BRISTOL OFFICE MARKET REMAINS STATIC

- Smaller deals remain prevalent: 95% of deals during Q1-Q3 below 10,000 sq ft -

Q1-Q3 2012 Bristol city centre (CC) office take-up reached 300,722 sq ft, down slightly on the 311,095 sq ft achieved in the equivalent period a year earlier, according to BNP Paribas Real Estate (BNPPRE), the leading property adviser.

A key trend, which emerged throughout the year, was the prevalence of smaller deals below 10,000 sq ft, with 95% of deals completed during the first nine months of 2012 falling into this size band. There has also been a slowdown in occupier demand for grade A space, as company requirements have downsized or shifted to secondhand space.

Peter White, head of agency at BNP Paribas Real Estate's Bristol office, commented: “As we anticipated, 2012 has proved to be another tough year for the Bristol office market. The 2012 take-up levels for the CC and out of town (OOT) markets are expected to be down on last year's levels. With no speculative completions over the short-term, availability levels in both markets will continue to fall.”

With regards to the Bristol investment market, there has been ongoing activity throughout 2012, albeit at a slower pace than last year. Between Q1-Q3 2012, Bristol office investment totalled £88.3m, compared to £247.3m in Q1-Q3 2011. With the oversupply of empty grade C office stock in regional markets, investors are continuing to contemplate converting older offices into alternative uses.

After a promising first quarter, when OOT take-up soared to 104,205 sq ft, the market has since slowed. Between Q1-Q3 2012, OOT take-up reached 197,637 sq ft, down 15% on Q1-Q3 2011. Smaller transactions continue to sustain the market, with 74% of the 43 deals completed to the end of Q3 falling below 5,000 sq ft.

At the end of Q3, CC availability was estimated to be 2.2m sq ft, down 4% on the Q1 level. The smaller OOT market’s availability level was estimated to be 1.3m sq ft at the end of Q3, which was marginally lower than Q1.
“Both CC and OOT headline rental levels will remain unchanged for the remainder of the year, at £27.50 per sq ft and £19.50 per sq ft, respectively. As the availability of grade A space tightens, we can expect to see tenant incentives start to reduce next year. The return to speculative development of new build schemes is looking unlikely until there’s a revival in occupier demand for grade A space. Total 2012 Bristol office investment will inevitably be lower than 2011. The outlook for the 2013 is, however, more positive, with a number of large investment sales due to complete in early 2013,” White concluded.

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