

Summer 2024



Offices

# M1 SOUTH

Arc Market Databook

# Overview

## Occupier

Milton Keynes, central location and relative affordability make it an attractive base for financial and business services firms looking to serve clients in the Oxford-Cambridge Arc. One of the biggest office lettings in the first half of 2024 was to Howdens Insurance who are new to the city and took 28,185 sq ft at The Avebury in the city centre. In addition, there were several lettings to tech hardware companies, highlighting the diversity of the local economy. In total there were 143,520 sq ft of office lettings in Milton Keynes in the first half of 2024. While that was down on the first half of last year which included an exceptional letting to Santander (335,000 sq ft), it was in line with the five-year average before the pandemic.

Availability rose marginally to 11.5% in June, but remained well below the recent peak of 15.8% in 2021. We believe that the lack of new office completions this year means that prime office rents in Milton Keynes will stick at £35 psf in 2024, before rising to £37 psf next year.

## Development

Following the completion of Unity Place last year, there are currently no new office schemes under construction in Milton Keynes. The next major development is likely to be MK Gateway which will be a mixed use scheme including 250,000 sq ft of office / co-working / innovation space and 288 rental apartments. The scheme will be delivered by Socius.

## Investment

In total there were just £7.8 million of investment deals in the M1 South office market in the first half of 2024. We expect that liquidity will now start to return to the market, following the sharp correction in prices and recent fall in finance costs. Prime office yields in Milton Keynes rose to 10% in the first half of 2024, up from 5.5% in June 2022. We consider that is attractive, given the market's strong demand / supply dynamics.



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# News highlights

## New entrants play major part in MK office market

The inflow of new businesses into Milton Keynes since the pandemic has offset the impact of downsizing by existing occupiers and stabilised the office market. Total office requirements stood at 224,600 sq ft in mid-2024 and almost half (44% measured by space) are occupiers who do not currently have operations in Milton Keynes. Within this set of potential in-movers, the biggest group are tech businesses, followed by professional services.

Another feature of both local and potential new occupiers is that they have a clear preference (79%) to be in the city centre, reflecting the importance of access to public transport and proximity to shops, bars and cafes.

## Milton Keynes City Council 5 Year Tech Strategy

The City Council has unveiled an ambitious plan through to 2029 to build on Milton Keynes existing strengths in tech. It includes a new digital hub supported by Barclays Eagle Labs to facilitate networking among local tech businesses and the City Council has set up the MK Tech Fund to provide angel funding for start-ups. The strategy also announced a number of smart city initiatives which are designed to help residents and make the city run more smoothly. These include a 5G data exchange for anonymised real time data, an app for local public transport and trials of self-driving shuttles and drones.

## Milton Keynes in 'Top 5' in UK for job creation

The recent Cities Outlook report by the Centre for Cities underlines the strong performance of the Milton Keynes economy since 2010. The city added 35,600 jobs between 2010-2022, an increase of 24% and the fifth highest growth rate of any UK city. This jobs growth has been supported by a 19% growth in the population over the same period, rising to 292,200. The workforce in Milton Keynes is one of the most productive in the UK, ranking seventh in terms of productivity, with a rising share of 'new economy' jobs.

## The Park<sup>MK</sup> becomes premier park in Milton Keynes

Following the purchase of the 150,000 sq ft Wavendon Business Park by Colmore Capital in H2 2020 for £24.3m, the group has refurbished and upgraded the park's offices and amenities. The scheme has recently been rebranded as The Park<sup>MK</sup> and 15,000 sq ft at the newly refurbished Victory House was pre let to Trek Bicycle Company in the second half of 2023. Availability has fallen to just under 20,000 sq ft across two buildings. The Park<sup>MK</sup> is now Milton Keynes' premier business park and out of town location.



# 144k sq ft

Take up of office space in Milton Keynes in H1 2024, with 26,000 sq ft under offer at the end of June

# 225k sq ft

Demand for office space in Milton Keynes at the end of H1 2024, with 44% derived from new entrants

# 11.5%

Availability rate in Milton Keynes edges up, but below 2021 peak.

# £35 psf

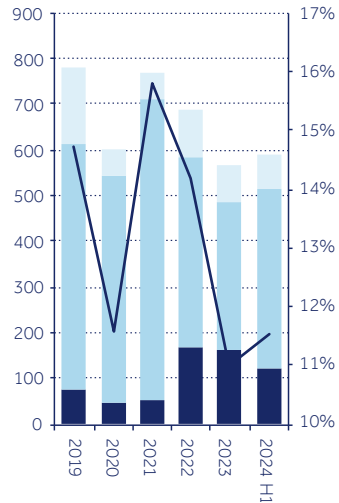
Prime rents likely to hold steady this year, before renewed growth in 2025

# Offices

Occupiers focused on Grade A offices in the first half of 2024.  
The small increase in availability was due to second hand space.

