

UK Offices - September 2024

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**SPOTLIGHT**  
*Savills Research*

# The Growth and Transformation of Cardiff



GROWTH | TRANSFORMATION | DEVELOPMENT



# The Growth and Transformation of Cardiff

## TOP TAKEAWAYS

- 01** Over the last decade, the area around Cardiff station has redefined itself as a business hub, attracting big names such as HMRC, BBC and the UK Space Agency.
- 02** Cardiff has become a leader in a number of emerging sectors, including fintech and space, as well as a continued growth within the financial and professional sectors.
- 03** Prime rent in Cardiff during H1 2024 stood at £25 per sq ft. Looking at growth forecasts and anticipated deals, it is expected that Prime rents in Cardiff will reach £28 per sq ft during 2024, representing an increase of 12%.

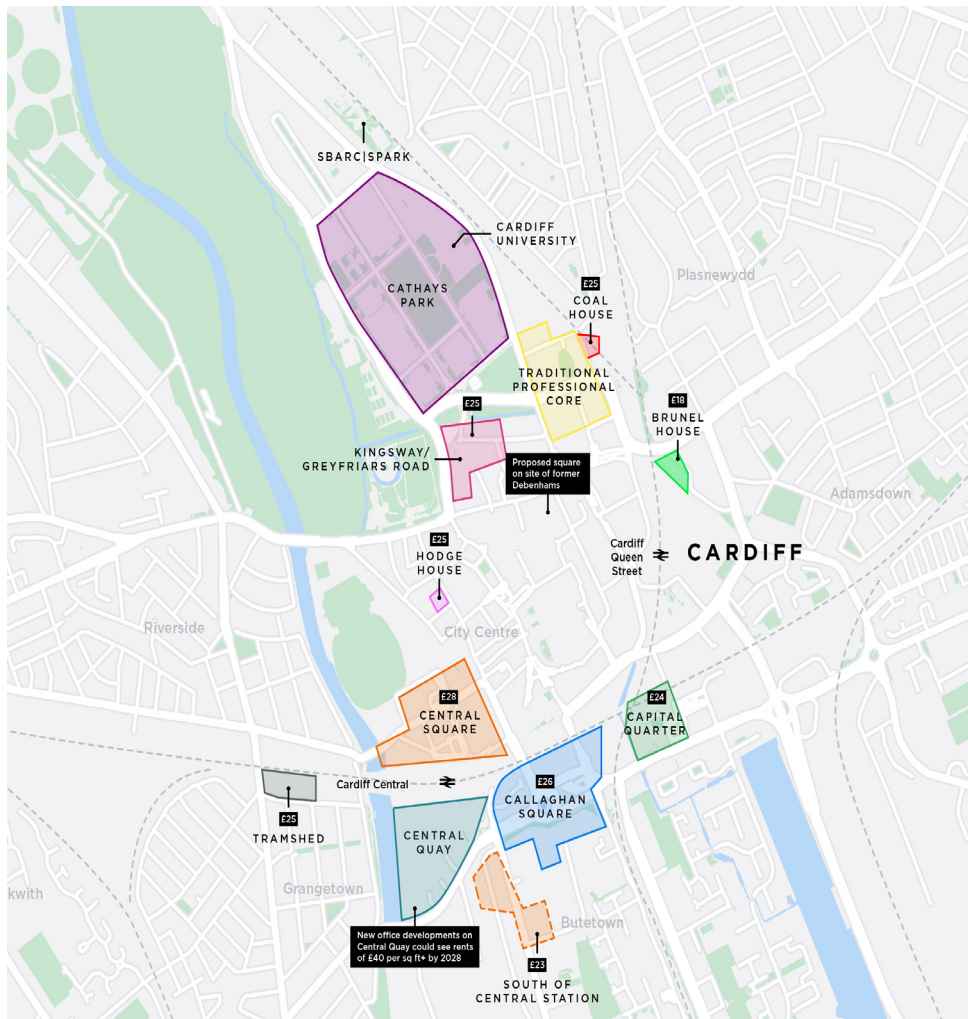
As Cardiff continues to develop, it has become an increasingly appealing business destination, supported by a range of factors including its low unemployment rate, a robust talent pool from Cardiff University, and a burgeoning start-up ecosystem.

