



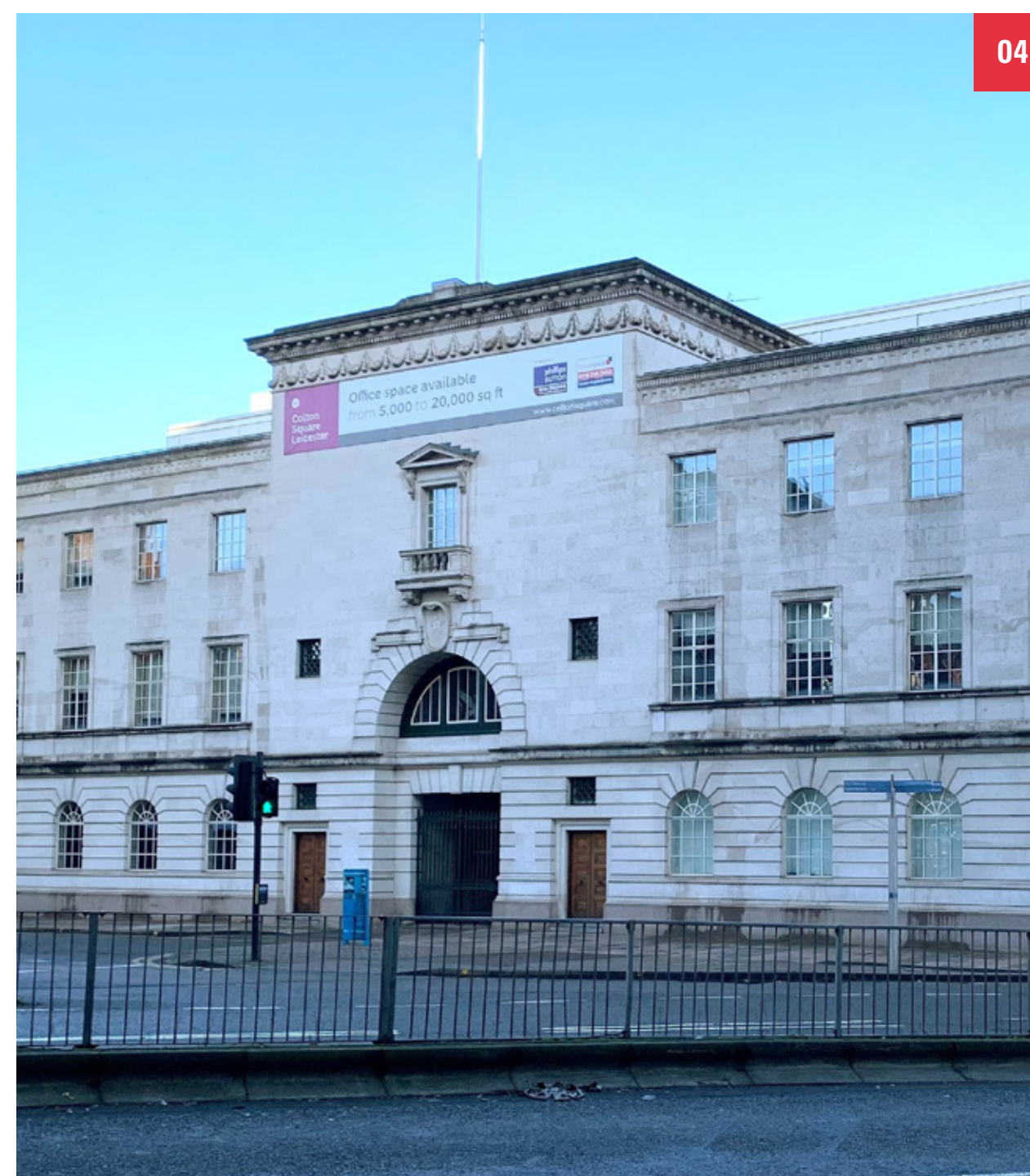
# MARKET INSITE

GREAT COMMERCIAL  
PROPERTY DECISIONS **2021**



**INNES ENGLAND**   
MAKE A GREAT DECISION





# WELCOME TO MARKET INSITE 2021

Unprecedented, challenging, uncertain. All words that could easily describe the last year or so as we have collectively navigated our way through a global pandemic, lockdowns and social distancing restrictions. Despite the ever-changing landscape we have thankfully been able to continue to safely inspect buildings for our agency, management and valuation functions and continue our site monitoring for clients to bring forward new developments.

We took our Market Insite event online this year for the first time in its 14-year history, replacing our usual in person sessions with a webisode looking at activity across the East Midlands. The presentation is available on our website or YouTube channel if you want to watch our thinking behind the numbers.

Whilst the bacon sandwiches were absent, we missed meeting up with you in person which is a major part of our industry DNA. However, we are extremely grateful for your support on the webisode as we topped out at the event capacity of 500, which was extremely rewarding internally having spent hours preparing the data and presentations.

No-one could have predicted the events of 2020, but as you will see from our data, there were certain positives to take from the market across the region which has remained relatively resilient.

