

UK Commercial - Spring 2023

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SPOTLIGHT  
Savills Research

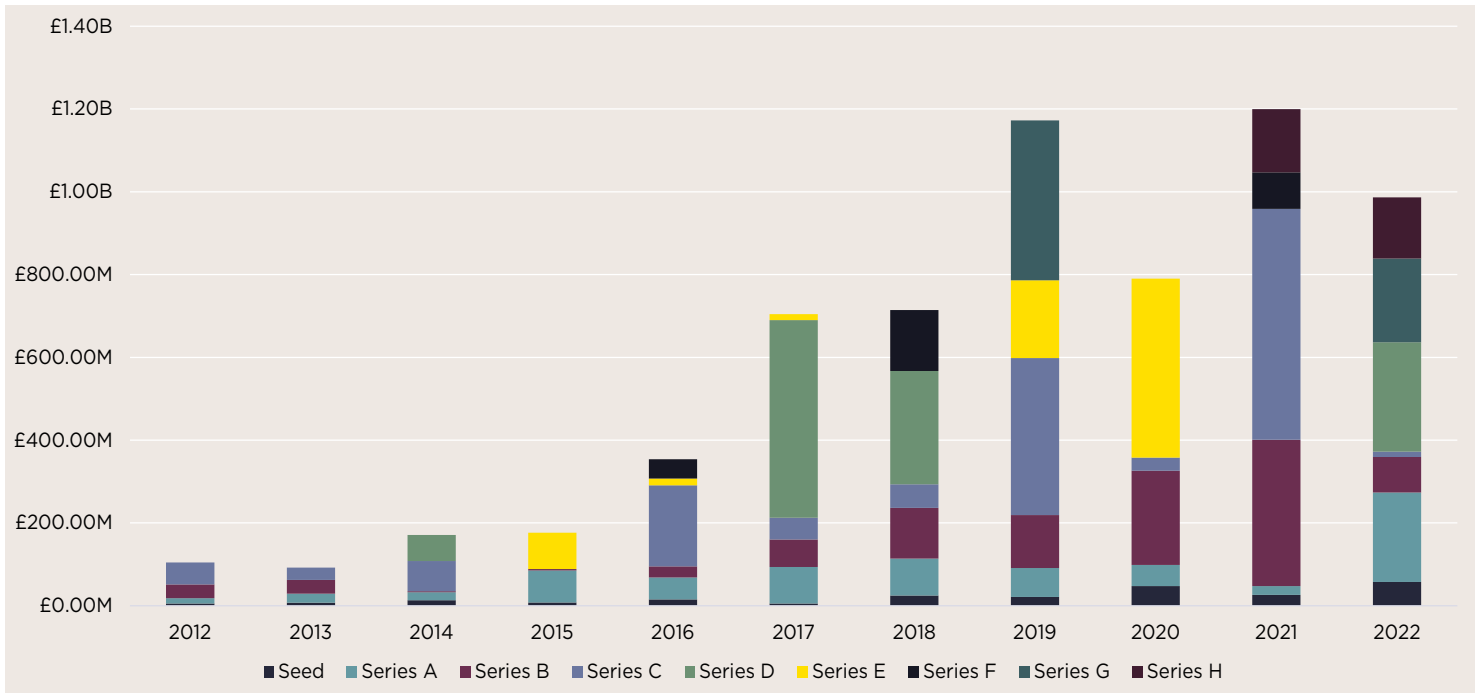
# Bristol Offices Spotlight on Tech



Occupational • Tech • Venture capital

## Bristol venture capital levels

Bristol has seen significant venture capital investment in 2021 and 2022



Source PitchBook

## University and industry collaboration

Savills Tech Cities Report, launched in February, voted Bristol in the Top 12 tech cities for 'deep tech'.

As defined by Boston Consulting Group, deep tech focuses on 'large and fundamental issues,' that often tackle scientific or engineering challenges requiring lengthy periods of research and development plus large sums of capital. Chip design is archetypal deep tech because of the huge impact these products have on our everyday lives. But the sector is far broader than that. It spans advanced materials and manufacturing, artificial intelligence, biotechnology, blockchain, robotics and electronics. Rovco, XMOS, aerospace company Space Forge, touchless tech pioneer Ultraleap, and data intelligence firm RipJar were all founded by University of Bristol and Bath alumni.

Supporting Bristol's position as a top-12 tech city is its growing tech ecosystem of spin-outs and start-ups. There is a legacy of interesting and successful companies set up by alumni from local universities. This, combined with other factors, means that people want to stay within the city after completing their degrees, resulting in significant talent retention, further establishing Bristol's technology ecosystem going forward.