Cardiff's role as a key economic player in the UK is underpinned by its strong economic indicators. With an unemployment rate of 3.7%, Cardiff boasts a notably lower rate than the UK average of 4.1%.

This low unemployment rate reflects a healthy job market and economic stability, which are crucial for attracting and retaining businesses. Cardiff University, a major educational institution in the city, supports over 31,000 students. This substantial student population contributes to a highly skilled workforce, which is essential for powering the city's diverse professional sectors.

In addition to its academic strengths, Cardiff has a vibrant start-up scene, with over 2,000 active start-ups contributing to the city's innovation and creativity. The city's growing venture capital investments, which reached over £100 million in 2023, further underscore its attractiveness to entrepreneurs and investors. Planned construction of the new crossrail will further connect the hubs within the city centre. This combination of economic stability, low unemployment, and a thriving entrepreneurial environment positions Cardiff as a significant player in the UK economy.

Cardiff City Centre Map



## Refurbishments and Their Impact

The refurbishments of buildings such as Coal House, Hodge House and Southgate House have played a crucial role in revitalizing Cardiff's office market.

The refurbishment of Hodge House is an excellent example of a landlord blending modern amenities with a building's unique architectural histories. These updates have modernised the spaces, whilst retaining its unique historical charm, aligning with current occupier demands for buildings offering a hotel feel.

Hodge House, now almost fully let, has attracted a range of companies including those in the financial, legal, energy and creative sectors seeking both prestige and functionality. Go Compare, a blue-chip company, is the latest to relocate its head office to Hodge House, which has been transformed by Legal General Investment Managements (LGIM) £20 million investment.

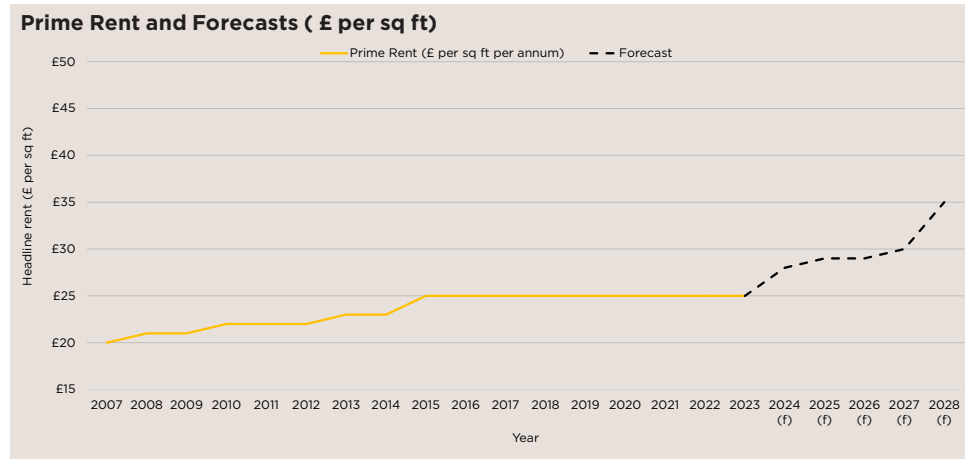
Coal House has been transformed into a contemporary workspace appealing to creative and tech companies with energy efficient systems and open-plan layouts.

Southgate House is an excellent example of a Grade B building located in a prime location benefitting from a refurbishment. The works to the offices as well as reception, incorporating a coffee shop, plus showers and cycle parking has resulted in companies such as Foresight Group and Atamis committing to the building.

These refurbishments collectively enhance Cardiff’s office market, drawing a broad spectrum of tenants and revitalising key parts of the city. By providing high-quality, flexible office environments that meet current business requirements, these buildings contribute significantly to Cardiff’s overall market attractiveness.

Rents in refurbished buildings in Cardiff have reached similar levels to prime headline rents over the past 12 months with Hodge House now at £25 per sq. ft. and 5 Callaghan Square £26 per sq. ft. Rents in Coal House have risen from £16.50 per sq. ft. pre refurbishment, to £25 per sq ft. The rents in Hodge House have risen steadily post refurb from £23 to £25 per sq. ft. with £28 per sq. ft. now being quoted for the last suite in the building.

