Market Watch
Bristol Office

November 2016

Bristol's supply and demand imbalance intensifies as occupiers wait for new space to be delivered.

Market Snapshot

- Take up reached 134,408 sq ft in Bristol city centre during the third quarter of 2016, a 2% increase over the same period last year. As at end Q3 2016, Bristol's take up reached 515,699 sq ft, the strongest level for this stage in the year since 2007 (Graph 1).

- Bristol is on track to reach take up of 800,000 sq ft by the end of 2016, 50% above the five year average. Bristol continues to perform strongly in an uncertain market.

- The key Grade A deal during the third quarter was to OVO Energy, who took 23,000 sq ft at Templeback at a price of £28 per sq ft.

- The most active business sector during the third quarter was the TMT sector which accounted for 31% of the total take up. However, the energy sector has been very active during 2016 and we expect this to continue following the approval of Hinkley Point in September 2016.

- Availability of Grade A space has continued to fall in Bristol city centre and currently stands at 115,000 sq ft, 23% down from 150,000 sq ft at the end of 2015. St Catherine’s Court, pictured overleaf, currently provides 12,000 sq ft of available Grade A space.

- Total availability has fallen 5% since the start of the year, to end the third quarter at 855,000 sq ft (Graph 2).

- With risk conscious developers waiting for prelets, there will be no new developments becoming available until Aurora, Finzels Reach (95,000 sq ft) in Q4 2017. However we expect to see c.300,000 sq ft of high quality refurbishments complete within the next 12 months.

- 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 £32.50 by end 2017 (Graph 3).

- As at the end of the third quarter, office investment reached £270m, the highest level of investment for this stage in the year since 2006 (Graph 4) and 89% above the five year average.

- Post referendum investment demand remains strong amid improving sentiment on the UK’s future. We expect overseas investment to become the key contributor to total investment as investors take advantage of a weak pound.
TABLE 1

Significant Deals in Q3 2016

<table>
<thead>
<tr>
<th>Address</th>
<th>Sq ft</th>
<th>Grade</th>
<th>Business Sector</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Templeback</td>
<td>23,207</td>
<td>A</td>
<td>Extraction &amp; Utilities</td>
<td>OVO Energy</td>
</tr>
<tr>
<td>Colkin House, Oakfield Road, Clifton</td>
<td>10,247</td>
<td>B</td>
<td>Retail &amp; Leisure</td>
<td>Studio Six</td>
</tr>
<tr>
<td>Merchants House</td>
<td>7,825</td>
<td>B</td>
<td>Business &amp; Consumer Services</td>
<td>Hydrock</td>
</tr>
<tr>
<td>Castlemead</td>
<td>7,678</td>
<td>B</td>
<td>TMT</td>
<td>QA</td>
</tr>
<tr>
<td>Temple Circus</td>
<td>6,550</td>
<td>A</td>
<td>Professional</td>
<td>RPC</td>
</tr>
</tbody>
</table>

Source: Savills Research, Property Data

**GRAPH 4**

Office Investment

- Q1
- Q2
- Q3
- Q4

**TABLE 1**

Significant Deals in Q3 2016

- Templeback 23,207 sq ft, Grade A, Extraction & Utilities, OVO Energy
- Colkin House, Oakfield Road, Clifton 10,247 sq ft, Grade B, Retail & Leisure, Studio Six
- Merchants House 7,825 sq ft, Grade B, Business & Consumer Services, Hydrock
- Castlemead 7,678 sq ft, Grade B, TMT, QA
- Temple Circus 6,550 sq ft, Grade A, Professional, RPC

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