



# MARKET INSITE

GREAT COMMERCIAL  
PROPERTY DECISIONS **2020**



# WELCOME TO MARKET INSITE 2020

The political turbulence of last year looks to be behind us and the initial signs in 2020, especially from the Capital Markets, are encouraging.

In 2019, investment into UK property fell by over 20% compared with the previous year, but the East Midlands remained level at £1.35bn - highlighting the attraction of our region.

The market data follows and it is refreshing to see that speculative development has rewarded a number of developers and investors, with Grade A take-up doubling in industrials in Leicester.

Most importantly, the East Midlands continues to house a range of outstanding businesses in a variety of sectors, and our team are delighted to support their property needs, be it growth, refurbishment or relocation. Please don't hesitate to contact us to understand our thinking behind the numbers.

People are our greatest asset and we've been pleased to welcome new additions to our growing team, especially in property management, to congratulate well-deserved promotions for 2020, and celebrate our graduates who were successful in achieving their professional qualifications.

Our Building Surveying team continues to make great strides, and now has a dedicated Expert Witness and Insurance surveyor to help disputes be resolved as promptly as possible.

For the second year running, we've signed the Vision for Literacy Business Pledge and will be working with the Literacy Trust actively trying to close the literacy gap. In particular, we will once again run the Words for Work programme, where we open our doors to the next generation and help young people see that the world of work is not as imposing as it might appear.

There are changes and opportunities ahead, not least the impact of property assets on sustainability and community and we look forward to working with you moving forward.



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## HIGHLIGHTS: DERBY

2019 presented its challenges with a noted slowdown during the lead-up to both Brexit dates and the General Election. Unsurprisingly, the resulting uncertainty led to reduced transactions, particularly in larger stock. Locally, conditions were compounded by the ongoing highways improvements.

Fortunately, our major employers Rolls Royce, Bombardier and Toyota grabbed the headlines with a string of awards, contracts, and announcements around Greener Transport, cementing the city's reputation for innovation. Equally positive was the opening of a new, high-profile Jaguar Land Rover car dealership, which has transformed the former Cattle Market site on the West Meadows Industrial Estate.

Driven by a shortage of transactions, industrial take-up fell by some 120,000 sq ft for the year, with the sale of the former Davis Derby unit on Chequers Lane being one of the few standout deals. There were, however, plenty of smaller local market transactions.

In terms of supply, the speculatively-built Derby 370 skews the figures by accounting for some 51% of overall standing stock. This aside, availability stands at its lowest level since 2015 which has helped rents to climb.

Office take-up has fallen by 80,000 sq ft, the lowest since 2015, with take-up dominated by transactions under 5,000 sq ft. The traditional churn on Pride Park has been hampered by continued road works, although that did not deter French engineering giant Alten from opening a new 12,000 sq ft HQ to service new Rolls Royce and Bombardier contracts. Office availability has fallen by 110,000 sq ft with further space having been lost to residential, but some second-hand office stock is now being refurbished with the launch of CUBO and 120 Friar Gate. Rents have remained stable.

The online retail revolution has continued, higher void rates have become evident within the Cathedral Quarter but for every occupier lost at intu another is welcomed with Boss, Hobbs and Whistles all opening in 2019.



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▶ 1. First Panattoni's Derby 370

▶ 2. Jaguar Landrover dealership | Picture: Cactus Images

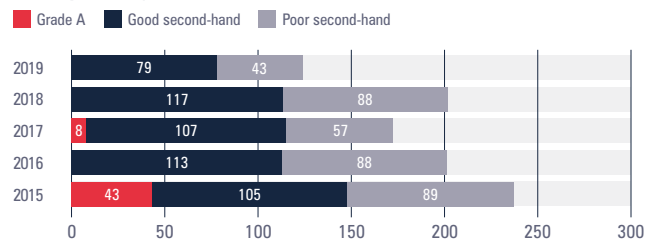
▶ 3. Bear Coffee | Picture: Cactus Images



