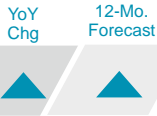


6.4%
Vacancy Rate



1.6 m sq ft
Take-Up



£105.00 psf
Prime rent, London WE



KEY INDICATORS Q3 2020

32.6 M
UK Employment



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: Demand remained subdued although supply under control

Take-up rose by 18% to 1.6 m sq ft in the third quarter, although levels remains 59% below the long-term average. Lockdown measures continued to limit activity; in London take-up fell to 908,000 sq ft, the lowest since the global financial crisis. In the UK regions, take-up more than doubled to 656,000 sq ft, although much of this rise was attributable to Baillie Gifford's pre-let of 280,000 sq ft at The Haymarket, Edinburgh.

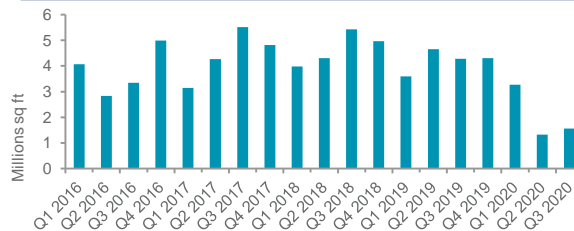
Availability rose across the majority of the UK's markets as more second-hand space came to the market. In the regions, the vacancy rate rose to 7.3% although this remains well below the five-year average of 8.2%. The increase in tenant space was largely offset by limited delivery of new and refurbished space. Accordingly, prime rents remained stable in most markets although there was upward pressure in markets with particularly low levels of new supply. In London, availability rose sharply to 16.8 m sq ft, representing a quarter-on-quarter increase of 18%, the largest single quarter gain since 2007.

INVESTMENT FOCUS: Turnover improves although activity remains subdued

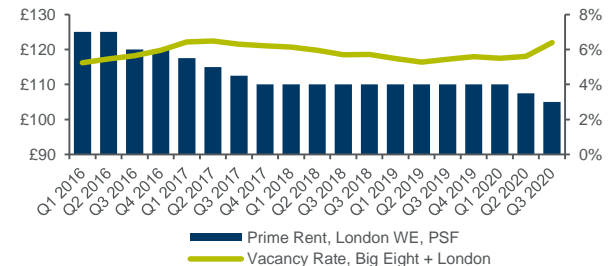
UK office investment turnover rose to £2.0 bn in the third quarter, almost double the previous quarter but 60% below the same quarter last year. Activity continued to be stifled by lockdown restrictions and a lack of stock continued to weigh on activity, although investor demand remains strong and a backlog of stock coming to the market should boost turnover in the final quarter.

Prime yields remained stable in most markets reflecting concessions made to ensure deals completed during lockdown. We expect the UK's competitive pricing and re-emerging demand to support values as lockdown measures ease further.

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	1,004,872	5.5%	91,151	596,503	658,988	£37.00	4.75%
Bristol	16,500,000	409,379	2.6%	56,822	661,714	483,679	£38.00	5.00%
Cardiff	10,500,000	546,291	5.2%	23,644	84,709	517,986	£25.00	5.50%
Edinburgh	11,622,039	686,473	5.9%	296,890	439,504	182,000	£35.50	4.50%
Glasgow	13,503,429	1,040,459	7.7%	63,582	536,007	1,426,067	£34.50	5.25%
Leeds	12,535,195	999,555	8.0%	88,507	385,809	157,526	£34.00	5.20%
Manchester	20,544,089	2,768,641	13.5%	65,993	825,895	385,171	£37.50	5.00%
Newcastle	6,972,231	486,000	7.0%	2,925	113,465	106,000	£26.00	5.75%
BIG EIGHT TOTALS	109,447,852	7,941,670	7.3%	692,959	3,643,696	3,917,417	-	-
West End	115,672,326	5,067,527	4.4%	367,925	2,194,759	5,788,783	£105.00	3.75%
City	140,136,149	9,205,486	6.6%	510,035	4,029,785	9,235,774	£67.50	4.00%
East London	23,411,422	2,536,844	10.8%	33,938	605,029	1,528,193	£42.00	4.50%
CENTRAL LONDON TOTALS	279,219,896	16,809,857	6.0%	907,898	6,829,573	16,552,750	-	-
UK TOTALS	388,667,748	24,751,527	6.4%	1,600,857	10,473,269	20,470,167	-	-

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
The Haymarket	Edinburgh	Baillie Gifford	280,000	Pre-let
280 Bishopsgate	London	Baker McKenzie	152,690	Pre-let
Copyright Building	London	Netflix	87,150	Lease
Scotia House, Finsbury Square	London	City University	74,379	Lease

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
The Cabot, 25 Cabot Square	London	Hines/Link REIT	481,866	£380.0 m
Commonwealth House, New Oxford Street	London	Nuveen/Sun Venture	109,300	£175.0 m
150 Broomielaw	Glasgow	Clal Insurance/Elite Partners Capital	96,000	£40 m

PATRICK SCANLON

Head of UK Offices Insight

+44 (0) 203 296 4994

patrick.scanlon@cushwake.com

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