



Office snapshot

Cardiff city centre Q2 2020

Key takeaways

- Occupational activity was quiet in Q2, as the market slowed due to the Covid-19 lockdown restrictions in place.
- Two new build schemes are under construction on a speculative basis but will not complete until 2021/22, although completion dates remain fluid.
- The diminishing Grade A supply is narrowing the rent differential between new and refurbished stock and this trend will continue.

Top five deals

Tenant/ Purchaser	Transacti on type	Area (sq ft)	Address
Starling Bank	Lease	14,075	Brunel House
Jeffrey Ross	Lease	9,933	11-13 Penhill Road
Barbri Altior	Lease	1,800	7/8 Park Place
Pobl	Lease	1,379	3 Regents Court, Nettlefold Road, Ocean Way
Just Druid	Lease	543	Portland House

*JLL involved in transaction

Demand



28,200 sq ft
Q2 take-up



Average deal size
4,701 sq ft



0 sq ft
Grade A take-up



Dominant sector
50%
Banking and Finance

24%
Professional Services



Largest city centre deal

Starling Bank
14,075 sq ft
Brunel House



Total number
of deals



Number of deals
above 5,000 sq ft



Number of deals
above 10,000 sq ft



Supply



11.8m sq ft
Total stock



646,300 sq ft
Currently available



188,700 sq ft
Total Grade A supply



5.5%
Vacancy rate



294,000 sq ft
Speculative under construction

Prime rents



£25.00 per sq ft

Year-on-year rental growth



0.00%

Contacts



Rhydian Morris

Director - Office Agency
+44 (0) 292 072 6002
rhydian.morris@eu.jll.com



Justin Millett

Lead Director - Capital Markets
+44 (0) 292 072 6006
justin.millett@eu.jll.com



Barrie David

Associate Director - Research
+44 (0) 207 087 5165
barrie.david@eu.jll.com



Vicky Heath

Associate Director - Research
+44 (0) 117 930 5738
vicky.heath@eu.jll.com

Market overview

Demand

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Take-up	28,200	↓	↑
Prime rent (£ psf)	£25.00	→	↑

Historic take-up (sq ft)

Year	2017	2018	2019	2020 H1
Total	624,800	341,200	250,700	46,700
No. of deals	77	72	66	17

Source: JLL, 2020

The office market in Cardiff slowed in Q2 due to the Covid-19 lockdown restrictions in place. As a result, deal volumes were slow and take up over the quarter reached 28,200 sq ft, taking the H1 2020 level to 46,700 sq ft. The largest transaction over the quarter was Starling Bank who took just over 14,000 sq ft at Brunel House in the City Centre. As lockdown restrictions started to ease market activity resumed; smaller enquiries in particular are more active while larger, longer term requirements are typically progressing more slowly as tenants consider how they will utilise office space.

Prime rents were held at £25.00 per sq ft in Q2 and typical rent free periods were stable at 15 months' rent free on a 10-year term*.

*The Covid-19 pandemic has created a material uncertainty in real estate investment market performance. Across Europe, there is considerable variation in the extent of the human tragedy implications unfolding and its impact on economic activity, including the trajectory, duration and extent of these impacts on all real estate sectors. Varying recent and ongoing policy responses across the region and mitigating implications will differ by market and sector.

Supply

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Vacancy rate (%)	5.5%	↓	↑
U/C spec	294,000	↑	↓

Source: JLL, 2020

The Cardiff market remains characterised by a lack of good quality space. Grade A vacancy maintained the level seen at the end of 2019, at 1.6%, with overall vacancy also largely unchanged over the quarter, remaining at 5.5%.

With building sites being closed for the majority of Q2 due to Covid-19 restrictions, this has resulted in completion dates becoming fluid. The completion of Hodge House in Q1, a good quality 60,000 sq ft refurbishment, will help to alleviate the shortage of prime space in the short-term. The overall pipeline remains active with two new build schemes underway on a speculative basis: Building A John Street (109,000 sq ft) which completes in 2021 and 4 Central Square (120,000 sq ft) which is due to complete in 2022. Furthermore, the major refurbishment and extension of Fusion Point 1 (65,000 sq ft) is due to complete in Q3 2020.

Investment

Investment market	Q2 2020	Change Y-o-Y	12-month outlook
Investment vol (£m)	£13m	↓	→
Prime yield	5.75%	→	→

Source: JLL, 2020



2020 total
£46m

5.75%

Primeyield
Q2

Investment activity in Q2 remained subdued, with £13m transacted. The market slowed in line with the wider UK investment market as activity paused due to a combination of Covid-19 and a general lack of stock. However, there are signs of activity returning to the UK regional investment market and a stronger H2 is expected.

Prime yields were held at 5.75%*.