



Office Q1 2020

4.9%

Vacancy Rate

YoY Chg



12-Mo. Forecast



64,070 sq ft

Take-Up



£37.00 psf

Prime rent



KEY INDICATORS Q1 2020

33.0 M

UK Employment

YoY Chg



12-Mo. Forecast



3.9%

UK Unemployment Rate



0.10%

Interest rate



Source: ONS

ECONOMY: Social distancing restrictions to impact growth in the short-term

The measures taken to control the spread of Covid-19 are expected to have a significant negative impact on the UK economy. Forecasts suggest that the introduction of social distancing measures and the impact on supply chains is likely to cause the UK economy to enter recession in 2020.

There is considerable uncertainty surrounding how long restrictions might remain in place. However once the restrictions are lifted a strong rebound is expected in 2021, with forecasts suggesting the economy will grow by 6.0% driven by loose fiscal spending and stronger consumer spending, while inflation should stay low.

OCCUPIER FOCUS: Activity remained strong in the final quarter as supply continued to fall

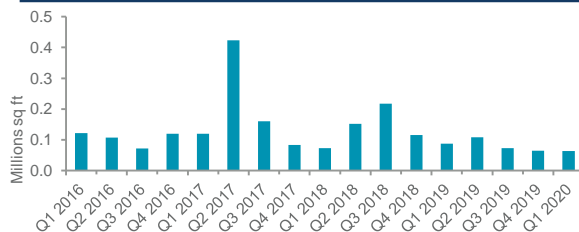
Take-up remained stable in the first quarter at 64,070 sq ft although activity was down 27% on the same quarter last year and more than 50% down on the five-year quarterly average of 134,000 sq ft. There has been a persistent lack of large transactions over the last 12 months, which was reflected in the first quarter's figures. The largest transaction of the quarter was Smartsheet's acquisition of 14,641 sq ft at Quartermile 3.

Office availability remained relatively stable in the first quarter; there is now 564,000 sq ft available, reflecting a vacancy rate of 4.9%. While this represents an annual increase of 27%, supply remains 13% below the five-year average and almost 40% below the 10-year average. There is 223,000 sq ft under construction speculatively, which represents less than nine months' worth of supply at average take-up levels. The prime rent rose to £37.00 per sq ft in the first quarter as occupier demand continued to focus on the limited quality space.

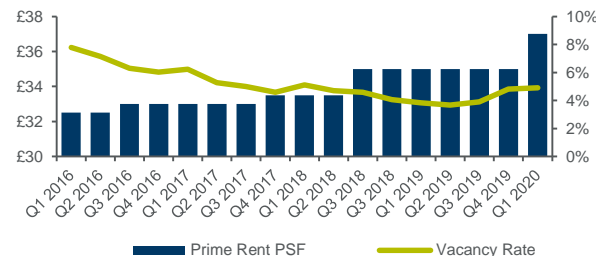
INVESTMENT FOCUS: Pre-Covid healthy demand but continued lack of supply constrains turnover

There was only one sale during the quarter; Wemyss House, 6-8 Wemyss Place sold for £5.0 m. The lack of transactions was in no small part due to a lack of available stock and a continuing imbalance between investor demand and supply. 4 North, South St Andrew Street was under offer to KanAm during this time and thus deal has subsequently completed at £30 m reflecting a 4.33% net initial yield.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

BIRMINGHAM	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q4 2019	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	11,622,039	11,622,039	11,622,039	11,622,039	11,622,039	0.0%	0.0%
Take-up (Sq ft)	87,728	108,364	72,915	64,656	64,070	-0.9%	-27.0%
Supply (Sq ft)	445,202	426,480	453,328	559,425	563,842	0.8%	26.6%
Vacancy Rate	3.8%	3.7%	3.9%	4.8%	4.9%	-	-
Spec Construction (Sq ft)	53,083	134,000	182,083	113,083	223,083	97.3%	320.3%
Prime Rent (per sq ft)	£35.00	£35.00	£35.00	£35.00	£37.00	5.7%	5.7%
Investment Turnover (Millions)	£18.95	£135.70	£69.00	£72.25	£5.00	-93.1%	-73.6%
Prime Net Initial Yield	4.50%	4.50%	4.75%	4.50%	4.50%	-	-

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
Quartermile 3	Edinburgh	Smartsheet	14,641	Lease
40 Princes Street	Edinburgh	Cadence	8,494	Lease
Quayside House	Edinburgh	FCA	8,000	Lease

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KEY DEVELOPMENTS Q1 2020

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
Capital Square	Edinburgh	Hermes & Parlison / Brodies & Pinsent Masons	122,000	Q2 2020
Freer Street	Edinburgh	Vastint	60,000	Q3 2020
Haymarket 1	Edinburgh	Tiger & Interserve Developments	110,000	Q3 2021

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KEY SALES TRANSACTIONS LAST SIX MONTHS

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
133 Dundas Street	Edinburgh	RBS / Orion Capital Managers & Ediston Properties	228,816	£36.0 m
Elgin House, 20 Haymarket Yards	Edinburgh	Aegon / Catalyst Capital & Hero Enterprise	49,052	£18.0 m
Wemyss House, 6 Wemyss Place	Edinburgh		12,368	£5.0 m

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