



Office Q2 2022

8.2%

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast

3.83 m sq ft

Take-Up



£4.7 billion

UK Office Investment



## KEY INDICATORS

AS AT 30 JUNE 2022

32.8 M

UK  
EmploymentYoY  
Chg12-Mo.  
Forecast

3.8%

UK  
Unemployment Rate

1.25%

Interest rate



Source: ONS

## ECONOMY: Interest rates rising to combat increasing inflation

The UK economy grew by an estimated 0.6% in June 2022, after growth of 0.4% in May 2022. A continued slowdown in GDP growth is forecast, as gas prices continue to rise, deteriorating the outlook of activity in the UK. The UK continues to experience rising inflation levels, with UK CPI reaching 9.4% in June 2022, and forecast to reach just over 13% by the end of the year. As a result, further interest rate rises are expected this year. The employment market remains strong with the unemployment rate falling to 3.8% in the three months to June 2022. However, the Bank of England has warned that the unemployment rate will rise given the headwinds the economy is currently facing.

With the battle for the next UK Prime Minister ongoing and due to be announced in early September, the new leader faces the arduous task of how best to approach the slowing economy.

## OCCUPIER FOCUS: Driven by Central London, leasing activity strengthens in Q2

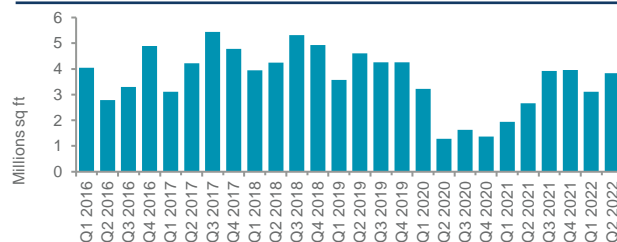
Take-up totalled 3.83 million sq ft in the second quarter of 2022, a rise of 23% on the previous quarter's level and 44% above Q2 2021. Leasing activity is now 15% above the five-year Q2 average of 3.33 million sq ft and 6% above the overall five-year quarterly average of 3.62 million sq ft. There is strengthening demand, particularly from large tenants looking at pre-let deals. This has been particularly noticeable in Central London, where the four largest deals to complete in Q2 were all pre-lets in excess of 100,000 sq ft. In the UK Regions, take-up has been recovering steadily since mid-2020. However, after peaking at 1.25 million sq ft at the end of 2021, total leasing activity across the big six locations has since fallen both in Q1 and Q2 2022. The being said, the rolling 12-month take-up was 4.13 million sq ft at the end of Q2, broadly in line with Q1 and 38% above the same period of 2021.

After peaking in Q4 2021, with 31.82 million sq ft available across the UK, supply levels in both the UK Regions and Central London have fallen in each of the subsequent quarters. At the end of Q2, there was 30.92 million sq ft available across the UK, with Central London accounting for 75% of this. In the UK Regions, the vacancy rate declined to 8.6%, while 8.1% was recorded across Central London. Despite the higher-than-average vacancy rents across all locations, upward pressure on headline rents remains across most markets as tenants continue to seek quality new space.

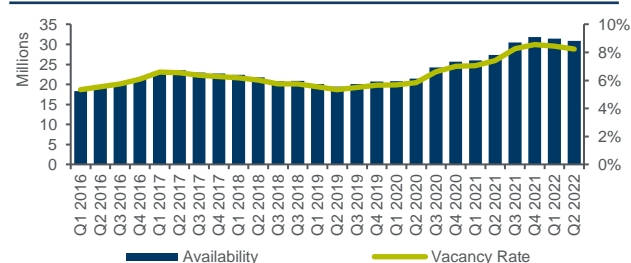
## INVESTMENT FOCUS: Turnover rose across the UK in H1, driven by Q1 activity

Office investment turnover across the UK totalled £4.7 billion during Q2, 28% below Q1 2022 and 10% behind Q2 2021. This took half year volumes to £11.1 billion, 52% above H1 2021 and the highest H1 total since 2018. With Q1 activity particularly strong this year, the dip in volumes during Q2 does point to a slowdown in activity. With the investment market currently facing many headwinds, not least rising interest rates which will impact debt rates on pricing, early signs suggest that activity during the rest of 2022 is likely to be restrained, largely due to some investors taking a pause whilst the market finds its pricing level.

## TAKE-UP, BIG SIX + CENTRAL LONDON



## AVAILABILITY &amp; VACANCY RATE, BIG SIX + CENTRAL LONDON



## 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	18,622,000	1,229,900	7.0%	117,599	696,259	501,280	£40.00	4.75%
Bristol	13,800,000	637,516	4.6%	143,609	698,864	451,837	£42.50	4.75%
Edinburgh	9,176,039	759,171	8.3%	45,525	514,169	0	£39.00	4.75%
Glasgow	14,059,297	1,501,370	10.7%	131,748	533,703	0	£35.00	4.75%
Leeds	12,700,000	970,950	7.6%	147,047	619,556	305,879	£35.00	5.00%
Manchester	22,500,000	2,682,654	11.9%	255,197	1,066,265	413,818	£38.50	4.75%
<b>BIG SIX TOTALS</b>	<b>90,857,336</b>	<b>7,851,561</b>	<b>8.6%</b>	<b>840,725</b>	<b>4,128,816</b>	<b>1,672,814</b>	-	-
West End	117,487,557	6,971,478	5.9%	1,344,271	4,516,388	4,674,341	£117.50	3.50%
City	143,273,718	12,799,426	8.9%	1,587,743	5,845,864	5,551,001	£72.50	3.75%
East London	23,745,874	3,293,410	13.9%	59,423	335,733	751,289	£40.00	4.50%
<b>CENTRAL LONDON TOTALS</b>	<b>284,507,148</b>	<b>23,064,314</b>	<b>8.1%</b>	<b>2,991,437</b>	<b>10,697,985</b>	<b>10,976,631</b>	-	-
<b>UK TOTALS</b>	<b>375,364,484</b>	<b>30,915,875</b>	<b>8.2%</b>	<b>3,832,162</b>	<b>14,826,801</b>	<b>12,649,445</b>	-	-

## KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
40 Leadenhall Street	London	Kirkland & Ellis LLP	305,813	Pre-let
Paddington Square	London	Capital Group	220,000	Pre-let
Belgrove House	London	Merck Sharp & Dohme Corp (MSD)	196,000	Pre-let
Plot 9a, First Street	Manchester	GPA	130,000	Leasehold
105 Albion Street	Leeds	LocatED / Dept for Education	53,058	Freehold
The Colmore Building	Birmingham	Dept for Digital, Culture, Media and Sport	22,235	Leasehold

## KEY SALES TRANSACTIONS Q2 2022

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
Paddington Central	London	British Land / GIC	958,000	£694.0 m
15 Newgate Street	London	Shimao Group Holding / Goldman Sachs & Greycourt	303,709	£370.0 m
2 London Wall Place	London	Brookfield / Kingboard	187,404	£302.0 m
177 Bothwell Street	Glasgow	HFD Group / Pontegadea	313,116	£207.5 m
Colmore Plaza	Birmingham	Ashby Capital / Blackstone	320,000	£182.0 m
Pinnacle, 67 Albion Street	Leeds	Alony Hetz / Longmead Capital	152,250	£55.0 m

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