Prime rent in Cardiff during H1 2024 stood at £25 per sq ft. Looking at growth forecasts and anticipated deals, it is expected that Prime rents in Cardiff should reach £28 per sq ft during 2024, representing an increase of 12%. Savills expects new developments around Central Station, including Central Quay, demanding rents of £35-£40 sq ft by 2028. By comparison, Bristol rents are now £48 per sq ft. with further growth expected.



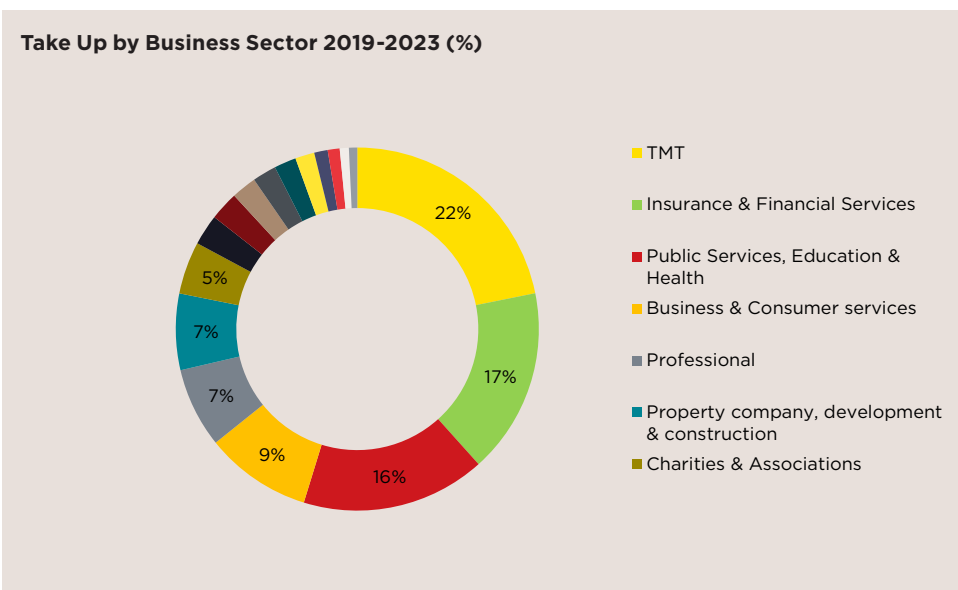
Source: Savills research

### Growth of Financial, Legal, and Technology Sectors

The proximity of Central Square to Cardiff Central Station has been particularly advantageous for the financial and legal sectors, which have made up 17% of take-up over the previous five-years; the second largest business sector over this period.

Major firms such as Hugh James, one of Wales’ largest law firms, have established their headquarters near the station. This clustering of legal and financial services underscores the area’s significance as a key hub for these industries, with firms drawn to the strategic advantages of being located near a major transport interchange.

The technology sector has also experienced significant growth in and around Cardiff Central Station, supported by the city’s burgeoning reputation as a tech hub. Companies like Sky, a major telecommunications and media conglomerate, have established operations in the vicinity. Over the last five years the tech sector have been the dominating sector making up almost a quarter of take-up (22%). This growth reflects Cardiff’s expanding role in the digital and tech industries, with the influx of tech firms contributing to the diversification of the local economy.



Source: Savills research

### Transformation of the Area Around Cardiff Central Station

The area surrounding Cardiff Central Station has seen transformative growth over the past decade, becoming a hub for various professional sectors. This evolution has been largely driven by the construction of state-of-the-art office buildings and the redevelopment of existing sites, which have made Cardiff Central Station an appealing location for major corporations.

One of the most notable examples of this transformation is the Central Square development. This ambitious project introduced a mixed-use scheme that includes modern office spaces, retail units, and residential apartments.

