

South East offices

Key towns update
of activity

Q1 2020



Ashai committed to taking 36,800 sq ft at Brook House in Woking



PIERS LEIGH

Principal South East Offices

“

The stats for Q1 seem almost irrelevant given the lockdown situation we find ourselves in as we head into Q2. However, what they do tell us is that pre the effects of Covid-19 the market was in good shape generally, especially on the investment side. The big unknown is whether we can pick up where we left off when a degree of normality returns.

Introduction

Welcome to Avison Young's South East quarterly update which focuses on 10 key markets made up of in town and out of town markets covering the whole of the south east geographical area. In this update not only do we look back at the take up in Q1 but also the evolving picture around the UK's response to the Global Pandemic brought on by Covid-19. We will also share our revised outlook for 2020 and how the market is coping with the lockdown measures and social distancing which are currently in force and set to continue well into Q2 2020.

In this update we have looked at what sectors have been most active this year in each town, the latest vacancy rates and key developments coming to the market. We have also included key transactions across the South East, some of which fall outside our 10 barometer towns.

Within the investment update we cover the whole of the south east market, we analyse who the vendors and purchasers were and look at the headline transactions. We will also give our outlook on the implications of Covid-19 on the market for the remainder of 2020.

Overall Q1 2020, on both the occupational and investment sides remained relatively unscathed by what was a crisis in China and the Far East for most of the quarter, with the first known case of Covid-19 not hitting the UK until late January 2020. By this stage a number of transactions that went through in Q1 were fairly advanced and we had little idea of the situation we now find ourselves in. The UK only went into full lockdown on the 23rd March, initially for a 3 week period, with only the hospitality and retail industry really feeling the pinch before that stage. One key transaction that has been a victim of the Covid-19 situation and the lockdown restrictions has been Surrey County new headquarters acquisition at Midas in Woking.

On the investment side, most transactions that were in the pipeline transacted ahead of the end of Q1. However, those which only got agreed and went into solicitors' hands towards the end of March are more at risk. The quarter day falling in the first week of lockdown also knocked confidence with a number of landlords falling well behind on rents received and, where buildings had only just agreed terms, prospective purchasers will be looking again at the situation. The impact on the debt market will also be significant for purchasers during Q2 2020; Material Uncertainty clauses in valuations have meant the debt market has largely ground to a halt.

Longer term implications of the lockdown and the government's effort to battle Covid-19 are difficult to identify at this stage. Until we know how long the current measures will be in place (at the time of printing this has been extended by 3 weeks until early May) we will not know how quickly life and the market can return to a new normal. Valuation uncertainties will only be exacerbated as the lockdown continues with the declining amount of evidence coming through. The longer the enforced lockdown continues, the more businesses will be at risk of survival which could lead to a jump in supply or tenant controlled space being released to the market. Where we will see significant change is in how we use offices and the value they have to business. Our predictions on this, I hope, will make interesting reading to occupiers, investors and developers.

Take up across SE 10 in Q1

420,000 sq ft

Down compared to Q1 2019 by c.45%



Town centre

286,000 sq ft



Out of town

134,000 sq ft

Headline rents average

£35.25 per sq ft

Q1 2020 vacancy rate SE 10

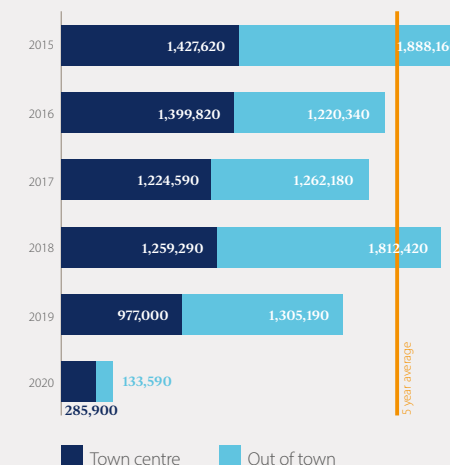
Grade A

3.71%

Total

9.47%

Ten towns total take-up (sq ft)



Key South East office occupational transactions in Q1 2020

- Xero taking the remaining 55,000 sq ft at AW James's 100 Avebury Boulevard, Milton Keynes
- Eli Lilly taking 42,500 sq ft at CCLA's 8 Arlington Square West, Bracknell
- Asahi committing to 36,800 sq ft at CBREGI's Brook House, Woking
- Amgen taking 35,000 sq ft at L&G's 216 Cambridge Science Park, Cambridge
- PWC taking 28,500 sq ft at Columbia Threadneedle's 40 Clarendon Road, Watford

Varsity corridor

CAMBRIDGE

The Cambridge office market started off Q1 2020 in good shape on the back of record rents achieved in 2019 and good levels of demand recorded for both in town and out of town office space. Take up was 86,000 sq ft for Q1 which compared with Q1 2019 at 150,000 sq ft represents a 44% decline on the same period last year, but is still a healthy level of take up and higher than the Q1 figures for 2015 and 2018 over the last 5 years. It is worth noting, Q1 2019 had the two largest transactions of the year totalling 112,000 sq ft, to Astra Zeneca and Displaylink (UK).

Key transactions in Q1 were:-

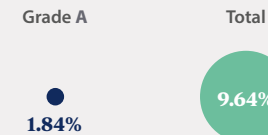
- Feature Space taking 26,000 sq ft at 140 Cambridge Science Park.
- Amgen taking 35,000 sq ft at 216 Cambridge Science Park at £34 per sq ft, a new out of town high, on a 10-year lease and displacing other interest in the building.
- In the city centre Apple took 17,000 sq ft at Kett House on Station Road at a record rent of £40 per sq ft for Grade B space on a short term lease, ahead of their move into their new pre-let building on Station Road.

