



Radius

## The North West:

the region driving 11% of UK deals



The North West is a powerful economic driver, home to the commercial hubs of Manchester and Liverpool. The region has consistently been among the best performing areas for commercial real estate.

But how has the North West evolved and where does the data show it might go next? Read on to discover which sectors are driving high-value deals, and what transformations we can expect in 2023.



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## THE NORTH WEST: THE REGION DRIVING 11% OF UK DEALS

The North West is a powerful economic driver, home to the commercial hubs of Manchester and Liverpool. The region has consistently been among the best performing areas for commercial real estate: driving 11% of deals and 9% of deal value last year.

Data on occupational sales, lettings and investment purchases point to the strength of the market. But how has the North West evolved and where does the research show it might go next?

Using data on hundreds of thousands of enquiries and transactions, this report looks at the factors driving occupier demand across the North West. It will uncover:

- How rents are rising across the three major CRE sectors – office, industrial and retail
- Notable deals across the North West and what they demonstrate about changing occupier demand
- The factors that drove more than £1 billion in investment sales last year
- How planning application approvals are rising to meet occupier demand

## WHAT ARE OCCUPIERS SEARCHING FOR IN THE NORTH WEST?

When it comes to enquiries, the North West remains relatively idle. In 2022, enquiries were 48% below the national average – with the region ranking the third lowest in the country.

### Enquiries in 2023 so far:



The region's conversion rate provides a more positive outlook as it remains particularly strong – with deals accounting for 32% of overall enquiries. The region is home to a buoyant industrial sector, which has driven more than 50% of enquiries.



## OFFICES: RENTS UP 25% ON FIVE-YEAR AVERAGE

According to data from the UK's Office for National Statistics, the North West is one of only two areas in the country where economic output is now larger than before the pandemic.

That confidence is reflected right across the office sector, both in terms of occupier deals (lettings and sales) and investor purchases. In 2022, lettings and occupational sales totalled some 4 million sq ft – around 80% of pre-pandemic levels.

As one of the UK's largest office markets, the North West is leading the enduring 'flight to quality'; occupiers consistently prioritise Grade A office space as it contributes towards their own sustainability goals.





Office Take Up Year On Year  
(Lettings & Occupational Sales):

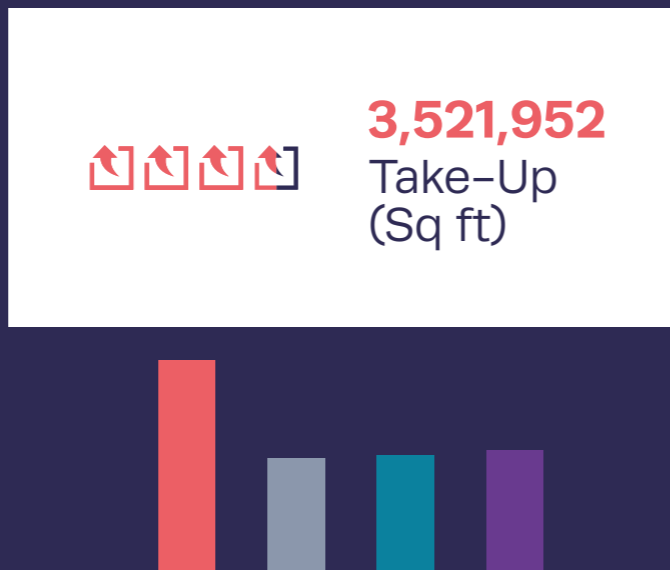
2019

<b>Q1</b>	<b>1,358,773</b> Number of transactions
<b>Q2</b>	<b>1,496,655</b> Number of transactions
<b>Q3</b>	<b>1,302,848</b> Number of transactions
<b>Q4</b>	<b>965,687</b> Number of transactions



