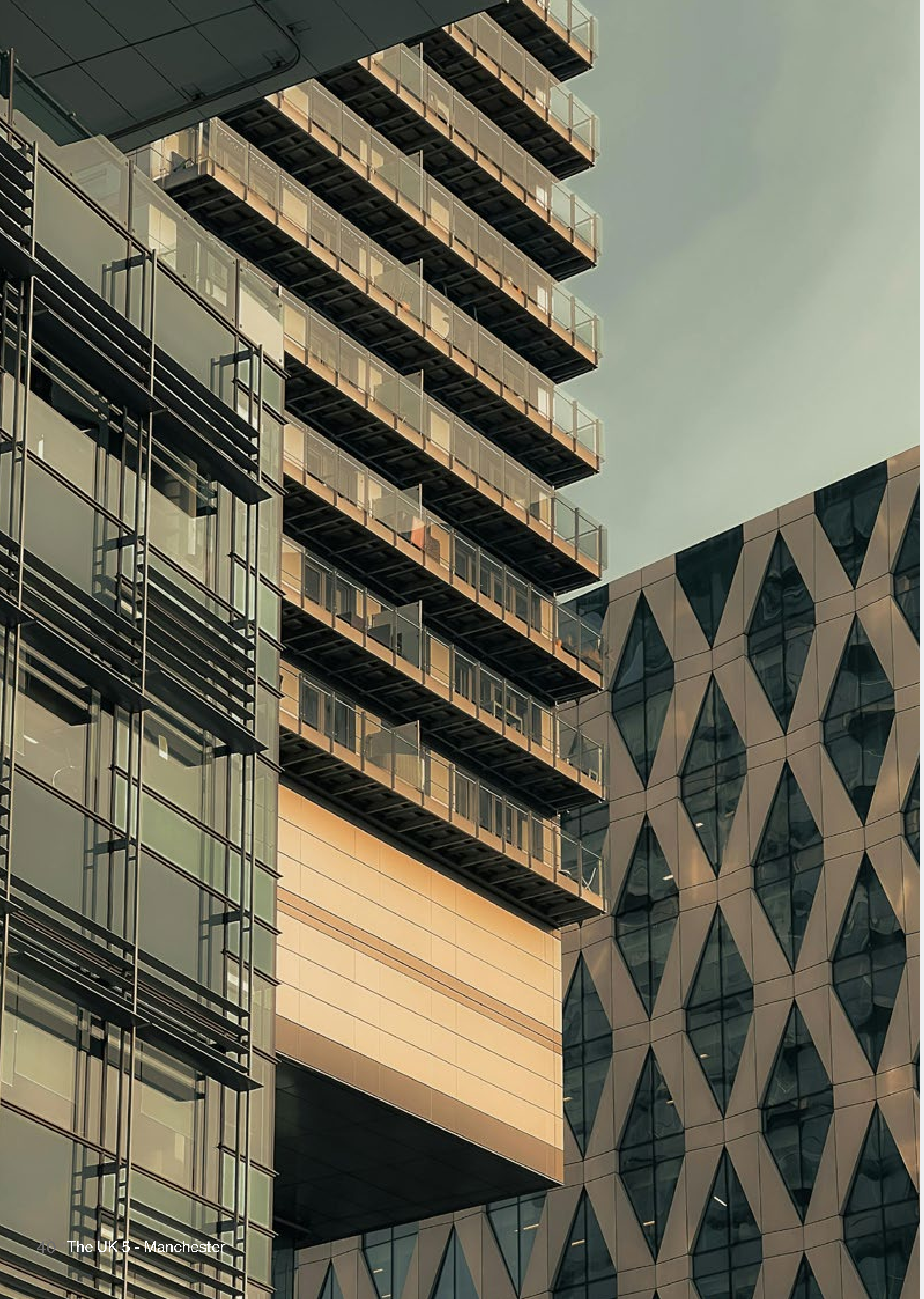
Availability

Availability in Manchester finishes the year on a somewhat muted note, falling 4% to 3.4M sq ft after two consecutive quarters of positive growth. While this has meant that the Q4 level has skirted below the total recorded at the end of 2022 by 1%, it should be noted that the current level is still 27% higher than the short-term annual average, representing a comparatively strong level of availability.