According to Dealroom data, there are more than 1,200 start-ups that call Bristol home - key emerging companies include Graphcore, Open Bionics, Ultraleap, Immersive Labs, and autonomous driving start-up Five. Of the 48 academic spin-outs tracked by Beauhurst, Bristol includes 90% technology/IP-based businesses, highlighting the strong sectoral focus on tech

coming out of universities. Of these spin-outs, there is a strong focus on biotech and medtech, agritech, and aerospace.

The University of Bristol has a strong track record in contributing to the development of the UK quantum industry, with a third of all UK quantum start-ups originating out of the university. The University of Bristol also has the largest robotics department in Europe, with a number of tech courses enjoying close links to research institutes and labs for opportunities after graduating.

To create this growing tech ecosystem, no single organisation can achieve the creation on its own - it requires joined up thinking and a willingness to work together. Councils need to collaborate with local businesses and universities to identify what is needed to create the right space and support the growth of the city.

A key factor in Bristol's success is having dedicated spaces for tech. Central to the South West's innovation scene are the universities that feed it and the collaborative hubs and incubators that sustain it. The University of Bristol has launched its pre-incubator programme in a bid to help create more deep tech start-ups in the city. The QUEST programme, spun out of its Quantum Technology Enterprise Centre (QTEC), is a 6-month programme for UK university researchers who are looking to commercialise their tech. Since 2016, QTEC has supported the creation of 28 active companies with a combined valuation of over £120 million. These companies have raised over £57 million and created over 175 new highly skilled jobs

within the UK.

Runway, the key start-up programme from the University, also provides mentoring and a tailored plan for each business that is based within the multi-award-winning Centre for Innovation and Entrepreneurship. The programme pushes for success through a chain of infrastructure and investment. SET'squared, a start-up accelerator run collectively by the universities of Bristol, Bath, Exeter, Southampton and Surrey, has supported over 4,000 entrepreneurs, with TechCrunch reporting that since 2002 it has raised a funding total of £1.8 billion.

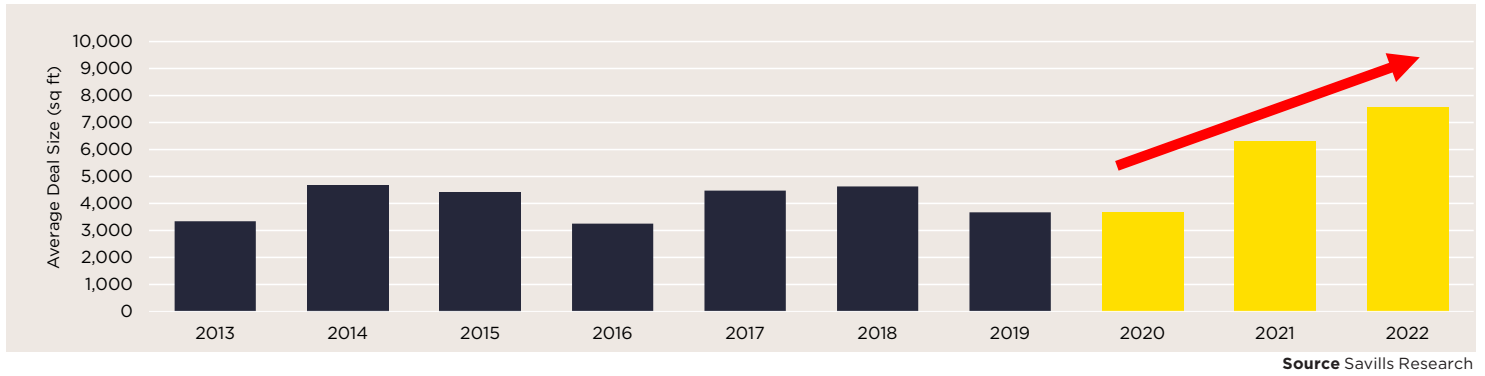
The Bristol Robotics Laboratory (BRL), a centre for innovation focused on the understanding of science and home to a community of over 450 academics, researchers and industry practitioners, was originally created to help staff and students commercialise their business ideas and is at the heart of UWE's new University Enterprise Zone (UEZ). Essentially, an enterprise space that promotes collaboration between the university and industry, providing incubator and growth facilities for high-tech businesses from the robotics, health technology, biosciences and biomedicine sectors.

