BRISTOL OFFICE MARKET REMAINS CHALLENGING IN 2013

As we move further in 2013, the Bristol office market continues to remain challenging, despite local optimism, according to new research by BNP Paribas Real Estate, the leading property adviser.

Peter White, senior director within BNP Paribas Real Estate’s Bristol office agency, comments: “Bristol Council’s recent deal at 100 Temple Street helped to boost the market, but if we remove it from the Q1 2013 city centre take-up statistics, they reveal that take-up in every quarter of 2012 outperformed the first quarter of this year. This reflects the fact that the majority of transactions currently taking place are below 5,000 sq ft and deals in excess of 10,000 sq ft are a rarity. With only few large requirements, 2013 take-up volumes are expected to remain substantially below pre-recession levels.”

“Rumour suggests that there is potential for some speculative developments to go onsite during the remainder of the year. In the short-term, we are sceptical about the likelihood of these schemes starting onsite. Looking ahead, the local investment market is likely to become increasingly attractive to the growing number of investors priced out of London and looking for opportunities to secure higher returns in key UK regional centres,” added White.

Positively, investment volumes in the first quarter were strong compared to Q1 2012, as Q1 2013 saw £45.3m of Bristol offices transacted, compared to just £11m in Q1 2012 and £16.8m in Q4 2012.

In terms of availability in both the city centre and out of town markets, levels are gradually falling. City centre supply in the first quarter was estimated to be 2.1m sq ft, down 10% on Q1 2012. However, the market does currently have a satisfactory supply of grade A accommodation. At the end of Q1 2013, the smaller out of town market had 1.2m sq ft available, which was 11% lower than the equivalent quarter a year earlier. With no new speculative out of town schemes currently under construction, this situation is unlikely to improve for the foreseeable future.

Commenting on rental levels, Joanne Warren, associate director within BNP Paribas Real Estate’s research department, said: “Bristol city centre headline rent was £27.00 per sq ft in the first quarter of this year, compared to £27.50 per sq ft in Q4 2012. This fall reflects the lack of occupier competition for grade A space. In contrast, the out of town headline rental level rose to £21.50 per sq ft in Q1 2013. This increase highlights the competition in the market for high quality space,
which is now in very short supply. Overall, incentives remain a market feature, with city centre and out of town occupiers typically expecting to receive 36 months rent-free on a 10-year term.”

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BNP Paribas Real Estate has local expertise on a global scale through its presence in 34 countries with more than 180 offices and 3,300 employees (17 wholly owned subsidiaries and 17 by its Alliance network, that represents today more than 3,000 people).

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