Welcome to the 14th edition of Market Insite – our in-depth review of the region’s commercial property market. Each property issue always has its own dynamics so do not hesitate to pick up the phone or ask us to attend site to offer our advice. Best wishes and good luck in the market for 2021.

Regards  
Matt Hannah

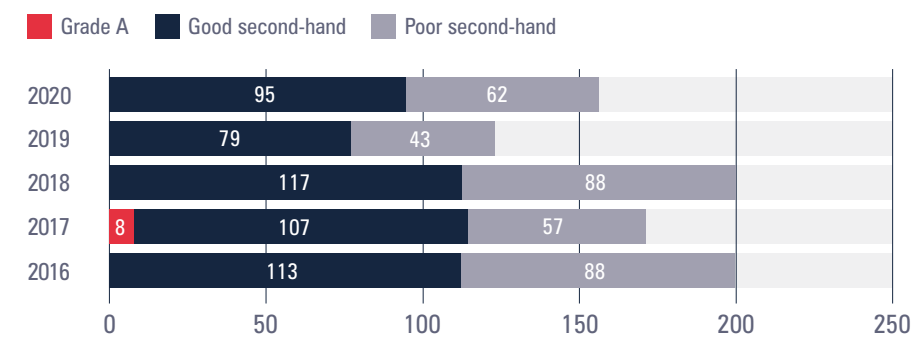
- ▶ 1. Ideagen | Ruddington Field's Business Park
- ▶ 2. Cubo | Derby
- ▶ 3. Starbucks Drive-Thru
- ▶ 4. Colton Square | Leicester



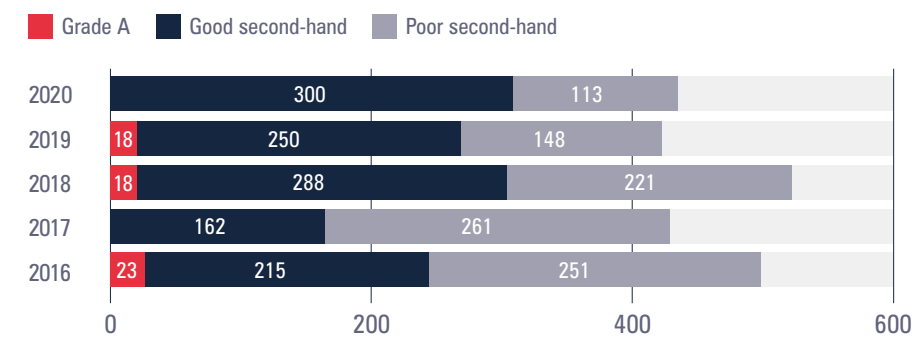
## OFFICES

Take up in Derby was buoyed by the sale of Northgate House together with the letting of 22,000 sq ft at St James House and 18,000 sq ft at Orbis on Pride Park in Q4. This pushed activity for the year to 156,914 sq ft, 28% ahead of the previous year's figure. Supply remained stable at 413,100 sq ft but the market continues to be starved of grade A stock. Both prime and secondary rents remained stable at £16.50 psf and £9.00 psf respectively.

Take-up (000 sq ft)



Availability (000 sq ft)



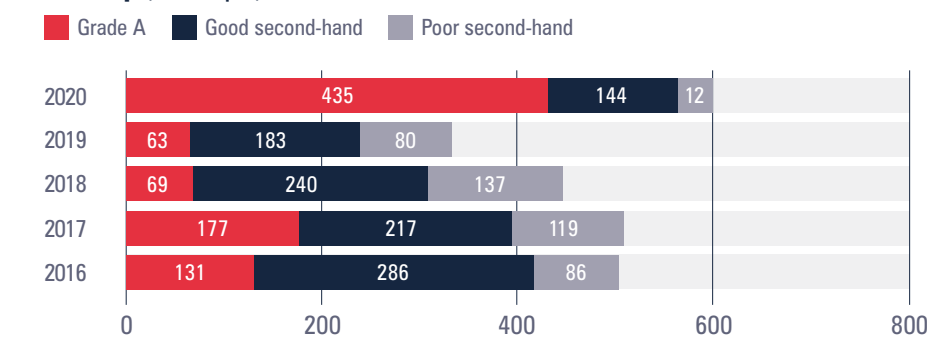
Prime Rents (£ sq ft)



