

## Briefing Note

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**Our ref** 63224/02/JG/CR  
**Date** 3 July 2024  
**To** Sheffield Local Plan Examination  
**From** Lichfields  
**Copy** Sheffield City Council

### **Subject Sheffield Local Plan EiP Matter 5: Office Market Commentary**

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#### **1.0 Introduction**

1.1 Sheffield City Council [SCC] commissioned Lichfields to provide specialist input and economic evidence as part of an Employment Land Review Update [ELRU, Examination document EM06] to support its emerging Local Plan.

1.2 During the Matter 5 Employment Hearing session on the Sheffield Local Plan on 2<sup>nd</sup> July 2024, Lichfields responded to the following Agenda Item introduced by the Inspector:

***Has the office market in Sheffield shifted since the Covid pandemic and are the office need forecasts set out in the Employment Land Review Update March 2020 (ELRU)(EM05) still realistic? [Q5.1]***

1.3 Commentary on Sheffield City's office market as of mid-2021 is provided in Section 5.0 of the ELRU (2021) [EM06].

1.4 The analysis and agent discussion was undertaken at an unprecedented point in time in the midst of a worldwide pandemic. As requested in advance by the Inspector, Lichfields undertook some further research and data analysis, which was presented verbally at the Hearing Session.

1.5 This short Note, requested by the Inspector, summarises the data and associated commentary relied upon by Lichfields during the Matter 5 Hearing Session.

#### **2.0 Has the office market shifted since the Pandemic?**

1.6 Lichfields obtained the latest office data from CoStar, dated June 2024. Compared to the CoStar evidence from 2021, this indicates that:

- 1 Office vacancies in Sheffield City remain at a similar level, increasing only slightly from 5.1% in 2021 to 5.9% in 2024;
- 2 Net absorption<sup>1</sup> levels have increased, from a net loss of 224,543 sq ft in 2021, to +190,952 sq ft in 2024.
- 3 Leasing activity has remained relatively stable, with 166,083 sq ft taken up in the 2021 calendar year, compared to 208,167 sq ft for the whole of 2023;

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<sup>1</sup> Net absorption is the total amount of space that has been leased, minus the amount of space that has been vacated, during a specific amount of time. A market with positive net absorption shows that more space has been leased than vacated, and negative net absorption shows the opposite.

- 4 Deliveries of new office floorspace are zero so far in 2024, but were going well at 148,980 sq ft in 2023 compared to 44,496 sq ft in 2021; and,
- 5 General office rental levels remained relatively constant, at £14.65 in 2021 and £14.46 in early 2024.

1.7 In terms of qualitative evidence, reference was made to Knight Frank's 2024 UK Cities Insight for Sheffield<sup>2</sup>. This report indicates that:

- 1 Occupier activity in Sheffield increased in 2023, with office take-up reaching 374,120 sq ft. This is a 21% increase on the previous year and is 6% above the 10-year annual average. It is, however, virtually identical to the 2021 position;
- 2 Despite the City seeing above average levels of take-up, just 40% was for grade A office space, owing to the lack of suitable space available;
- 3 Grade A availability fell by 26% to 130,000 sq ft during 2023. This total is 14% below the 10-year average;
- 4 Moving forward, the development pipeline is set to deliver 110,000 sq ft of new speculative space via completion of Plot 4, West Bar. However, there is nothing under construction beyond this year; and,
- 5 In 2023, prime headline rents reached £27.00 per sq ft, a 4% increase on the previous year. Following the recent completion of Elshaw House, which offers 72,000 sq ft of prime space, it is hoped that this will push the prime rent in excess of £30.00 per sq ft by the end of the year.

1.8 In general, therefore, it is reasonable to infer from this analysis that Sheffield City's office market is holding up well and has not softened noticeably since the pandemic.

### 3.0 Are the office need forecasts set out in the Employment Land Review Update still realistic?

1.9 The office needs forecasts from the March 2020 ELRU [EM05] were from Experian's 2019 ERM model and are now outdated. They were replaced in the subsequent 2021 version of the ELRU [EM06] by Experian forecasts for April 2021. These forecasts suggest that there would be a net growth of **+7,156** workers requiring office accommodation in Sheffield City between 2018 and 2038 [Table 6.3 of EM06]. This in itself is considerably lower than the pre-Covid March 2020 Experian forecasts (+10,892 office jobs) and past trends job growth observed between 1997 and 2018 (+9,398, based on a CAGR of 0.72% per annum).

1.10 Lichfields obtained the latest March 2024 Experian forecasts for Sheffield City and applied the same assumptions regarding which industrial sectors are likely to contain jobs based in office accommodation as before.

1.11 The projections suggest that over the 20 years to 2038, the net increase in office jobs will be slightly lower, at **+6,899**, although this is only 257 jobs below the April 2021 iteration.

1.12 This translates to a need for **11.18 ha** net of office land under the new forecasts, compared to **11.59 ha** net (Table 6.13 EM06) in the Experian 2021 baseline – a negligible difference of 0.41 ha.

<sup>2</sup> Knight Frank (2024): Sheffield – UK Cities 2024 Insight