

Summer 2024



Offices

# NORFOLK & SUFFOLK

Arc Market Databook

# News highlights

## Requirements

Historically most office lettings in Norwich have been under 10,000 sq ft and after a temporary upturn in big requirements after the pandemic, the market has reverted to norm. There were 130,000 sq ft of requirements at the end of June 2024, split 60:40 between those under <5,000 sq ft and those between 5-10,000 sq ft. The biggest sector actively looking for office space is healthcare, including both NHS agencies and private healthcare groups. In addition, there is significant interest from off-shore wind companies and businesses involved in on-line marketing and recruitment.

## Norwich's FinTech sector builds on traditional strengths

Norwich is well placed to benefit from the growing FinTech sector with a strong history in insurance and fund management. A recent report by Whitecap Consulting on behalf of Tech East found that Norfolk is home to 24 FinTech companies, employing just under 550 people and generating £70m of GVA for the local economy. This is predicted to increase to £100m by 2027, with the workforce in the sector expected to double.

One of the major success stories is Piki Insurance which has grown rapidly since it was founded by a team of former Aviva employees in 2016. The company provides short-term insurance for landlords and property owners who rent out accommodation on Airbnb and other platforms.

## Norwich Research Park announces three new food spin-outs

Norwich Research Park is a partnership between the University of East Anglia, Norfolk and Norwich University Hospital NHS Trust and four research institutes specialising in agriculture, plants and food. Anglia Innovation Partnership, which is the campus management company, has a well established spin-out programme and has announced three new businesses: Alora which has developed a genetic design which will allow rice and other crops to grow on the surface of the ocean; Ediform which is aiming to create 3D printed food that can be loaded with specific nutrients and vitamins for people in hospital, or places suffering from flooding, or drought; Pfbio which is a spin-out from the John Innes Centre and is developing bacteria-based products as an alternative to pesticides.



88.2k sq ft

Office take up Norwich remains at trend levels in H1 2024

7.3%

Availability rate in Norwich edged higher in H1 2024, due to the out-of-town market

66.8k sq ft

Grade A supply remains constrained, accounting for only 17% of stock on the market

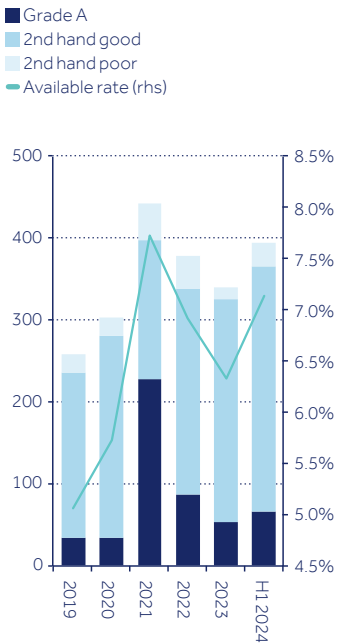
5.1% pa

Limited Grade A space and lack of new supply means prime office rents forecast to increase

# Offices

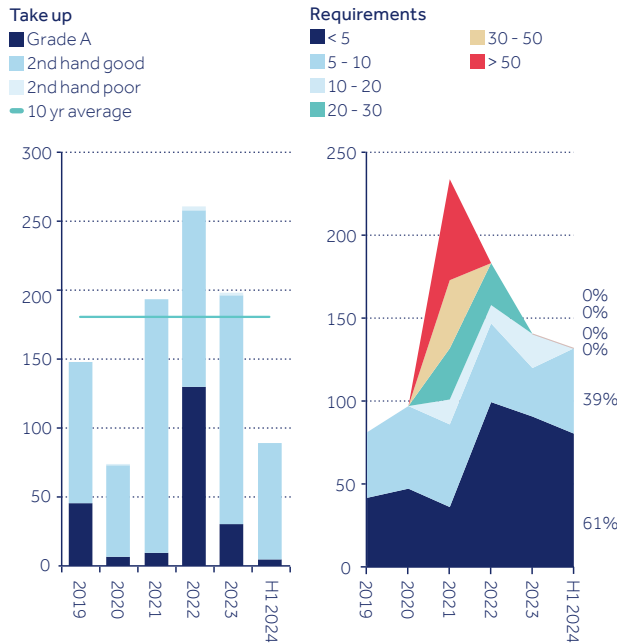
Demand is focused on units under 10,000 sq ft. The limited amount of Grade A space and lack of new supply is putting upward pressure on prime office rents

## Office supply (June 2024)



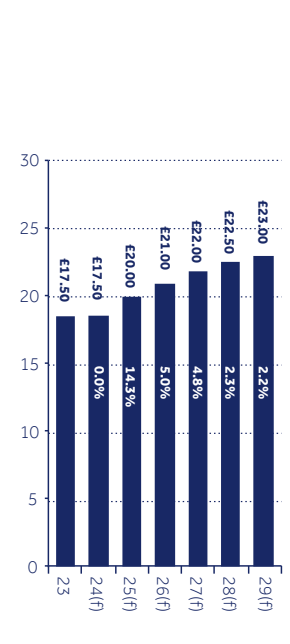
Availability 000's sq ft **394.2 ▲**  
 Availability rate **7.3% ▲**

