

City Focus

# Cardiff



# Cardiff crafts an urban revival

## As Wales raises its national profile, its capital looks to a greener revitalised future

At the end of March, Wales eased lockdown restrictions the way it had managed the rest of the pandemic: by setting itself apart. It was the first country in the UK to scrap 'stay local' rules (if only by a few days), allowing unlimited travel within its borders at the end of the month.

But Wales' decision to take the lead and set its own rules throughout the pandemic was not simply a practical response to a crisis; it reflected what local news called "an awakening of Wales' devolved consciousness". Awareness of the Welsh parliament, the Senedd, rose and first minister Mark Drakeford was more visible both locally and nationally. While Welsh independence does not appear imminent, opposition to independence fell to its lowest level in recent years – 50%, according to a YouGov poll for Wales Online on 1st March 2021.

All eyes are now on the May elections and how that will shape the Senedd. The three largest parties – Labour, Conservatives and Plaid Cymru – continue to lead in the polls, but the emergence of the anti-Senedd Abolish the Assembly party, which could win a few seats in the election, has been a recent development that suggests not everyone is happy with devolution.

Cardiff itself has been busy shaping the future of the city in recent months. Several large developments have been unveiled, including a seven-year masterplan for Atlantic Wharf in Cardiff Bay. Anchored on the £150m Cardiff Indoor Arena development, the 30-acre site will include 1,150 new homes, 150,000 sq ft of office space, leisure facilities and a 150-bed hotel.

While commentators murmured about the potential for Wales – particularly Cardiff and Swansea – to benefit from companies moving out of London, developer Vastint UK submitted plans for a 40-acre, 2,500 home development in the Butetown district. A new riverside park, 500,000 sq ft of commercial space and a footbridge are also included. Meanwhile, the Department for International Trade announced it would establish a new trade and investment hub in Cardiff – one of four across the UK.

Amid these opportunities, Cardiff and other Welsh cities have had to wrestle with the changing shape of towns and cities. The closure of Debenhams in Newport was a particular blow to its high street after years of decline, prompting the BBC to ask what's next for the city after the store shut. At the same time, Cardiff Airport's future looked precarious when it was valued at

£15m last month – a fraction of the £52m the Welsh government paid for it in 2013.

The long-term effects of the pandemic and lockdown are a continuing debate, with the pedestrianisation of Castle Street one of the key issues. Closed to cars last year, the street became an area for outdoor dining as restrictions eased over the summer. Though buses and taxis were allowed back in November, the council has yet to make a long-term decision on whether the central street will allow private cars back in.

Castle Street's pedestrianisation had a clear impact on pollution in the area, which highlights the council's need to balance convenience and need with wellbeing and environmental friendliness. The city has launched a public consultation about the issue.

South of Cardiff, the Vale of Glamorgan has launched its own public consultation on 'Project Zero', the council's climate emergency action plan. The consultation asks whether its intended targets – including flood prevention plans, sustainable transport options like e-bikes and the development of district heating networks – are appropriate and ambitious enough.

That question should resonate with Wales more broadly. The development of appropriate and ambitious plans, whether they are environmental, social or political, will define the agenda for both Cardiff and Wales over the coming months. Rapid change might mean heightened risk, but it can also lead to significant opportunity – and a chance for Wales to continue to set itself apart. ■

**Should we expect a revolution** in Cardiff's built environment, or will the coming months give us more of the same? EG Propertylink data reveals the sectors in which the industry is looking for space and acts as a guide for trends we could see in the future. In Cardiff, it shows both a flight to safety and a push into riskier territory.

Enquiries for industrial space in Cardiff rose 30%, year-on-year in January and February, according to data from EG Propertylink. Interest in the sector recovered faster than in any other after the lockdown induced slump in April 2020. With office enquiries down throughout the year, industrial is now the second most popular sector in Cardiff, behind only retail.

Cardiff's industrial market is a reliable one. As EG Radius deal data shows (see page 3-4), industrial activity declined less than other sectors in 2020 and, prior to a crisis out of the industry's control, had been performing consistently for years. Combined with a growing need for industrial space from the explosive rise in online shopping, the industry's confidence in the sector appears well placed.