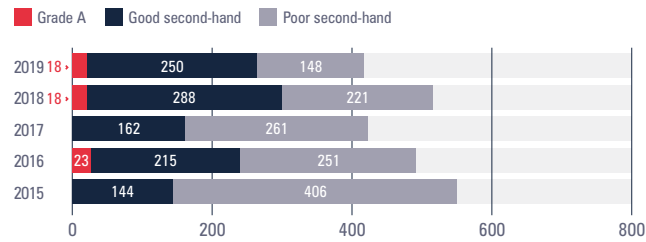
## OFFICE

A lack of Grade A space continued to hamper activity with only 122,400 sq ft of lettings recorded. There was an absence of larger lettings, with take-up dominated by transactions below 5,000 sq ft. Supply fell back to its lowest level in more than a decade as occupiers continued to target second-hand space. Grade A supply accounts for only 4.3% of stock on the market. Both prime and secondary rents remained stable at £16.50 and £9.00 per sq ft respectively.

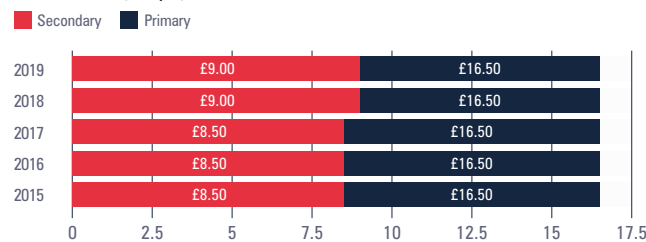
Take-up (000 sq ft)



Availability (000 sq ft)



Prime Rents (£ sq ft)



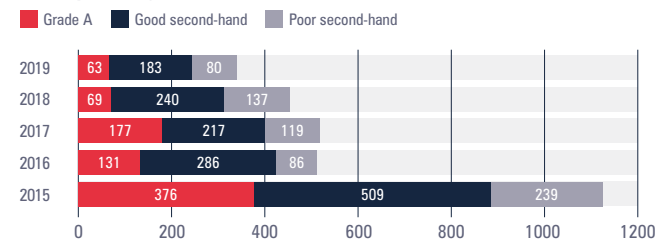
➤ Prime headline rents  
**£16.50**  
per sq ft

➤ Secondary rents  
**£9.00**  
per sq ft

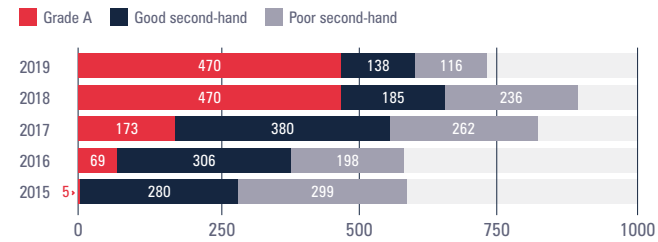
## INDUSTRIAL

Take-up was 326,400 sq ft, with the largest transaction being the sale of 42,957 sq ft to Burrows Recovery for £2.5 million. Grade A space accounts for 65% of total availability, although the figures are skewed by the availability of Derby 370, First Panattoni's 370,000 sq ft speculatively-built warehouse at Derby Commercial Park. The expanding ecommerce market continues to drive rents, with prime rents up by 3.8% and secondary rents up by 12.5%.

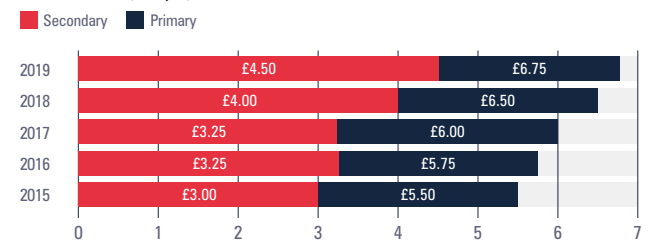
Take-up (000 sq ft)



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Prime Rents (£ sq ft)



