# LIVERPOOL

## EXECUTIVE SUMMARY

- The Knowledge Quarter is subject to considerable investment for development projects. Most notable of these is The Spine, a 160,000 sq ft grade A office, due for completion in Autumn 2020.
- In the retail sector prime space remains resilient, continuing to attract tenants while secondary markets are experiencing rapid decline.
- Supply is constrained within Liverpool's office market, particularly for Grade A space. This shortage of stock, combined with the subdued occupier market, has contributed to below average take-up.
- Liverpool's industrial development pipeline remains muted. However, there is notable activity within the "mid-box" market with a number of developers bringing forward schemes ranging from 20,000 – 50,000 sq ft.

**The historic city of Liverpool has seen extensive change in the past decade which has reshaped the city's industries and infrastructure. There are several more large-scale mixed-use projects on the horizon which are set to contribute to the modern image.**

The Knowledge Quarter is subject to considerable investment for development projects in collaboration with the Universities and Liverpool City Council. Most notable of these is The Spine, a 160,000 sq ft Grade A office development in the centre of Paddington Village, focusing on biotech innovation, due for completion in Autumn 2020. Paddington Village and the wider Knowledge Quarter zone represent the heart of Liverpool's world-leading life sciences, health and digital industries.

In the retail sector, prime spaces remain resilient, continuing to attract tenants while secondary markets are experiencing rapid decline. Local authorities are taking a greater responsibility for these declining secondary markets, exploring plans to reconfigure high streets and town centres to serve more community-focused functions.

The office market in Liverpool is subdued. This stems from economic uncertainty resulting in occupiers delaying decisions on relocation, investments being withheld and increasing caution throughout the market. This is particularly affecting small to medium sized indigenous demand from the private sector.

There has been a diminishing supply within Liverpool's office market particularly for good quality, large floorplate, grade A space within the CBD. This shortage of stock, combined with the subdued occupier market, contributed to take-up being below the five year average in 2019.

## KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

| | OFFICE | RETAIL | INDUSTRIAL |
|---|---|---|---|
| Rental Growth | ↑ | ↓ | ↑ |
| Vacant Space | ↓ | → | → |
| Construction Levels | ↑ | ↓ | ↑ |
| Leasing Volume | ↑↑ | ↓ | ↑ |
| Investment Volume (all sectors) | | ↑↑↑ | |

However, Sony recently took 65,000 sq ft at Echo Place on Old Street, BT are reportedly seeking 100,000 sq ft of prime office space and there are other large significant private sector requirements, indicating that demand for medium to large spaces continues in Liverpool.

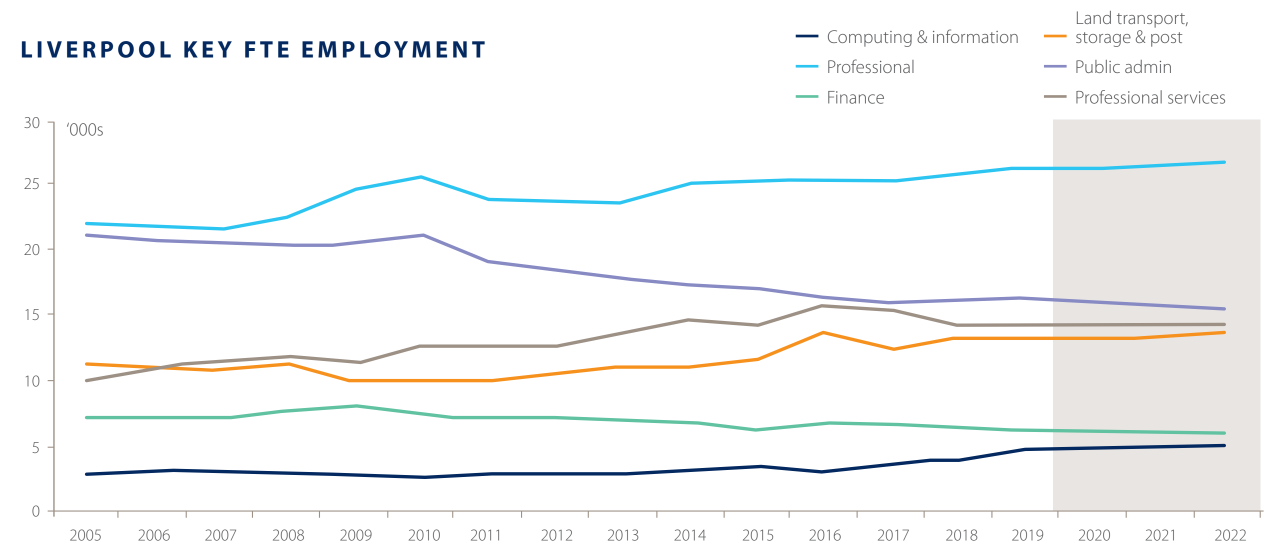
There are two large scale projects on the horizon, Liverpool Waters (No 5 Princes Dock) and Pall Mall, both of which have planning permission for office development. These schemes will enable the further expansion of the Commercial District and Liverpool Waterfront, however, both schemes are likely to require significant pre-letting commitments before construction commences.

The industrial sector in Liverpool is growing, albeit at a slower pace than much of the rest of the U.K. Modest rental growth is due in part to the size and disparity within the market, ranging from tertiary stock to Liverpool2 which is the closest multimodal port to 50% of U.K. manufacturing sites. Its state-of-the-art technology and good connectivity have enabled it to become one of the U.K.'s key ports, significantly contributing to Liverpool's industrial economy.

Liverpool's industrial development pipeline remains muted. However, there is notable activity within the "mid-box" market, with a number of developers bringing forward schemes ranging from 20,000 – 50,000 sq ft, including Stonebridge, Element, Mere Grange and Hurricane 47. There is limited availability for smaller businesses, with vacant space below 20,000 sq ft at an all-time low due to viability issues. Online retailers and logistics operators have been very acquisitive over the past 12 months and we see this trend continuing into 2020.

**There are two large scale projects on the horizon, Liverpool Waters (No 5 Princes Dock) and Pall Mall, both of which have planning permission for office development.**

## LIVERPOOL KEY FTE EMPLOYMENT




*Source: Experian*