The growth in industrial enquiries is also notable because enquiries, as a whole, have only just recovered in Cardiff. The total number of enquiries was up 2.1% on the start of

“ Cardiff is notable for retail being the most popular sector for searches, comprising 34.3% of all enquiries in 2021

2020, compared to a 47.7% increase nationally in the same period.

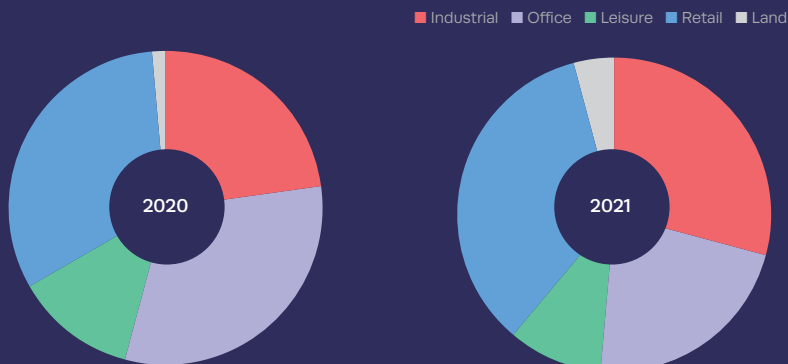
**Retail plugs the leisure gap**

Since enquiries have not risen significantly overall in Cardiff, what's most interesting is the ways in which priorities have shifted. The city is notable for retail being the most popular sector for searches, comprising 34.6% of all enquiries at the start of 2021, compared to 26.3% nationally. That prevalence has only increased in lockdown.

Part of the growing interest in retail, as EG and others have previously suggested, is the change in planning regulations that allow for easier change of use from one sector to another, which will be central to reimagining the high street. But that can't be the only reason. While retail enquiries were up 10.4%, leisure enquiries fell 19.5% in a difficult year for both sectors. Retail has historically played, and will continue to play, an important role in Cardiff's built environment.

While enquiries for industrial space reflect interest in a tried and tested sector with reliable fundamentals, retail is the opposite. Its enquiries in Cardiff have held up despite the challenges and despite the uncertainty over the last year. The question is: how long before those enquiries translate to a recovery – or an evolution in the market? ■

Cardiff enquiries by sector: Jan-Feb 2021 v Jan-Feb 2020



Source: EG Propertylink

# The only way is up

## A dearth of deals rocked every sector in Cardiff last year

### Offices

With a 67% fall in take-up, year-on-year, Cardiff's office market struggled throughout all of 2020, totalling just 123,306 sq ft.

EG Radius recorded 44 deals – down from 118 in 2019 – and the average letting was less than 3,000 sq ft, also down on recent years. The largest deal last year was a 14,000 sq ft letting to Starling Bank at Brunel House.

Historically, Cardiff's office market has largely relied on volume: a lot of occupiers taking small spaces in and around the city.

In 2019, for example, there were just three deals larger than 10,000 sq ft, which meant more than 300,000 sq ft of take-up came from 115 smaller lettings (occasionally, a deal like HMRC's 266,000 sq ft letting at Central Square in 2017 will boost the total – but this is rare). Take-up falling in 2020 was not so much due to an absence of larger deals, but a dearth of small ones.

Office investment took an even bigger hit, totalling £19m – down 75% on 2019 and 90% on the five-year average.

However, investment was already down 80% between 2018 and 2019

after several active years. After two quiet years, could we see a resurgence in 2021?

### Industrial

Cardiff's industrial market witnessed an uncharacteristic slump in 2020, with take-up falling 38.6% on 2019 and 46.6% on the five-year average. That is especially notable because, unlike the office market, which ebbs and flows from one year to the next, the city's industrial lettings are relatively predictable.

About 150,000 sq ft separated the most and least active years between 2013 and 2019. By comparison, activity in 2020 was down nearly 300,000 sq ft on recent highs.