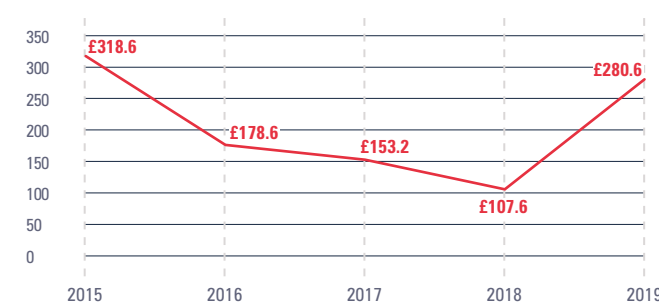
➤ Prime headline rents  
**£6.75**  
per sq ft

➤ Secondary rents  
**£4.50**  
per sq ft

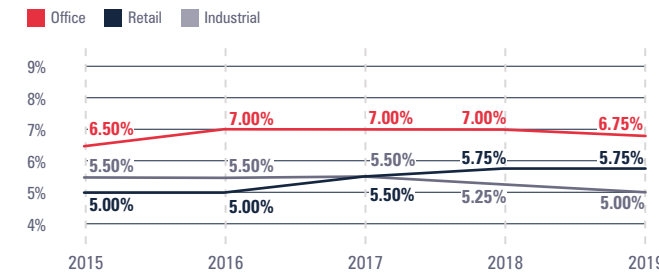
## INVESTMENT

Investment activity rebounded to its highest level since 2013/14, with £281m of transactions. Activity was dominated by the sale of a 50% stake in intu Derby to Kuwaiti-backed Cale Street Partners LLP for £186.3m, reflecting a net initial yield of 6.6%. Several larger industrial transactions completed in the final quarter of the year, the largest being Aver Properties forward purchase of the final phase of Henry Boot Developments Markham Vale North scheme in Chesterfield for an estimated £35m.

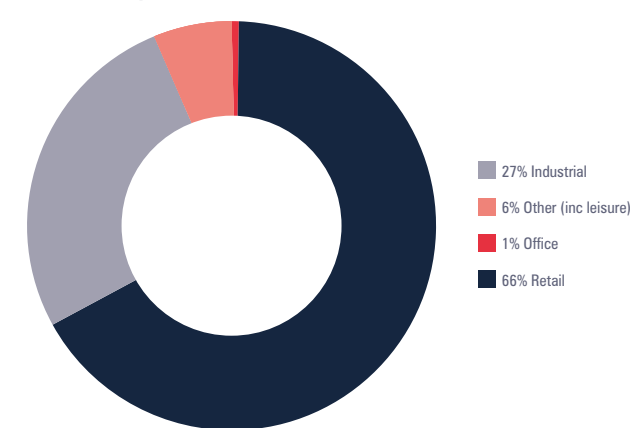
Value of Investment Transactions (£m)



Prime Yields



Investment by Sector



➤ Transactions completed  
**£280.6m**

## RETAIL

Retail rents remained static in Derby for a further year although there were notable additions to the intu Derby Shopping Centre which welcomed new retailers Hugo Boss, Hobbs and Whistles. Local company Bear Coffee also acquired new space within the shopping centre. Elsewhere, Mike Ashley-backed Sports Direct and USC are close to opening their combined store in the 53,000 sq ft former BHS on St Peter's Street, due in Spring 2020.

Prime Retail Rents High Street & Centres (£ sq ft)



Prime Retail Rents Out of Town (£ sq ft)



➤ Prime High Street  
**£150**  
per sq ft

➤ Prime bulky goods  
**£25**  
per sq ft

➤ Prime open A1  
**£30**  
per sq ft





## HIGHLIGHTS: LEICESTER

This year's analysis projects a robustness in the local economy, despite the substantial economic and political uncertainties that have affected the wider picture.

Industrially, the decision to build speculatively has proved decisive, with a 96% rise in the take-up of Grade A space, satisfying the demand from the big box logistics operators but also, in view of a number of smaller schemes, more local occupiers. Important transactions included the letting of 100,837 sq ft to JLG Power Towers at Leicester Distribution Park, 578,000 sq ft to the VF Corporation at Bardon and 330,000 sq ft to 4PL on behalf of Alibaba at Leicester Commercial Park.

