

6.8%
Vacancy Rate

YoY Chg ▲ 12-Mo. Forecast ▲

1.4 m sq ft
Take-Up

YoY Chg ▼ 12-Mo. Forecast ▲

£102.50 psf
Prime rent, London WE

YoY Chg ▼ 12-Mo. Forecast ▼

KEY INDICATORS
Q4 2020

32.5 M
UK Employment

YoY Chg ▼ 12-Mo. Forecast ▼

4.9%
UK Unemployment Rate

YoY Chg ▲ 12-Mo. Forecast ▲

0.10%
Interest rate

YoY Chg ▼ 12-Mo. Forecast ▼

Source: ONS

ECONOMY: Lockdown measures halt recovery in final quarter

The economy contracted in November after six months of recovery-driven growth. GDP fell by 2.6% month-on-month due to the effect of the second lockdown, driven by a slowdown in the services sector which shrank by 3.4%. Given the stricter restrictions introduced in December, growth is expected to remain weak over the next few months. Despite this, at the end of November GDP was 22% higher than its April low, although it remains 9% below its February level.

The extension of the government’s job retention scheme is believed to have slowed the rise of the unemployment rate, which was 4.9% at the end of October, although early estimates for November suggest a slight drop in the number of payroll employees. The unemployment rate has risen sharply during 2020 and is now at its highest level since 2016 although it remains comfortably below its peak of 8.4% in the years following the global financial crisis.

OCCUPIER FOCUS: Demand remained subdued while supply continued to rise in some locations

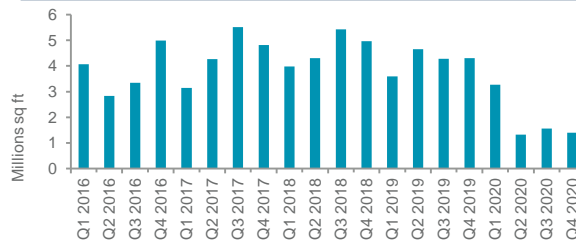
Take-up rose to 1.4 m sq ft in the final quarter, the highest quarterly total since before the first lockdown in March 2020. However, leasing activity remains well below the five-year quarterly average of 1.9 m sq ft. Total take-up for the year reached 7.7 m sq ft, comparable to the period immediately after the Global Financial Crisis. The effect of lockdown restrictions was most keenly felt in London, where take-up fell to 568,000 sq ft, the lowest quarterly total ever-recorded. In the UK Regions take-up increased for the second consecutive quarter, driven by BT’s pre-let of 175,683 sq ft at Four New Bailey, Manchester.

Availability continued to rise as more second-hand space was released to the market alongside reduced levels of take-up. However, there were notable differences between markets; in the UK Regions the vacancy rate remained relatively stable at 7.5%, with gains in supply in some regional markets balanced out by falls in others. The vacancy rate for the Regions remains comfortably below the five-year average of 8.1%. In London, the vacancy rate rose to 6.5%, the highest for almost 10 years although relatively low in comparison to some other global cities.

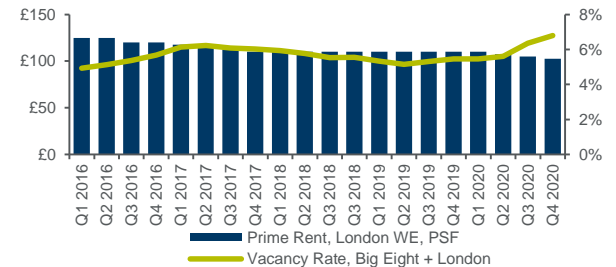
INVESTMENT FOCUS: Strengthening sentiment saw activity rebound

UK office investment turnover rose to £4.2 bn in the final quarter of the year, more than double the previous quarter but still 33% below the same quarter last year. The increase in activity signals renewed confidence in the sector after fears over the effects of working from home on occupational demand; many businesses have now indicated that the office remains important despite changing working practices. Positive news about the vaccine rollout also helped release pent-up demand. We expect turnover to continue to rise after the agreement of a Brexit deal at the end of 2020. Prime yields remained stable in most markets.

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) | SPECULATIVE UNDER CONSTRUCTION (SF) | PRIME RENT (per sq ft) | PRIME YIELD |
|------------------------------|--------------------|-------------------|----------------------|--------------------------|------------------------------|-------------------------------------|------------------------|-------------|
| Birmingham | 18,270,869 | 969,944 | 5.3% | 33,928 | 525,538 | 254,988 | £37.00 | 4.75% |
| Bristol | 16,500,000 | 403,687 | 2.6% | 176,968 | 506,244 | 551,679 | £38.00 | 5.00% |
| Cardiff | 10,500,000 | 546,291 | 5.2% | 23,644 | 89,097 | 252,010 | £25.00 | 5.50% |
| Edinburgh | 11,622,039 | 742,327 | 6.4% | 60,922 | 435,770 | 493,083 | £36.00 | 4.50% |
| Glasgow | 13,503,429 | 1,107,359 | 8.3% | 40,756 | 330,457 | 238,952 | £34.50 | 5.25% |
| Leeds | 12,535,195 | 928,799 | 7.4% | 88,793 | 343,659 | 71,224 | £34.00 | 5.25% |
| Manchester | 20,544,089 | 2,833,461 | 13.8% | 374,650 | 828,405 | 538,171 | £37.50 | 5.00% |
| Newcastle | 6,972,231 | 624,000 | 8.9% | 31,912 | 150,018 | 166,000 | £26.00 | 5.75% |
| BIG EIGHT TOTALS | 109,447,852 | 8,155,868 | 7.5% | 831,573 | 3,209,188 | 2,566,107 | - | - |
| West End | 115,672,326 | 5,674,736 | 4.9% | 157,247 | 1,379,503 | 2,257,330 | £102.40 | 3.75% |
| City | 140,136,149 | 9,883,000 | 7.0% | 14,589 | 2,651,871 | 5,441,981 | £65.00 | 4.00% |
| East London | 23,411,422 | 2,630,757 | 11.2% | 395,598 | 410,923 | 741,131 | £40.00 | 4.50% |
| CENTRAL LONDON TOTALS | 279,219,896 | 18,188,493 | 6.5% | 567,794 | 4,442,297 | 8,440,442 | - | - |
| UK TOTALS | 388,667,748 | 26,344,361 | 6.8% | 1,399,367 | 7,651,485 | 11,006,549 | - | - |

KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY | MARKET | TENANT | Size (Sq ft) | TYPE |
|---------------------------------|------------|-------------------------|--------------|---------|
| Four New Bailey | Manchester | BT | 175,683 | Pre-let |
| 40 Portman Square | London | CPPIB | 42,173 | Lease |
| Devon House, St Katharine's Way | London | NCH at Northeastern Ltd | 38,786 | Lease |
| 1-2 Trinity Quay | Bristol | DAS Services | 37,828 | Lease |

KEY SALES TRANSACTIONS Q4 2020

| PROPERTY | MARKET | SELLER / BUYER | SF | PRICE |
|---------------------|------------|---|---------|----------|
| 1&2 New Ludgate | London | LandSec / Sun Venture | 389,615 | £552.0 m |
| 1 London Wall Place | London | Brookfield Properties / AGC Equity Partners | 309,477 | £480.0 m |
| Four New Bailey | Manchester | Muse & L&G / Warrington Borough Council | 175,000 | £112.0 m |

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