

Cardiff Offices





64,364 sq ft

Take-up in wider Cardiff during the first quarter of 2020.



98%

Share of take-up that was Grade B.



Top sectors

Charities & Associations (29%), Business & Consumer Services (28%) & TMT (27%).



£25 per sq ft

Prime rent - offering an affordable alternative to other regional cities.

Office demand in Cardiff remains despite UK-wide lockdown

Covid-19 has seen the global demand for office space temporarily put on hold, and while there can be no certainties, it's expected that the UK demand will return to normal later in the year as lock-down and social distancing measures relax.

While activity has been limited, office deals in Cardiff have still been completing and going under offer during this period, with a number of occupiers still actively seeking requirements. This is a positive sign which demonstrates strong occupier confidence in Cardiff.

Since lockdown, four deals have completed in the wider Cardiff market totalling 35,000 sq ft. Most notably, in April Savills secured charity Bobath Wales as the new owner of 1 The Courtyard. The Charity will use the 13,500 sq ft office building as their new Cardiff HQ. Estate agency Jeffrey Ross signed for 10,000 sq ft at 11-13 Penhill Road in Pontcanna at the end of April, with Savills acting on behalf of the landlord Aeron. The building will act as the new HQ of the growing local estate agency firm. Evolve IP UK also signed for a new HQ just north of Cardiff during the lockdown period. The telecommunications firm signed for 6,400 sq ft at a newly refurbished office within Parc Nantgarw in mid-May, with Savills acting on behalf of the landlord.

Savills is also aware of three other offices that have been put under offer during lockdown totalling circa 8,000 sq ft. There is also currently 170,000 sq ft of deals that are continuing to progress which had gone under offer prior to lockdown, along with a further circa 210,000 sq ft of known requirements currently in the market. Demand in Cardiff's office market has therefore remained in recent months, albeit somewhat restricted.



The Brewhouse, Central Quay. 71,000 sq ft of office space being developed by Rightacres Property Company. Image provided by Rio Architects

Occupational overview

Charities & Associations were the most active business sector during Q1 2020

During the first quarter of 2020, Cardiff's wider market saw total take-up of 64,364 sq ft, with the majority (71%) occurring in the out-of-town market. While take-up was significantly down from Q1 last year and the quarterly average, take-up in Cardiff often varies significantly from quarter to quarter and is often skewed by large deals; none of which occurred in Q1 2020. The emergence of Covid-19 and the UK-wide lock-down in March has affected office demand in Cardiff; however, the impact will be felt much more greatly on Q2 take-up.

The majority of take-up was for Grade B space (98%), and all deals in excess of 10,000 sq ft occurred in the out-of-town market. Just one Grade A deal took place, which was for 1,500 sq ft at 5 Callaghan Square.

Charities & Associations were the most active business sector accounting for 29% of take-up across four deals. Bobath signed for 13,500 sq ft at 1 The Courtyard, The Royal College of Midwives signed for a combined 2,400 sq ft across two deals at 13 Drake Walk, Waterfront 2000 and Early Years Wales took 2,600 sq ft at 1 Coopers

Yard. The Business & Consumer Services and Technology, Media & Telecommunications sectors were also particularly active, accounting for 28% and 27% of take-up, respectively.

Total supply in Cardiff currently sits at 977,445 sq ft, of which just 18% is Grade A. Although this is a 6% increase since the end of 2019, this is still 15% below the preceding five-year average. This reflects enough supply to meet just 1.7 years of take-up, based upon the five-year average take-up, and just 0.7 years for Grade A. While there may not be significant pressure on Cardiff's availability at present, as we move into 2021 demand will likely outstrip suitable office supply, demonstrating the need for speculative development in Cardiff.

There are currently two speculative office schemes under construction in Cardiff, totalling a combined 229,000 sq ft, which will reduce pressure on Cardiff's office availability. However, with the earliest delivery believed to be Q4 2021, occupiers looking for large requirements in Cardiff over the next few years will have to act fast and seek out pre-let

opportunities. JR Smart's John Street, Callaghan Square totals 109,000 sq ft and is expected to complete in the final quarter of next year, and the 120,000 sq ft interchange building at Central Square is expected to complete in the second quarter of 2022, with Legal and General rumoured to be close to signing a pre-let.

There are also two further pre-let opportunities for companies looking for Grade A space, The Ledger Building (225,000 sq ft) and The Brewhouse, (71,000 sq ft), both of which form part of the Central Quay development by Rightacres Property Company, to the rear of Cardiff Central Station.

Prime rent in Cardiff is currently £25 per sq ft; however, Savills expects prime rent to reach £30 per sq ft by 2023 as the new developments reach completion. In the short term, we do not expect Covid-19 will cause any downward pressure on rents. Grade A rents have remained stable, while in the Grade B and C markets, we have observed landlords offering higher incentives in order to encourage deals.

0.7

Years of Grade A supply

230,000

sq ft of pipeline on-site available to be let during construction

8%

Grade A vacancy rate

Cover: 4 Capital Quarter which was purchased by Greenridge for £33.4 million during Q1 2020.

INVESTMENT OVERVIEW

During Q1 2020 Cardiff saw total commercial investment of an impressive £125 million, which equates to a 69% increase on the Q1 five-year average. Cardiff Council's purchase of the Red Dragon Centre for £55 million created a surge in leisure investment, which accounted for 44% of all investment.

UK property companies were the most active investors in Cardiff during Q1 2020, accounting for 44% of investment.