Availability remained broadly similar to 2018, although saw a reduction in Grade A units due to the high levels of take-up within this sector.

The reduction in office take-up reflected the lack of any one large transaction, with 2018 having been dominated by the 80,000 sq ft letting to Access Group in Loughborough. Activity was still however brisk, with a number of significant transactions, including the letting of 22,000 sq ft to Global Payments in Thurmaston, and at Grove Park 16,000 sq ft to Sytner within the former HSBC building.

Office availability remains similar to the longer-term average, with Grade A availability lost during the year, replaced in the main by No. 1 Great Central Square that is due to be completed shortly.

Alongside the offices at Great Central Square will be a 154-room Novotel and six-storey Aparthotel by operator Adagio. This will complement the neighbouring Long Harbour-backed 297-apartment PRS development which completed in August. A new hotel is also being built above the Haymarket Shopping Centre, with the council funding improvements to the car park, shopping centre and construction of a 67-bedroom Travelodge.

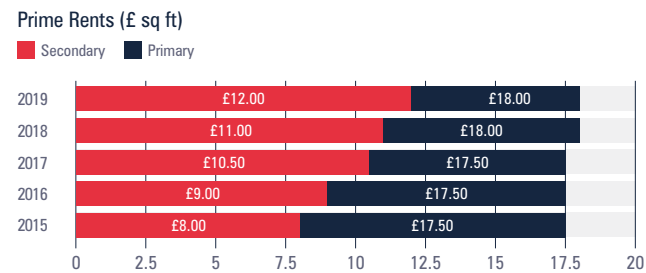
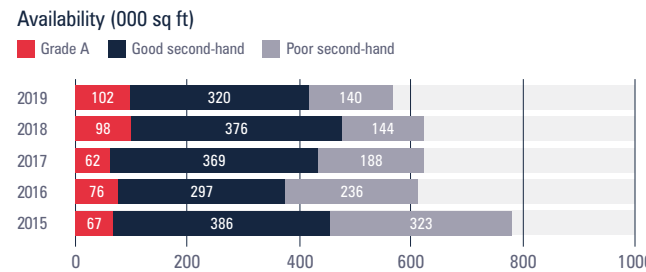
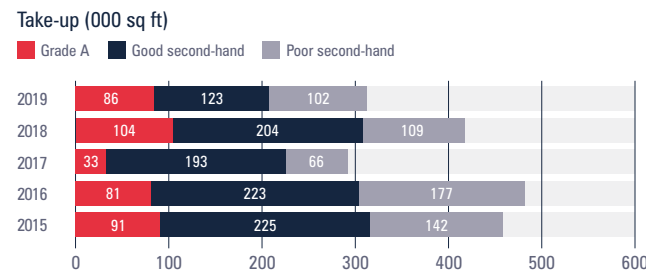
In retail, Sports Direct opened at the former BHS in Gallowtree Gate which they bought in 2017, introducing their new elevated concept combining Sports Direct, USC and Flannels all under one roof. Work continues at the region's premier out of town shopping destination Fosse Park, with the new extension due to open towards the end of 2020.

- ▶ 1. Leicester Distribution Park
- ▶ 2. Fosse Park | Picture: Mark Lee
- ▶ 3. Great Central Square | Picture: Mark Lee



## OFFICE

Take-up moved below the 10-year average for the city and activity continued to be focused on smaller transactions, with two thirds of take-up in lettings below 10,000 sq ft. Grade A supply remained relatively stable, accounting for 18% of total stock on the market. Prime rents remained stable but with occupiers continuing to target second-hand space, secondary rents continued to rise - equating to a growth of 8.4% a year over the past five years.

