Bristol office investment volumes for 2013 will be slightly ahead of 2012 levels, according to research by BNP Paribas Real Estate, the leading property adviser.

BNP Paribas Real Estate’s head of Bristol, Patrick Pryce, comments: “So far this year, Bristol office investment totalled £77.3m to the end of Q3, behind Q1-Q3 2012 when £89.5m transacted. This fall doesn’t reflect a lack of investor appetite, but the restricted flow of assets into the market place. In fact this year the market has seen renewed activity, largely attributable to the attractive yields on offer.”

Q1-Q3 2013, city centre (CC) take-up reached 427,673 sq ft, up 42% on the equivalent period a year earlier. Take-up this year has been somewhat skewed by Bristol City Council’s 130,000 sq ft Q1 purchase of 100 Temple Quay and Imperial Tobacco’s 85,000 sq ft Q2 purchase on Winterstoke Road. Removing these two large deals, 2013 take-up is currently down 10% on last year’s level.

The out of town (OOT) market remains particularly challenging with Q1-Q3 2013 take-up reaching 178,695 sq ft, down 10% on a year earlier. After a stronger Q1, OOT take-up for Q2 and Q3 averaged just under 50,000 sq ft per quarter, similar in level to Q2 and Q3 2012.

Jo Warren of BNP Paribas Real Estate’s research department, comments: “The supply level continues to fall in both the CC and OOT markets. Q3 2013 CC availability was 2.0m sq ft, down 9% on Q3 2012. Moving forwards, the recent pick-up in speculative development will mean a healthy level of grade A supply going forward. This will ensure it remains an attractive market for both new and existing occupiers. OOT availability at the end of Q3 2013 was 1.26m sq ft, down 5% on Q3 2012. Whilst the CC market retains a good supply of grade A space, the OOT market is now severely lacking, with no readily available accommodation to service larger occupier requirements.”

Q3 2013 OOT headline rents held firm at £21.50 per sq ft, but CC headline rents experienced a small fall, ending the quarter at £26.50 per sq ft. Whilst long rent-free periods remain prevalent, stepped rents, or a blend of the two, are growing in popularity as landlords seek to secure income in what is still a difficult market place. In both the CC and OOT markets, occupiers are still typically expecting to receive 36 months rent-free on a 10-year term.
“Looking ahead, sentiment will continue to improve as economic conditions strengthen. However, it is too early to predict a sustained recovery, as market conditions remain challenging. For a sustainable recovery more churn from existing tenants is needed,” concluded Pryce.

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About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. BNP Paribas Real Estate has local expertise on a global scale through its presence in 40 countries with more than 180 offices and 3,300 employees (18 wholly owned and 22 by its Alliance network that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

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