Total take-up came to 230,000 sq ft last year, and 57% of that was in Q3. An above average quarter for industrial lettings, Q3 was buoyed by 18 deals (more than half of the year's total), including the largest of the year: the BBC's 30,553 sq ft letting at Fountain Lane.

Industrial investment, however, all but disappeared in Cardiff last year, totalling £1.3m across three deals. In 2019, investors piled £71.5m into the sector, but it was the most active year for the city in at least a decade. Although 2016–2019 were relatively



active years for the market in Cardiff, investment volumes falling below £5m is not unusual: in 2015, for example, investment came to £3.5m and there were no deals recorded in 2013.

### Retail and leisure

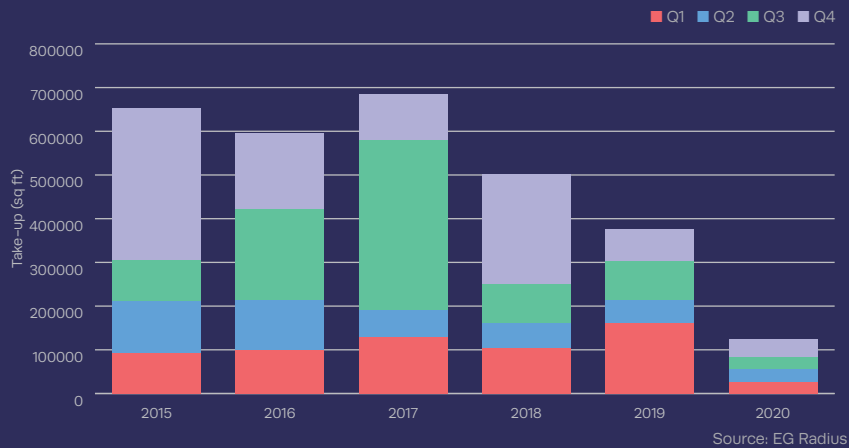
Question marks surround the future of the high street now more than ever, and Cardiff's retail and leisure market clearly illustrates that. Down 77% year-on-year, total retail take-up was 69,739 sq ft in 2020. Even more striking was the absence of a single hotel or leisure letting.

In a normal year, you would expect to see more than 100 lettings in and around the city. Some of these might be larger – 2019, for example, was the most active year since 2013 thanks to six deals topping 10,000 sq ft – but on average, they would be less than 3,000 sq ft. Last year, there were 28 deals, half of which happened before the first lockdown. There were no deals in April, September or November, and even





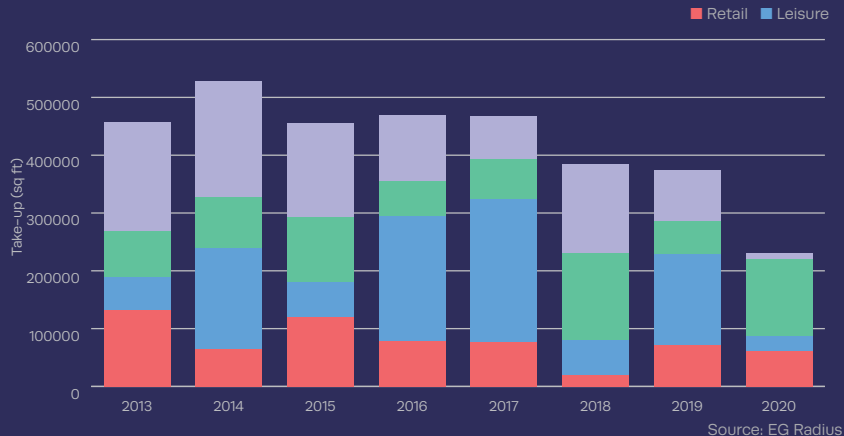
Cardiff office take-up (2015–2020)



a brief upswing when restrictions loosened over the summer led to just 18,431 sq ft transacted in Q3.

Investment was also down, but the £25.4m sale of the District Shopping Centre – let to Sainsbury's – to RI SB Thornhill Cardiff Ltd brought the year's total to £38.5m. Total investment was down 44.9% on 2019, but above the £26m recorded in 2018, demonstrating the unpredictable nature of the market.