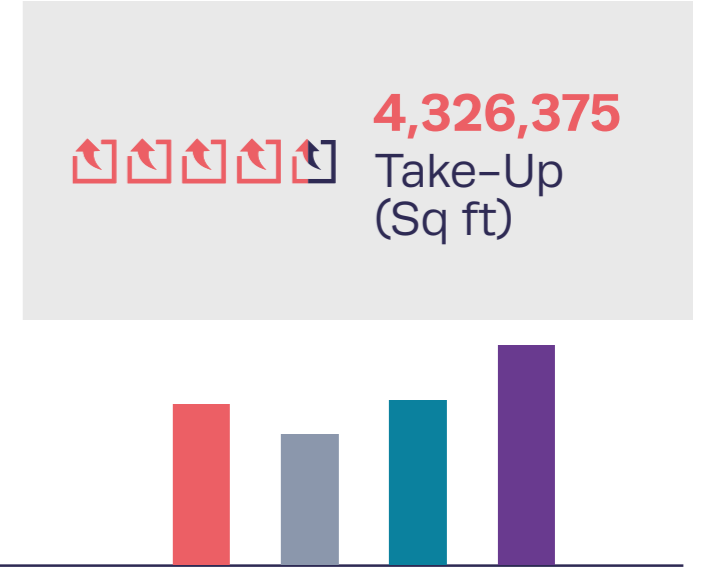
2020

<b>Q1</b>	<b>1,318,876</b> Number of transactions
<b>Q2</b>	<b>709,549</b> Number of transactions
<b>Q3</b>	<b>733,139</b> Number of transactions
<b>Q4</b>	<b>757,820</b> Number of transactions



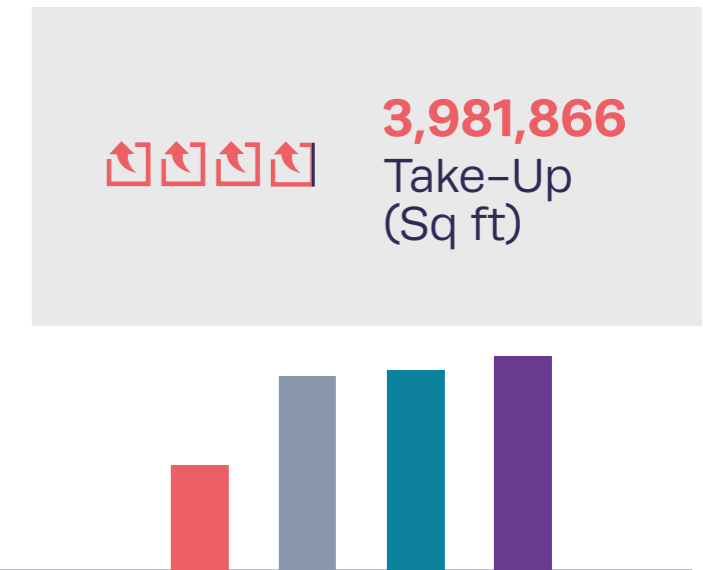
2021

<b>Q1</b>	<b>1,028,554</b> Number of transactions
<b>Q2</b>	<b>842,620</b> Number of transactions
<b>Q3</b>	<b>1,059,011</b> Number of transactions
<b>Q4</b>	<b>1,409,774</b> Number of transactions



2022

<b>Q1</b>	<b>678,220</b> Number of transactions
<b>Q2</b>	<b>1,248,834</b> Number of transactions
<b>Q3</b>	<b>1,288,740</b> Number of transactions
<b>Q4</b>	<b>1,376,204</b> Number of transactions



## Office Take Up Year On Year (Lettings & Occupational Sales):

Data from EG Radius shows this shift to premium premises led average rents to reach £19.63 sq ft (25% higher than the five-year average). This significantly exceeds the corresponding rise in the average floor space (up 8% to 3,714 sq ft).

In Q2 2022, the North West recorded the single largest deal of the year as the Government Property Agency (responsible for securing office space for government departments) confirmed it would take on a 129,000 sq ft site in Manchester's bustling First Street neighbourhood. From 2025, it will house 2,500 civil servants, including 700 relocated from London.

As well as a strong public sector, the North West remains a hotspot for some of the UK's fastest growing industries, including life sciences. In Q1 2023, the diagnostics firm BioGrad confirmed its plans to open a fifth premises in Liverpool; a 33,000 sq ft hub to be used partly for stem cell storage.

Outside of the twin hubs of Manchester and Liverpool, Chester has demonstrated strong demand for Grade A office space. Prime office development building One City Place – which provides 69,913 sq ft of BREEAM Excellent space – is now fully let, with two final tenants confirmed in Q3 2022.



“ Data from EG Radius shows shift to premium premises led to 25% increase in average rents.

“ £448.8M  
Total value of deals in 2022



Perhaps unsurprisingly, investment in the region's office market (including from REITs) remains buoyant. In 2022, buyers paid an average price of £215.69 per sq ft, with an average net yield of 7.88%. The total value of deals last year amounted to £448.8 million.

Notable deals include the £47.5 million sale of Manchester's 101 Barbirolli Square to the real estate arm of Paris-based asset managers La Française, and Israeli investor Forma Real Estates's £30.3 million purchase of the 5 St Paul's Square office block in Liverpool.

The latter was Forma's first UK acquisition; it has announced a strategy to invest in "high-quality offices in regional central business districts".

## INDUSTRIAL: £300 MILLION IN INVESTMENT DEALS

In keeping with the region’s history as the UK’s manufacturing heartland, the North West remains a significant driver of deals across the industrial sector – including logistics, warehousing and advanced manufacturing.

