BRISTOL OFFICES SUMMARY Q1 2017

SUPPLY OVERVIEW

Current supply of offices in Bristol is at a very low level. This is especially true of Grade A supply in both the in and out of town markets, as occupiers continue to seek good quality space.

CITY CENTRE AVAILABILITY

- City centre availability is down 10% on Q4 2016 figures at 780,000 sq ft. Available Grade A space is 21% down q-o-q (see Figure 1).
- 96% of Grade A stock in the city centre is occupied, leaving only one building (Two Glass Wharf) with more than 20,000 sq ft of contiguous space available for larger requirements.
- Grade A vacancy is at an all-time low at 4.0% and overall city centre vacancy at 6.7%.
- There is 202,000 sq ft of new Grade A space currently under way in Bristol city centre, 107,000 sq ft of that supply is pre-let to HMRC at Salmon Harvester’s 3 Glass Wharf, which will be completed in late 2018. The only speculative office under construction (Aurora) being developed by Cubex will deliver 95,000 sq ft in early 2018.
- There is c. 170,000 sq ft of refurbished space at One Cathedral Square and Programme (formerly The Pithay), which will be delivered later this year.
- We expect further rental growth in the city centre as demand continues to outstrip supply (see Figure 2).

OUT OF TOWN AVAILABILITY

- Out of town supply is at 853,000 sq ft, marginally down on Q4 2016 levels.
- Available Grade A space is at 22,000 sq ft, down 31% q-o-q.
- Overall vacancy out of town remains at 14%. Grade A vacant space is at 7.1%, down from 10% in Q4 2016.
- There is no new space being delivered to the market this year.
- We expect Grade A and Grade B rents in the out of town market to remain stable during 2017.
TAKE-UP OVERVIEW

Following a spectacular year of take-up in 2016, the first quarter of 2017 has finished marginally below the 5-year average at 216,000 sq ft. This is 20% below the same quarter of 2016, although this included EDF taking 81,000 sq ft in the city centre. There are currently a large number of deals under offer that did not complete in Q1; therefore, the stats are expected to improve as the year progresses.

CITY CENTRE TAKE-UP

➤ Take-up for Q1 in the city centre totalled 126,000 sq ft, 7% below the 5-year average for the first quarter.
➤ Despite there being 37% less transactions than this time last year, there were a greater number of deals above 10,000 sq ft.
➤ The three largest deals in the city centre were all owner occupier purchases, with the biggest being the University of Bristol’s purchase of the 32,000 sq ft Augustine’s Courtyard.
➤ The shortage of supply does appear to be having an impact on take-up levels.
➤ The TMT sector has played a large part in the first quarter accounting for 38% of city centre take-up.
➤ Grade A rents remain at £28.50 per sq ft with Grade B quoting rents averaging £25 per sq ft. Rent free periods now average in the order of 1.5 months per year of the term certain.

Source: Colliers International

**Fig 3: Bristol City Centre Q1 2017**
Take-up By Size Band (Sq Ft)

<table>
<thead>
<tr>
<th>Size Band</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3K</td>
<td>19%</td>
</tr>
<tr>
<td>5-10K</td>
<td>9%</td>
</tr>
<tr>
<td>10-15K</td>
<td>9%</td>
</tr>
<tr>
<td>15-25K</td>
<td>38%</td>
</tr>
<tr>
<td>25-50K</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Colliers International

**Fig 4: Bristol City Centre Q1 2013 - Q1 2017**
Take-up (Sq Ft)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2013</th>
<th>Q1 2014</th>
<th>Q1 2015</th>
<th>Q1 2016</th>
<th>Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 yr Average</td>
<td>50,000</td>
<td>100,000</td>
<td>150,000</td>
<td>200,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Colliers International
OUT OF TOWN TAKE-UP

- Take-up in out of town totalled 90,000 sq ft in Q1 – marginally up on the 5-year average and 20% up on this time last year.
- There were three deals over 10,000 sq ft, with the largest being Boeing taking 18,000 sq ft at 435 Bristol Business Park.
- In contrast to the city centre, there were 40% more transactions out of town compared to the same period last year.
- There has been an increase in larger out of town requirements in March and, as in the city centre, there is also a good number of deals under offer.
- The aviation sector was responsible for almost 30% of the take-up in Q1, with a diverse range of other sectors also contributing including financial, construction and TMT.
- 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 remained on average between 1.5-2 months per year of the term certain.

CONCLUSION

The Bristol office market has started in a good position with take-up around the 5-year average. With good levels of demand, including a Government requirement for 250,000 sq ft, rental levels are forecast to continue rising. The shortage of supply in the city centre has seen the number of transactions fall, however, this has been countered by a significant improvement in occupier demand out of town.