



Offices



Industrial



Retail



Leisure



Investment



Land



Planning

# Mid-Year Market Update

## Market Monitor

South West of England and  
South Wales Property Review

# 2016



# Welcome to Market Monitor Update, a mid-year review of the commercial property market across the South West and South Wales.

## Summary

Record occupier demand for industrial space helped the South West's commercial property market deliver a robust first half-year performance in spite of some investors and occupiers taking a cautious 'wait and see' approach leading up to the EU referendum.

The key features of the half-year market include:

- Industrial take-up across the South West increased to circa 4.6 million sq ft, the region's highest half-year figure for five years. This represents a 31% increase compared with the 3.5 million sq ft take-up in the second half of 2015. The supply of stock now stands at 4.2 million sq ft, the region's lowest level for 12 years.
- The South West office market performed strongly with take-up of just under 1 million sq ft. Supply across the region stands at just over 3 million sq ft, the lowest level for 12 years.
- In Cardiff, a 35% increase in demand for city centre office space saw headline rents increase to £25 psf and should stimulate further development and inward investment.

Despite the current political and economic uncertainty, we remain optimistic about the prospects for the occupational market in the second half of the year. The investment market however is likely to remain challenging. The fundamentals of our regional economy remain strong. Greater Bristol, and the South West more generally, enjoy very limited supply in many of the key markets which should help deliver continued activity, even in the short term, and in particular in sectors where there is pressure on supply.

The proposed West of England devolution deal between Bristol City, Bath & North East Somerset and South Gloucestershire councils will further help to invigorate the region's economy and property market.



Simon Price  
Partner & Head of Agency

## Major South West Centres: Office & Industrial Demand and Supply (000 sq ft)

| Year           | Office Demand | Office Supply | Industrial Demand | Industrial Supply |
|----------------|---------------|---------------|-------------------|-------------------|
| Half-Year 2016 | 974           | 3,034         | 4,581             | 4,218             |
| Full Year 2015 | 1,919         | 3,240         | 5,852             | 4,320             |
| Full Year 2014 | 2,207         | 3,862         | 4,969             | 6,815             |
| Full Year 2013 | 1,481         | 4,761         | 4,544             | 6,815             |

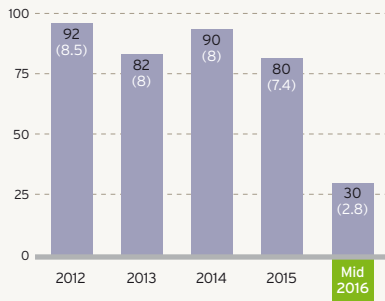
## Cardiff: Office & Industrial Demand and Supply (000 sq ft)

| Year           | Office Demand | Office Supply | Industrial Demand | Industrial Supply |
|----------------|---------------|---------------|-------------------|-------------------|
| Half-Year 2016 | 298           | 860           | 210               | 950               |
| Full Year 2015 | 617           | 900           | 402               | 908               |
| Full Year 2014 | 531           | 1,000         | 763               | 1,094             |
| Full Year 2013 | 300           | 1,000         | 572               | 1,368             |

## Offices

Simon Price T 0117 317 1084 E sprice@alderking.com

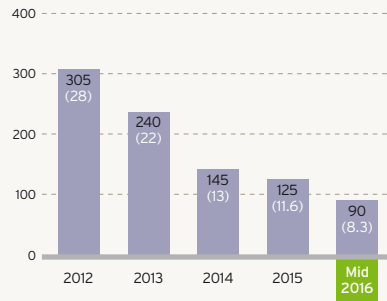
demand 000s sq ft



### demand

- As has been the case for several years in Bath, the lack of modern Grade A space in the market continues to restrict the level of take-up.
- A number of large enquiries are active and having to focus on pre-let opportunities due to the lack of immediately available space.
- Most activity continues to be in the smaller size range up to circa 5,000 sq ft (464 sq m).
- The most active sectors are professional services and TMT.

