

5.2%
Vacancy Rate

YoY Chg
12-Mo. Forecast



25,351 sq ft
Take-Up



£25.00 psf
Prime rent



KEY INDICATORS
Q2 2020

33.0 M
UK
Employment

YoY Chg
12-Mo. Forecast



3.9%
UK
Unemployment Rate



0.10%
Interest rate



Source: ONS

ECONOMY: Unprecedented contraction raises uncertainty over shape of recovery

Despite positive movement in May, the economy failed to recover from the record falls seen in March and April 2020. GDP grew by 1.8% in May following a fall of 20.4% in April, the biggest monthly fall on record. After output shrank by 2% in the first three months of the year, data for Q2 is likely to confirm that the UK economy is in recession. Jobs data for the three months to May showed that there has not yet been a significant fall in the employment rate, which was 76.4%, just 0.2% down on the previous quarter.

Forecasts suggest a swift recovery in 2021 as restrictions are lifted and the economy starts to function as normal. However, there remains a great deal of uncertainty around when the spread of Covid-19 might be contained and the implications of Brexit.

OCCUPIER FOCUS: Leasing activity constrained by lack of supply

Cardiff was the only UK market to experience a quarter-on-quarter increase in office take-up in Q2 2020. Take-up totalled 25,351 sq ft in the second quarter, a 54% rise on the previous quarter's level and 75% higher than the same quarter last year. However, activity remains well below the five-year quarterly average of 99,000 sq ft. Although occupier demand has remained relatively healthy over the last 12 months, deal volumes have been held back by a shortage of available new and refurbished space. In addition, lockdown measures introduced in response to Covid-19 will limit activity this year.

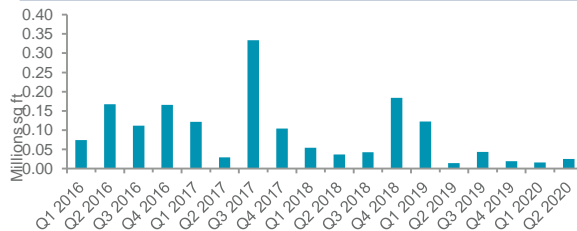
Total supply in Cardiff rose to 546,291 sq ft in response to the weak take-up. However, levels remain comfortably below the five-year quarterly average of 697,000 sq ft. The availability of new and refurbished space remains low at 126,000 sq ft, with just 250,000 sq ft of speculative space under construction. The prime rent remained unchanged at £25.00 sq ft; we expect to see rents remain stable over the next 12 months as the lack of supply supports values.

INVESTMENT FOCUS: Lack of supply continues to limit turnover

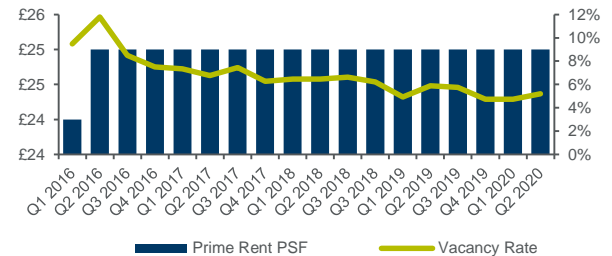
There were no investment sales in Cardiff city centre in the second quarter. General investment activity has been subdued with little new stock launched to the market since the beginning of lockdown. We expect demand for Cardiff offices to remain healthy, although the availability of stock is likely to constrain volumes.

Pricing remained stable at 5.50%. While the fundamentals of the Cardiff market remain strong there is the potential for yields to soften during 2020 in response to the effects of the Covid-19 restrictions

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

CARDIFF	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	0.0%	0.0%
Take-up (Sq ft)	14,485	43,125	19,256	16,458	25,351	54.0%	75.0%
Supply (Sq ft)	617,817	602,897	496,069	490,118	546,291	11.5%	-13.1%
Vacancy Rate	5.9%	5.7%	4.7%	4.7%	5.2%	-	-
Spec Construction (Sq ft)	187,010	187,010	187,010	187,101	252,010	34.8%	34.8%
Prime Rent (per sq ft)	£25.00	£25.00	£25.00	£25.00	£25.00	0.0%	0.0%
Investment Turnover (Millions)	-	-	£20.00	£46.28	-	-	-
Prime Net Initial Yield	5.50%	5.50%	5.50%	5.50%	5.50%	-	-

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
Brunel House	Cardiff	Starling Bank	14,075	Lease
11-13 Penhill Road	Cardiff	Jeffrey Ross	9,933	Lease
7/8 Park Place	Cardiff	Barbri Altior	1,800	Lease

KEY DEVELOPMENTS Q2 2020

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
Central Square	Cardiff	Rightacres / GPU	265,976	TBC
The Interchange	Cardiff	Welsh Government & Rightacres	80,000	TBC
Callaghan Square	Cardiff	JR Smart	107,010	TBC

KEY RECENT SALES TRANSACTIONS

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
4 Capital Quarter	Cardiff	JR Smart / Greenridge IM	96,870	£33.40
2 Kingsway	Cardiff	Ardstone Capital (CBREGI) / Delancey	39,000	£12.88

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