Offices accounted for 38% of investment volumes totalling £48 million, which was in line with Cardiff's five-year quarterly average of £50 million. Key office deals included the sale of 4 Capital Quarter to Greenridge for £33.4 million, reflecting a 6% yield. Another key deal includes the purchase of 2 Kingsway by Delancey for £13 million with a 6.25% yield.

During this period we also saw a sale at the Imperial Business Park on the outskirts of Newport and Cardiff. Investec Bank sold units Q1 and Q2 for £15 million reflecting a NIY of 8.2%

At present, we have not observed any evidence of yields shifting outwards as a result of Covid-19 in Cardiff. Prime and secondary yields remain strong at 5.5% and 7% respectively.

44%

Share of commercial investment that has been from UK property companies, the most active investor type during Q1 2020.



Office investment has accounted for 38% of Cardiff's commercial investment volumes.

5.5%

Current prime office yield in Cardiff has remained stable during the start of the year.

What makes Cardiff a great place to live and work?

Well Connected

Cardiff Airport is located just to the west of the city and Bristol Airport is only 40 miles away. Cardiff also has great road connections which opens the city to the rest of Wales and South West England, as well as London via the M4. Cardiff is just 1 hour and 40 minutes away from London via train, the recent electrification of the rail-lines has reduced journey times and added thousands of extra seats per week.

Quality of Life

Cardiff offers something for everyone. There are a huge variety of places to eat and drink; enjoy sport and relax in many open spaces. Cardiff is also located on the coast, and just 30 minutes away from the Brecon Beacons.

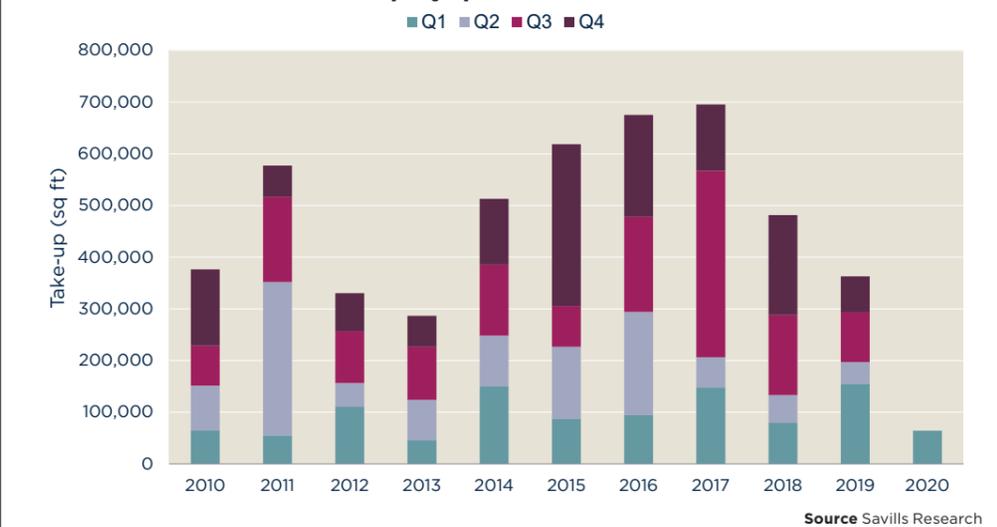
Cost of Living

According to Expatistan, the cost of living in Cardiff is cheaper than many other major UK cities. It is 38% cheaper than London and 12% cheaper than Edinburgh.

Employment

As quoted by the Secretary of State for Wales, "Employment is at a record high; latest data shows that Wales is the fastest growing nation in the UK and Cardiff is the fastest growth growing capital". This is particularly so for the digital tech sector, as Cardiff is one of the fastest-growing tech centres in the UK.

Cardiff wider market take-up by quarter.



Source Savills Research

Homeworking in Cardiff

Cardiff's ability to work from home puts their local economy in a strong position amidst the Covid-19 pandemic

The UK-wide Covid-19 lockdown has seen office workers in the UK temporarily move to remote working. While many businesses have been forced to temporarily close and put activity on hold, those which are able to continue from home are less likely to see major losses and disruption from the Covid-19 crisis.

In Cardiff, homeworking has become much more widespread due to the Covid-19 pandemic; however, this remains

sector-specific. According to UK-wide data from YouGov, those working in the IT and Telecoms sector are the most likely to now be working at home, with 75% saying they were able to. Media, Marketing, PR and Sales were close behind with 73% of workers capable of working remotely, followed by 72% of those employed in the financial sector.

Cardiff is in a strong position in the UK as a high proportion of jobs in the area are within

industries that are able to facilitate homeworking. According to data from Centre for Cities in 2018, up to 37.5% of jobs in Cardiff could facilitate homeworking. This puts Cardiff at the 6th highest position in the UK beaten by only, Edinburgh, Cambridge, Oxford, London and Reading.

Cardiff is therefore likely to see less economic disruption from the Covid-19 pandemic than other parts of the UK.

Cardiff is in a strong position in the UK as a high proportion of jobs in the area are within industries that are able to facilitate homeworking.



Savills Commercial

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team

Research

Pearl Gillum

Commercial Research
0207 535 2984
pearl.gillum@savills.com

Cardiff office

Gary Carver

Director
Office Agency
029 2036 8963
gcarver@savills.com

Ross Griffin

Director
UK Investment
029 2036 8961
rgriffin@savills.com

Sam Middlemiss

Office Agency
029 2036 8962
smiddlemiss@savills.com