Looking ahead, the Grade A vacancy rate and the overall vacancy rate remain low at 1.84% and 9.64% respectively. Cambridge has a much higher proportion of Tech and Bio Tech companies than other centres in the South East. These are likely to be the sectors which will drive demand in the short to medium term so we expect the resilience of the Cambridge occupier base to continue and that rents in the short term will remain at or close to their historic highs. Like a number of other markets, incentives will be the first to come off and whilst supply of Grade A space remains low, headline rents will maintain their current levels for the time being even if demand drops off in Q2 and Q3 as a result of the lockdown measures in place.

Key Sector Activity

Sector	Take up sq ft	%
Computing & Software	43,000	55%
Science	35,000	45%

Vacancy rates Q1 2020



Headline Rent



Town centre

£46.00
per sq ft



Out of town

£34.00
per sq ft

Quarter 1 take up



Town centre

17,000 sq ft



Out of town

60,820 sq ft

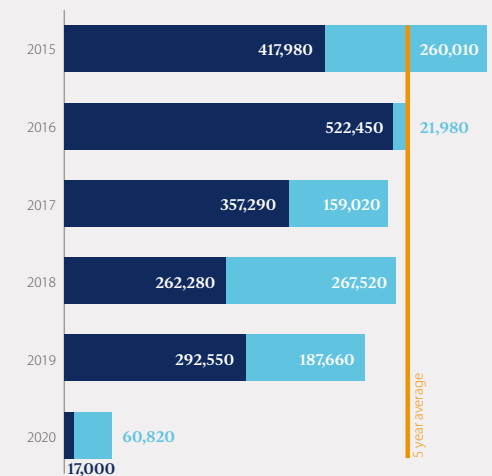
51,900 sq ft

Grade A

25,900 sq ft

Grade B

Annual take up



Town centre Out of town

OCCUPATIONAL MARKET UPDATE

MILTON KEYNES

2020 began well in Milton Keynes with activity from the Fintech and Infrastructure sectors underlying the town's appeal to a wide variety of occupiers. Q1 take up reached 80,000 sq ft which was 5.6% up on Q1 2019 and three times higher than the Q1 take up in 2018.

In January, Xero took the remaining 55,000 sq ft at AW James's 100 Avebury Boulevard which took the building to fully let shortly after practical completion.

This was followed by HS2 and GI Group taking 14,000 sq ft at Exchange House, and the Secretary of State for Transport taking 10,000 sq ft at One Grafton Mews.

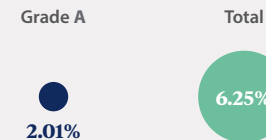
At the end of Q1, take up was 30% of the 5 year average, but all in town. Although the rest of the year remains uncertain, supply of grade A space is extremely limited which should help to sure up headline rents. Similarly to other markets, incentives are likely to drift out initially, with out of town rents beginning to soften first where there is the greater amount of supply across all Grades, especially Grade B.



Key Sector Activity

Sector	Take up sq ft	%
Accountancy & consultancy	56,000	70%
Central Government	22,800	28%
HR/Recruitment	1,450	2%

Vacancy rates Q1 2020



Headline Rent



Town centre
£27.50
per sq ft



Out of town
£21.50
per sq ft

Quarter 1 take up



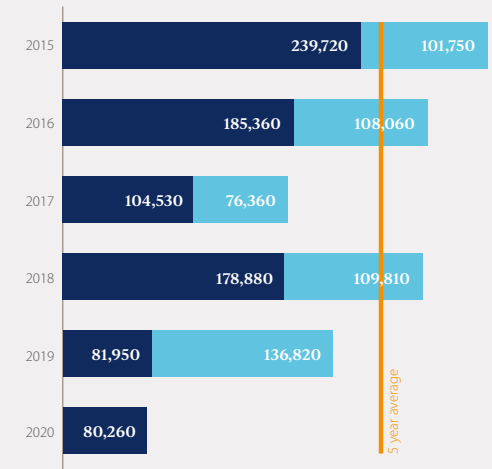
Town centre
80,260 sq ft



Out of town
0 sq ft

56,000 sq ft **Grade A**
24,260 sq ft **Grade B**

Annual take up



■ Town centre ■ Out of town

OCCUPATIONAL MARKET UPDATE

OXFORD

There were two transactions in Q1, both at Oxford Business Park, totalling 18,000 sq ft at rents of £30.00 per sq ft. Take-up was 32% down on Q1 2019, this can be accounted for by the low overall vacancy in Oxford of 4.1% and the higher than average level of take up in 2019, with over 60% of take up for the year recorded in H2 2019.

The whole 12,000 sq ft of the newly refurbished Jam Factory in the town centre is under offer to a single occupier at a rent, above the quoting terms, of £43.50 per sq ft, due to strong competition between three interested parties. Once the deal completes, it will leave only 40,000 sq ft of Grade A space available overall and will be the highest rent on record Oxford.

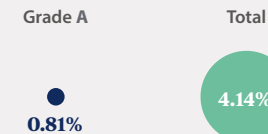
The Bellhouse Building on Oxford Science Park is the only scheme in the development pipeline due to reach PC in the next 12 months. It will provide 30,000 sq ft of lab and office space for SMEs if it remains on track to PC Q3 2020. Also on the Science Park, Plot 16 has been granted planning consent for 168,000 sq ft of office space, with speculative construction planned to start in Q4 2020 for delivery early 2022, giving a much need boost to Grade A supply.