Finally, Science Creates, a deep tech incubator, supports more than 100 start-ups that span across 30,000 sq ft of state-of-the-art laboratories, offices and event space to support the growth of deep tech start-ups. Both incubators are operated in partnership with the University of Bristol and Research England.

## The University of Bristol has the largest robotics department in Europe

## Average 'TMT' deal size

The average 'TMT' deal size has increased significantly since the pandemic



# Bristol's innovation-led growth

## 'TMT' has been the most active sector in Bristol over the last five years

In light of continuing technological advancements and venture capital investment (VC) in the sector, 'TMT' has seen significant growth in Bristol over the last 10 years.

Bristol is now the fifth-fastest-growing tech city in the UK according to the Digital Economy Council's Levelling Up Power Tech League report.

Looking specifically at 'TMT', this has been the fastest-growing office-based employment sector in Bristol, with 73% job growth over the last 10 years (over all office-based employment growth of 42%) and a further 18% growth expected by 2032 (overall office-based employment growth of 11%). With exciting start-ups and highly skilled talent coming out of the universities, Bristol has proven to be a highly successful ecosystem for high-growth tech companies, with Huboo and Ultraleap, two of the biggest and most important tech companies in Bristol.

In 2021, the city was named the UK's fastest-growing tech hub, with a 500% rise in tech job opportunities and salaries some of the highest found outside of London. On a wider economic level, this has helped Bristol achieve the highest level of growth (34%) in average weekly income across all job sectors over the last 10 years in London and the Big 6.

Start-ups and scale-ups tend to attract younger demographics and Bristol has a generous pool of young people to hand, with nearly 40% of its population under 30 years old and over 65,000 students graduating from the universities. Bristol has c.2,000 graduates entering the professional, scientific and tech sectors annually,

this equates to 19% of all graduates (higher than all comparable regional cities).

On an annual level, 'TMT' has been the most active sector in the market in four of the last five years, in terms of both total take-up and number of deals completed. It was only in 2020, at the height of the Covid-19 pandemic, that 'TMT' was knocked off the top for these metrics.

Over the last five years, the TMT sector has comfortably been the most active sector in Bristol. Between 2018 and 2022, there was 930,000 sq ft of tech take-up, which accounted for 32% of the overall total. This represented a significant increase of 54% on the total take-up achieved by the sector between 2013 and 2017, where 600,000 sq ft of demand accounted for 19% of total take-up.

The same story is also true for deal count, with 137 'TMT' lettings between 2018 and 2022 which accounted for 27% of the total deal count. 'Business and Consumer Services' was the second most active, with 90 lettings accounting for 18% of the overall total.

One area of particular growth within the sector is the average annual deal size. This comes as start-up tech companies in the city grow and new occupiers enter the market to capitalise on what the Bristol market has to offer.

TMT occupiers in Bristol have become increasingly active in the larger size bands. In 2013, the average TMT deal was 3,343 sq ft. This has grown over the last 10 years and, by 2022, had more than doubled to 7,588 sq ft. Another measure of tech growth in the market is the proportion of

total sector take-up for spaces over 10,000 sq ft. In the five-year period between 2013 and 2017, 21% of total TMT take-up was for space over 10,000 sq ft. In the five years between 2018 and 2022, this proportion had grown considerably to 56%, signalling the increased confidence and spatial requirements for TMT occupiers.

UK tech businesses are growing twice as fast as non-digital businesses, with Savills data showing there is a tendency for technology companies to acquire more space than they had before the Covid-19 pandemic began.

VC deals over the last 10 years for Bristol-based companies shows strong investment in burgeoning companies in technology/ software start-ups. Almost 50% of VC deals were in software industry, covering a wide range of start-ups. Both are reflective of a broader tech focus and sectoral strength in Bristol.

2022 saw the annual total of VC raised for Bristol reach £985 million, which was 8% above the five-year average for the city. This overall level of capital raised, which will impact positively on real estate demand and the company's growth, will further establish Bristol's technology ecosystem going forward.

The developing maturity of the tech sector in Bristol has clearly been seen in the growth of later-stage VC raised. In 2022 alone, 36% of venture capital raised was for Series G or H funding. This was a significant development for the sector that saw no capital raising at either of these later stages between 2012 and 2018.

+127%

Increase in average 'TMT' deal size between 2013 and 2022



73% increase in the number of tech jobs in Bristol over the last 10 years



54% increase in 'TMT' take-up over the last five years compared to 2013-2017

The TMT sector has matured in Bristol, with occupiers becoming increasingly active in the larger size bands



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