## Office demand (June 2024)



2024 H1 Take up 000's sq ft **88.2 ▼**  
 Requirements 000's sq ft **129.5 ▼**

## Office rents (June 2024)



Prime Epsf **£17.50 ▶▶**  
 Secondary good Epsf **£15.00 ▶▶**  
 Secondary poor Epsf **£9.00 ▼**  
 Annualised growth rate **5.1% p.a**

### 21 Meridian Way, Meridian Park

Bidwells acted as joint agents for Dencora in the letting of 9,127 sq ft to the Cambridgeshire & Peterborough NHS Foundation Trust.





# Key Bidwells transactions

## Ground floor suite A, Kingfisher House, St James Place



Bidwells acted for Jarrold & Sons in the letting of 4,575 sq ft to CNA Services.

## 18 Central Avenue, St Andrews Business Park



Bidwells acted as joint agents for Bullen Properties in the letting of 15,452 sq ft to East of England Ambulance Service and Williams Lea.

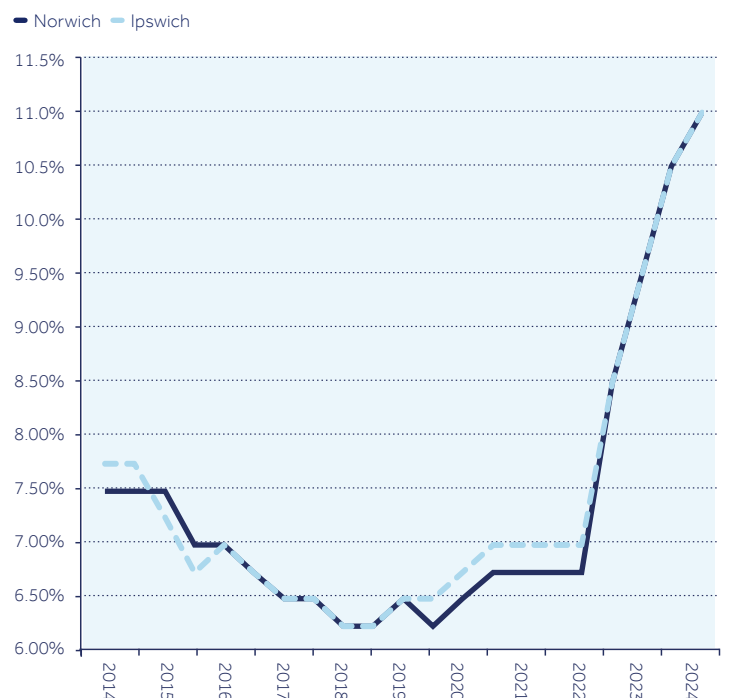
# Capital markets

**There are tentative signs that the Norfolk and Suffolk office investment market is gathering momentum, after a standstill in 2023. In total there were £16 million of office investment deals in the first half of this year.**

The biggest transaction in the first six months was the purchase of Broadland Business Park, Norwich by SJK Properties for a price in excess of £10 million. The campus is one of the premier office locations in the city and tenants include Ineos, Lovell Partnerships, Morgan Sindall, Mott MacDonald and NatWest Bank.

The revival in investment activity reflects the sharp re-pricing of assets over the last two years and the recent decline in finance costs. 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. Prime office yields in Norwich and Ipswich rose to 11% in the first half of 2024, up from 6.75-7.0% in June 2022 and more than 2% above their previous peak during the GFC. We consider that is mis-priced, given the potential for prime office rental growth in Norwich and provides an attractive entry point for investors looking to deploy capital.

## Prime Office Yields



Source: Bidwells

# Overview

## Occupier

Total office take-up in Norwich in the first half of 2024 was 88,200 sq ft and is on course to match the long-term annual average of 180,000 sq ft. While financial and business services firms were relatively quiet, other occupiers filled the gap. The biggest office letting in Norwich in the first half of 2024 was to Norwich School at 15 Upper King Street (18,800 sq ft) and the second largest was to the Ambulance Service at Lancaster House (10,300 sq ft) on St Andrews Business Park. The office market also saw an increase in demand from companies involved in off-shore wind, reflecting the large number of projects off the east coast.

Availability rose to 7.3% in June 2024, but remained below its peak of 8.0% in 2021. Most of the increase was due to Grade B space out-of-town and there is currently only 66,800 sq ft of Grade A space available. The limited amount of Grade A space and lack of new development is putting upward pressure on prime rents and we expect prime office rents in Norwich to increase from £17.50 psf to £23.00 psf in 2029. Although small in absolute terms, it equates to growth of 5% p.a..