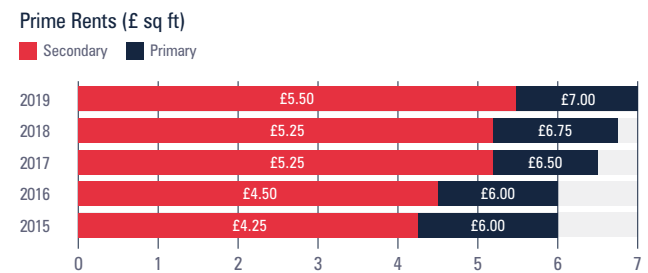
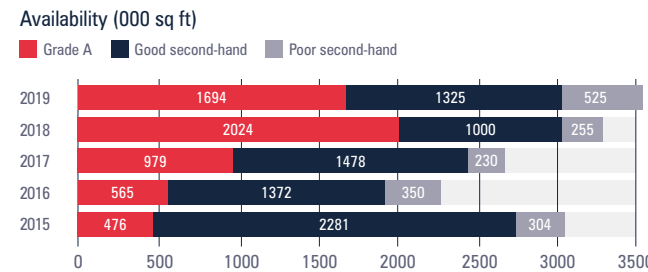
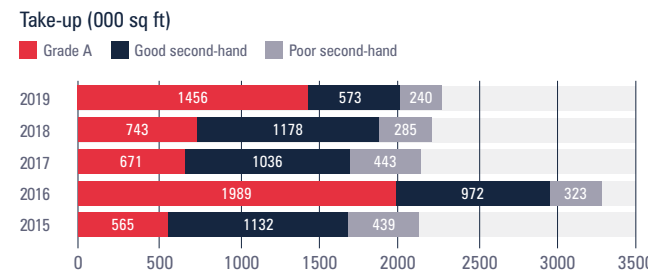


➤ Prime headline rents  
**£18.00**  
per sq ft

➤ Secondary rents  
**£12.00**  
per sq ft

## INDUSTRIAL

Take-up remained above the 10-year average, with activity of 2.3m sq ft. Activity was dominated by lettings of Grade A space, accounting for 64% of transactions with a number of larger deals during the year. Strong demand for space has maintained growth in rents, with prime rents reaching a new record level of £7.00 per sq ft, while secondary rents have moved to £5.50 per sq ft, an increase of 4.8% on the year.

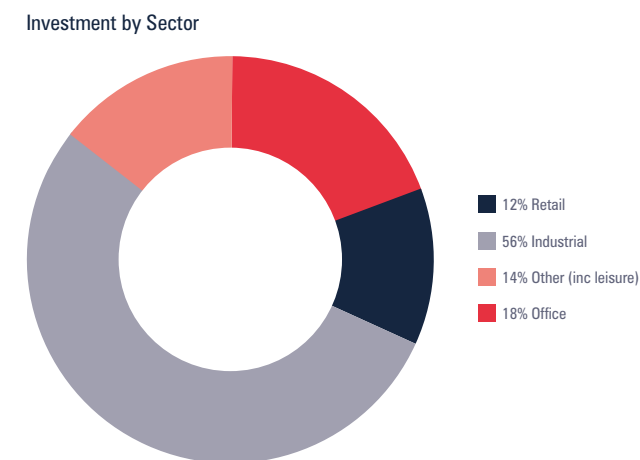
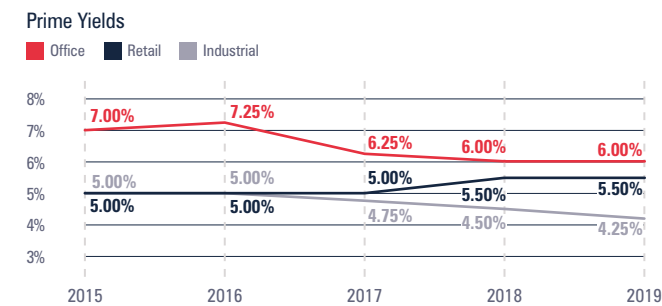
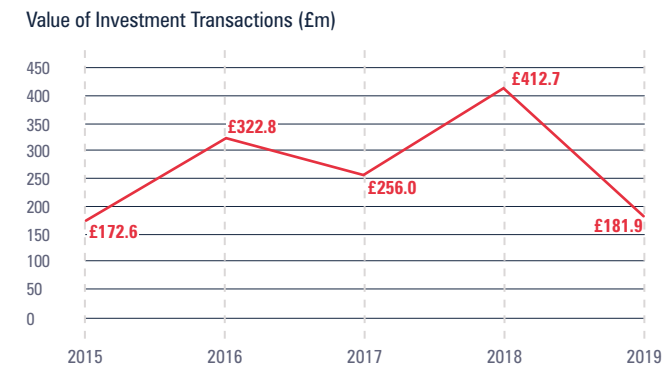