Key Sector Activity

Sector	Take up sq ft	%
Health & Social Care	17,760	100%

Vacancy rates Q1 2020



Headline Rent



Town centre

£40.00
per sq ft



Out of town

£35.00
per sq ft

Quarter 1 take up



Town centre

0 sq ft



Out of town

17,760 sq ft

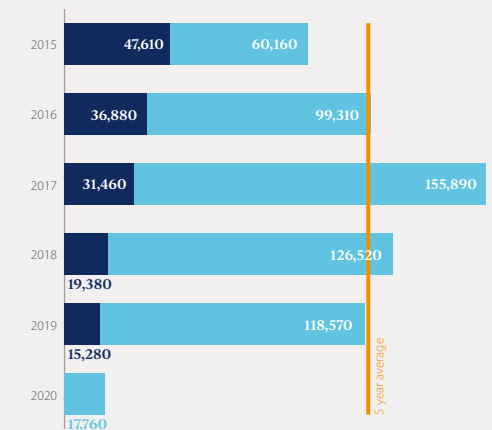
18,000 sq ft

Grade A

0 sq ft

Grade B

Annual take up



Town centre Out of town

M3/M4 Towns

BASINGSTOKE

With only two deals happening in Q1 2020, it has been a slow start to the year for the Basingstoke market. It has been noted that the lack of demand from last year has continued into 2020, although Frasers Property at Chineham Business Park secured some large occupiers at the end of 2019 in their recently refurbished building, Maplewood. With improved facilities and amenities there, it is expected that they will continue to attract more occupiers as the year progresses.

With the low availability of Grade A office space in the town centre, there could be a slight uplift in rents, but only if demand increases which given the current lockdown is not anticipated in the near future.



Key Sector Activity

Sector	Take up sq ft	%
Telecommunications	20,000	54%
Legal services	17,000	46%

Vacancy rates Q1 2020

Grade A



1.80%

Total



4.43%

Headline Rent



Town centre

£26.00
per sq ft



Out of town

£24.00
per sq ft

Quarter 1 take up



Town centre

36,250 sq ft



Out of town

0 sq ft

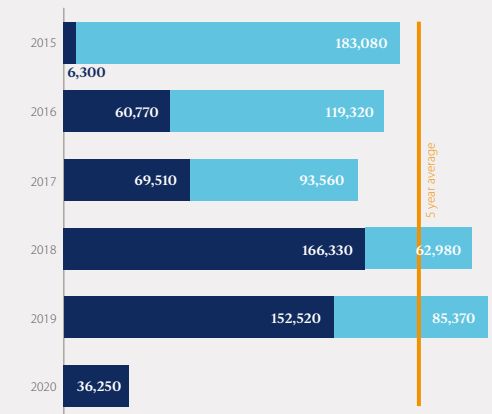
17,000 sq ft

Grade A

20,000 sq ft

Grade B

Annual take up



Town centre

Out of town

OCCUPATIONAL MARKET UPDATE

READING

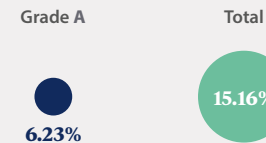
Although a number of transactions took place both in and out of town in Q1 2020, the majority of the deals were sub 5,000 sq ft, unlike Q1 2019 when there were a large number of transactions over 7,000 sq ft. Take up was down overall by 54% compared with Q1 2019, but transactions numbers were only down by 30% on the same period in 2019. Some larger transactions have slipped into Q2 which should help to mitigate the inevitable drop in take up as a result of the current lockdown in place. Encouragingly, a number of new enquiries have come to the market post lockdown which will hopefully feed through into transactions later in the year.

The year started positively in the out of town market with a record rent achieved at Arlington Business Park, Theale at the end of 2019 where Veritas took 20,000 sq ft at £32.50 per sq ft. As at the end of Q1 2020, another occupier is under offer in the adjacent building at a higher rent which will show continued headline rental growth. Although the rent in town still hasn't risen above the Ericsson rent achieved in 2018 and the slowdown in the market will delay higher rents being achieved in Q2, a recent deal at TW12VE Forbury Road achieved £37.00 per sq ft which demonstrates that headline rents are continuing on an upwards trend both in and out of town, so long as the demand continues to improve as the year goes on. It is also worth noting that smaller space sub 5,000 sq ft on offer as Cat A+ (Landlord fitted space with desks, partitioning and cabling) such as L&G's Capsule at Apex Plaza is achieving rents of £3-£4 per sq ft more than conventional Cat A space at rents of £39.00 per sq ft.

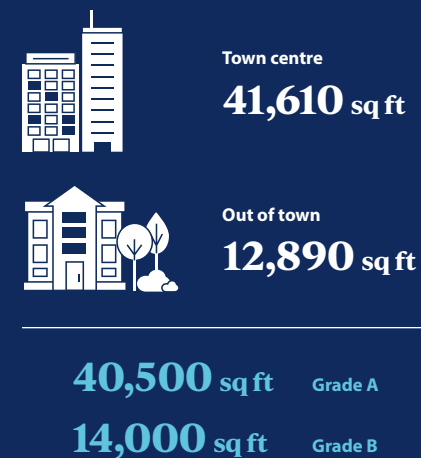
Key Sector Activity

Sector	Take up sq ft	%
Computing & software	22,943	42%
Serviced offices	14,000	26%
Accountancy & consultancy	6,000	11%

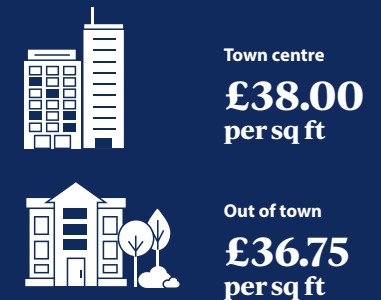
Vacancy rates Q1 2020



Quarter 1 take up



Headline Rent



Annual take up



OCCUPATIONAL MARKET UPDATE

MAIDENHEAD

Recent take-up in Maidenhead has been extremely limited with only one transaction above 5,000 sq ft taking place in Q1. Maidenhead continues to remain in the shadows of Reading's dominance in this area of the M4 which continues to attract demand from Maidenhead. There is a range of good quality buildings coming through in the out of town market including Building 5 at Foundation Park comprising 70,000 sq ft, but currently there is only one Grade A option in the town centre, although a number of Grade A refurbishments are coming through in 2020 including Clearbell's 22 Market Street which will offer 22,000 sq ft of Grade A space.

