



UNITED KINGDOM

BRISTOL

OFFICES

QUARTER 3 | 2018





MARKET HIGHLIGHTS

Supply Overview

Overall supply in both the city centre and out-of-town office markets continues to be constrained. Aurora, Finzels Reach completed in Q3, delivering 95,000 sq ft of new Grade A office space, the only new addition to the market.

City Centre Availability

- All grade availability increased this quarter, with the completion of Aurora, standing at 761,000 sq ft. However, since its peak in 2011, vacant space in the city centre has decreased by 66% and is nearly 50% below the 10-year average of 1.5 million sq ft.
- Grade A availability increased to c. 52,000 sq ft. Despite being speculative when construction commenced, Aurora is 85% let with only 15,500 sq ft available.
- The city centre vacancy rate now stands at 6.4%, whilst Grade A vacancy is 2.2%.

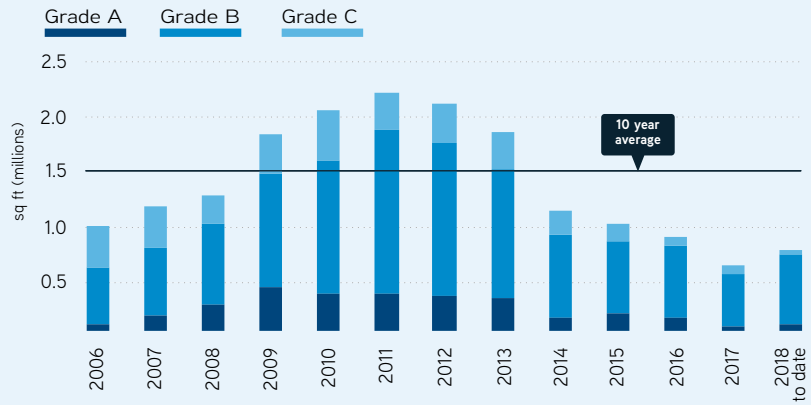
- Due to the diminished amount of Grade A space, prime rents in the city centre have reached record high levels, a trend which looks set to continue.

Out-of-Town Availability

- Overall availability in the out-of-town market decreased 17% quarter-on-quarter. Total vacant space now stands at 472,065 sq ft.
- There was no change in Grade A availability, and vacancy remains at 3.1%, whilst overall vacancy now stands at 7.5%.
- There is very little unoccupied space in the larger size bands (15K-50K) in the out-of-town market. The vacant space in that size range is mostly of Grade B quality.
- The newly refurbished 800 Aztec West, which has secured the largest out-of-town letting this quarter, still has circa 42,500 sq ft remaining.