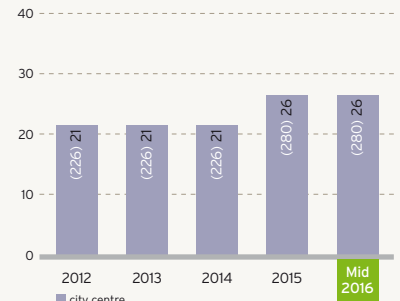
supply 000s sq ft



### supply

- The speculative refurbishment of 20 Manvers Street is now underway with practical completion due in Q4 2016. The scheme comprises a total of 45,000 sq ft (4,181 sq m) with a guide rent of £26 psf (£280 psm). Some of this space is already under offer.
- Other new Grade A schemes being promoted include 50,000 sq ft (4,645 sq m) at Deeley Freed's Roseberry Place and 113,000 sq ft (10,498 sq m) at Ediston's 1 Pinesgate.
- The majority of immediately available space is smaller, cellular second-hand accommodation.

headline rent £psf



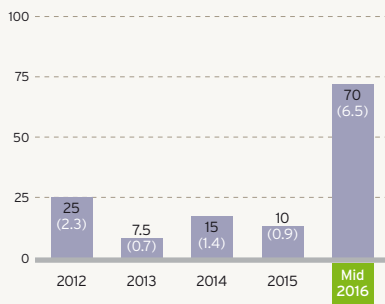
### headline rent

- The refurbishment at 20 Manvers Street should help to close the rental gap on nearby Bristol.
- New developments are being guided at rents in the £24.50 - £26.50 psf bracket.
- Incentives continue to reduce.

## Industrial

Andrew Ridler T 0117 317 1071 E aridler@alderking.com

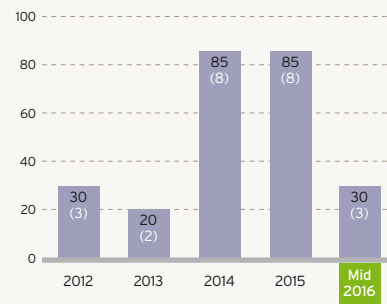
demand 000s sq ft



### demand

- Strong freehold owner occupier demand remains albeit with limited opportunities.
- The lack of good quality modern space is holding back take-up.
- There are a number of larger format requirements for the city which are struggling to find accommodation of a modern specification and are being forced to consider locations outside Bath, as evidenced by Roper Rhodes's recent acquisition of 195,000 sq ft (18,116 sq m) in Portbury, Bristol.

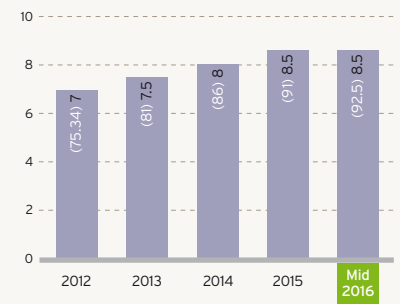
supply 000s sq ft



### supply

- Supply is still limited to second-hand stock and has reduced substantially following Bath College's purchase of the 65,000 sq ft (6,039 sq m) former Herman Miller Building.
- No speculative industrial/distribution development has taken place in Bath.
- There is a negligible amount of good quality stock and the shortage of modern space is set to continue.

headline rent £psf



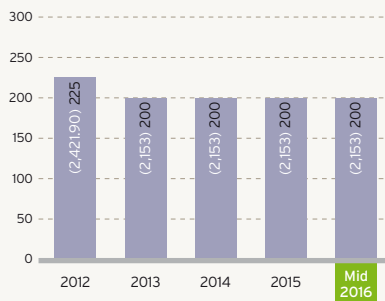
### headline rent

- For new space we anticipate headline rentals of £8.75 psf (£94 psm).

## Retail & Leisure

Charles Russell-Smith T 0117 317 1043 E crussell-smith@alderking.com

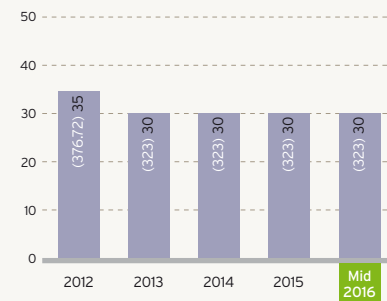
zone A headline rent £psf



### zone A headline rent

- There remains a strong level of demand for retail and restaurant premises in central Bath.
- Opportunities remain limited giving rise to increased prospects of rental growth during 2016.