➤ Prime headline rents  
**£7.00**  
per sq ft

➤ Secondary rents  
**£5.50**  
per sq ft

## INVESTMENT

Investment activity fell to the lowest level since 2015. The industrial sector attracted the highest level of interest, accounting for 56% of the total. The largest deal was the £55m forward funding of a 525,000 sq ft logistics development at EDMC Business Park, Castle Donington by AEW UK and Allianz Real Estate. The final quarter saw Maya Capital complete on the 107,100 sq ft multi-let offices at Colton Square, with the purchase price reflecting a net initial yield of 8.3%.



➤ Transactions completed  
**£181.9m**

## RETAIL

Prime High Street rents in Leicester remained static following two years of increases. Within the city centre, the most notable opening came at Gallowtree Gate with Sports Direct/ USC relocating to the former BHS premises. Mowgli and Tim Hortons both opened outlets, with highly-rated Thai restaurant Giggling Squid to follow soon, further enhancing the St Martin's area. The £150m extension of Fosse Park continues to take shape with opening due late in 2020.



➤ Prime High Street  
**£225**  
per sq ft

➤ Prime bulky goods  
**£45**  
per sq ft

➤ Prime Fosse Retail Park  
**£110**  
per sq ft



## HIGHLIGHTS: NOTTINGHAM

2019 witnessed the return of cranes to Nottingham city centre's skyline. Work began on Sladen Estates HMRC offices and Nottingham College's new £58m City Hub campus, next to Broadmarsh where the contractors are on site for the £90m transformation of the Shopping Centre. The new Central Library, bus station, and car park are also well underway.

New build office activity wasn't just limited to the city centre though, with new schemes at Edwalton Park and Nottingham Science Park. Equally well-received was Shoby Properties' refurbishment of City Buildings to provide 32,000 sq ft of much-needed quality office accommodation.

Overall 2019 office take-up was down from the previous year although 2018 had been bolstered by the HMRC deal and underlying transaction levels remained relatively consistent year on year.

There was also significant new development in the industrial market with 18 new units being speculatively constructed by Chancerygate in their joint venture with Hines at Trent Gateway, Beeston to provide a total of 155,000 sq ft of welcome Grade A industrial accommodation. Nearby Henry Boot continued to make good progress in their redevelopment of the Imperial Tobacco site with the significant demolition project nearing completion towards the end of the calendar year.

Industrial transactions totalled around 857,000 sq ft in line with 2018 but while the total number of transactions fell, the average deal size for 2019 at 10,000 sq ft was up by almost 15% on the previous year.

On the retail side, Lidl were active in the city acquiring sites at the former Beechdale Swimming Baths and agreeing a deal to buy the Waitrose site in Wollaton. Waitrose also sold five acres at Edwalton where, on the adjacent site, Aldi have consent for a new supermarket and have started work. The biggest deal in Nottingham came at Giltbrook Retail Park with Marks and Spencer signing up to take 60,000 sq ft of space in the former BHS store. In the roadside market, Pendragon opened a new multi-million-pound Jaguar Land Rover dealership on NG2 business park and The Car People, backed by Sytner, have agreed a lease on the 105,000 sq ft former Homebase store for a car supermarket.