Cardiff industrial take-up (2013–2020)



**Residential**

Unite's £31m acquisition of Blackweir Lodge, a 410-bed student housing site was the one residential deal in Cardiff in 2020. It was, however, among the biggest investment deals in the sector in recent years. Only Grainger's £57m purchase of a development site in Cardiff's Butetown district – completed in the final days of 2019 – and Empiric's £40.8m acquisition of Windsor House in 2016, rank higher. ■

# Cooke & Arkwright discuss the future of commercial real estate in Wales



We sat down (virtually) with Ben Bolton, Director at Cooke & Arkwright, based in Cardiff to discuss their 120th year anniversary, challenges and developments in Wales and what the future of commercial real estate looks like for the region.

## **Congratulations on winning the EG Deals Competition for Wales in Retail. What does the accolade mean for the firm?**

Thank you! We welcome all opportunities to engage with any outside sources to showcase what we do and how we do it. We're a multidisciplinary team – one of the few to provide a full range of services in Wales, and it's great to demonstrate the breadth of sector experience that we have. In terms of the EG competition for retail, in a time where that sector has been under such great disruption it's a real pat on the back for that team and the exceptional work that they've done over the last 12 months, it's brilliant. Being a part of the league tables, and having clients even see that sign off gives us more power which is great, especially at times like this.

## **It's been a tough year for everyone, how have you been supporting your clients?**

Real time, honest feedback of the market is critical to support our clients. Quite often we have



**Ben Bolton, Director**

to deliver opinions which might challenge what our clients want to hear, but importantly, working with an evidence-based system – our opinions are backed up with data and evidence which gives a credibility and a relative position to our views.

I think in such a dynamic market, we're always conscious of that – as opposed to just giving out views in the market which might be a challenge to some people, everything we do and say at Cooke

& Arkwright is evidence-based. We always try and get a balance by giving a reference point to our views – where EG Radius and News helps – and then the clients can take that and interpret it. It's great to have it as a back up to our views.

It's our 120th anniversary this year, a lot of our senior board have been around for decades, which gives clients confidence that not only do we have so much experience, but also that we are held accountable to those views – and that if you give us a call in 5 years' time, you will see familiar faces, and people who are still involved and invested in the business. It's the integrity that comes with the profile, we realise what that means for us and what to do in order to keep to the high standards that we are measured by.

**Some sectors have been more resilient than others over the last 12 months. Where have you seen resilience? And what are the opportunities that are interesting investors in Wales most?**

Over the past 12 months, it has been really positive for the industrial sector which goes from strength to strength; lockdown has shown such a huge growth in demand from the deliveries and logistics operators. Certainly with the lack of availability of space, investors realise the lack of supply should lead to continued rental growth in and higher capital value – I'm sure this logic applies to most regions, but it feels particularly strong in the Welsh market. With the focus on the industrial and logistics sector, we are starting to see the green shoots of new development which as a region we sorely need to improve the quality of stock to retain our key occupiers.

For investors, most are crying out for long term investment projects, and alternate investments, such as the service station we purchased for clients last year at Cardiff Gate. Many sectors which were traditionally seen as alternate, or non-core, are suddenly becoming a core asset class, and that surge for alternate investment will continue to be a big part of the market going forward.

We are starting to see people look back into office and retail warehousing markets. During the first phase of the pandemic, people did back off quite quickly, unsurprisingly, but whilst occupational habits are changing and evolving, I don't believe there's that same panic in the market as many initially feared, which is reflected in the market sentiment that we are seeing now. Certainly people are being far more pragmatic about these uses and the relative value for now and the long term.



For the high streets, it has been interesting to see the response. They are clearly quiet during the forced restrictions, but in the release we had in the run up to Christmas, there seemed to be so much pent up demand from consumers to get out into the shops and interact with people. I don't think that was just a seasonal experience, I really do think people miss the interaction of shopping, and when we do release and I feel people will be keen to go back out onto the high streets, we'll see quite a resurgence for a period.

