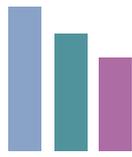


Bristol Offices



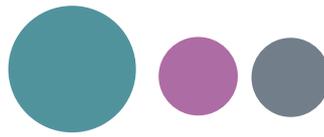
Occupational • Rents • Investment • What Workers Want



236,000 sq ft
of take-up in Bristol city centre during H1 2019



23%
of take-up was Grade A



Top sectors
Serviced Office (32%), Insurance & Financial Services (14%), TMT (14%)



£35
Top achieved rent - having increased 25% over the past 5 years

Office Rental Growth: The Bristol city centre story

Bristol is considered to be one of the UK's economic hotspots and is continuing to see significant economic growth. Over the past five years, Bristol saw office based Gross Value Added (GVA) growth of 13% and is forecast to see a further 15% over the next five years.

Earlier this year Bristol was ranked as the second most digitally connected UK City bettered only by the capital. It is home to two of the UK's best universities contributing to a skilled and diverse talent pool and is the most popular destination for people relocating from London. It is therefore unsurprising that there are significantly high levels of demand in Bristol's economy and office market.

Headline office rent in Bristol city centre currently stands at £35 per sq ft, one of the highest headline rents of the big six regional office markets, bettered by only Manchester (£36) and level with Edinburgh.

Bristol has seen rents increase by an exceptional 25% since 2013. A figure which is the highest among the big six regional office markets, during the same period Manchester saw growth of 20%, Glasgow 18%, Edinburgh 17%, Birmingham 16% and Leeds 15%.

This strong growth has been driven by a shortage of office supply in Bristol paired with high levels of demand. Since 2016, take-up levels have consistently exceeded end-of-year supply, and as a result, availability currently sits at just over 500,000 sq ft.

The strong demand in Bristol's office market will continue to fuel rental growth, Savills expects to see rents in Bristol city centre reach £36 by the year end.



Assembly, Bristol. Savills are acting on behalf of the landlord.

Occupational overview

The approaching completion of new developments presents high prospects for 2020 take-up.

Following three years of exceptional take-up, which saw 1.9 million sq ft of office space occupied, Bristol city centre has unsurprisingly been left with a severe lack of office supply.

Currently, available office supply in Bristol city centre sits at just 533,000 sq ft with only 98,000 sq ft meeting Grade A standards. This lack of supply has suppressed 2019 take-up thus far, with the first half of the year totalling 235,774 sq ft.

However, prospects for 2020 take-up are extremely positive with two new developments reaching completion next year as well as two others beginning on site. 200,000 sq ft at Assembly Bristol is due to complete in November 2020. The Distillery Building on Glassfields is due to complete in April 2020 and currently has 90,000 sq ft available. The 116,000 sq ft office

development Halo and the 86,000 sq ft Harbourside development are due to begin on-site in 2020.

Upon its completion Assembly will be one of the highest-quality office buildings in Bristol. The striking steel building, unlike any other in Bristol, is being developed in a waterfront location and with a number of features designed to enhance the well-being and productivity of its tenants.

Developers Axa and Bellhammer claim "A healthy and happy working environment is crucial to your employees' well-being and has a significant impact on business productivity. Assembly includes several features aimed at improving occupant well-being. For instance, the spacious floorplate includes generously proportioned windows with large opening sections, to create a working environment with plenty of natural daylight and fresh air. In

addition, the breakout spaces and external terraces will help to boost collaboration, while the open staircases will be defining features within the buildings, creating a bright and spacious feel."

It's clear that well-being is at the forefront in Bristol with the introduction of the 'One City Plan', which outlines Bristol's targets for 2030, 2040 and 2050, introducing a board dedicated to health and well-being along with five others prioritising: the economy, homes and communities, the environment, learning and skills and connectivity.

Bristol is a mindful city which encourages the well-being of its residents. Its office space can therefore be no exception meaning Assembly and developments like it will continue to be welcomed in Bristol.

“It's clear that well-being is at the forefront in Bristol with the introduction of the 'One City Plan', which outlines Bristol targets for 2030, 2040 and 2050, introducing a board dedicated to health and well-being”

INVESTMENT OVERVIEW

During the first half of 2019, Bristol saw £90 million in commercial investment, £37 million was for office space, reflecting 41%. There remains strong investor demand for both core and value add offices opportunities, which are in short supply.

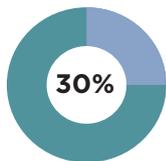
UK property companies have been particularly active during the first half of 2019, accounting for 58% of office investment volumes.

Prime yields in Bristol remain at 4.75% having stayed stable throughout the first half of 2019.