FIGURE 1: BRISTOL CITY CENTRE

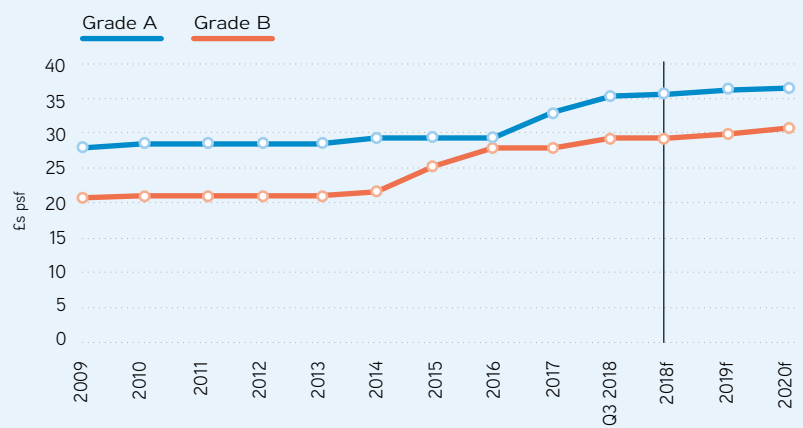
Availability by Grade



Source: Colliers International

FIGURE 2: BRISTOL CITY CENTRE

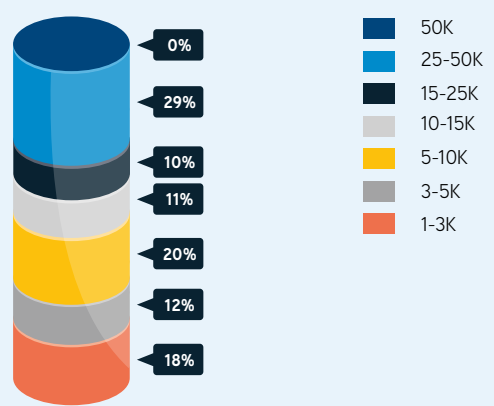
Rental Forecasts



Source: Colliers International

FIGURE 3: BRISTOL CITY CENTRE TAKE-UP

(Q1-Q3 2018)
by Size Band



Source: Colliers International

Take-up Overview

Following a similar pattern to 2017, the third quarter has had another robust level of overall take-up at just over 280,000 sq ft. This is almost identical to the previous quarter and 24% above the five-year average for Q3. The city centre witnessed its strongest quarter of the year so far, with the out-of-town market also performing well.

City Centre Take-up

- Q3 2018 city centre take-up is almost on par with the same quarter of 2017 at 167,000 sq ft.
- Take-up to date (434,800 sq ft) is almost identical to the same period of 2017, and only 2% below the five-year average.
- The largest deal this quarter was Parmenion Capital taking 31,200 sq ft of Grade A space at the recently completed Aurora, Finzels Reach. This was one of three deals secured at Aurora in Q3.
- 50% of the space taken up this quarter (by size) was in three deals over 20,000 sq ft, which is a difference from the last quarter, where 77% of deals were below 5,000 sq ft.



Parmenion Capital have taken 31,200 sq ft at Aurora, Finzels Reach

- Prime rents have jumped up again, with just over £35.00 psf being achieved at Aurora on a letting of 3,194 sq ft.
- This quarter's take-up was diverse with no sector dominating.

Out-of-Town Take-up

- The out-of-town market has performed well in the last two quarters, with Q3 being at 117,000 sq ft. This is 36% above the five-year average for this quarter.
- To date, the 2018 take-up stands at 287,500 sq ft, just 1.5% up on the same period last year and 20% up on the five-year average.
- Edvance provided a boost to Q3 by leasing 30,700 sq ft at the substantially refurbished 800 Aztec West.
- The number of transactions above 10,000 sq ft has also improved this quarter with 67% of deals (by size) in this range.
- The highest rent out-of-town achieved this quarter was £21.50 psf at 800 Aztec West.
- The engineering and medical sectors were most dominant in the out-of-town market in Q3.

