Bristol Office Market Watch

August 2016

Refurbishments are set to plug the gap as office demand remains strong

Market Snapshot

◆ Take up reached 381,291 sq ft in Bristol city centre during the first half of 2016. This is 37% above the long term half year average of 278,000 sq ft and the strongest first half since 2007.

◆ Bristol is on track to reach take up of 800,000 sq ft by the end of 2016, well above the five year average of 533,000 sq ft. This is a strong performance given current market uncertainty.

◆ The headline deal during the first half was EDF Energy taking 81,000 sq ft at Bridgewater House, marking the largest city centre letting for 10 years, whilst Direct Line also signed a 63,000 sq ft deal at The Core.

◆ TMT was the most active business sector during the first half with take up reaching 166,000 sq ft, 32% of the total. Bristol remains a favourite for tech based firms and has seen more demand for TMT space than any other regional city during 2016.

◆ Availability of Grade A space continues to see a tightening of supply, yet high quality Grade B refurbishments look to plug the gap, with c.330,000 sq ft set to complete within the next 12 months.

◆ One of the most high profile refurbishments is Programme (pictured overleaf), which will provide around 120,000 sq ft of TMT space, of which one floor is already under offer.

◆ Rents for high quality refurbished space have risen significantly over recent years. Narrow Quay House achieved a headline rent of £27.00 per sq ft on a c.28,000 sq ft letting to Frazer Nash.

◆ Ultimately, this has squeezed the rental differential between new build and refurbishments in the city centre to only £1.50 per sq ft.

◆ With top rents currently standing at £28.50 per sq ft, Savills expect top rents to reach £30 per sq ft by end 2016 and £35 per sq ft by end 2020.

◆ During 2016, office investment in Bristol reached £237m - the strongest H1 level on record and 140% above the long term half year average.

◆ UK property companies accounted for £82m of total office investment, above the long term average of £49m.

◆ Key deals included the purchase of Bridgewater House to a Private Investor for £56m, representing a yield of 5.35%, with prime yields for the market standing at 5.25%.
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Source: Savills Research