OVERVIEW

In a stunning start to 2016, the Bristol office market has seen its strongest level of first quarter take-up since 2010. At 270,500 sq ft, Q1 take-up is 56% up on Q1 2015. The cynics will point to EDF’s long awaited completion on 81,000 sq ft at Finzels Reach as skewing the figures, but the underlying sentiment is defiantly positive.

CITY CENTRE

- Take-up for Q1 in the city centre totalled 195,500 sq ft - the highest first quarter for the centre since 2007.
- There were just three transactions in excess of 10,000 sq ft, with 70% of all transactions (by number) below 5,000 sq ft.
- The largest transaction was EDF committing to 81,202 sq ft at Bridgwater House on Cubex/Palmer Capital’s Finzels Reach scheme.
- Office to residential conversions continues to remove stock from the market but generally in peripheral locations and in Clifton.
- Demand has remained diverse with some large requirements from the public sector, professional and financial services and the growing TMT sector.
- Grade A rents remain at £28.50 per sq ft but there is real upward pressure due to lack of good supply. The margin between top Grade B and Grade A rents has narrowed significantly with £25 per sq ft now having been achieved. Rent-free periods continue to reduce to below two months per year of the term certain on average.

Figure 1: Bristol Offices Take-Up

Figure 2: Bristol City Centre Q1 2016 Take-Up By Size Band (Sq Ft)

Figure 3: Bristol City Centre Q1 2012 - Q1 2016 Take-Up (Sq Ft)
OUT-OF-TOWN

➢ Take-up in the out-of-town market totalled 75,000 sq ft in Q1 - up 12% on the same period last year.
➢ The largest transaction was Hoare Lea acquiring 20,300 sq ft at 155 Aztec West.
➢ There were two deals in excess of 10,000 sq ft in this quarter with 64% (by number) in the sub 5,000 sq ft size range.
➢ Out-of-town demand has improved and there has been a noticeable improvement in requirements in excess of 10,000 sq ft.
➢ The engineering, professional services and technology sectors have dominated take-up this quarter.
➢ Grade A rents have remained at £21 - £22 per sq ft, with Grade B rents generally between £14 and £17 per sq ft. Incentives have continued to reduce and are now between 1.5 – 2 months per year of the term certain.

CONCLUSION

2016 has started exceptionally well for the Bristol office market. The city centre, boosted by the EDF letting, recorded its best first quarter for nearly a decade; whilst out-of-town also performed well. We are beginning to see a disparity between Grade B rents in the city centre and out-of-town markets with the latter looking comparatively low and perhaps representing an opportunity for owners and investors. Incentives have continued to erode as occupiers compete for the low levels of good quality office stock. Based on the current market conditions, we expect to see both Grade A and Grade B rents continuing to increase throughout the rest of this year.

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