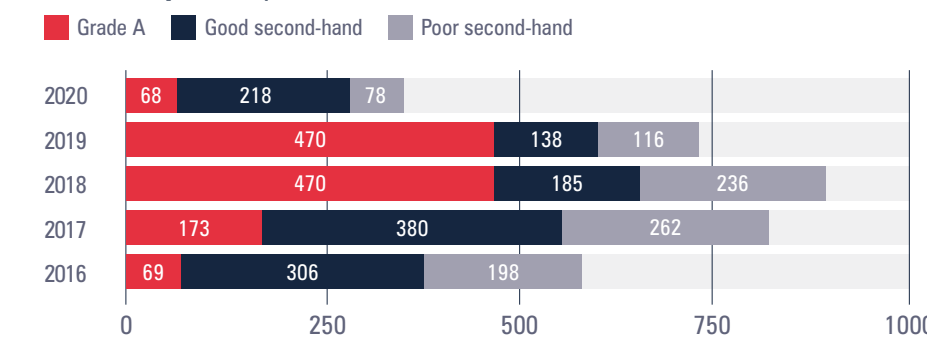
## INDUSTRIAL

Take up in the Derby industrial market recorded its best year since 2013, with transactions totalling 591,400 sq ft. The largest deal during the year was the 371,000sq ft letting to healthcare supply chain group Alloga UK at Derby Commercial Park. The letting of Derby 370, resulted in supply falling to 364,000 sq ft, with no 'ready to occupy' building over 30,000 sq ft on the market. Prime rents remained stable at £6.75 psf, following five years of uninterrupted growth, whilst secondary rents continued to grow, rising by 5.6% over the year to £4.75 psf.

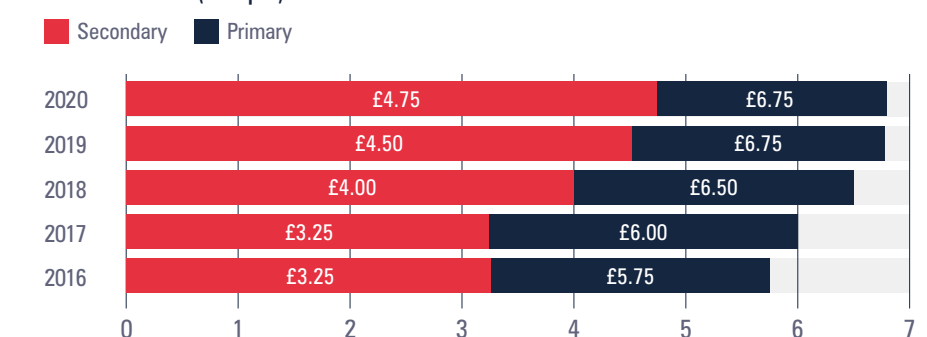
Take-up (000 sq ft)



Availability (000 sq ft)



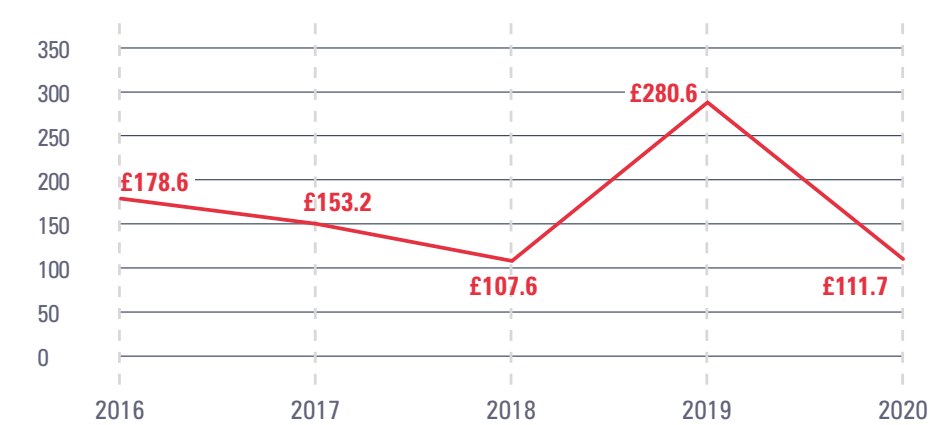
Prime Rents (£ sq ft)



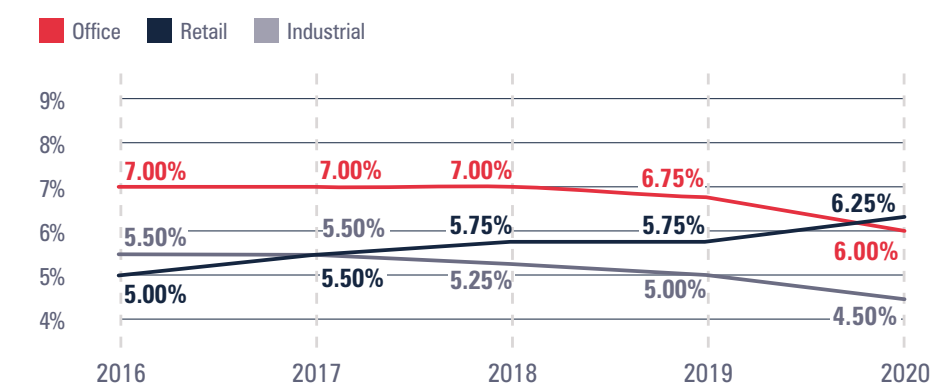
## INVESTMENT

Investment activity in Derbyshire moved back to £111.7m in 2020, down from the five year peak recorded in the previous year. Activity focused on the industrial sector, which accounted 75% of the years' activity. The two largest transactions in the year were both industrial deals, with the largest being Warehouse REIT's purchase of the 502,000 sq ft Amazon fulfilment centre at Barlborough, with the purchase price representing a net initial yield of 4.10%. The other main deal was Exeter Property's purchase of the 200,000 sq ft XPO Logistics unit at Amber Park, South Normanton for £16.7m.