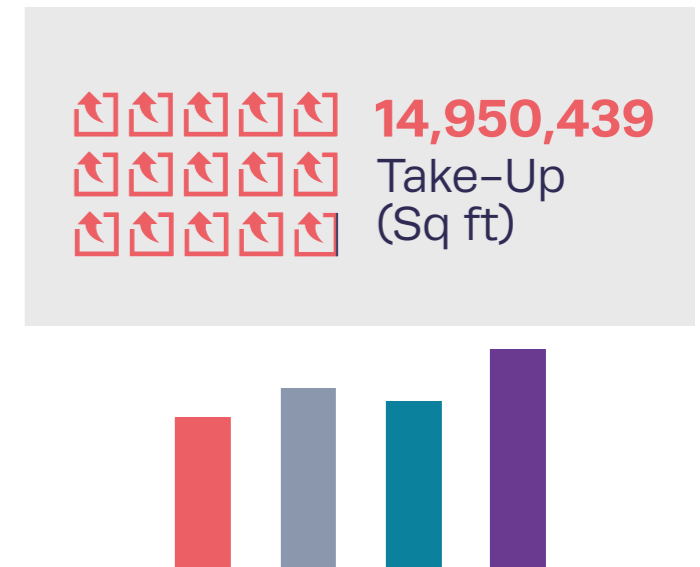
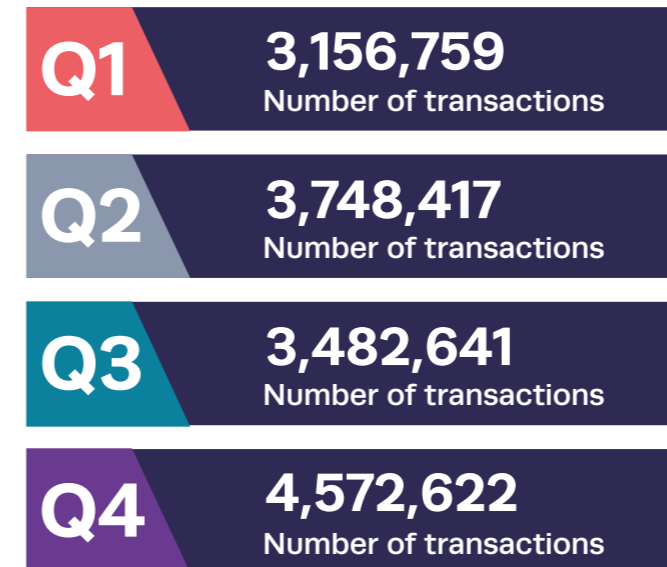
However, the North West faces a predicament: a shortage of available high-quality premises. One agent describes the supply as “chronically low”, which acts as an artificial drag on deals.

Data from EG Radius shows how this is affecting the market in real terms. After reaching a high of more than 1,100 in 2020, lettings and occupational sales fell significantly last year: with 600 deals covering some 11 million sq ft.

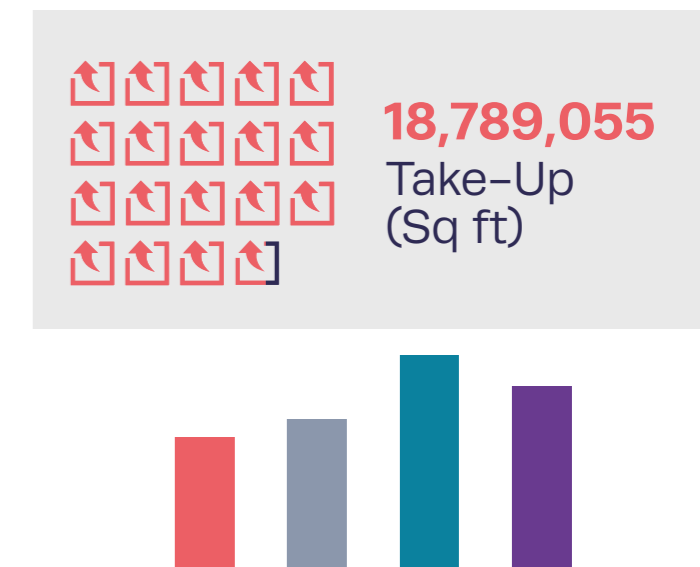
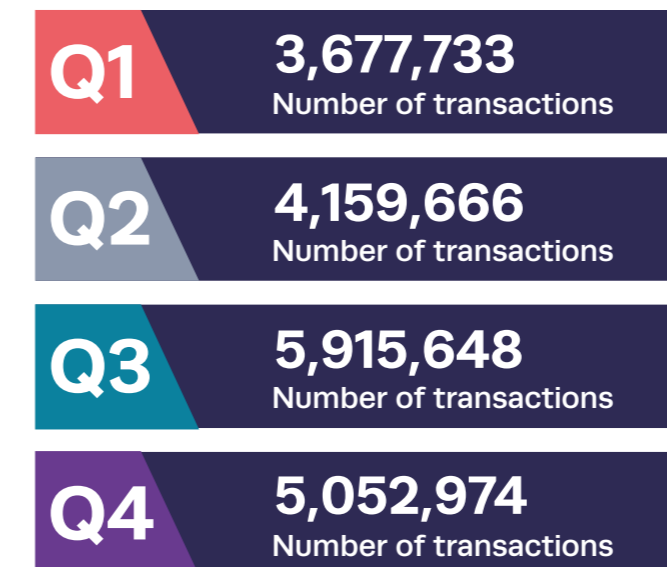