St James Court, St James Parade was sold by Kames Capital to Scotsgrove for £9.3 million, reflecting a 6.5% yield. St James Court is a freehold multi-let office building totalling 36,415 sq ft in the city centre with a low average rent of £17.83 per sq ft and WAULT of 7.9 years.

Bridge House, Baldwin Street was sold by Kames Capital to CBRE Global investors for £8.2 million. Bridge House is a multi-let leasehold office building totalling 43,167 sq ft in the city centre offering scope for refurbishment.

Office investment volumes in the second half of the year are expected to be strong on the back of a number of pending significant transactions in the city centre.



So far this year 30% of office investment into the South West has occurred within Bristol.

58%

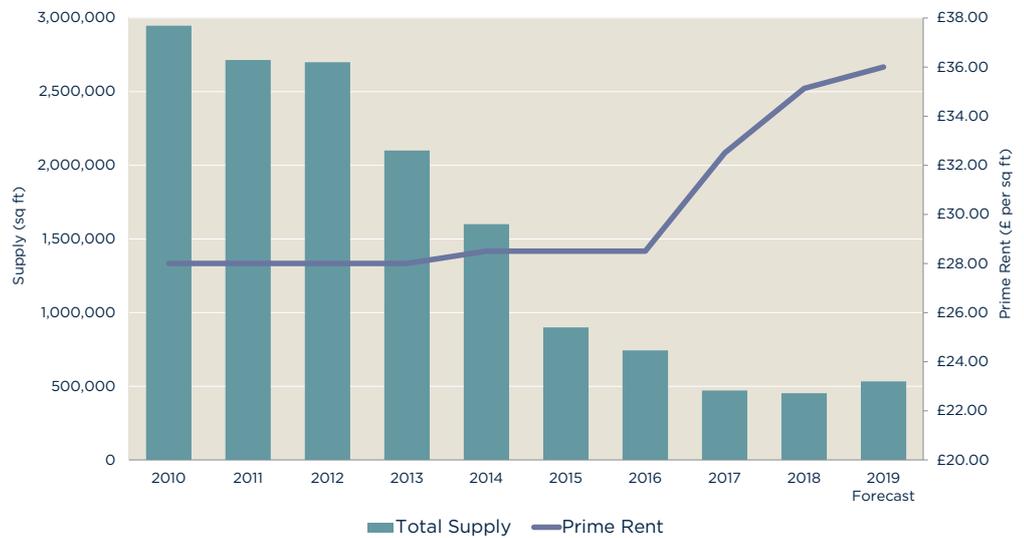
of Bristol's office investment deals came from UK property companies.

4.75%

Is the current prime office yield in Bristol having remained stable during the first half of the year.

Bristol City Centre Supply (sq ft) and Prime Rent (£ per sq ft)

Bristol city centre's office supply has been rapidly decreasing since 2012, this reduction in availability has facilitated significant rental growth. Savills expects to see rents in Bristol city centre reach £36 by the year end.



Source Savills Research

“Bristol has seen rents increase by an exceptional 25% since 2013. A figure which is the highest among the big six regional office markets”

530,000
Sq ft

Total Supply

1

Year

Total Supply

98,000
Sq ft

Grade A Supply

8

Months

Grade A Supply

Source Savills Research

What Bristol Workers Want?

Savills UK What Workers Want survey investigates; the wants and needs from the workplace across 14 UK cities, in Bristol, environmental factors were of importance to workers.

The war for talent has secured wellbeing, staff attraction and retention at the forefront of occupier's minds. Savills latest What Workers Want survey aimed to discover what exactly today's office workers want and need from their workspace.

Bristol is known for being a vibrant and environmentally conscious city - in 2008 it was named the UK's first cycling city, in 2015 it was the first city to be recognised as the European Green capital, and in 2017 it was named the UK's most environmentally friendly city. Bristol is a Fairtrade city which practises fair trading with 58 developing countries, and

earlier this year Bristol was even listed as the world's vegan capital, demonstrating that the lifestyle of Bristol's population is one that favours environmentally friendly and sustainable behaviours.

Bristol's environmental awareness was apparent in the survey results with Bristol workers being less satisfied than the rest of the UK with the air quality, bike storage and proximity to green space and parks, likely driven by the high environmental standards of Bristol workers. Bristol office workers also placed a higher importance on plants/greenery inside the office, bicycle storage, ability to recycle and the

environmental performance of the building than the UK average.

This suggests that office workers in Bristol are concerned with the environmental factors of their workspace; this should therefore be considered by landlords and developers operating within Bristol.

The results of the survey also showed there is clear room for improvement on bike storage facilities at Bristol offices; this should therefore be considered by landlords and developers looking to improve their services and occupiers who wish to meet the desires of their staff.

“Office workers in Bristol are concerned with the environmental factors of their workspace; this should therefore be considered by landlords and developers operating within Bristol”



Savills Commercial

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team

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