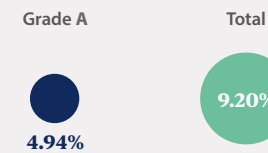
In the longer term, the extensive redevelopment around King Street and Queen Street in the town centre, along with the eventual opening of the Elizabeth Line, is expected to be a significant and much needed boost for the town and return it to its glory days of being one of the most dynamic markets in the M4 Corridor.



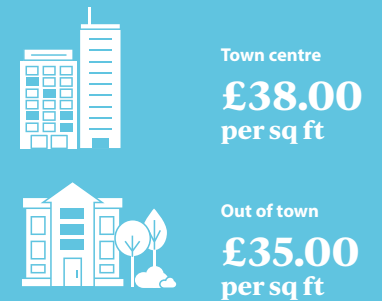
Key Sector Activity

Sector	Take up sq ft	%
Health and social care	12,400	76%
Computing & software	3,800	23%

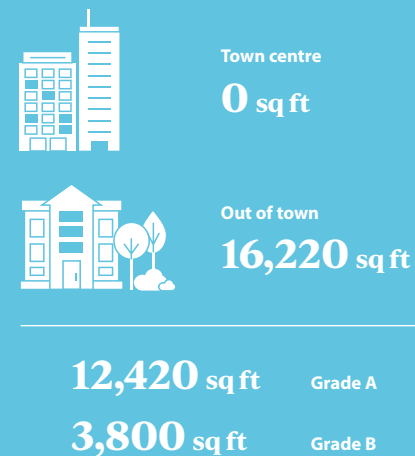
Vacancy rates Q1 2020



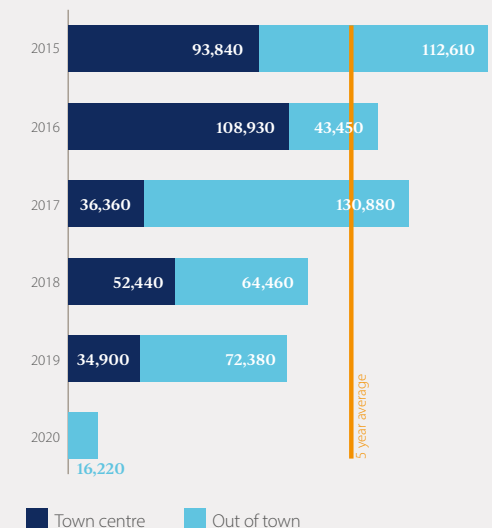
Headline Rent



Quarter 1 take up



Annual take up



OCCUPATIONAL MARKET UPDATE

SLOUGH

Slough continued to suffer sluggish take up in Q1 with only one significant deal above 5,000 sq ft taking place which was at the top floor of The Future Works where 9,500 sq ft was let to ByBox at a record rent for Slough of £38.00 per sq ft. It is arguably the best floor in building with a 5,000 sq ft private roof terrace. The occupier was a new entrant to the M4 market moving from Oxford.

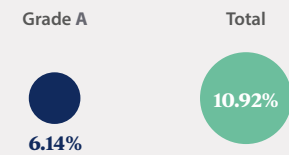
In terms of the development pipeline, Charter Court is undergoing a full refurbishment which is due to deliver 24,000 sq ft in Q4 2020. Other than that, the development pipeline remains limited and new developments in Windsor at Windsor Dials and One Victoria Street totalling circa 138,000 sq ft are likely to provide stiff competition for occupiers looking for Grade A space.



Key Sector Activity

Sector	Take up sq ft	%
Property services and construction	9,500	83%
Health and social care	1,900	17%

Vacancy rates Q1 2020



Headline Rent



Town centre
£38.00
per sq ft



Out of town
£32.00
per sq ft

Quarter 1 take up



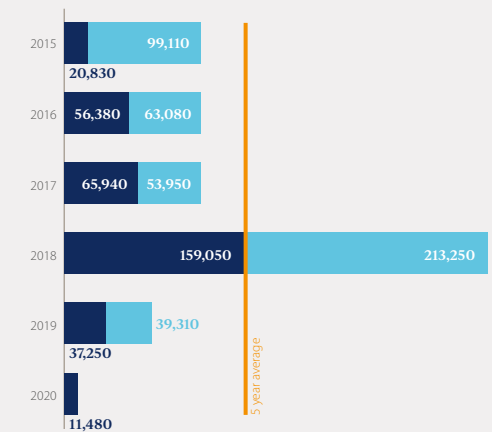
Town centre
11,480 sq ft



Out of town
0 sq ft

11,500 sq ft Grade A
0 sq ft Grade B

Annual take up



■ Town centre ■ Out of town

M25 Towns

CRAWLEY

Take-up continued to be very challenging in Q1 with only one letting of 3,000 sq ft at City Place Gatwick where existing tenant Shearwater expanded. There continues to be an oversupply in the out of town area, mainly Manor Royal, with very limited demand. This in turn has led to a lack of confidence from investors and developers in the town centre which suffers from an absence of grade A supply. This means that the footloose requirements continue to ignore Crawley as a suitable location to relocate.

With the town's reliance on nearby Gatwick airport, Crawley is likely to be particularly hard hit by the knock on effect of the Covid-19 crisis.