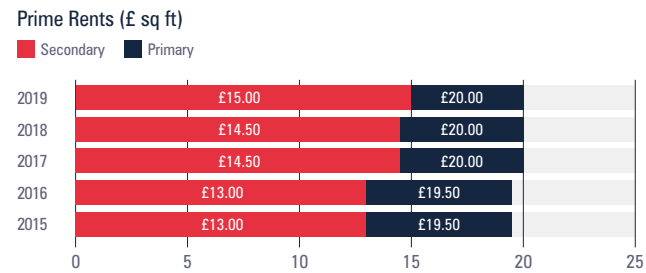
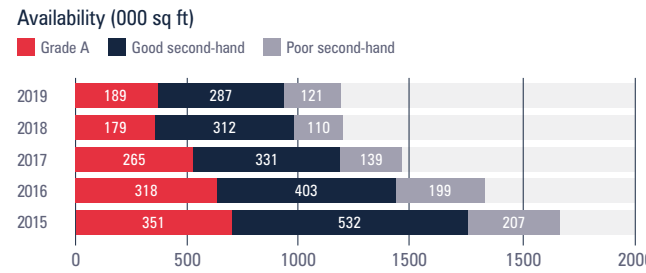
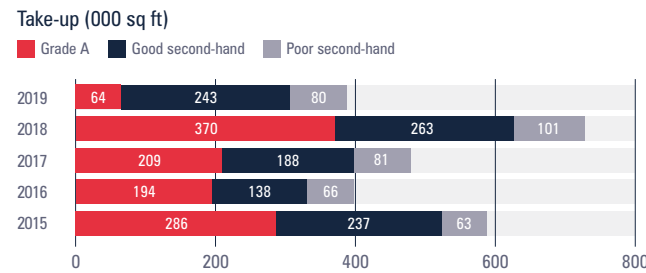
- ▶ 1. HMRC offices | Picture: Cactus Images
- ▶ 2. Trent Gateway, Beeston | Picture: Cactus Images
- ▶ 3. Elizabeth Garrett Andersen building, Nottingham Science Park





OFFICE

Take-up fell below the 10-year average after the record levels in the previous 12 months. Total take-up was 387,200 sq ft, with the main slowing in activity seen in Grade A space. Almost 50% of Grade A take-up was at Shoby Investments new city centre scheme City Buildings, Carrington Street. Supply remained relatively stable at 597,200 sq ft although most is out of town. The differential between prime and secondary rents narrowed as secondary rents moved to £15.00 per sq ft.

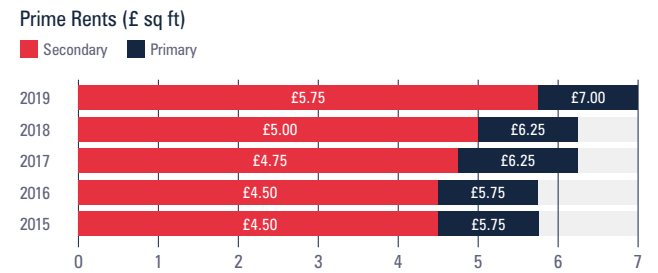
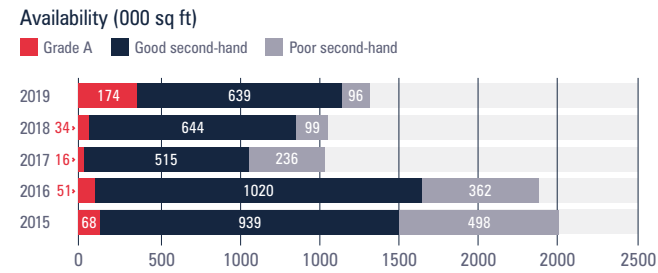
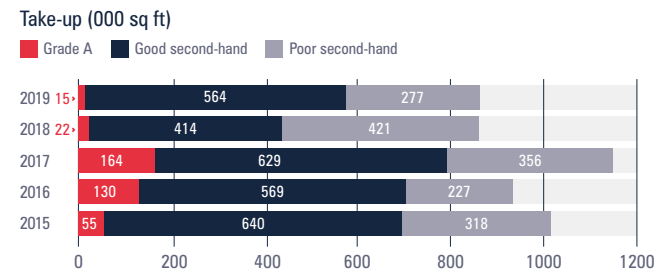


➤ Prime headline rents  
**£20.00**  
per sq ft

➤ Secondary rents  
**£15.00**  
per sq ft

INDUSTRIAL

Take-up remained broadly in line with the 10-year average, with 856,400 sq ft of deals. Activity was focused on second-hand space, while supply edged up slightly, largely due to Chancerygate/Hines' new scheme at Trent Gateway, Beeston. The scheme provides 155,268 sq ft, with units ranging from 2,300 sq ft to 49,811 sq ft. Prime rents have continued to set new peaks, rising to £7.00 per sq ft, with secondary rents up to £5.75 per sq ft.