### Industrial take-up year-on-year:

#### 2019



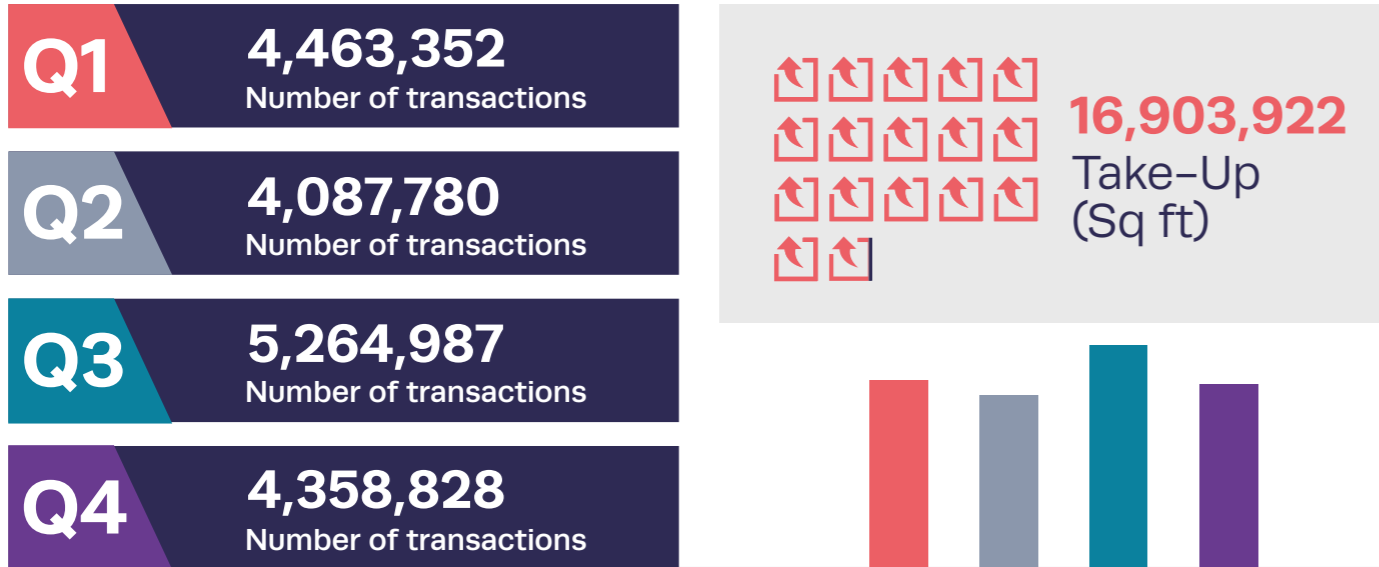
#### 2020



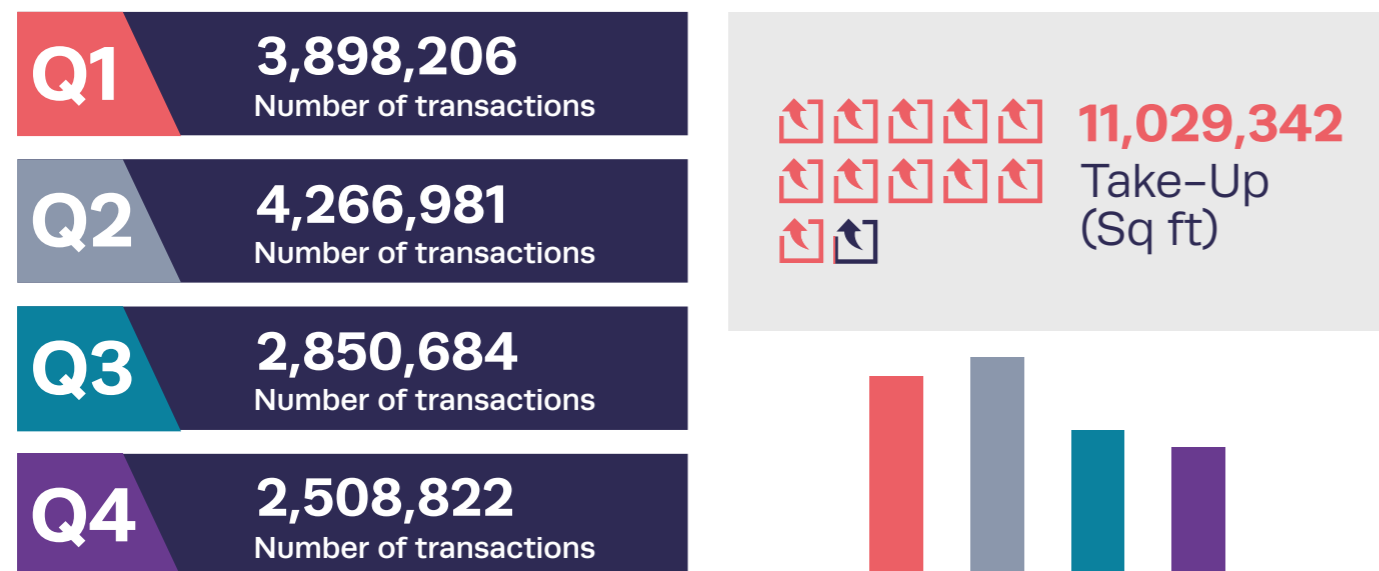


 Industrial take-up year-on-year:

**2021**



**2022**



Deals remain well spread across the North West region, reflecting a pattern of occupiers showing flexibility on location to secure the best quality premises.

Another sign of the strength of the industrial sector is the success of speculative developments. In Q3 2022, two logistics pre-lets were completed at Widnes 400 in Cheshire; the region's largest speculative development since 2020.

The largest share of the space will be taken by Supply Chain Coordination – a private company providing equipment to the NHS – with a 393,000 sq ft pre-let agreed. Logistics provider Kammac will take on 257,500 sq ft.

“We identified a lack of supply in the North West region and secured Gorse Point off market to provide much-needed space,” commented Robert Brophy, senior asset manager at Mirastar, developers of Widnes 400.

Investors share that confidence, having poured £299.5 million into the region last year. The average price paid was 123.35 per sq ft for an average yield of 6.27%.



## RETAIL: AVERAGE DEAL SIZE (SQ FT) RISES BY 35%

In terms of both transaction volumes and floor space, occupier lettings and sales remain down on pre-pandemic levels. Last year, for example, transactions totalled 2 million sq ft – a 46% drop from 2019. However, the data shows some signs for optimism.

For example, EG Radius reveals demand for larger retail space – including out-of-town outlets – continues to prop up the market. The average deal size has increased considerably – reaching 3,500 sq ft in 2022 – as supermarkets and outlets make up a larger share of the market.



