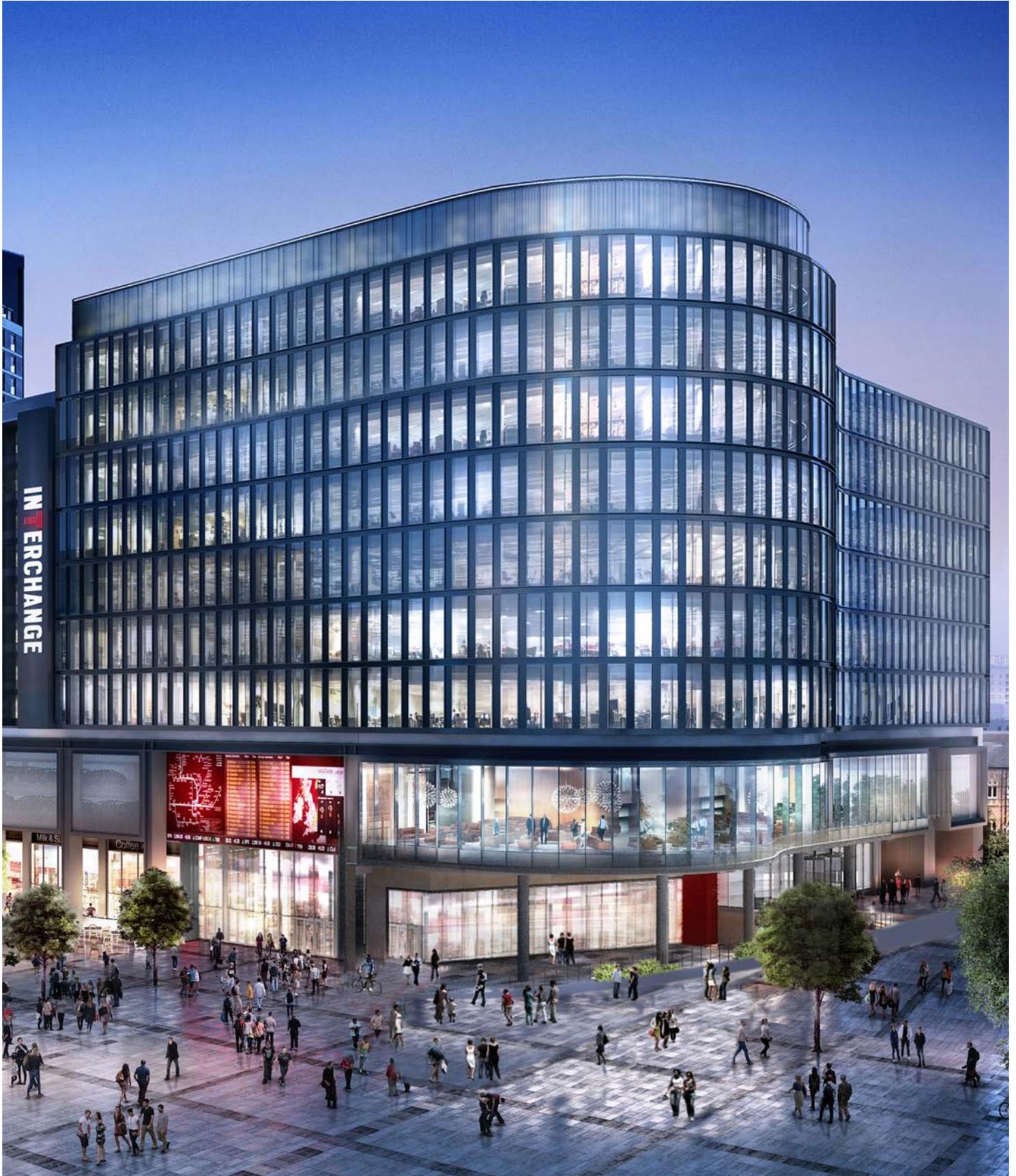


Cardiff Offices



The Interchange, Central Square, Cardiff. Image by Holder Mathias Architects



138,000 sq ft
Cardiff Q1-Q3 take-up



12%
Proportion of take-up that was Grade A



Top sectors
TMT (23%), Business & Consumer Services (17%),
Property Company, Development & Construction (14%)



£25.00
Prime rent - the most affordable of the 'Big Six' markets

What's the 'costa' Cardiff's workplace?

Covid-19 and its impact on our lives have made us all a little more selective about where we want to spend our working days, and the ability to be closer to home is certainly becoming more attractive to employees. The digital age has enabled people of all ages to work remotely more than ever before, and Covid-19 has created the biggest homeworking experiment of our time. However, initial research suggests that even digital-savvy younger workers still crave personal, face-to-face interaction.