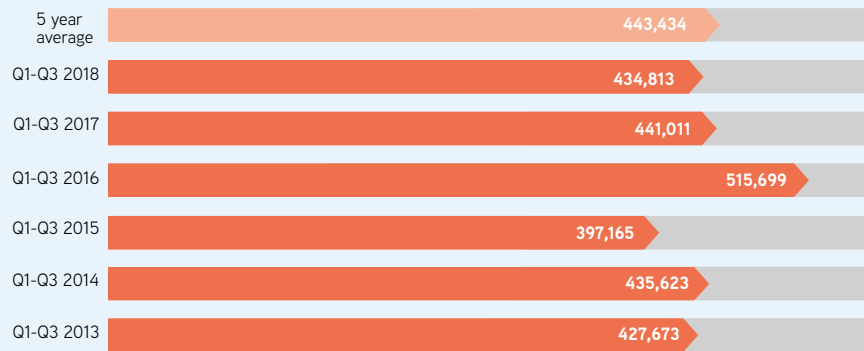


Edvance have taken 30,700 sq ft at 800 Aztec West

CONCLUSION

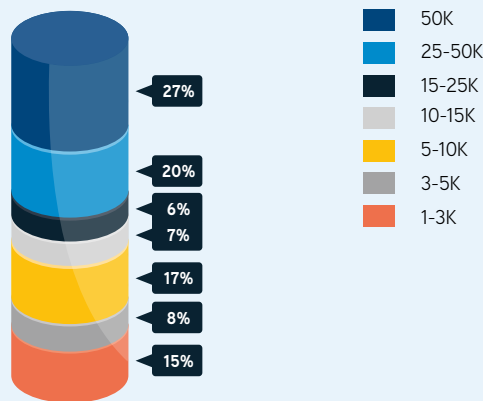
A solid third quarter saw both the in and out-of-town markets perform well, with a greater number of larger transactions completing. The lack of supply and the flight to quality office space in the city centre has seen prime rents reach £35.00 psf, which was achieved at the speculatively constructed Aurora, Finzels Reach and now has only one floor remaining. Following a poor first quarter, the out-of-town take-up has bounced back to be 20% above the five-year average.

FIGURE 4: BRISTOL CITY CENTRE TAKE-UP
 (Q1-Q3 2013 - Q1-Q3 2018)
 in sq ft



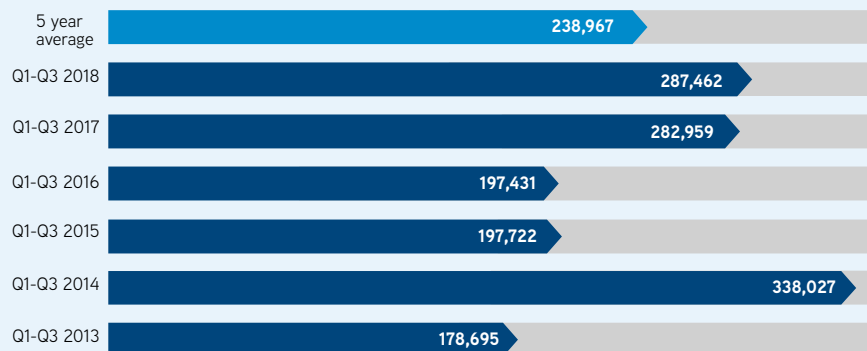
Source: Colliers International

FIGURE 5: BRISTOL OUT-OF-TOWN TAKE-UP
 (Q1-Q3 2018)
 by Size Band



Source: Colliers International

FIGURE 6: BRISTOL OUT-OF-TOWN TAKE-UP
 (Q1-Q3 2013 - Q1-Q3 2018)
 in sq ft



Source: Colliers International

Investment Overview

Total investment volumes in Bristol for Q3 2018 totalled a staggering £205.95m in just eight deals, which reflects a 220% increase on the five-year average for the same period, a 350% increase on the previous quarter and broadly half of the total amount transacted in the whole of 2017. Unsurprisingly, average deal sizes increased for Q3 from £9.6m in 2017 to £26.1m in 2018.

The key trends for Q3 were:

- A reduction in the number of transactions resulting from a general shortage of supply.
- An increase in the number of “off market” transactions. Of the four largest deals transacted in this period, three did not come to the open market.
- A significant rise in average deal size.
- Prime office yields reaching a record 4.75%.
- Increased out-of-town activity.

City Centre Office Investment

Only four deals in central Bristol completed in Q3 totalling circa £161.2m. Of these, two are located on the edge of the city centre at Winterstoke Road where Imperial Tobacco undertook two sale and leasebacks on their UK and Global HQ offices. 121 Winterstoke Road was acquired by Aberdeen Standard Investments for around £51m showing 4.50% NIY with a new 20-year lease with five yearly indexed rent reviews.

The property was acquired by Colliers International. The adjacent building let to Imperial Tobacco Limited on a new 10-year lease, with five yearly open market rent reviews, subsequently sold to an overseas investor for circa £15.2m showing 6.2%.

Aurora, a new 95,530 sq ft multi-let office at Finzels Reach, sold to Royal London Asset Management for £62.13m showing a NIY of 4.75%. The AWULT to expiry is circa 11.3 years and nine years to break.

