

RESEARCH & FORECASTING UK BRISTOL SNAPSHOT



BRISTOL

AVAILABILITY ▲

TAKE-UP ▲

RENTS ➔

CITY CORE

AVAILABILITY ▼

TAKE-UP ➔

RENTS ➔

CLIFTON

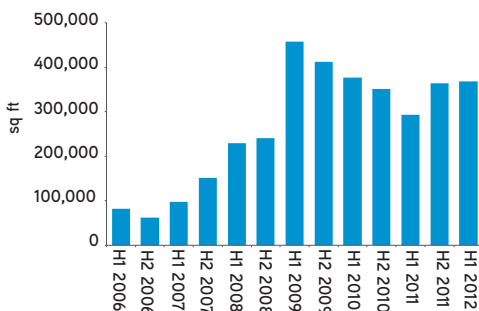
AVAILABILITY ▲

TAKE-UP ▲

RENTS ➔

“Projections of Grade A supply and absorption suggest that there will be a strong impact upon headline rental levels.”

FIGURE 1: BRISTOL GRADE A AVAILABILITY

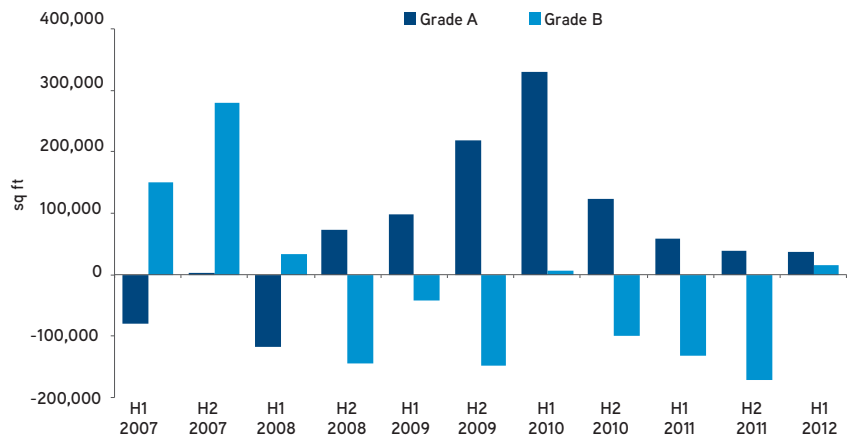


Source: Colliers International

Overview

- Bristol net stock absorption was negative for the second six month period in succession, although the fall in the occupation levels has slowed. Grade A absorption fell sharply but still remained positive with only two Grade A deals recorded in H1 2012. (see **Figure 2**).
- Half year on half year take-up was flat (see **Figure 3**) although it was down on the equivalent period for 2011 and considerably down on the five-year average of circa 270,000 sq ft. H1 2012 only had two transactions above 10,000 sq ft which compared to a total of nine in the whole of 2011.
- Overall vacancy in the city core currently stands at a 19.8%, a very modest rise quarter on quarter. Grade A availability saw a modest fall (see **Figure 1**) as did Grade B product. These falls were offset by release of Grade C units onto the market which caused a rise of 18% in that category (see **Figure 4**). Absorption of Grade C product fell across the whole city centre market and was down by 93,558 sq ft in comparison to a rise of 118,828 sq ft over the previous 12 months.
- Prupim recently obtained planning permission for a major refurbishment of its 1 Victoria Street scheme which should commence construction very shortly, with a 12 month completion timeline. There are no other city centre schemes under construction and although there are a number of potential starts, none will be forthcoming without a substantial pre-let.
- Grade A quoting rents remain stable due to a relatively low level supply at £27-£28 psf. Net effective rents are considerably lower as incentives are being heavily used in negotiations and remain high at around three months per year of the term certain. Good Grade B rents are around £18-£20 psf, with lower Grade B at £10 psf.

FIGURE 2: BRISTOL NET GRADE A VS GRADE B NET STOCK ABSORPTION



Source: Colliers International

Occupier Markets

- Over the past 18 months leakage of secondary quality product on to the market has seen occupation levels drop consistently for Grade B product although in recent months this has begun to stabilise. Larger schemes in Bristol remain reliant upon pre-letting agreements. There are a number of significant requirements that are set to come to the market over the next 18 months (see **Figure 6**). A shortage of larger deals has held back take-up over the past 12 months with occupiers remaining cautious. Existing requirements should help to soak up more space over the remainder of 2012.
- Projections of Grade A supply and absorption suggest that there will be a strong impact upon headline rental levels. Assuming average take-up of Grade A space, we anticipate the Bristol market reaching a 'tipping point' whereby Grade A demand begins to outstrip supply during the second half of 2013. Projections suggest that rents could reach £29.50 psf by 2014 (see **Figure 5**). However, if demand rises significantly above trend during late 2012-2013 it is possible that the headline figures could be above that level. Given the projected rates of absorption we would certainly expect there to be little differential in terms of pricing between new and second-hand Grade A space in similar locations, if as expected, currently available Grade A product is almost completely absorbed by late 2013.

FIGURE 6: BRISTOL CURRENT KEY REQUIREMENTS

Company	Size	Timescale
Morgan Cole LLP	12,500-15,000	2012
Mapfre	40,000	2012
Immediate Media	20-25,000	2012
Imperial Tobacco	17,500-20,000	2012
Nvidia	20,000	2012
SDL	10-11,000	2012
Santander	8,000-10,000	2012
Sanlam	15,000-20,000	Q3 2012
Liverpool Victoria	20,000	Q3 2012
Canada Life	30,000	Q2 2013

Source: Colliers International

FIGURE 7: BRISTOL OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H2 2012	All Grades NSA (sq ft) H1 2012	Grade A NSA (sq ft) H1 2012	Take-up (sq ft) H1 2012
City Core	2,106,144	-55,709	37,092	161,300
Clifton	163,754	-24,245	0	24,298
City Total	2,269,898	-79,954	37,092	185,598

Source: Colliers International

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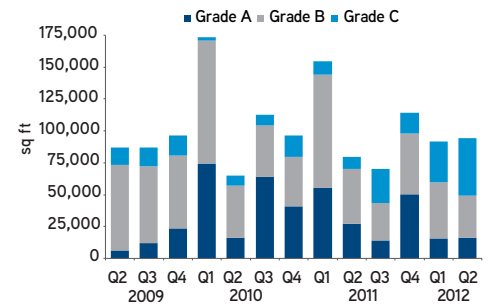
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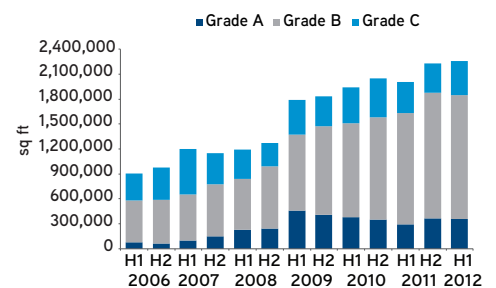
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FIGURE 3: BRISTOL TAKE-UP BY GRADE



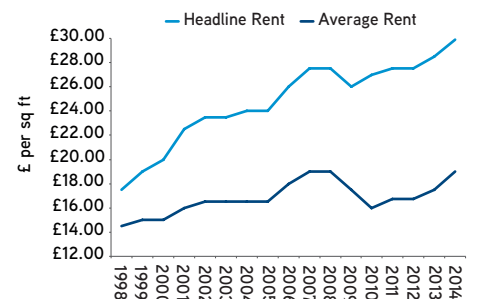
Source: Colliers International

FIGURE 4: BRISTOL AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: BRISTOL RENTS AND FORECASTS



Source: Colliers International

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