BOUYANT TAKE-UP IN NEWCASTLE’S OFFICE MARKET

Take-up of office space in Newcastle-upon-Tyne exceeded 363,000 sq ft the first six months of 2015, 19% higher than the same period in 2014 according to research from BNP Paribas Real Estate.

In its Newcastle Office Report the leading property adviser’s research revealed that in the city centre 95,000 sq ft of offices were taken up during the first half of the year, while the figure for the out-of-town market saw a healthy 270,000 sq ft of transactions.

Aidan Baker from BNP Paribas Real Estate’s Newcastle office said: “The figure for the city centre represents a staggering 46% increase on the same period in 2014. Similarly, the out-of-town market witnessed a healthy demand and was up 12% on the same period last year.”

Notable city centre deals include the letting to iParadigms of 19,975 sq ft at Moonglade Holdings’ Wellbar Central and Performance Horizon taking 9,786 sq ft at West One. In the out-of-town market significant transactions included CHP taking 17,061 sq ft at Q2 Quorum Business Park, Bede Gaming’s 12,372 sq ft deal at Great Park and the 12,070 sq ft letting to Hewlett Packard at Cobalt Business Park.

“With only 123,000 sq ft currently available for occupation, Grade A city centre office stock is in short supply and 17% down year-on-year. As a result, occupiers with requirements of over 35,000 sq ft are left with no choice but to divert their search elsewhere,” said Baker, adding: “The out-of-town market offers more options; we estimate that current Grade A supply is around 750,000 sq ft - down 20% in the last twelve months.

“By the end of the year the market will see the completion of the first speculative office scheme in the city centre since 2010 when The Rocket in Stephenson Quarter will deliver 35,000 sq ft of much needed Grade A space.”

BNP Paribas Real Estate’s report reveals that prime rents were stable at £21.50 per sq ft, but the lack of availability in the city centre has begun to apply upward pressure on rental levels. The firm expects that this trend will persist over the remainder of 2015.
The buoyancy seen in the occupier market was reflected by activity in the investment market where volumes hit £89m in the first six months of 2015, up nearly 10% on H1 2014 and up 56% on the five year average of £57m.

“Buyers have been increasingly looking to take advantage of investment opportunities in the UK regions with more than £4.8bn allocated by investors looking to invest in regional offices during H1 2015,” said Baker, adding: “This represents 40% of the total UK office investment volume and is up 10 percentage points on the correspondent share for the first half of 2014.

“On the back of the current performance, Newcastle’s projected office investment volumes are set to exceed last year’s total of over £100m, underpinned by the attractive yield spread, relative to other key markets.”

BNP Paribas Real Estate reports that that the bulk of investment transactions during H1 2015 occurred at Cobalt Business Park with around £76m worth of deals - 86% of the total. A Salford-based private investor purchased Cobalt 9a for £22.6m (8.8% Net Initial Yield) and a private overseas buyer acquired the Procter & Gamble building for £16.75m (7.3% Net Initial Yield).

The year’s biggest city centre investment deal in the first half of the year was Kames Capital’s £7.72m purchase of the Nexus House, occupied by Tyne & Wear Passenger Transport Executive, from Greenridge Abra Fund. The deal reflects a Net Initial Yield of 6.75%.

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About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network that represents today more than 3,200 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas. For more information: www.realestate.bnpparibas.com

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