

7.0%

Vacancy Rate

YoY Chg



12-Mo. Forecast



48,015 sq ft

Take-Up



£26.00 psf

Prime rent



KEY INDICATORS Q3 2020

32.6 M

UK Employment

YoY Chg



12-Mo. Forecast



4.5%

UK Unemployment Rate



0.10%

Interest rate



Source: ONS

ECONOMY: Recovery underway but rate of growth uncertain

UK GDP rose by 2.1% month-on-month in August, which represented the fourth consecutive monthly increase. The economy is now well out of recession territory but the recovery has been slowing down, and expectations are for even flatter growth once September's data is released. However, the economy is slowly regaining the initial losses caused by lockdown; GDP for August was estimated to be 9% below its February level compared to 25% below in April.

It would now seem that the recovery will not be as sharp as had previously been thought, particularly given the likelihood of increasing local lockdowns as we move into the fourth quarter. However, the growth forecast for office-based jobs remains stronger than that for total jobs, with some sectors such as technology proving their counter-cyclical credentials.

OCCUPIER FOCUS: Lack of quality supply supporting rental levels

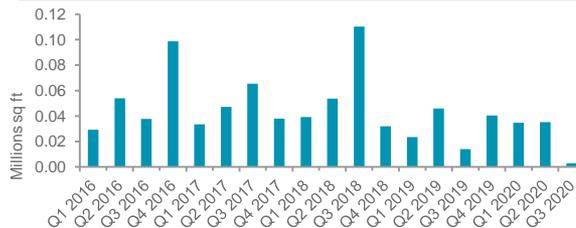
Take-up in the city centre rose to its highest in two years as activity began to pick up after the summer's particularly low levels of activity. There was 48,015 sq ft of take-up during the quarter, slightly ahead of the five-year quarterly average of 46,643 sq ft, and more than four times higher than the same quarter last year.

There remains a lack of quality available stock in the Newcastle market. Availability totalled 550,000 sq ft in Q3 2020, 4% above the same quarter last year but 26% lower than the 10-year average for this market. The availability of new and refurbished space remained particularly low; at the quarter-end there was just 165,000 sq ft available to lease, 27% below the long-term average. There is just 68,000 sq ft under construction speculatively, representing a 68% fall year-on-year. The paucity of standing new stock, the limited pipeline and the current demand for the very best space drove the prime rent up to £26.00 per sq ft, a record level for this market.

INVESTMENT FOCUS: Lack of supply continues to suppress sales volumes

There were no investment transactions in the Newcastle market in the third quarter. The ongoing lack of stock continued to weigh on activity. Although investor demand remains strong, driven in part by the particularly tight occupier market, lack of speculative development and turnover will continue to be a reflection of stock availability. Pricing remained stable at 5.75%.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

NEWCASTLE	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	6,865,231	6,865,231	6,972,231	6,972,231	6,972,231	0.0%	1.6%
Take-up (Sq ft)	14,127	40,449	34,819	35,272	48,015	36.1%	239.9%
Supply (Sq ft)	528,956	488,941	515,000	486,000	550,000	13.2%	4.0%
Vacancy Rate	7.7%	7.1%	7.4%	7.0%	7.9%	-	-
Spec Construction (Sq ft)	213,000	213,000	68,000	68,000	68,000	0.0%	-68.1%
Prime Rent (per sq ft)	£24.50	£24.50	£24.50	£25.00	£26.00	4.0%	6.1%
Investment Turnover (Millions)	£12.45	-	-	-	-	-	-
Prime Net Initial Yield	5.50%	5.50%	5.50%	5.75%	5.75%	-	-

KEY LEASE TRANSACTIONS LAST SIX MONTHS

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
The Lumen	Newcastle	Homes England	19,310	Lease
The Lumen	Newcastle	Newcastle Hospitals Trust	11,000	Lease
City Quadrant	Newcastle	Samuel Knight	9,838	Lease

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KEY DEVELOPMENTS Q3 2020

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
The Spark	Newcastle	Legal & General	106,000	Q4 2021

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