## Office supply (June 2024)

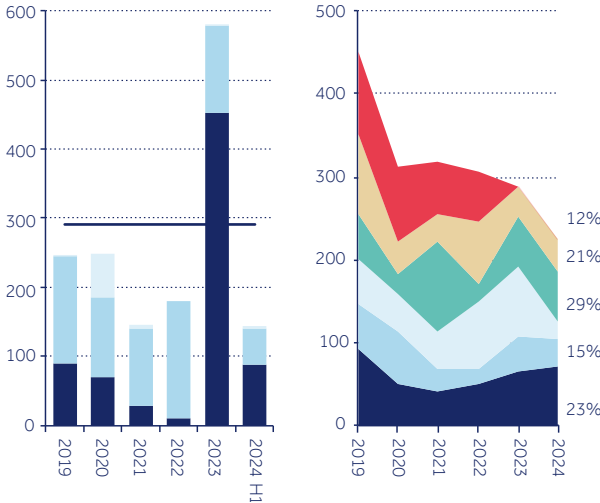
- Grade A
- 2nd hand good
- 2nd hand poor
- Available rate (rhs)



Availability 000's sq ft **591.6 ▲**  
Availability rate **11.5% ▲**

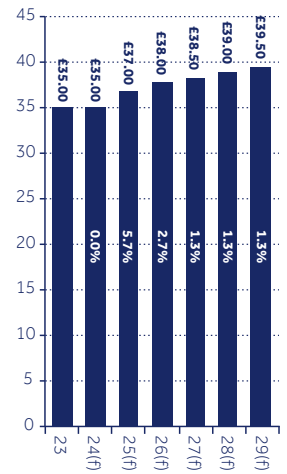
## Office demand (June 2024)

- Take up
  - Grade A
  - 2nd hand good
  - 2nd hand poor
  - 10 yr average
- Requirements
  - < 5
  - 5 - 10
  - 10 - 20
  - 20 - 30
  - 30 - 50
  - > 50



2024 H1 Take up 000's sq ft **143.5 ▼**  
Requirements 000's sq ft **224.6 ▼**

## Office rents (June 2024)



Prime £psf **£35.00 ▶▶**  
Secondary good £psf **£29.50 ▶▶**  
Secondary poor £psf **£12.50 ▶▶**  
Annualised growth rate **2.2% p.a**

Unity Place, Milton Keynes



# Key Bidwells transactions

## Victory House, The Park<sup>MK</sup> Milton Keynes



Bidwells acted on behalf of Trek Bicycle Corporation Limited in the acquisition of their new UK headquarters. The space was acquired from landlords Colmore Capital by way of a new 15-year lease which completed in March 2024 at a headline rent of £27.50 per sq ft.

## Manor Farm Court Wolverton



Manor Farm Court is a barn conversion scheme comprising a total of 12,400 sq ft. Bidwells have placed the last remaining suite under offer on behalf of clients, The Parks Trust. Once completed, the asset will be 100% let.

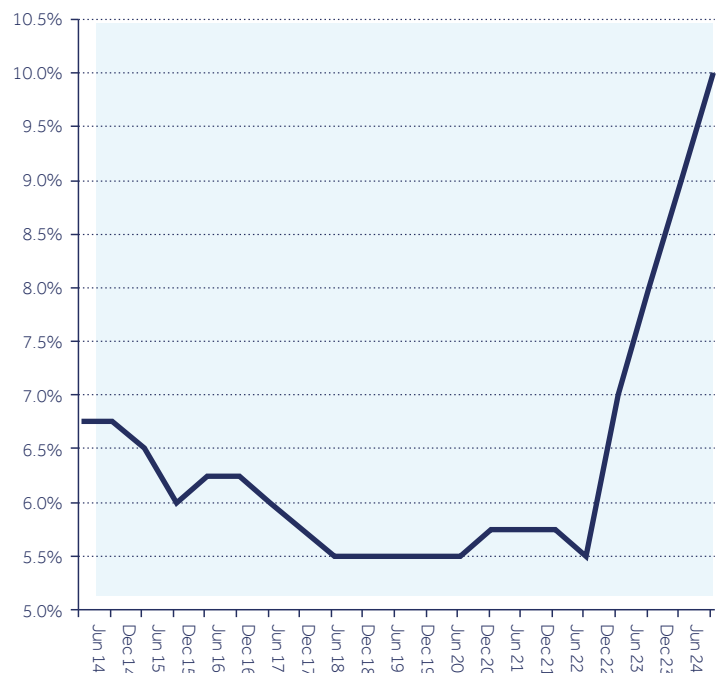
# Capital markets

**The M1 South office investment market remained quiet in the first half of 2024, with just £7.8 million of transactions. The low level of activity reflected the rise in interest rates between 2021-2023 and general macro concerns among investors about the impact of remote working on office demand.**

The biggest deal in the first half of this year was Zakay Group's purchase of 2-4 Pitfield, Kiln Farm, Milton Keynes for £6.5 million, reflecting an initial yield of 12.3%. The transaction consisted of three office buildings with a combined floorspace of 52,900 sq ft and a weighted average unexpired lease term of three years.