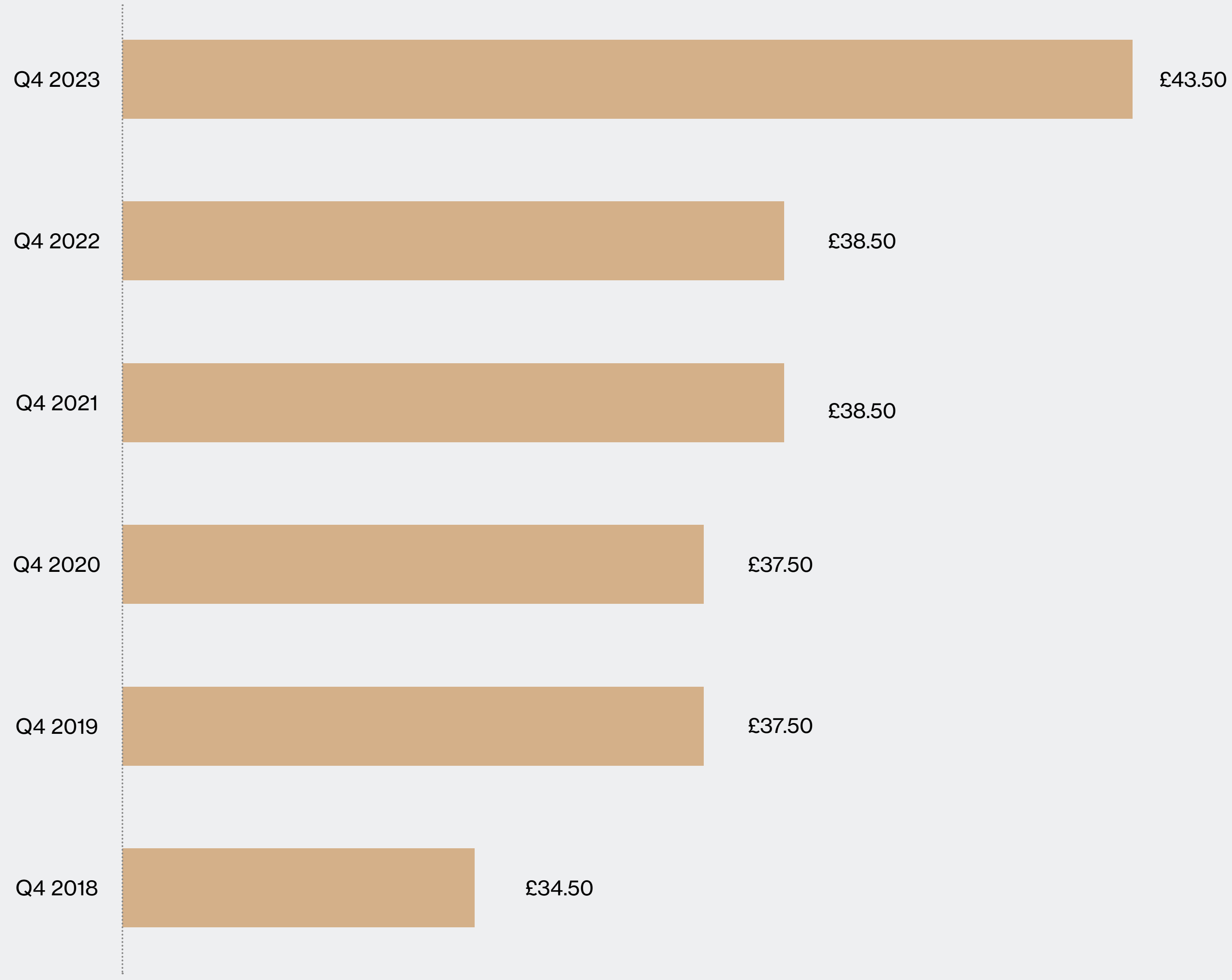
Furthermore, for those occupiers that are more concerned with transport links and the accessibility of talent when it comes to their office searches, Manchester continues to hold the top spot when it comes to the quantity of space available.

However, the same cannot be said for the quality-conscious occupiers, as the amount of Grade A space available dropped significantly in Q4 by 15% as leasing improved and no new developments were added to the pipeline in the latter half of the year.