Key Sector Activity

Sector	Take up sq ft	%
Science	3,000	100%

Vacancy rates Q1 2020

Grade A

1.96%

Total

11.00%

Headline Rent



Town centre

£27.00
per sq ft



Out of town

£27.00
per sq ft

Quarter 1 take up



Town centre

0 sq ft



Out of town

3,000 sq ft

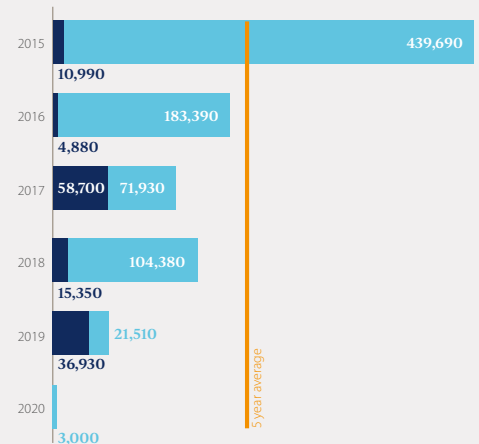
0 sq ft

Grade A

3,000 sq ft

Grade B

Annual take up



Town centre Out of town

OCCUPATIONAL MARKET UPDATE

GUILDFORD WOKING & WEYBRIDGE

Woking led the way in terms of take up for Q1 with 67,000 sq ft, followed by Guildford with 21,000 sq ft. Overall Q1 take up figures for the three towns was 88,000 sq ft which was 8% up on Q1 2019.

Key transactions in Q1 were:-

- Brook House in Woking where Ashai took a pre-let of 39,000 sq ft on a 10 year lease at a new record rent for the town of £36.00 per sq ft. When they take occupation in 2021 they will be moving from One Forge End where they were sub-tenants of Cap Gemini.
- Dukes Court in Woking also saw TGS reconfigure their existing occupation in the building committing to an increased footprint of 22,000 sq ft at a headline rent of £29.50 per sq ft on a 10 year lease with a 5 year break.

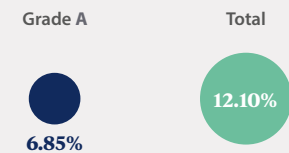
Weybridge had a quiet start to the year with no recorded take up but this followed a strong H2 2019 so a dip in take up was to be anticipated.

With a further 50,000 sq ft currently under offer going into Q2, primarily in Woking and Guildford, take up looks good for a strong end to H1 2020. However, the key to this will be how many transactions can exchange and complete whilst the lockdown remains in place.

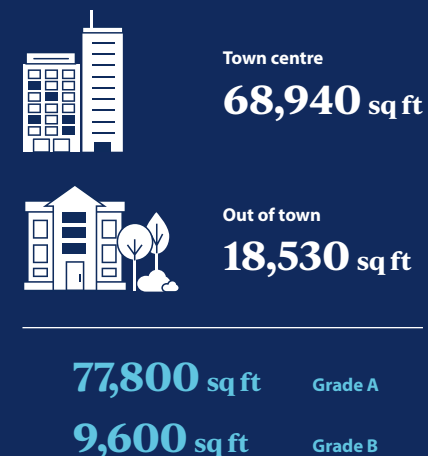
Key Sector Activity

Sector	Take up sq ft	%
Other manufacturing & industry	43,000	49%
Computing & software	34,000	39%

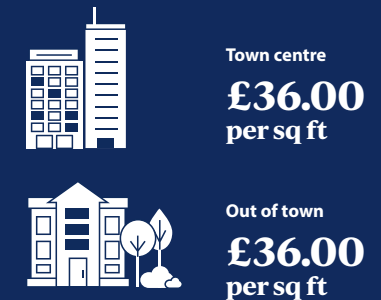
Vacancy rates Q1 2020



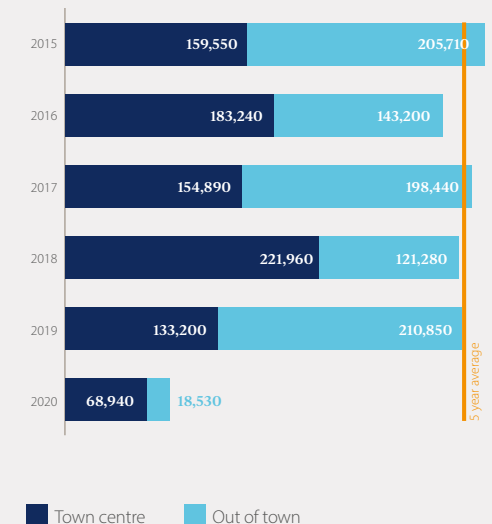
Quarter 1 take up



Headline Rent



Annual take up



OCCUPATIONAL MARKET UPDATE

WATFORD

Watford, due to its chronic lack of supply, was always going to have a challenging year in 2020. However, with PWC signing at 40 Clarendon Road on 28,000 sq ft, take up in Q1 2020 is almost half of the disappointing 2019 total. With potential delays, as a result of the lockdown, to ongoing construction projects such as 53 Clarendon Road and the refurbishment of the Edward Hyde Building, the current lack of supply is set to be extended.

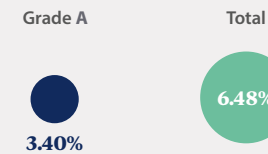
With ASOS releasing 90,000 sq ft of space to the market at Leavesden Park at the beginning of Q1, the vacancy rate has increased in the out of town market.