## Development

The low level of prime rents and high level of yields means that there are no new offices currently under construction in Norwich. As a result, occupiers looking for Grade A space are turning to refurbishment schemes to satisfy their requirements.

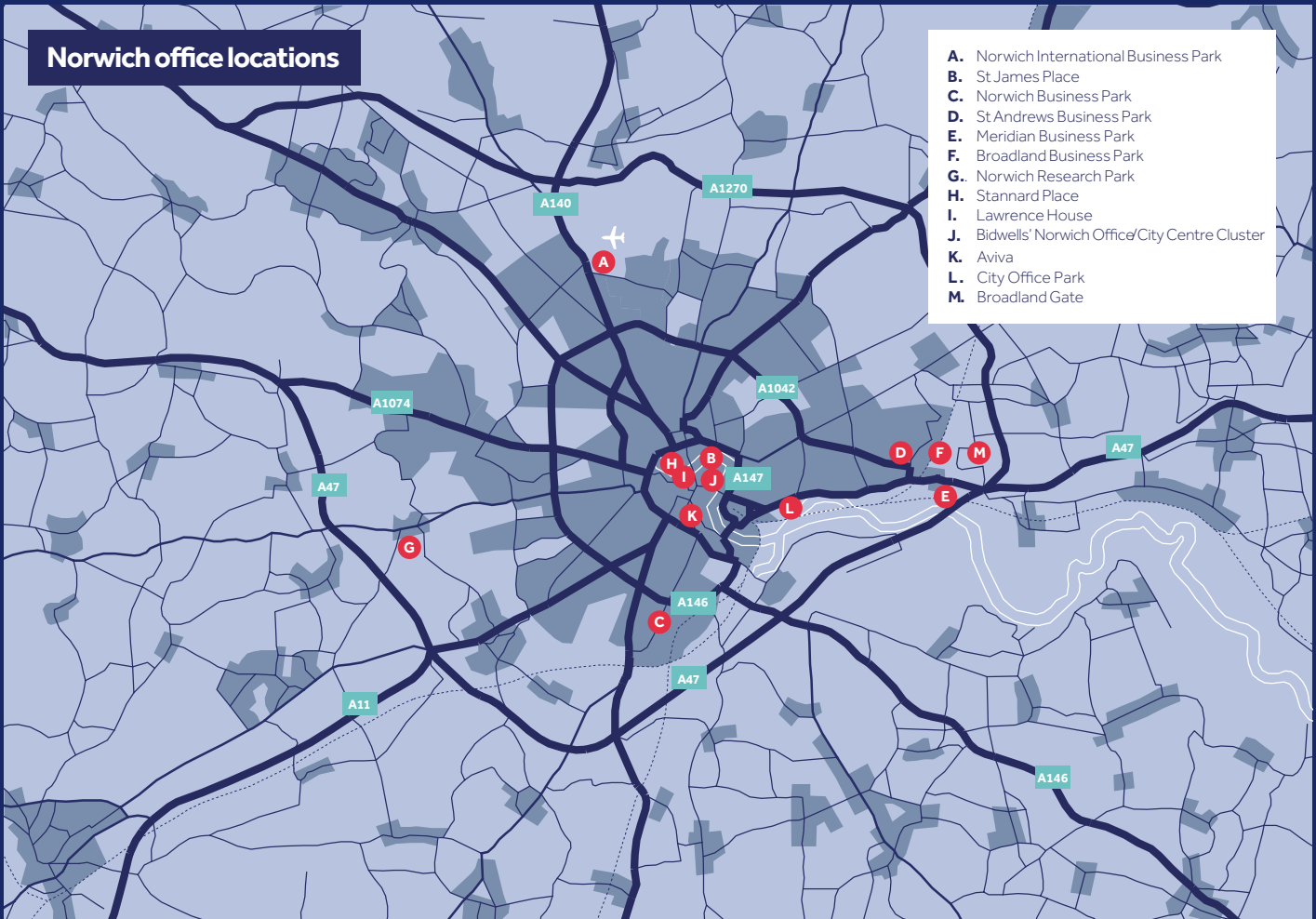
## Investment

There are tentative signs that the Norfolk and Suffolk office investment market is gathering momentum after a standstill in 2023. Prime office yields in Norwich rose to 11% in the first half of 2024, up from 6.75% in June 2022 and more than 2% above their previous peak during the GFC. We consider that is mis-priced, given the prospect of lower interest rates and higher office rents and provides an attractive entry point for investors looking to deploy capital.



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## Norwich office locations



- A. Norwich International Business Park
- B. St James Place
- C. Norwich Business Park
- D. St Andrews Business Park
- E. Meridian Business Park
- F. Broadland Business Park
- G. Norwich Research Park
- H. Stannard Place
- I. Lawrence House
- J. Bidwells' Norwich Office/City Centre Cluster
- K. Aviva
- L. City Office Park
- M. Broadland Gate

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