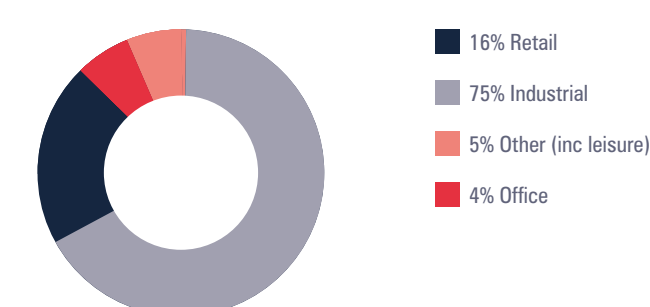
Value of Investment Transactions (£m)



Prime Yields



Investment by Sector



## OFFICES

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

Secondary rents  
**£9.00**  
per sq ft

## INDUSTRIAL

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

Secondary rents  
**£4.75**  
per sq ft

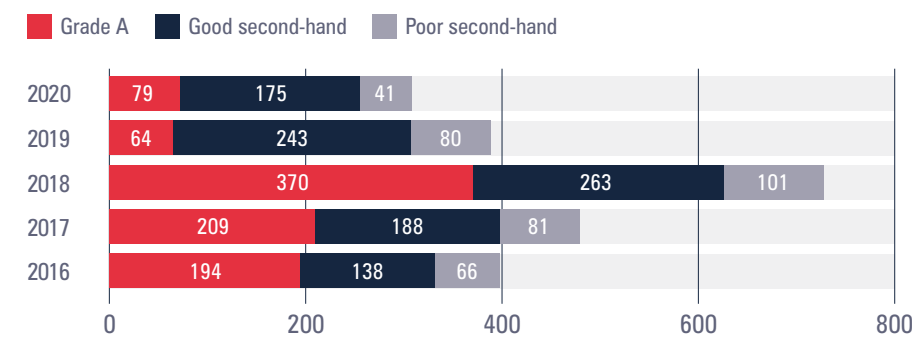
## INVESTMENT

Transactions completed  
**£111.7m**

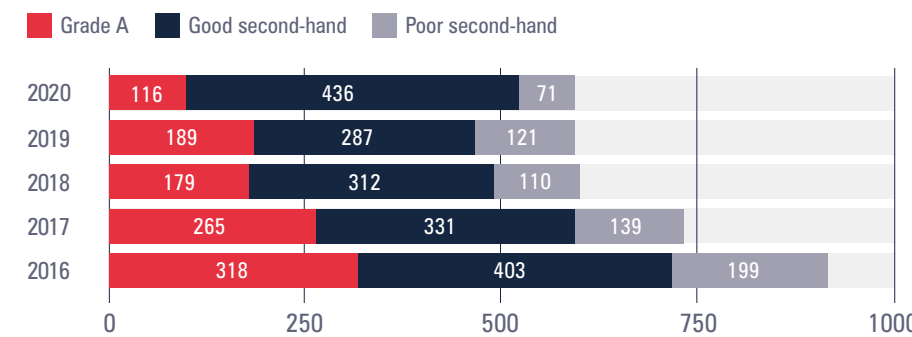
## OFFICES

Activity in the Nottingham market in 2020 held up relatively well despite the pandemic causing a large proportion of the office occupiers to switch to home working. Total take up was 295,400 sq ft, 24% below the previous year's figure. The largest transaction in the year was the 34,350 sq ft letting to Metropolitan Thames Valley Housing at Waterfront House on Beeston Business Park. Supply remained relatively constant at 622,500 sq ft, with second hand supply increasing and grade A space falling to 116,000 sq ft (19% of total supply). Availability is relatively evenly balanced between in town and out of town, with 55% of supply in the city centre. Despite the slowing in the market, 2020 saw both prime and secondary office rents remain stable at £20.00 psf and £15.00 psf respectively. Prime rents have remained at £20.00 psf since 2017.

Take-up (000 sq ft)



Availability (000 sq ft)



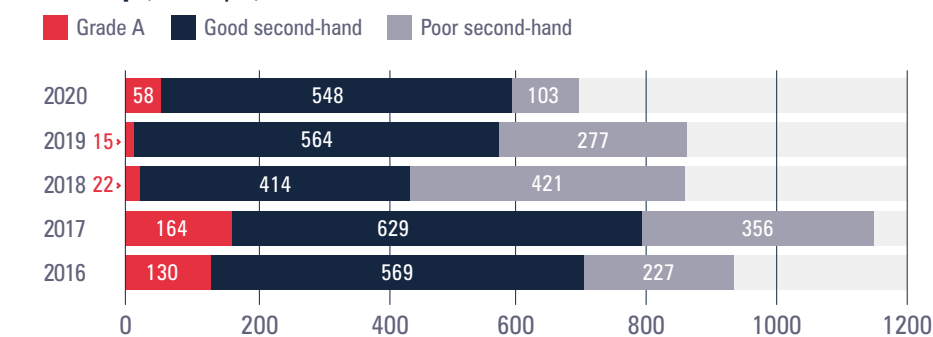
Prime Rents (£ sq ft)