Key Sector Activity

Sector	Take up sq ft	%
Accountancy & consultancy	28,000	93%
Financial services - other	2,000	7%

Vacancy rates Q1 2020



Headline Rent



Town centre
£36.50
per sq ft



Out of town
£32.00
per sq ft

Quarter 1 take up



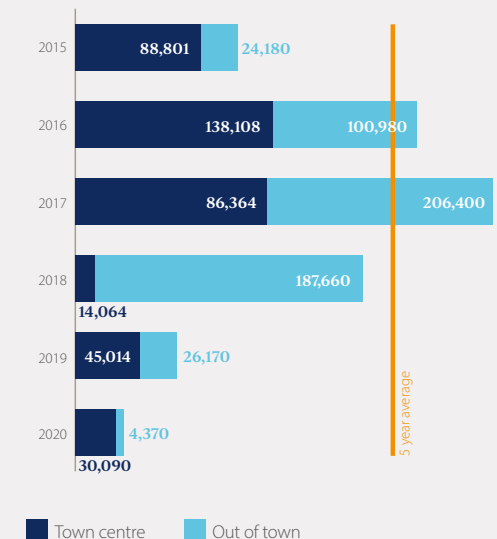
Town centre
30,090 sq ft



Out of town
4,370 sq ft

28,000 sq ft Grade A
6,400 sq ft Grade B

Annual take up



Occupational Market Outlook

Without wanting to add to the sense of unease and uncertainty that the future might hold we have to recognise and acknowledge the impact of what is forecast to be one of the deepest recessions in living memory on the economy, affecting the confidence of occupiers and investors. As business adapts to a “new normal” it is without a doubt going to affect the transactional markets. What does this mean beyond lower levels of take up initially?

We are already beginning to see examples of incentives increasing, either as a way to relieve the physical restrictions of getting on site to fit out new space, or as a means of inducing occupiers to make a commitment to space while the question remains as to when they might be able to take beneficial occupation. The next step will be for landlords to offer a “deal” in order to secure the more footloose requirements in the market. With more and more requirements being put on hold, some of which are driven by lease renegotiations with existing landlords in return for rent holidays to overcome short term cashflow issues, many landlords will be looking at ways to capture the limited demand. In areas of under supply, we will see rents in the main hold up or even continue to increase due to the scarcity of product to meet demand. However, as in previous down turns, we will see occupiers putting surplus space on the market. In some cases this will be good quality space that can be classed as Grade A and where permitted, at a rent substantially below the old “market level”. Landlords will then be forced to reduce their quoting terms to compete and we will see rents softening across the South East certainly by the end of the year in many cases.

The flip side to this argument is that construction costs are likely to increase, particularly with supply chains being affected by the reduced travel and potential post Brexit tariffs. This will mean that any new space will come at a price and will lead the eventual uptick in rents which will follow. The prospect of a two-tier market between older Grade B product and new Grade A product which was beginning to emerge will be exacerbated further.





The Future of Offices

One thing is for certain is that the office is not dead. None of us can predict what the "new normal" might look like once this crisis is over, some occupiers might shift towards a greater reliance on home working and some employers may rethink how they operate. But the office has much life left in it. We are social beings we miss collaboration; we miss the energy of the workplace – home working has many benefits but how many of us want to be home-based all the time? If technology and the use of it was the only barrier to home working, Apple, Google and Amazon would not have taken huge amounts of office space around the world to house their tech savvy workforce. The video conference has been around for a long time and highly accessible for those that wanted to adopt it for a decade or more. Many businesses that have flirted with a large amount of their workforce working from home have concluded that people work better in teams and office environments and have reversed those practices. Innovation and problem solving is so much easier in the right environment where teams and individuals can work well together. Co-working and its growth are prime examples of this.

So what about the space itself? We will see a continuing flight to quality with building design evolving at an even greater pace to provide sustainable, flexible and future proofed space that encourages human interaction, with perhaps more pressure on landlords to deliver a premium level of service much like the hotel market.

Building design will change – mechanical ventilation systems with greater filtration will become the new normal, we will see touchless and sensor technology to reduce disease spread for access controls systems. It is highly likely we will see the reversal of increasing occupational densities and desk sizes may increase again, with the addition of possible partitions between desks, and perhaps more private offices. However, we will probably see more sharing of desks and private offices with staff being increasingly agile and less people in a building at one time as the working day will be increasingly flexible, potentially with more of shift style occupation or employees working from home or at a hub location on a more structured but not necessarily a permanent basis.

This leads us onto one of the hardest hit areas of the office market in the current lockdown, serviced office and flexible space.

Serviced offices are being hit hard; short term flexibility means occupiers can cancel contracts until such time as we are allowed to return to work. But as the return to work is likely to be gradual, the role of flexible office space will come to the fore. Business may look to create hubs to reduce commuting for staff that don't want to use cramped public transport. The increase in agile working might lead staff to want access to an office that isn't home but also isn't the full-blown office. In that respect the flexible office world in the South East markets outside London could experience a significant bounce back and an increased demand to meet the growing core and flex approach, with corporates building their serviced office presence across their network.

In terms of what the office will look like going forwards; fit out materials will change – we will start to see more materials and finishes that are more resistant to bacterial infection, such as the adoption of paint technology used in hospitals and materials such as copper that limit bacterial growth. We will see heavy investment to ensure the safety and well-being of the workforce with a heightened awareness of how buildings influence health and well-being, as we plan for future outbreaks.

The real cost to most office-based businesses is the people, and their productivity is a direct result of a healthy and in most cases collaborative environment. Ultimately the office environment is a place where people choose to go because it's uplifting, where they enjoy physical interaction and the opportunity to socialise much more than they are able to in the dining room, spare room or home office.

If nothing else, we will see a greater appreciation of the vital role played by our offices as the engine of the economy.

Investment market update

Q1 2020 SE Research

2020 started off exceptionally well as forecasted with the first quarter seeing a 16% increase in South East office investment activity compared to the same period last year.

