



Office Q1 2020

5.5%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

3.3 m sq ft

Take-Up



£110.00 psf

Prime rent, London WE

KEY INDICATORS
Q1 2020

33.0 M

UK
EmploymentYoY
Chg12-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: Fundamentals remain strong but fall in activity likely

In the UK regions, occupier take-up remained stable from the previous quarter at 1.3 m sq ft, broadly in-line with the five-year average and 10% above the 10-year average. In London, take-up in the first quarter fell to 2.0 m sq ft, 33% below the five-year quarterly average and more than 20% below the same quarter last year. Despite this, there remained 3.7 m sq ft under offer at the end of Q1 2020, higher than the same point last year, and 28% above the five-year quarterly average.

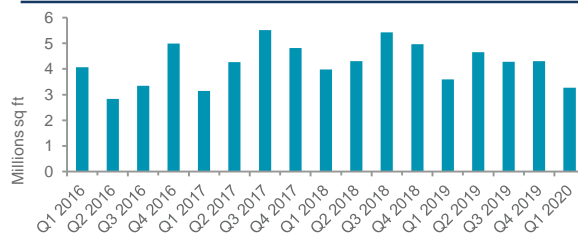
Availability in Central London remained stable from the previous quarter's level at 13.6 m sq ft and broadly in line with the 10-year quarterly average. Although supply has increased year-on-year, the vacancy rate remains relatively low at 4.9%. In the UK regions availability also remained stable at 7.8 m sq ft, one of its lowest levels since 2006 and 17% below the five-year average. In all markets, prime rents either remained stable or increased. The majority of UK markets are expected to see a significant decrease in leasing activity in the second quarter as the effects of Covid-19 measures become apparent.

INVESTMENT FOCUS: Lack of supply continues to constrain turnover

UK office investment turnover fell to £3.6 bn in the first quarter, the lowest since 2013. A lack of stock continued to weigh on activity, although investor demand remains strong. Overseas investors accounted for 74% of purchases in the first quarter, well above the average of 61% over the last five years.

Pricing remained stable in the majority of markets. We anticipate turnover to be limited in the second quarter making price discovery much harder.

TAKE-UP, BIG EIGHT + LONDON



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	AVAILABILITY (SF)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SF)	12-MONTH ROLLING TAKE-UP(SF)	UNDER CNSTR (SF)	PRIME RENT (per sq ft)	PRIME YIELD
Birmingham	18,270,869	999,497	5.5%	338,985	922,461	1,070,268	£34.50	4.75%
Bristol	13,505,718	416,205	3.1%	219,520	855,288	553,679	£38.00	4.75%
Cardiff	10,500,000	490,118	4.7%	16,458	93,324	452,986	£25.00	5.50%
Edinburgh	11,622,039	563,842	4.9%	64,070	310,005	182,000	£37.00	4.50%
Glasgow	13,503,429	1,054,868	7.8%	197,122	936,339	1,426,067	£32.50	5.00%
Leeds	12,491,323	927,829	7.4%	144,231	664,885	271,560	£32.00	5.00%
Manchester	20,544,089	2,791,466	13.6%	309,212	1,478,287	730,171	£37.50	4.75%
Newcastle	6,972,231	515,000	7.4%	34,819	135,405	106,000	£24.50	5.50%
BIG EIGHT TOTALS	107,409,698	7,758,825	7.2%	1,324,417	5,395,994	4,792,731	-	-
West End	115,486,524	4,259,626	3.7%	549,400	3,354,512	6,599,408	£110.00	3.75%
City	140,078,421	7,152,179	5.1%	1,310,444	6,559,048	9,518,822	£70.00	4.00%
East London	23,411,422	2,185,577	9.3%	91,257	1,203,761	1,133,459	£45.00	4.50%
CENTRAL LONDON TOTALS	278,976,366	13,597,382	4.9%	1,951,101	11,117,321	17,251,689	-	-
UK TOTALS	386,386,064	21,356,207	5.5%	3,275,518	16,513,315	22,044,420	-	-

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
Ropemaker Place, EC2	London	Linklaters	307,195	Pre-let
Three Snowhill	Birmingham	British Telecommunications	283,073	Lease
Euston Tower, NW1	London	Google	134,859	Lease

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
14-16 Sanctuary Buildings, SW1	London	Hana Alternative Asset Management/L&G	225,485	£300 m
Watermark Place, EC4	London	Oxford Properties/Union Investment	539,994	£252 m
Guy's & St Thomas' Site, SE1	London	Guy's & St Thomas' Charity/Stanhope & Baupost	226,512	£200 m

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