*Central Square has been a catalyst for the expansion of the professional and financial services sectors in Cardiff, with significant deals attracting major corporations to the area.*

Central Square is now home to the headquarters of His Majesty’s Revenue and Customs (HMRC), which has relocated a major portion of its operations to this site. This move has not only created numerous job opportunities in the area but has also reinforced Cardiff’s role as a central administrative and economic hub. The presence of HMRC in Central Square highlights the strategic importance of the area for both public and private sector organisations.

### Cardiff’s Fintech Growth and Clustering

*Cardiff has become a key player in the fintech sector, experiencing rapid growth since 2021.*

The city has added over a thousand jobs in fintech, driven by major companies like Sonovate, Delio, Pepper Money, Wealthify, Credas, and Monzo. This influx of firms has not only created employment opportunities but also boosted local demand for housing and services.

London-based challenger banks have accelerated Cardiff’s fintech boom. Starling Bank, for instance, has expanded its Cardiff operations, doubling its workforce to nearly 900 employees across various roles. This growth highlights Cardiff’s increasing appeal as a fintech hub and its ability to attract major financial technology firms.

The Foundry, an accelerator programme by FinTech Wales, has been crucial in developing the fintech sector.

It supports startups and has added over 100 jobs in the past year. The Foundry also attracts international fintech companies like Yacooba, Tropogo, and FinalRentals, enhancing Cardiff’s global fintech reputation.



22%

The tech sector has made up 22% of take-up over the last five-years.

### Space Sector Surge

The Welsh space sector is experiencing rapid growth, which currently contributes £79 million annually and sustains over 600 jobs across 85 organisations. This is underscored by the UK Space Agency's first office in Wales at William Morgan House in Cardiff acting as an anchor for the space community. Wales is home to several leading space companies including Airbus Defence & Space, Raytheon, Qinetiq and Qioptiq. In addition to these established giants, innovative start-ups like Magdrive are making significant strides in the industry.

Welsh universities also play a pivotal role in nurturing a skilled workforce through specialised programmes in aerospace engineering and astrophysics. Institutions like Cardiff University, Swansea University, and Bangor University offer cutting-edge education and training, ensuring a steady supply of talent for the industry. With a strong foundation of leading companies, innovative start-ups, skilled graduates, and supportive infrastructure, Wales is poised to emerge as a significant player in the global space industry.

20%

There has been 20% growth in the creative industries over the past decade

### Cultural and Creative Sectors

The cultural and creative sectors have also found a strong presence in Cardiff. Cardiff's creative sector has seen impressive employment growth, reflecting its increasing importance to the city's economy.

According to data from Creative Cardiff, the creative industries in Cardiff and the surrounding region employ around 15,000 people. This represents a growth of 20% over the past decade, outpacing the national average for the creative sector in the UK with Cardiff set to see growth in the next 10 years of 16% for creative services, 4% higher than the 12% for the UK as an aggregate.

The redevelopment of the Tramshed into a cultural venue and creative workspace exemplifies how the region supports arts and media. The Tramshed now serves as a hub for creative industries, providing space for events, performances, and collaborative projects. This cultural venue adds to the vibrancy of the area, attracting creative professionals and enhancing the overall appeal of Cardiff as a dynamic city.

£35+

Prime rents in the city could reach between £35-£40 per sq ft by 2028

“Cardiff’s creative sector has seen impressive employment growth, reflecting its increasing importance to the city’s economy.”



**BBC and University Contributions**

Further strengthening Cardiff’s position as a key creative hub are the locations of major institutions such as the BBC and Cardiff University. The BBC’s move to Central Square in 2019 underscored Cardiff’s growing importance as a media centre, bringing substantial economic benefits and reinforcing the city’s role in the creative industries.

*The BBC’s presence has attracted further media and technology firms, enhancing the area’s appeal as a centre for innovation and creativity.*

Cardiff University continues to be a major contributor to the city’s economic growth. Its ongoing expansion and development of research facilities help drive innovation and attract talent to the city. The university’s focus on research and development supports the growing technology and start-up sectors, further bolstering Cardiff’s reputation as a hub for high-skilled industries. Universities also play an important role, through financing incubators to supporting start-ups ensuring survival and growth.