The "Boris Bounce" created a positive attitude from investors struggling to achieve targeted returns on other investments. In Q1 2020 there were over 30 South East office investment transactions with a range of buyers including property companies, overseas investors, UK Institutions, and Local Authorities. The largest group by number of transactions was Local Authorities keen to invest to bridge their funding gaps. However, by far the largest investor type by investment volume was property companies and overseas investors who transacted over £400m each.

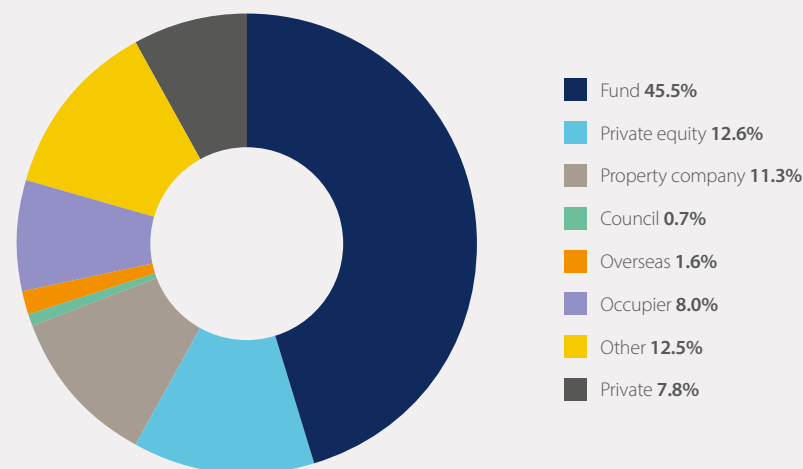
From an investment perspective the occupational market was highly constrained with availability across most regions at historically low levels. A lack of speculative development meant rental growth prospects were significant putting a downward pressure on yields.



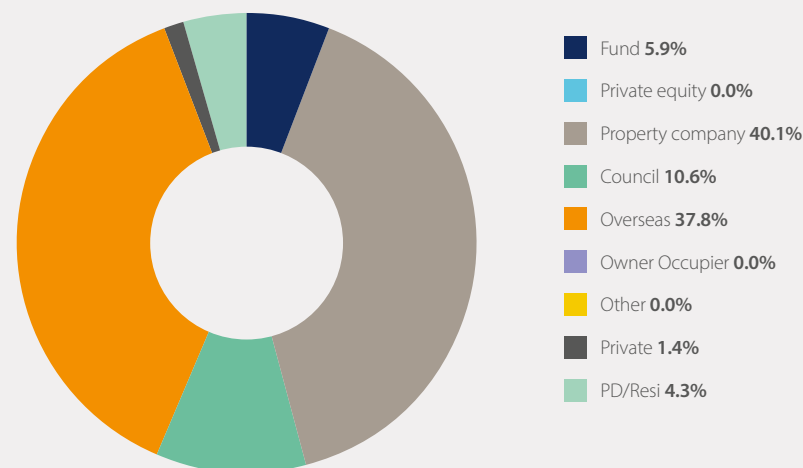
Key Q1 transactions included:

- **300 Capability Green, Luton**
181,750 sq ft – Price: £62m – NIY 6.26% - Purchaser: Private Overseas Vendor: TBC
- **Jubilee House, Brentwood**
41,241 sq ft – Price: £17m – NIY 5.78% - Purchaser: Brentwood Borough Council Vendor: TBC
- **Arlington Business Park, Theale**
359,161 sq ft – Price: £129.3m – NIY 5.38% - Purchaser: CapitalLand Vendor: Patron
- **Lake Meadows Business Park, Billericay**
64,417 sq ft – Price: £14.6m – NIY 6.85% - Purchaser: Private Investor Vendor: Aberdeen Standard
- **Lakeshore, Bedfont Lakes Business Park, Feltham**
541,886 sq ft – Price: £135m – NIY 7.77% - Purchaser: Fraser's Property Vendor: Evans Randall Investors

Q1 2020 Vendors



Q1 2020 Purchasers



INVESTMENT MARKET UPDATE

Q1 2020 is unlikely to be a useful barometer looking ahead to Q2 and Q3. The impact of Covid-19 and the subsequent lockdown's effect on business and the wider economy are yet to be fully seen or understood.

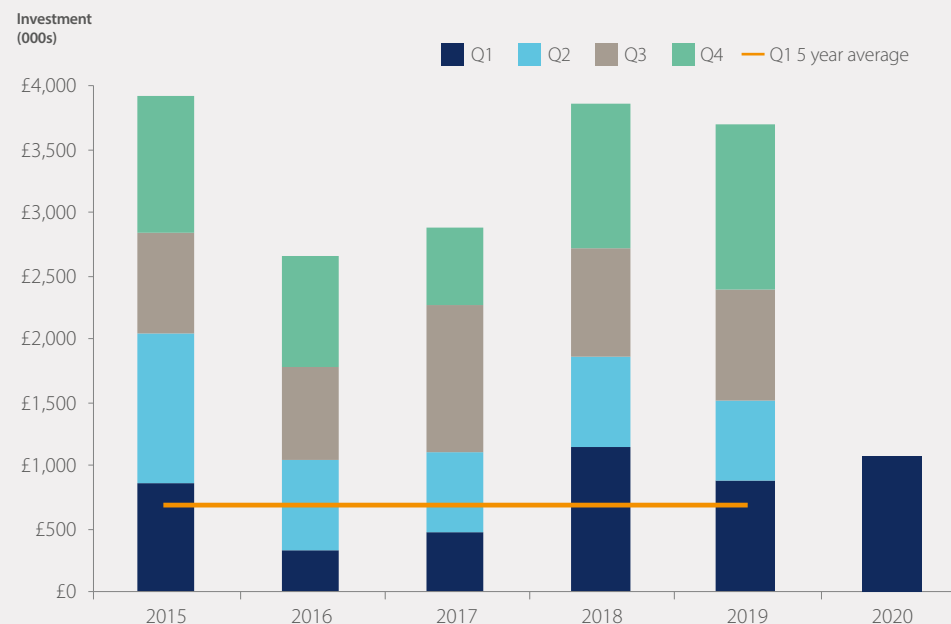
Some transactions proceeded unaffected; some investors have seen opportunities such as CLS Holdings' potential acquisition of Aviva's Symphony Portfolio. Others have been paused, such as Tristan Capital's acquisition of Reading International for in excess of £130m.