### Retail take-up year-on-year:

#### 2019

**Q1** 1,068,674  
Number of transactions

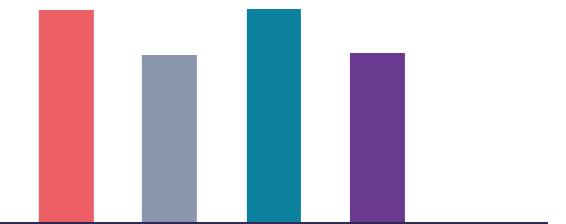
**Q2** 843,480  
Number of transactions

**Q3** 1,071,163  
Number of transactions

**Q4** 851,948  
Number of transactions



**3,833,650**  
Take-Up  
(Sq ft)



#### 2020

**Q1** 675,701  
Number of transactions

**Q2** 334,651  
Number of transactions

**Q3** 510,431  
Number of transactions

**Q4** 432,449  
Number of transactions



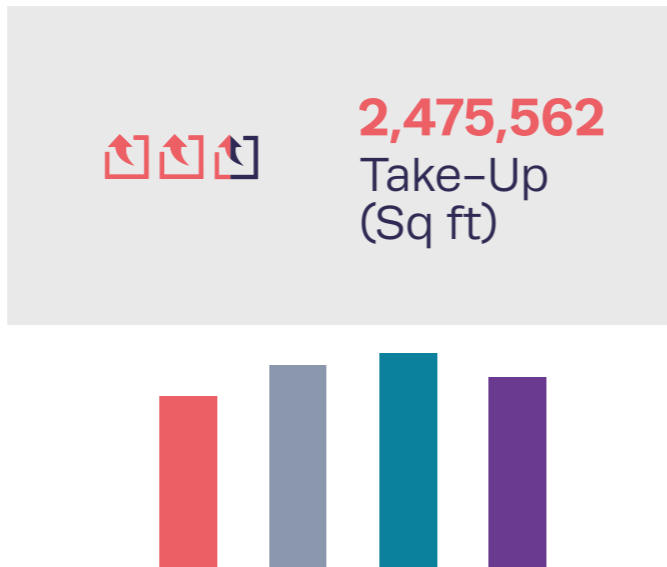
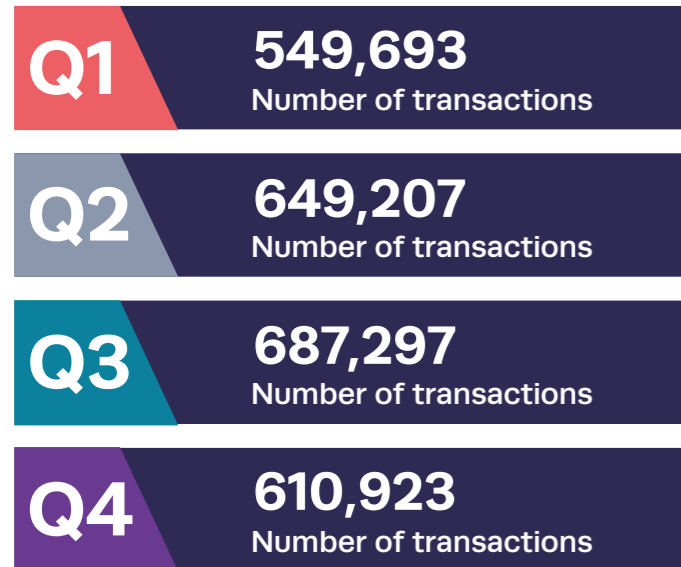
**1,938,836**  
Take-Up  
(Sq ft)



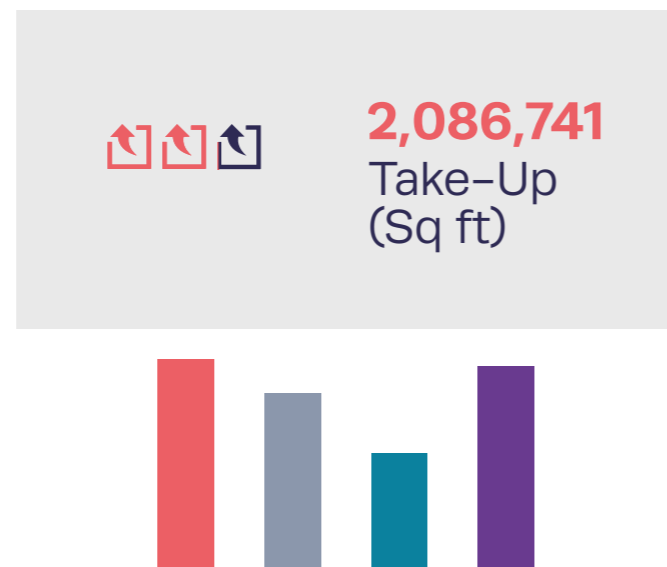
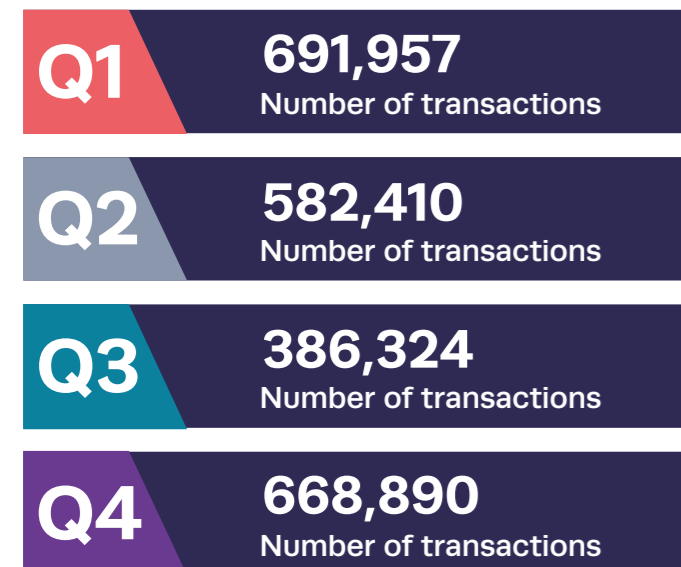


 Retail take-up year-on-year:

2021



2022



With a strong tourism pull, Liverpool continues to be a bright spot. In Q4 2022, Marks & Spencer signed a deal to take 100,000 sq ft over two floors in Grosesvor's Liverpool ONE. The iconic retailer will occupy the space vacated by Debenhams, creating a new anchor in the mall.