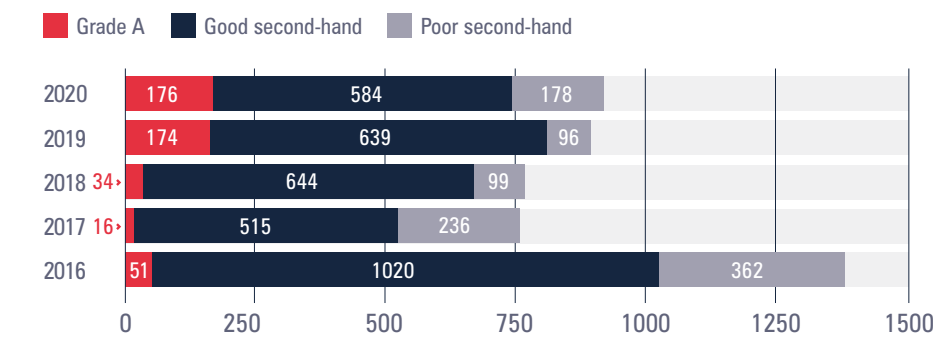
## INDUSTRIAL

The Nottingham industrial market remained strong in 2020 but take up was held back due to constrained levels of supply, with total transactions down to 708,600 sq ft, 17% below the previous year's figure. The main focus of activity was in second hand space, which accounted for 92% of take up for the year. Trent Gateway Nottingham's first speculatively constructed scheme for some years came on stream in 2020 also. Supply remains relatively tight, standing at 937,800 sq ft, which represents an availability rate of 4.4%. There is a shortage of buildings of 100,000 sq ft and above, with only one building above this threshold, the 119,500 sq ft ZF Gears unit. Prime rents continued on their upward trajectory, setting a new rental peak in 2020 at £7.25 psf. Prime rents have now grown by 26.1% over the past five years. Secondary rents have seen a more significant increase, rising by 38.9% over the same period, ending 2020 at £6.25 psf.

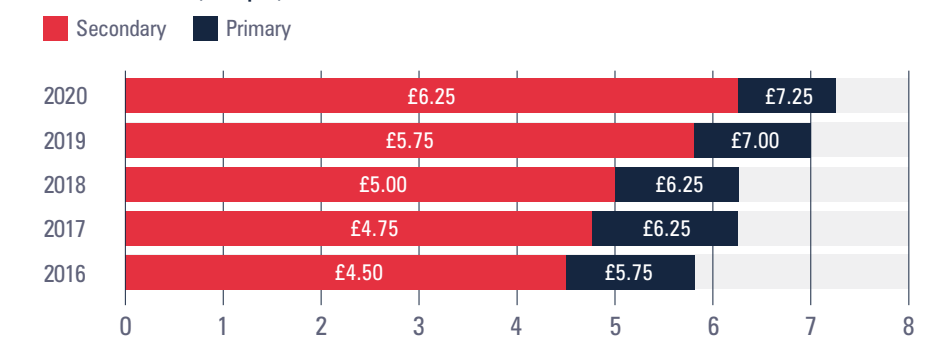
Take-up (000 sq ft)



Availability (000 sq ft)



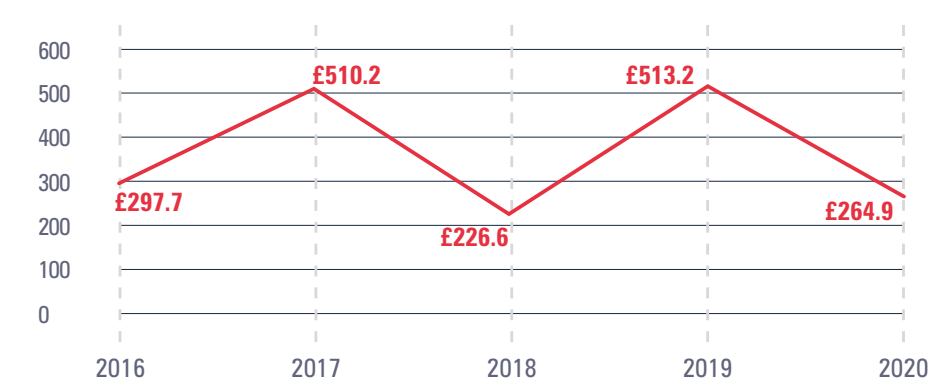
Prime Rents (£ sq ft)