Membership and co-working spaces are particularly good at attracting people because they are hosting activities that people enjoy. They encourage people to network, work together and share skills. As well as creating spaces where local people can come to work, creating flexible workspaces in local centres will create community, boost footfall and help support shops and amenities in the surrounding area. This could significantly help reinvigorate town centres. Co-working cafés could also be the ideal launch pad for start-ups. Recently, Cardiff has enjoyed something of a coffee revolution, with an array of new, independent coffee shops with free wi-fi scattered across the city.

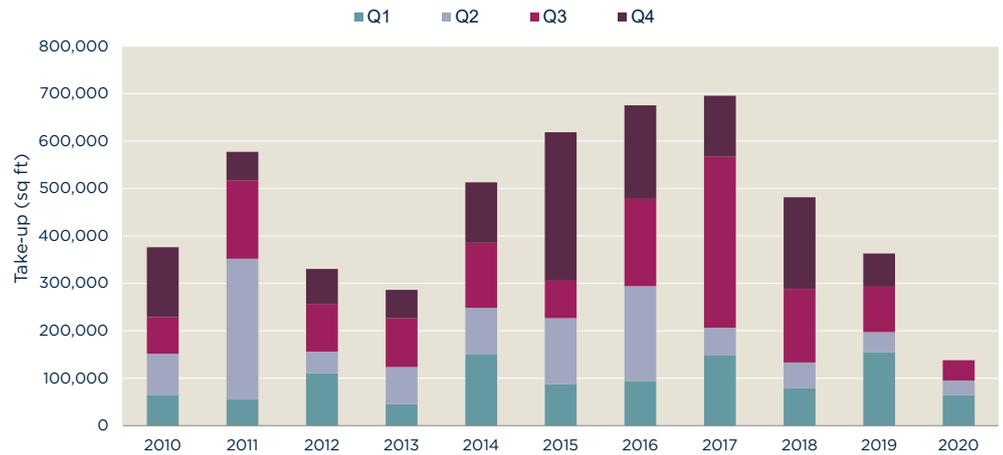
Areas outside the city centre are also becoming a magnet for freelancers and those that want to work outside the home, but don't want to travel into the office. The Tramshed, located in a Grade II-listed building on the edge of Grangetown that was once the old tram depot for West Cardiff, is a great example of the type of space that an area outside of the city can offer. Canton is another up-and-coming area for creatives, with the development of The Bone Yard, a thriving community of artists and creatives.

The way we work is changing. People are increasingly looking for engaging workspaces in a stimulating environment close to home, so it's important to provide towns and high streets that promote both well-being and a sense of community.

Clare Bailey, Director.
Savills Commercial Research

Cardiff wider market take-up

The Covid-19 pandemic has caused Cardiff's office take-up to be limited throughout the first three quarters of 2020



Source Savills Research

Occupational overview

Although the Covid-19 pandemic has caused office take-up to be significantly below average levels, Cardiff has attracted some key office occupiers throughout the first three quarters of 2020

So far this year Cardiff has seen take-up of 138,123 sq ft, significantly below the same period last year and the Q1-Q3 five-year average. This figure is in line with Cardiff's Q1-Q3 take-up during 2009, demonstrating the effect that the Covid-19 pandemic has had on Cardiff's office market so far this year.

The majority of take-up has been for secondary space with just 12% of deals being for Grade A offices. At present, we have seen no evidence of increasing occupier movement out-of-town with 58% of deals being within the city centre, which is in line with the average proportion of 59%.

The Technology, Media & Telecoms sector has been the most active sector so far this year, accounting for 23% of take-up. Key deals have included Fintec which

signed for over 12,000 sq ft at Caxton House and Currencycloud which signed for 6,587 sq ft at Hodge House.

Currencycloud has added to the growing fintech cluster within Cardiff which includes key challenger banks Monzo and Starling. Currencycloud allows businesses to quickly access virtual accounts for customers, with the ability to collect, convert, pay and manage multiple currencies simultaneously, from all over the world.

This year during Q2, Starling Bank expanded further in Cardiff signing for an additional 14,000 sq ft at Brunel House where they already occupied 14,100 sq ft.

Prospects for Q4 are positive despite disruption from Covid-19. During October, Legal & General

pre-let 120,000 sq ft at the Interchange, Central Square. Legal & General plan to move in 2023 relocating over 1,800 employees from their existing Cardiff offices.

Since the end of 2019, supply in Cardiff has increased by 15% and currently totals around 1 million sq ft. Grade A supply is much more limited with just 300,000 sq ft available reflecting only enough demand to meet 23 months of average take-up.