Another large deal will see Sports Direct double its presence at Manchester's Arndale shopping centre, with a 15-year lease for 58,500 sq ft. The retail outlet will include the Belong esports arena, capitalising on the rise of competitive video gaming.

"This new flagship store will bring the Sports Direct brand to life in a physical space, enabling consumers to engage in an innovative shopping experience first-hand," commented James France, head of property for Frasers Group, owners of Sports Direct.

**“ Retail sector investment sales accounted for £338 million in 2022, taking overall investment across the North West to more than £1 billion.**



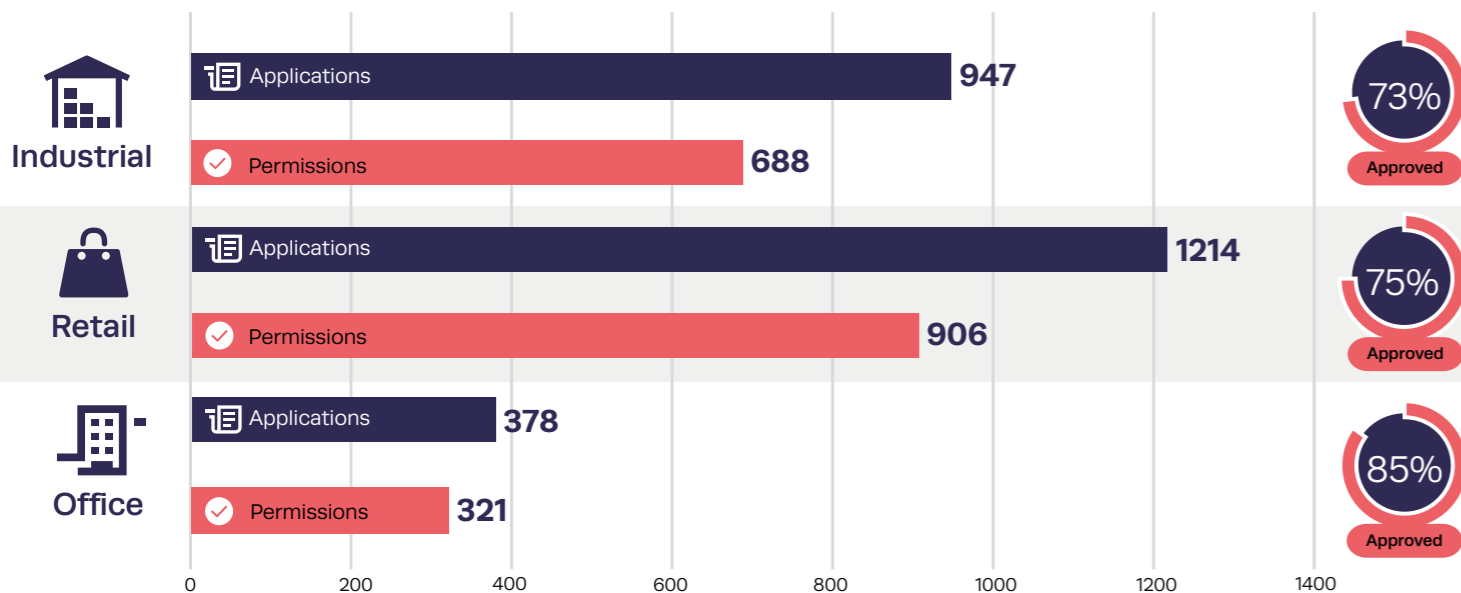


# PLANNING: 85% OF OFFICE APPLICATIONS APPROVED

With demand outstripping supply for high-quality office and industrial space, a strong planning pipeline remains vital for future market growth. But are developers delivering the numbers?

Across the planning pipeline, applications are below pre-pandemic levels, with industrial, retail and office down (from 2019 to 2022) by 10%, 22% and 33% respectively. In all three sectors, the number of applications was lower than at any time in the past three years, although by a much smaller margin.