We expect that liquidity will now start to return to the M1 South investment market, following the sharp correction in prices and recent fall in finance costs. Prime office yields in Milton Keynes rose to 10% in the first half of 2024, up from 5.5% in June 2022. We consider that is attractive, given Milton Keynes record of attracting new businesses and the low level of office development. 5-year swap rates fell to 3.6% in August from 5.2% in mid-2023, following the Bank of England's first cut in interest rates.

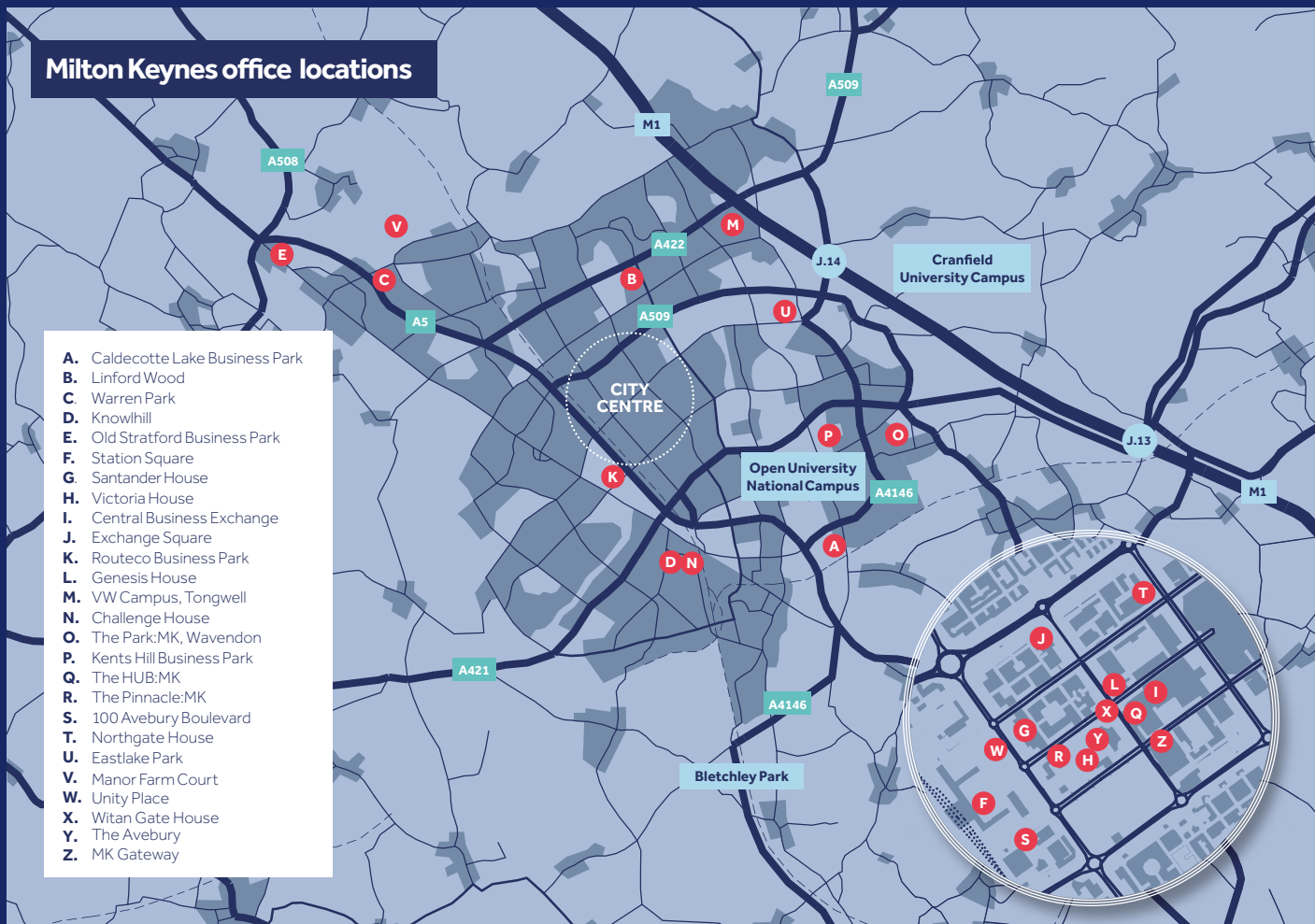
Milton Keynes Prime Office Yield



Source: Bidwells

## Milton Keynes office locations

- A. Caldecotte Lake Business Park
- B. Linford Wood
- C. Warren Park
- D. Knowlhill
- E. Old Stratford Business Park
- F. Station Square
- G. Santander House
- H. Victoria House
- I. Central Business Exchange
- J. Exchange Square
- K. Routeco Business Park
- L. Genesis House
- M. VW Campus, Tongwell
- N. Challenge House
- O. The Park:MK, Wavendon
- P. Kents Hill Business Park
- Q. The HUB:MK
- R. The Pinnacle:MK
- S. 100 Avebury Boulevard
- T. Northgate House
- U. Eastlake Park
- V. Manor Farm Court
- W. Unity Place
- X. Witan Gate House
- Y. The Avebury
- Z. MK Gateway



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