### **What are your expectations for the market as we come out of lockdown over the next 6 months?**

“ Many sectors which were traditionally seen as alternate, or non-core, are suddenly becoming a core asset class, and that surge for alternate investment will continue to be a big part of the market going forward.

People's views are quite transient – if you look at the office market, the original reaction was that we are going to work far more from home than the office – I don't think that is the case in people's views now. It's given people time to reflect on how they work now, how they worked pre pandemic, and how they will grasp the nettle to make changes to rectify the inefficiencies that were hardwired into their system previously, I think people will come out of this with a much better feel for the purposefulness of their workplace. The next 6 months could be a really busy time in office agency as companies realign their sites and strategies for the future.

### **As you navigate the market this year, how have you benefited from using EG Radius?**

Definitely, it will be the comparables, it's the comparable system from EG Radius that is part of our workflow, it is brilliant for our valuation reports, and to determine the views that we have on the agency side to provide the evidence to back up our



views and advice. It is often the first point of call for agents at Cooke & Arkwright to go to when they start their research.

**Have you seen much difference in the activity from urban to non urban areas?**

We have quite defined cities in South Wales, but it has been really reassuring to also see how strong the market is in Mid and North Wales. Because the markets are often more restricted by supply, when opportunities come up, they often achieve high values because of such pent up strong demand for occupiers in the regions.

As a strategic play in the Cardiff city region, we need to understand how the South Wales regional towns reinvent themselves and continue to be a strong relevant part of the economy as we have all seen the centralisation of companies across UK major cities, Cardiff being our dominant Capital city in Wales, means we must make sure that towns like Bridgend, Pontypridd and Caerphilly are also comfortable in their position and what they provide for the city region.

It is a real strength to the region that we've seen such a strong demand and not as drastic fluctuations in activity like other regions across the UK. I am hopeful that as a result of some of the decentralisation from some of the big national companies and central Government – that South Wales will shine through when it comes down to relocations with our strong quality of life and relatively lower cost of living.



**Thank you so much for your time, is there anything else that Cooke & Arkwright would like to highlight? As this is a customer spotlight we are keen to share your successes, so anything as a company you are particularly proud of, or working toward etc. please do share!**

Despite the unprecedented global events of 2020, we are celebrating our 120th anniversary with another successful 12 months, building on the 25% growth we have achieved over the past four years. Significant deals in the last year have included the off-market investment acquisition of Cardiff Gate motorway service station for £10m and the freehold sale of West Point Industrial Estate in Cardiff on behalf of Telereal Trillium for a price of £3.45m.

We completed the sale of two further phases of the flagship Plasdr residential development in North West Cardiff, and advised businesses on saving £5.75m of business rates for the 2020/21 period. Cooke & Arkwright has remained the retained agent for several high profile businesses in South Wales, including Burger King, Greggs and Principality Building Society.

We have recently been appointed as retained agent for Parmer Cardiff Waterside, resuming a long and leading involvement in the Cardiff Bay office market. The firm was reappointed by The Crown Estate as managing agent of its coastal portfolio around Wales for a further five years, managing some of the country's most important assets. ■



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### Snapshot of contributed data from 01/01/2021 – 16/04/2021 via EG Radius

#### Wales: Top Contributors – Office

Contributor	Space transacted (sq ft)
Fletcher Morgan	34,288
Alder King	17,884
Savills	15,390

#### Wales: Top Contributors – Industrial

Contributor	Space transacted (sq ft)
Knight Frank	248,245
Fletcher Morgan	127,294
JLL	115,781

#### Wales: Top Contributors – Retail

Contributor	Space transacted (sq ft)
Fletcher Morgan	115,529
Cooke & Arkwright	8,785
JRBT Commercial Property	807

#### Cardiff Top Contributors

Contributor	Space transacted (sq ft)
Fletcher Morgan	32,752
Savills	13,713
Alder King	1,887
Cooke & Arkwright	1,768

For more information and to find out how to contribute your data, get in touch at [deals@egi.co.uk](mailto:deals@egi.co.uk)

