

10.7%
Vacancy Rate

YoY
Chg



12-Mo.
Forecast



84,580 sq ft
Take-Up



£35.00 psf
Prime rent



**KEY INDICATORS
Q4 2021**

32.5 M
UK
Employment

YoY
Chg



12-Mo.
Forecast



4.1%
UK
Unemployment Rate



0.25%
Interest rate



Source: ONS

ECONOMY: Continued positive growth but interest rates on the rise

The UK economy surpassed its pre-pandemic level for the first time in November. GDP rose by 0.9% during the month, taking the economy to 0.7% above the February 2020 level. This is clearly a positive for the UK real estate market and demonstrates a clear direction of travel, but we should expect weaker data for December once the effects of Omicron are felt. The biggest gain was in the construction sector, which expanded by 3.5%, largely reflecting an easing of the supply issues that have restricted growth for the last two years. The base rate rose for the first time since 2018 in response to rising inflation rates driven by the price of fuel and energy.

The recovery in the labour market continued in the three months to November 2021. The UK employment rate was 75.5%, 0.2% higher than the previous quarter, but still 1.1% below the pre-pandemic level. Forecasts suggest jobs growth in office-using industries will continue through the next 12 months and beyond.

OCCUPIER FOCUS: Take-up recovering, but supply on the rise

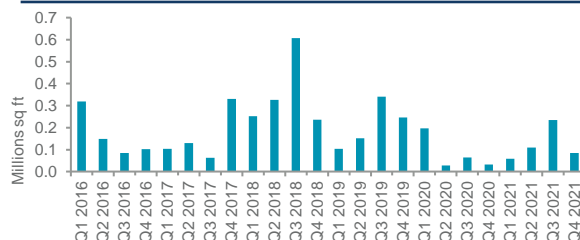
Take-up totalled 84,580 sq ft in the final quarter of the year, taking the total for 2021 to 487,846 sq ft, almost 50% higher than the previous year. The rise in demand for new and refurbished space was of particular note, with 268,531 sq ft transacted during the year, almost four times higher than 2020. Sentiment has improved throughout the year, and we expect a strong recovery once the economy fully reopens. The largest transaction of the quarter was Transport Scotland's acquisition of 48,870 sq ft at 177 Bothwell Street.

Availability rose for the third consecutive quarter to 1.5 m sq ft, reflecting a vacancy rate of 10.7%. Current levels of availability are now 10% above the five-year quarterly average, although well below the 10-year quarterly average of 1.7 m sq ft. The availability of new and refurbished office stock rose to 311,000 sq ft, reflecting a vacancy rate of just 2.2%. This remains low in an historic context considering that the vacancy rate for this grade of space reached in excess of 5.0% during the GFC.

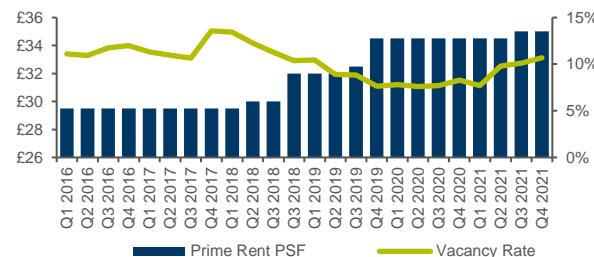
INVESTMENT FOCUS: Healthy demand but continued lack of supply constrains turnover

Investment turnover in Glasgow totalled £4.95 m in the final quarter. Turnover for the full year was £190.89 m, a 140% year-on-year increase. General investment activity has been subdued since the beginning of the first lockdown with little new stock released to the market. We expect turnover to be heavily influenced by stock availability in the short term. The prime net initial yield remained stable at 4.75%.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

GLASGOW	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	13,406,185	13,406,185	13,406,185	13,690,040	14,059,297	2.7%	4.9%
Take-up (Sq ft)	40,756	58,866	109,907	234,493	84,580	-63.9%	107.5%
Supply (Sq ft)	1,107,359	1,038,735	1,310,327	1,379,352	1,501,267	8.8%	35.6%
Vacancy Rate	8.7%	7.7%	9.8%	10.1%	10.7%	-	-
Spec Construction (Sq ft)	238,952	234,279	213,062	157,606	0	-	-
Prime Rent (per sq ft)	£34.50	£34.50	£34.50	£35.00	£35.00	1.5%	0.0%
Investment Turnover (Millions)	£0.00	£79.44	£25.50	£88.00	£4.95	-93.9%	-
Prime Net Initial Yield	5.25%	5.25%	5.00%	4.75%	4.75%	-	-

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
177 Bothwell Street	Glasgow	Transport Scotland	48,870	Lease
McLellan Works	Glasgow	Experian	5,249	Lease
130 St Vincent Street	Glasgow	Interpath	4,409	Lease

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KEY DEVELOPMENTS Q4 2021

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
One Central, Argyle Street	Glasgow	Osborne & Co / JP Morgan	272,858	Q3 2022
Buchanan Wharf	Glasgow	Drum Property Group / Student Loans	75,000	Q4 2022

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KEY SALES TRANSACTIONS Q4 2021

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
158-160 West Register Street	Glasgow	TBC / International Investment Gate	23,848	£4.95 m

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