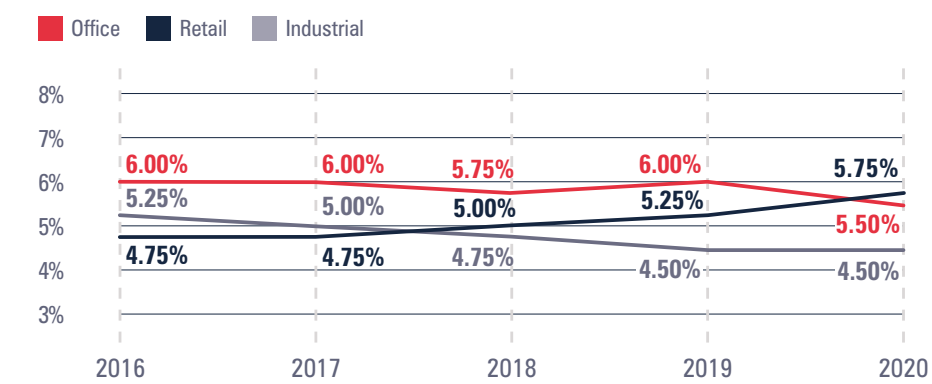
## INVESTMENT

Investment activity in Nottinghamshire moved back down to £265m in 2020 following the strong year's activity in the previous 12 months. The main focus of activity was in the 'Alternatives' sector, which accounted for 35% of the years' total investment. The largest transaction followed this trend, with Grainger's £55.6m forward funding of 348 PRS units at a site next to the railway station at Queens Road Nottingham. The scheme is expected to complete in 2024, with the funding showing a gross yield of 7.00%. The second largest transaction followed a trend that has become evident during 2020, with Fortune Grand Investment buying the Sainsbury's superstore at Kimberley for £22.8m and a net initial yield of 5.62%.

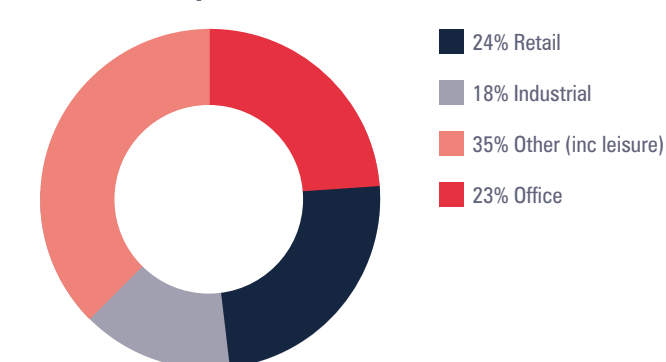
Value of Investment Transactions (£m)



Prime Yields



Investment by Sector



## OFFICES

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

Secondary rents  
**£15.00**  
per sq ft

## INDUSTRIAL

Prime headline rents  
**£7.25**  
per sq ft

Secondary rents  
**£6.25**  
per sq ft

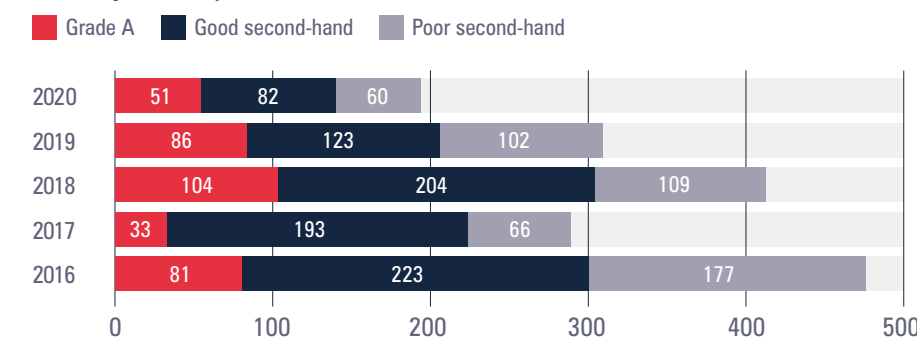
## INVESTMENT

Transactions completed  
**£264.9m**

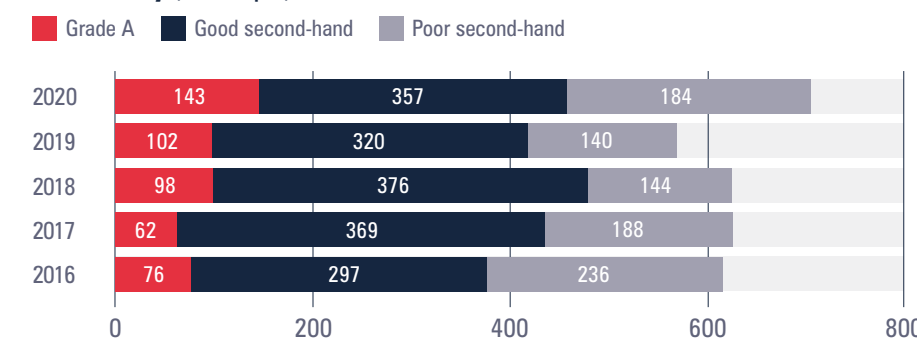
## OFFICES

Take up continued to ease in 2020, falling back to 193,200 sq ft, as the market in Leicester was impacted by the uncertainty created by the pandemic. The main focus of activity was towards the out of town market, which accounted for 56% of the year's total. Despite this, the largest transaction in the year was the 30,042 sq ft letting at The Rutland Centre in the city centre. Supply moved back up to 683,700 sq ft, with both grade A and second hand supply increasing. Grade A space moved up to 143,200 sq ft, which represents 21% of total stock on the market. Prime rents remained stable at £18.00 psf for the third successive year, with activity constrained over the past 12 months. Secondary rents also remained stable at £12.00 psf as supply edged higher.