Whilst capital markets may be taking stock, the forces in the office market that were underway; the rise of technology for businesses, flexible working spaces, wellness, and the environment are likely to move more swiftly. We don't believe this will have a negative effect on the office market as it comes at the time of highly constrained supply, but we can see that there will be a continued shift towards occupiers looking at better quality, well connected space.

Outlook ahead:

- Reduced Volume of transactions in Q2.
- Gated funds likely to remain closed for some time.
- Well-funded property companies and private equity investors will look to capitalise on the absence of funds and debt buyers in the secondary/core + sector.
- Core/prime assets will remain in favour with Local Authorities and overseas investors with currency fluctuations continuing to attract overseas investors.
- Further Volatility in H2 2020 as the EU future trade negotiations are expected to continue.
- Corporate Bond Rates have increased but cheaper debt could mean prime yields remain stable.
- Pricing in secondary markets or with shorter term leases will soften in Q2 and Q3.
- Highly leveraged investors with a high percentage of tenants not paying rent are likely to be under pressure from the Banks to sell in the run up to the latter part of the year.

Average transaction volumes



£1,078 million

Q1 2020

Compared to:

Previous quarter – Q4 2019

£1,309 million

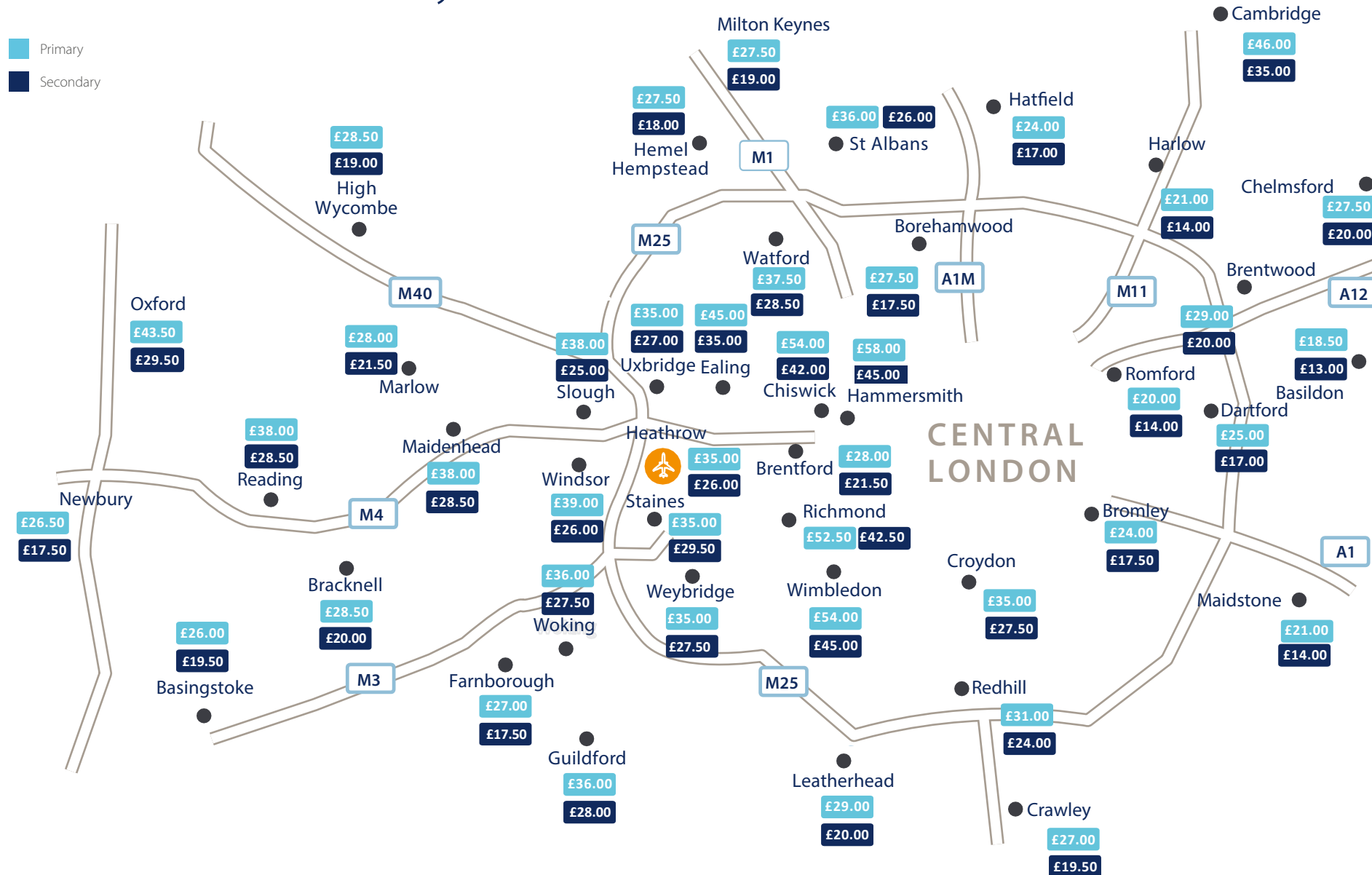
A year ago – Q1 2019

£883 million

Q1 Five year quarterly average

£740 million

Prime and secondary rents Q1 2020



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