



# NEWCASTLE

## EXECUTIVE SUMMARY

- The next 12 months will see the largest number of office developments delivered in Newcastle city centre for a number of years.
- These schemes will offer significantly more choice to office occupiers, providing opportunities for northshoring and inward investment companies.
- We are aware of more than 150,000 sq ft of requirements from occupiers currently looking for 25,000 sq ft plus of space.
- Speculative development in small to medium sized industrial units remains fairly muted but those schemes which have come out of the ground have performed well.
- Overseas investment demand has increased in Newcastle, recently demonstrated by business park acquisitions.

**Newcastle has seen dramatic change over the last ten years and is now a vibrant hub for business and culture. The continued regeneration of the city will enable further evolution and growth, and we expect a positive year for Newcastle. The city centre will see the largest number of office developments delivered for a number of years.**

At the landmark Newcastle Helix development (formerly Science Central), The Lumen office building (106,000 sq ft) will complete early this year and the next phase of the scheme, The Spark (107,000 sq ft), will complete in 2021.

This represents one of the biggest urban regeneration projects of its kind in the U.K. and will provide an exceptional platform for Newcastle to succeed as a major hub for science and enterprise. One of Newcastle's great strengths is its knowledge economy, with the fastest growing software and technology market in England.

Other well progressed developments in Newcastle include the first phase of the long awaited East Pilgrim Street regeneration area, with the 120,000 sq ft Bank House office scheme by Taras Properties starting on site in the spring.

Newcastle City Council is also understood to be looking to appoint a developer for the second phase of the mixed use Stephenson Quarter. These schemes will all go towards redressing the balance with the dominant out-of-town market in Newcastle. They will offer significantly more choice in the city centre to office occupiers, providing opportunities for northshoring and inward investment companies.

## 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)		→	

We are aware of more than 150,000 sq ft of office requirements from occupiers currently looking for 25,000 sq ft plus of space, which bodes well for these new city centre developments. This is in addition to ongoing discussions for a 270,000 sq ft Government hub. With prime rents increasing from £24 psf to £24.50 psf in 2019, and with quoting rents on new stock such as The Lumen at £26.00 psf, we expect further growth.

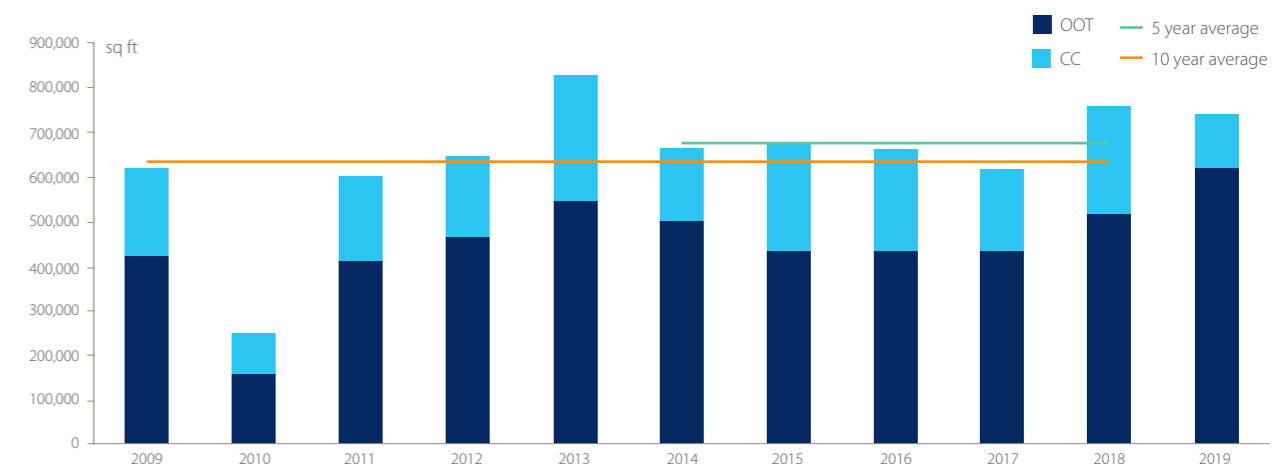
In Sunderland, the 60,000 sq ft The Beam recently completed. This is part let to Ocado, who are creating 300 new jobs for the city. In the wider region, the 180,000 sq ft Tees Advanced Manufacturing Park, funded by Middlesbrough Council, completes in the spring.

In the industrial market, the huge 1.4 million sq ft logistics fulfilment centre at Symmetry Park, Darlington has recently completed. Otherwise industrial activity in the region is centred around small to medium sized units. Whilst speculative development remains fairly muted, those schemes which have come out of the ground have performed well. Hellens Developments let all 3 units totalling 60,000 sq ft at their Infinity Park scheme within 12 months of completion.

Over the last two years overseas investment demand has increased in Newcastle. This has recently been demonstrated by acquisitions at Quorum and Cobalt business parks by European buyers. Overseas investment demand is particularly strong for properties offering 10 year plus leases, preferably with fixed or indexed reviews with initial yields of 6.5% plus. Aside from Legal and General's purchase of Newcastle Helix, the institutional market is expected to remain subdued until there is greater political certainty.

**Newcastle Helix represents one of the biggest urban regeneration projects of its kind in the U.K. and will provide an exceptional platform for Newcastle to succeed as a major hub for science and enterprise.**

## NEWCASTLE OFFICE TAKE-UP



Source: Avison Young