Currently, the prime rent in Cardiff remains at £25 per sq ft. While we have seen no evidence of prime rents in Cardiff reducing below this rate, we have seen evidence of occupiers negotiating for larger incentives as a result of disruption in the market caused by the Covid-19 pandemic.

🗨️ **Currencycloud signed for 6,587 sq ft at Hodge House adding to the growing fintech cluster within Cardiff which includes key challenger banks Monzo and Starling.** 🗨️

INVESTMENT OVERVIEW

So far this year, Cardiff has seen total commercial investment of £75 million, the majority of this was for offices (64%), which totalled £48 million.

The Covid-19 pandemic has brought significant disruption to occupational and investment markets throughout the UK, and as a result of this, Cardiff's office investment has been very limited since Q1.

However, although there has been almost no office investment in Cardiff since Q1, volumes are currently just 11% below Q1-Q3 last year and 42% below the 10-year Q1-Q3 average, due to the strength of Q1.

Almost all office investment has come from UK property companies which accounted for 99% of investment, by value.

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.

Activity has continued into Q4, and during October, London & Scottish Property Investment Management, the asset manager for office and industrial investment trust Regional REIT, purchased Global Reach in Cardiff's Celtic Gateway Business Park for £8.4 million, reflecting a net initial yield of 8.9%.

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



64%

Proportion of commercial investment for office space

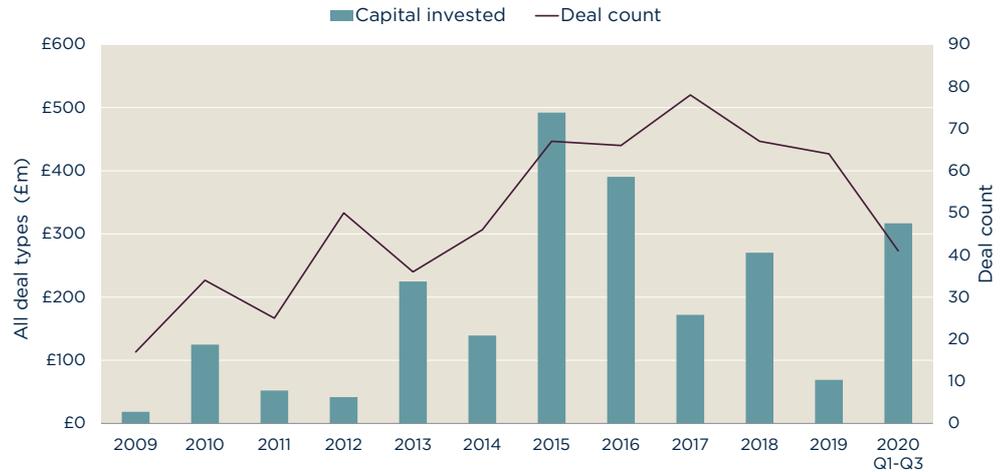


99%

Proportion of office investment from UK property companies

Cardiff capital raised (£million)

Despite economic uncertainty, Cardiff has seen significantly increased volumes of capital invested into businesses with headquarters located in the city



Source Pitchbook

There is an exciting network of early and start-up businesses innovating and growing within Cardiff

So far this year, Cardiff has seen £317 million (41 deals) invested into businesses headquartered within the city, already representing a 75% increase on the 10-year annual average figure. Of that figure, £23 million (18 deals) were venture capital deals, demonstrating there is a network of early and start-up businesses growing and innovating within the city.

The largest venture capital deal in Cardiff, so far this year, was the acquisition of ANNA by ABH Holdings for £17.5 million, in May. ANNA is a business banking and administration services app that creates invoices, expenses and taxes for small business, which is currently based at Capital Tower Business Centre, Cardiff. ANNA plans to use the funds

to expand out of the UK for the first time and move into other parts of Europe.

In March, Diurnal Group PLC, which is based at Cardiff Medicentre, received £11.2 million of development capital from undisclosed investors through a private placement. Diurnal Group PLC produces and distributes speciality pharmaceutical products.

Kagool is another Cardiff-based company that has raised a significant amount of venture capital this year. Kagool is the operator of a digital marketing agency intended to find answers to digital tribulations which is currently based at Capital Tower Business Centre. It provides a complete range of services that are tailored to

meet business needs, enabling businesses to create digital business strategies. The company raised £6 million of venture funding from BGF. These funds will be used to support its organic and acquisitive growth strategy.

We expect that these occupiers will increase their headcount after receiving investment leading to future requirements for office space. Such investments not only boost Cardiff's economy but drive confidence amongst occupiers.

“ In March, Diurnal Group PLC, which is based at Cardiff Medicentre, received £11.2 million of development capital from undisclosed investors through a private placement. ”



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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