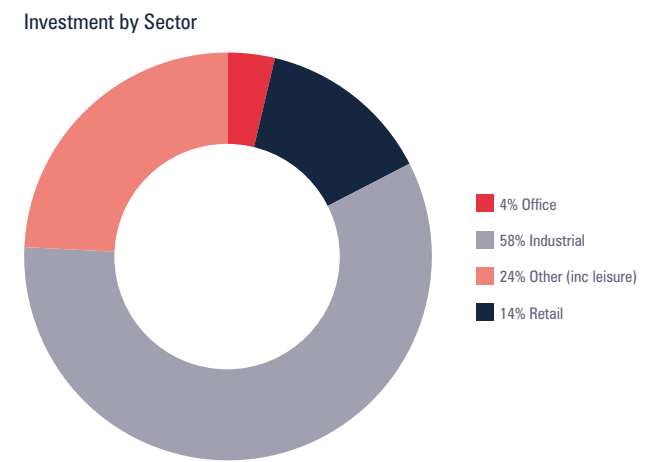
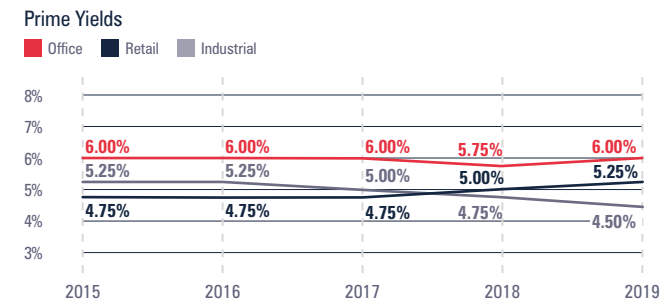
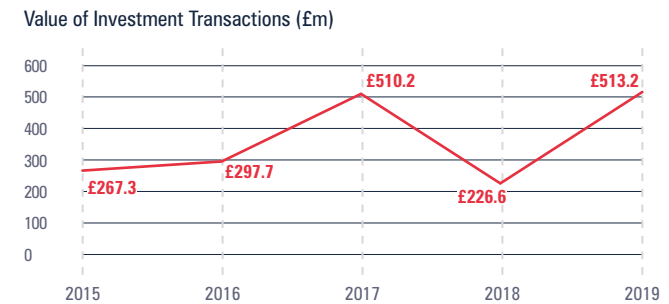


➤ Prime headline rents  
**£7.00**  
per sq ft

➤ Secondary rents  
**£5.75**  
per sq ft

INVESTMENT

Investment activity set a new peak level at £513.2m, marginally ahead of the previous peak in 2017. Industrial transactions dominated as investors continued to target the sector. The largest transaction was the £120m sale and leaseback of the 1.8m sq ft Sports Direct HQ at Shirebrook by Malaysian employee fund KWAA Logix Sportiv. Alternative sector investment continued to play a significant role with the £45m forward purchase of the student accommodation scheme at York Place Nottingham by Brookfield Asset Management.



➤ Transactions completed  
**£513.2m**

RETAIL

The biggest retail deal of the year came at Giltbrook Retail Park with Marks and Spencer committing to a new 60,000 sq ft store. In the city, work finally started on the long-awaited Broadmarsh Shopping Centre redevelopment. Nottingham also welcomed a number of new retail and leisure occupiers with Cosy Club being the pick of the bunch, agreeing a deal to take the former Victoria Club on Victoria Street.



➤ Prime High Street  
**£275**  
per sq ft

➤ Prime bulky goods  
**£25**  
per sq ft

➤ Prime open A1  
**£42.50**  
per sq ft



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