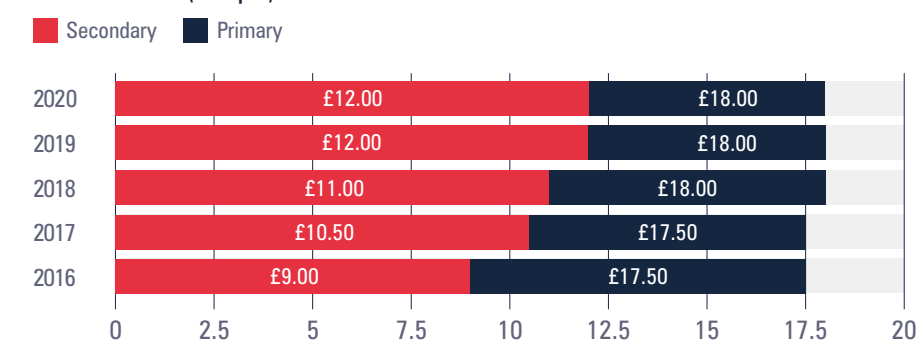
Take-up (000 sq ft)



Availability (000 sq ft)



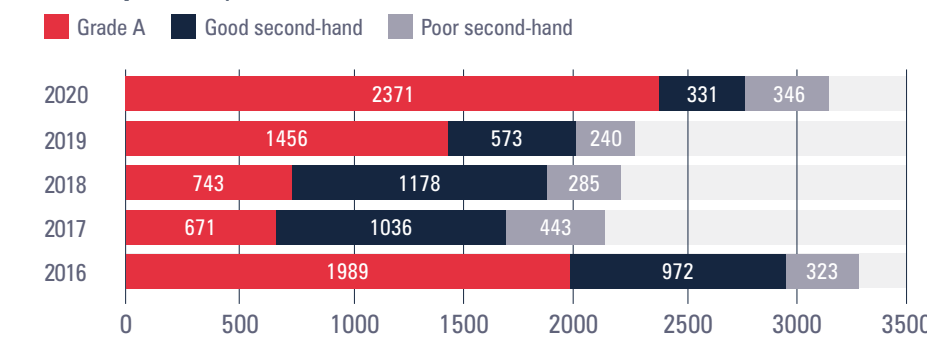
Prime Rents (£ sq ft)



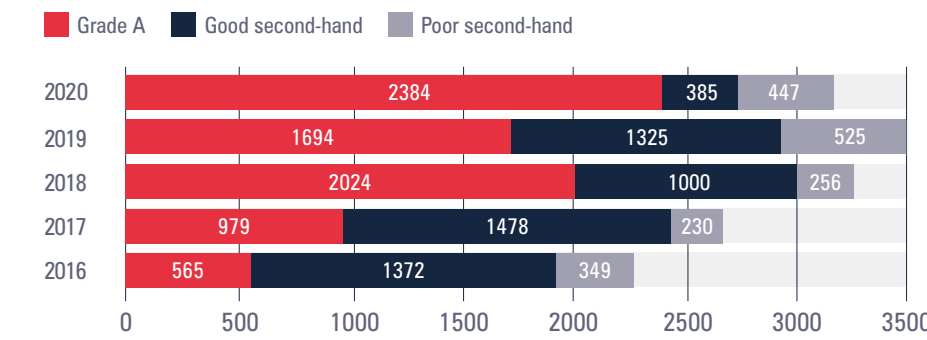
## INDUSTRIAL

Industrial take up in Leicester registered its highest annual total since the record year of 2016. Take up for the year was 3.05m sq ft, with activity dominated by a number of larger transactions. Lettings of 100,000 sq ft and above accounted for 70% of the year's activity, with the largest transaction being the 532,500 sq ft letting to Amazon at Hinkley 532, Hinkley Park. There remains a good supply of big box grade A space in Leicestershire, which stands at 2.4m sq ft, and this should maintain activity over the next 12 months alongside further new smaller unit speculative development. Strong levels of activity over the past five years has pushed prime industrial rents to new highs, reaching £7.25 psf at the end of 2020. Secondary rents have followed the same trend reaching £5.60 psf at the end of the year.