This has meant that Manchester no longer accounts for the largest supply of Grade A space outside of London at it has done in previous quarters, with only 637,491 sq ft available, 6% below the quantity recorded in Glasgow.



Manchester Office Market:
Prime Rents (£ Per Sq Ft), 2018-2023



Rents

Manchester has seen the most significant upswing in rents over the second half of 2023, increasing 8% over this period to £43.00 per sq ft, making Manchester the regional city with the highest prime rent of the UK 5.

This rental level constitutes a historic high, coming in at 22% above the long-term annual average despite the relative lack of demand from occupiers in comparison to other years.

The main development that we are seeing attract these rents is the newly completed 4 Angel Square, the self-described "most sustainable building in Manchester" located in the NOMA business district.

Occupiers will still be able to take some comfort that despite having the highest prime rental level of the regional cities, Manchester does also offer the most generous rent-free incentives, currently at 26 months on a 10-year lease, although the net-effective rent is still relatively high at £33.68 per sq ft.

Flexible Offices

While Manchester has not seen the most significant increases in desk rates of the UK 5 cities over H2, with average desk rates having increased 7% over this period, its Grade A offerings continue to command the highest desk rates of the regional cities at £550.00 per desk per month. This demonstrates the confidence of providers in the robustness of demand for these spaces.

Although minimum desk rates have remained stable, the current level is considerably higher than that in the other regional cities at £250.00 per desk per month, which for more nascent firms limits the cost-savings of taking the flex route in Manchester as opposed to leasehold.

The pricing for the best quality spaces has continued to increase despite the intense competition from the multitude of different providers active in the city, with further fuel being added to the fire in the form of Cubo's first incursion into Manchester with its new space at The Lincoln on Brazzenose Street which opened in October 2023.

That being said, the number of providers already active in the city may act as a barrier to more providers entering the market, with an average of 4 new spaces having been taken by providers every year since 2019.

Outlook

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...there is still scope for ***more*** rental growth in 2024

Although it is likely that Manchester's existing business community will continue to rationalise space requirements, we are also likely to see an influx of new businesses into the city in 2024.

Manchester continues to hold appeal for firms due not only to its desirable pool of talent, particularly those with technical and business-related skillsets, but also its transport links. The latter is currently benefitting from not only greater ease of access via an enhanced roll out of tap-in-tap-out train travel to the surrounding area but also from more sustainable forms of travel, with Manchester City Council currently lobbying the government for £86.7M towards decarbonising its transport system.

While Manchester has seen its dominance slip in 2023 when it comes to the provision of Grade A spaces, the dial is likely to tip back in its favour in 2024 considering that there are five new developments projected to complete in the next year. If these projects remain on schedule, this could mean that circa 575,000 sq ft of best-in-class space will be added to the market in the coming year.

Although prime rental growth did plateau in Q4 following the significant rise in Q3, there is still scope for more rental growth in 2024. Not only will the continued threat of inflation continue to influence pricing, but the new office developments set to complete before the end of the year will undoubtedly serve to push the envelope further.

On the other hand, where we have seen desk rates push up at the top end in H2, we expect desk rates to remain stable going into 2024, as providers will begin to compete on pricing given that it is currently at an all-time high. We can already see evidence of this with new provider on the scene Cubo, who despite taking space in a best-in-class building is keeping its rates lower than many of its competitors in other Grade A spaces, currently at £425 per desk per month.

Outlook 2024 Tenant Impact

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About Devono

Devono is the UK's leading occupier-only advisory firm. We specialise in advising businesses of all sizes and sectors on commercial real estate solutions that best support their wider business objectives.

A significant part of our role is helping our clients to understand and define their occupational requirements. We take into account key factors including talent challenges, headcount forecasts, operational priorities and cost considerations, to help craft a brief that is not only fit for purpose today but will also deliver a sustainable occupational footprint moving forward.

Our ultimate goal as an organisation is to navigate real estate opportunities in such a way as to positively influence a company's culture, productivity and financial performance.

Our Services

- Office Agency
- Service Charge Consultancy
- Workplace Consultancy
- Design & Build
- Dilapidations & Building Surveys
- Occupier Disposal
- Rent Reviews
- Flexible Office Agency

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