Castlemead, Lower Castle Street currently Bristol’s tallest tower, sold for circa £32m showing a NIY of 7.16%. The property is multi-let with a short AWULT. The purchaser was a property company.

Out-of-Town Investment

Compared with the previous quarter, the north Bristol office market saw a healthy increase in activity with three deals totalling £28.12m. The largest of these was the acquisition of a 36-acre site for redevelopment including the income producing Incubator and Grow On buildings for £18m by South Gloucester Council.

The largest standard office transaction was 2630 Aztec West, sold by Colliers on behalf of an institutional purchaser to a private property company for £16.65m showing a NIY of 6.93%. The property is let to GE Oil & Gas Plc for a further 4.8 years.

FIGURE 7: **BRISTOL INVESTMENT VOLUMES**
 (Q3 2014 - Q3 2018)

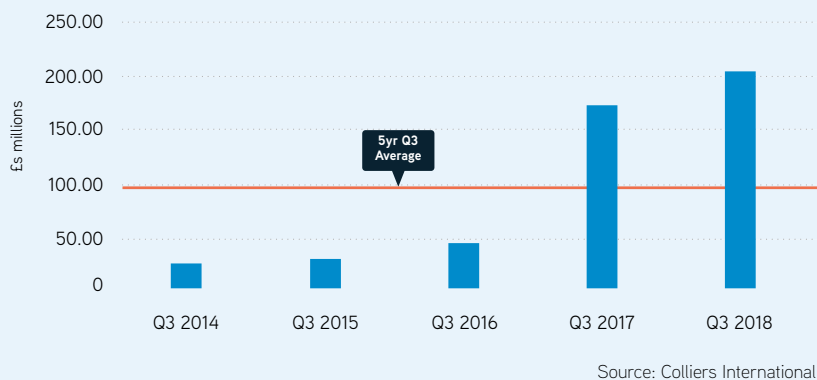
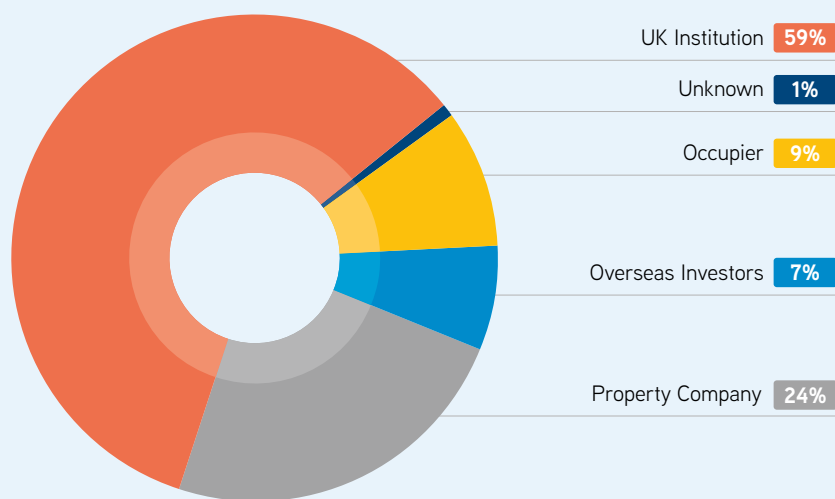


FIGURE 8: **Q3 2018% OF TOTAL INVESTMENT**
 by Investor Type



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Total investment volumes in Bristol for Q3 2018 totalled a staggering £205.95m

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FOR MORE INFORMATION

OFFICES

James Preece

+44 117 917 2047

james.preece@colliers.com

Alfie Passingham

+44 117 917 2080

alfie.passingham@colliers.com

INVESTMENT

Richard Coombs

+44 117 917 2036

richard.coombs@colliers.com

RESEARCH & FORECASTING

Lisa Dean

+44 20 7487 1961

lisa.dean@colliers.com

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Colliers International
50 George Street
London W1U 7GA



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