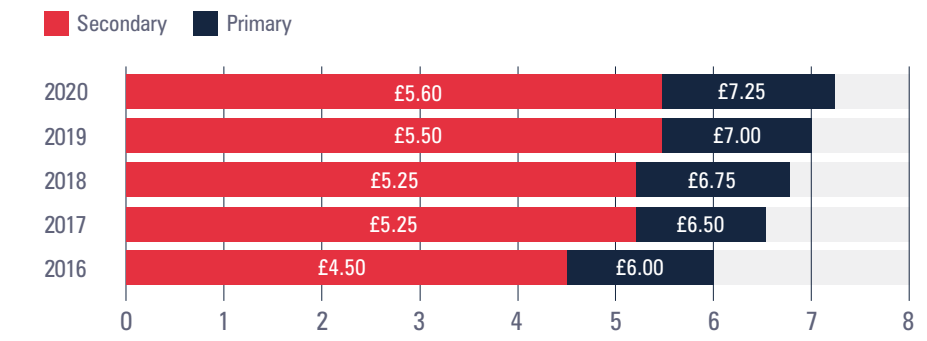
Take-up (000 sq ft)



Availability (000 sq ft)



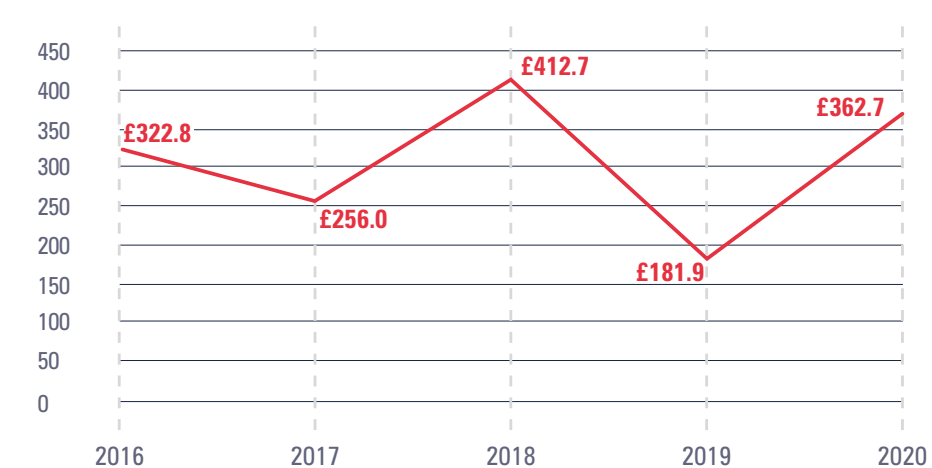
Prime Rents (£ sq ft)



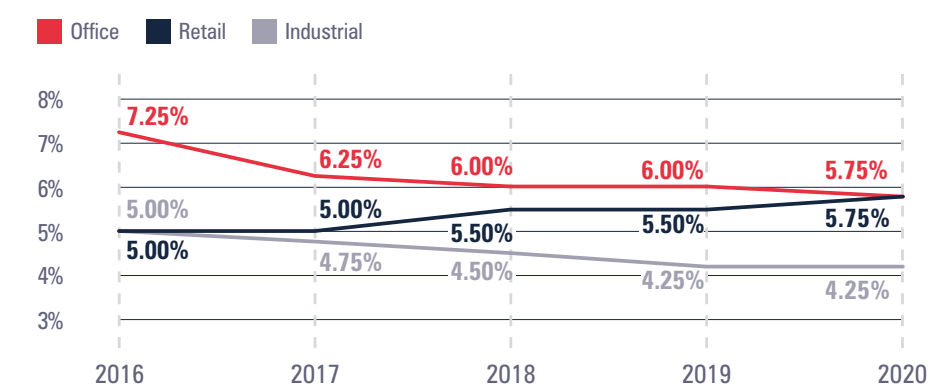
## INVESTMENT

Investment activity rebounded strongly in Leicestershire in 2020, moving back to £363m, almost double the value recorded in the previous 12 months. Industrial and retail sectors saw the greatest levels of activity, accounting for a combined 78% of the year's total. Retail sector activity was dominated by a number of large supermarket transactions, with the largest deal in the year being the purchase of the 97,000 sq ft Tesco superstore at Beaumont Leys by the Supermarket Income REIT for £63.4m, representing a net initial yield of 6.40%. The largest industrial deal was the £55m sale and leaseback of the Neovia Logistics campus at Desford by Griffen Capital. In addition to the 1.65m sq ft campus, Griffen also acquired a 46 acre site with planning approval for further industrial floor space.

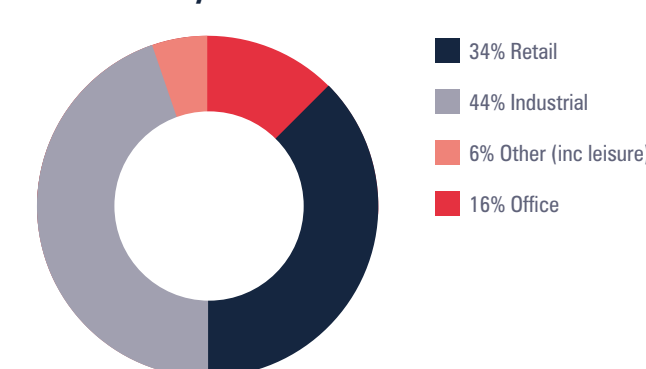
Value of Investment Transactions (£m)



Prime Yields



Investment by Sector



## OFFICES

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

Secondary rents  
**£12.00**  
per sq ft

## INDUSTRIAL

Prime headline rents  
**£7.25**  
per sq ft

Secondary rents  
**£5.60**  
per sq ft

## INVESTMENT

Transactions completed  
**£362.7m**



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