*Cardiff University’s £300m innovation campus sbarc|spark aims to encourage out-of-the-ordinary creative thinking and the exploration of new possibilities.*

The centre brings together 13 social science research groups collectively known as SPARK – the world’s first Social Science Research Park – alongside Cardiff sbarc|spark, a hub for innovation, start-ups and spinouts. It features collaborative working spaces, a visualisation centre, auditorium and fabrication lab. It is this collaboration with educational institutions and the development of innovation hubs that is so vital and provides the seedbed in which Wales can nurture and grow tomorrow’s big ideas.

Overall, the transformation of Cardiff Central Station and its surrounding areas reflects a dynamic and strategic growth trajectory. The refurbishments of Coal House, Hodge House, and Southgate House have modernised Cardiff’s office market, aligning with contemporary occupier needs and attracting a diverse range of tenants.

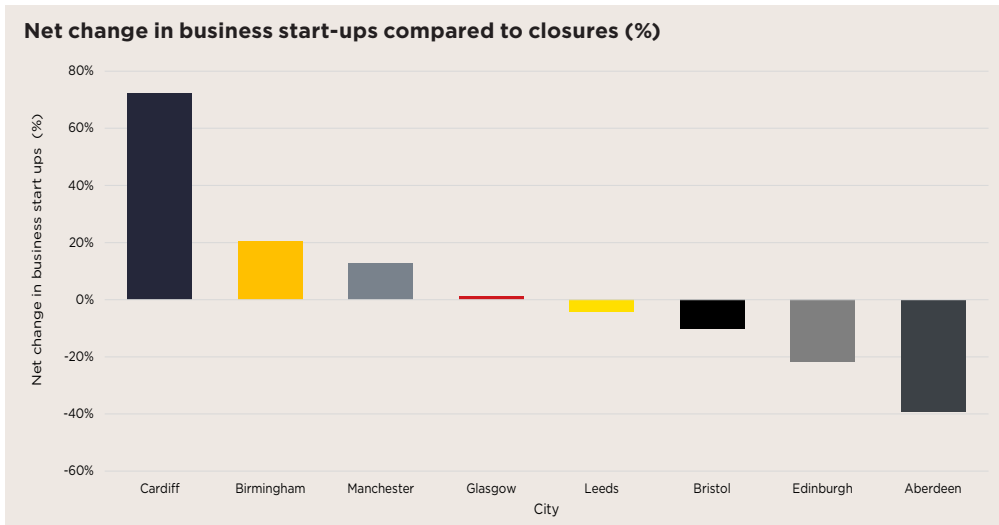
*The development of Central Square, the growth of financial, legal, and technology sectors, and the contributions of major institutions like the BBC and Cardiff University collectively enhance Cardiff’s market attractiveness.*

These developments have helped revitalise traditional parts of the city, positioning Cardiff as a vibrant, innovative, and highly attractive city.

**Business Start-ups in Cardiff**

Cardiff’s vibrant and rapidly growing tech sector, particularly fintech, supported by university-led incubators has fostered a world class start-up culture. In H1 2024 alone, there was £25 million of venture capital invested in Cardiff for these start-ups, made up of 19 deals in total. The tech sector accounted for 47% of these deals, consequently raising £8 million of venture capital, and further enhancing the tech sectors presence within Cardiff. These employment opportunities have been attracting young professionals, as well as retaining those graduating from the city’s universities. Comparatively affordable homes have helped them settle down in the city.

As the table below illustrates, Cardiff has a greater number of start-ups opening compared with closing than anywhere else in the UK, demonstrating it’s presence in the UK as an incubator for new opportunities. Cardiff is home to one of the fastest-growing digital clusters in the UK, with the Welsh tech sector worth an estimated £8.5 billion and employing over 45,000 people. The fintech sector has made up almost a quarter of the £500 million in venture capital raised since the beginning of 2020, driven by growth of the financial and professional sector in Wales.



Source: Office for National Statistics

***“The refurbishments of buildings such as Hodge House and Coal House have raised the bar in terms of quality, specification and environmental benefits. Occupiers want an exciting place to work and we are gradually seeing landlords rising to the challenges of meeting occupiers needs.”***

**Gary Carver, Director, Office Agency**





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## Savills Research

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