



CARDIFF

EXECUTIVE SUMMARY

- Cardiff has seen large-scale changes to the city centre and Bay area over the past decade and there are further large developments on the horizon, including the 220,000 sq ft Ledger building in Central Quay.
- There has been curtailed activity in the office market, with relatively low capital value growth of 2.5% and rents were largely stable during 2019.
- The retail sector has contracted in Cardiff in line with the broader U.K. trends, where increased ecommerce and changing consumer habits have created problems for retailers.
- New developments will be complimented by the second phase of the South Wales metro extension, due to be completed in 2023.

Cardiff has seen large-scale changes to the city centre and Bay area over the past decade with substantial mixed-used developments such as Central Square and Capital Quarter. Demolition work has commenced for the first phase of the Central Quay masterplan, which will encompass 1.5 million sq ft of office space, 1,000 homes, 50 bars and restaurants and a university campus.

Low levels of grade A office availability contributed to Cardiff's subdued take-up in 2019. There are however large developments on the horizon including the 220,000 sq ft Ledger building in Central Quay and JR Smart's development at John Street, as well as development in Central Square, which will substantially increase supply. These large scale schemes tend to attract strong anchor tenants that want to stake their claim in the city.

The food and beverage sector in the city centre continues to strengthen, with prime sites recently opened by The Ivy, The Alchemist and Pho. However, the retail sector has contracted in Cardiff, particularly outside of the immediate city centre around St Davids 2. Capital values have decreased by 11.4% over the past year, while rental values are down 3.4%. This is in line with the broader U.K. trends, where increased ecommerce and changing consumer habits have created problems for bricks and mortar retail. This downward trend is expected to continue in 2020, with retail capital value forecast to decrease by 5% over the year.

Industrial real estate in Cardiff has been performing well. Greater distribution and logistical demand stems from the increased volume of home deliveries, combined with the withdrawal of the Severn Bridge toll and the connectivity of Cardiff with the rest of Wales. This has driven requirements for warehouse and industrial space in and around the city.

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	↓	↑
Vacant Space	→	→	↓
Construction Levels	↑↑	↓	↓
Leasing Volume	↑	↑	↑
Investment Volume (all sectors)		↓	

Until now, demand has not been matched by new supply, therefore creating an environment for rental growth in 2020. We do however expect to see more development announced during the year.

Cardiff's status as a home for major events continues to drive hotel occupancy, with the opening of the International Convention Centre at Celtic Manor likely to drive demand even further. There are an increasing number of operators looking to move into the city, with a new EasyHotel, as well as a high profile 4 star operator due to open in the city during the year.

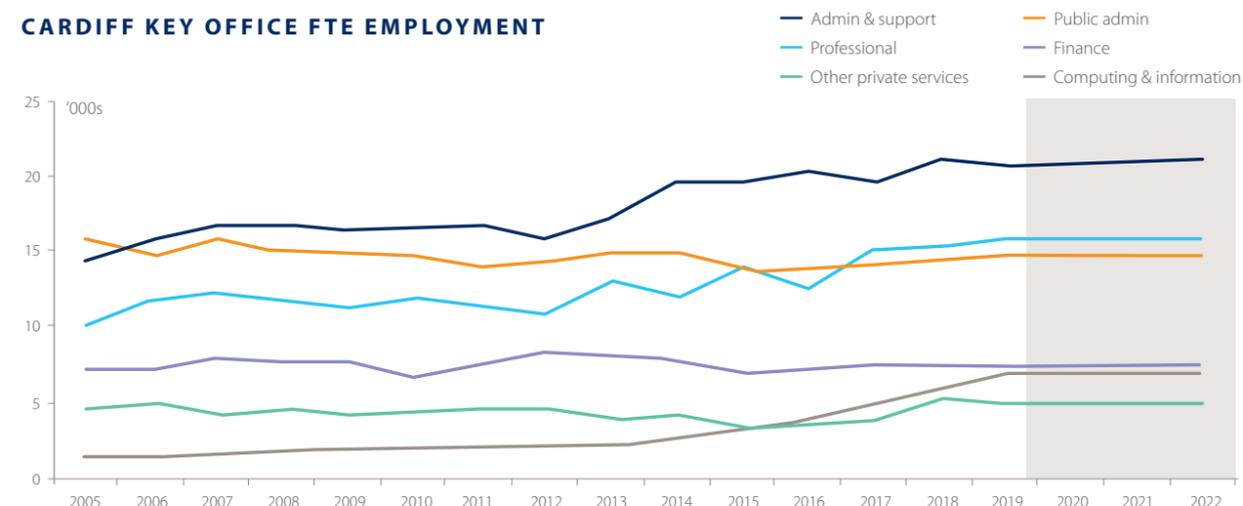
There continues to be strong demand for student housing which has driven supply for purpose-built student apartment blocks in recent years, and there are also a number of BTR schemes in the pipeline. There are clear deliverability issues in Cardiff's housing supply, however, with the annual land availability study revealing just 3.5 years' worth of land for residential development, well below the 5 year requirement.

There are currently several major residential schemes underway across Cardiff particularly to its northern boundary, although tighter planning legislation and rising build costs are likely to hamper deliverability.

These new developments will be complemented by the second phase of the South Wales metro extension, due to be completed in 2023. This infrastructure project will offer greater connectivity throughout the region as well as alleviating some of the congestion in the city.

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CARDIFF KEY OFFICE FTE EMPLOYMENT



Source: Experian