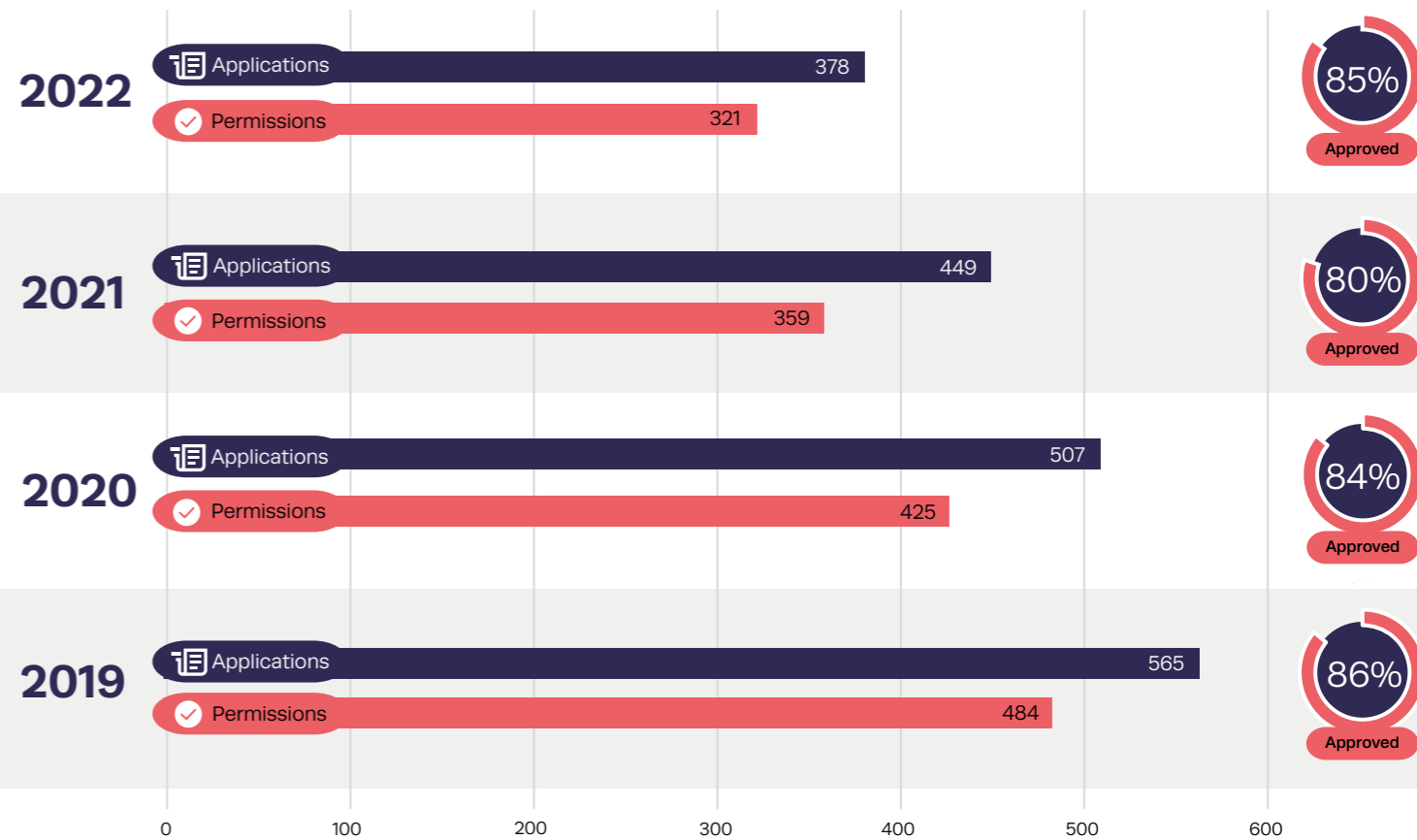
## 2022: Planning applications vs permissions



On the other hand, the number of applications receiving approval provides a case for optimism, with 85% of office applications greenlit last year; the highest share of approvals for three years. This partly compensates for the sector facing a larger drop in overall applications than the others.

In terms of approvals, industrial and retail remain closely behind with application success rates of 73% and 75%. Both numbers are a slight improvement on the previous year, even though the overall number of applications had fallen.

## 2019-2022: Office planning applications vs permissions



## CBRE PREDICTS INCREASED EMPHASIS ON WELL BUILDING STANDARD AND ESG IN THE NORTH WEST

Landlords' continued investment in real estate is pushing the boundaries within the North West.

We are seeing ESG drive development and create spaces which not only help landlords and tenants deliver on their ESG strategies, but also improve employee wellbeing at the same time. We have been saying it for years, but I think the following rings ever true – 'gone are the days of an office being just four walls, the modern office needs to offer so much more'.

With this statement in mind it has been proven that improved cognitive function leads to increased employee productivity. This is leading to companies seeking out buildings where a high WELL or Nabers rating has been achieved as they recognise that such an environment will not only help with employee satisfaction, but also drive company productivity within what is now a very competitive world.

**Andrew Byrne, Director, CBRE**







## Radius

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