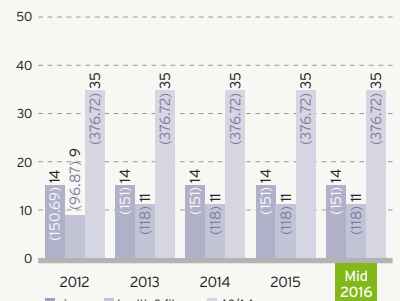
out of town rent £psf



### out of town rent

- Marks & Spencer is due to open a Simply Food unit at Weston Lock Retail Park in June 2016.
- Elsewhere, stock remains limited and development opportunities restricted.

leisure headline rent £psf



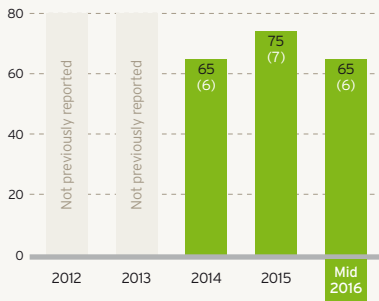
### leisure headline rent

- Strong demand exists for new restaurant accommodation in the city.
- A new food and beverage quarter is to be created within Little SouthGate.
- Development has commenced at Saw Close to provide new casino, restaurant and hotel accommodation.

## Offices

Andrew Maynard T 01823 444879 E amaynard@alderking.com

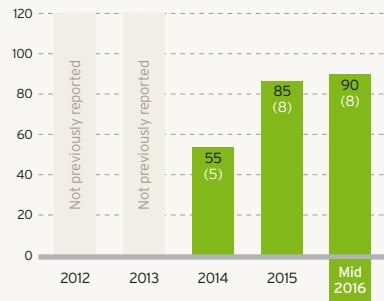
demand 000s sq ft



### demand

- Some demand for out of town space has been generated by the lack of supply in neighbouring Taunton.
- Demand continues to be centred round Junctions 23 and 24 of the M5 motorway within the various Business Parks.

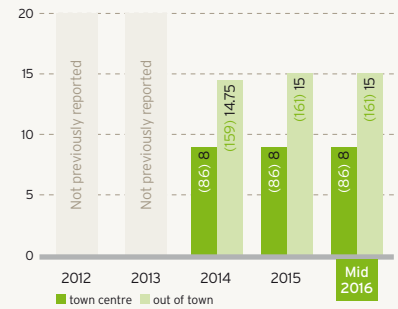
supply 000s sq ft



### supply

- The Somerset Energy Innovation Centre welcomed its first occupiers this spring. The second phase will complete imminently and a third phase is likely.

headline rent £psf



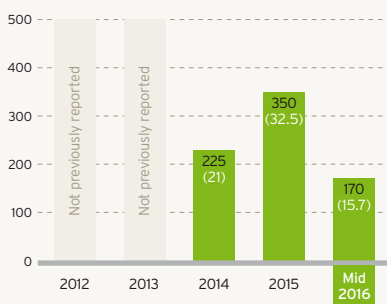
### headline rent

- Whilst there has been no new build activity during 2016, we anticipate that out of town headline levels have remained similar to 2015.
- Town centre rents have also remained similar to 2015 and are unlikely to change in 2016.

## Industrial

Andrew Maynard T 01823 444879 E amaynard@alderking.com

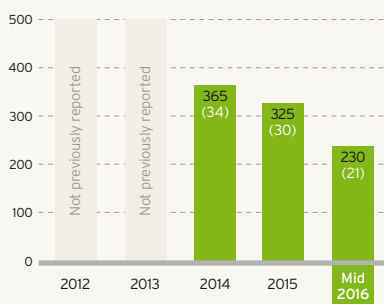
demand 000s sq ft



### demand

- Demand from the logistics sector continues to grow in this popular location.
- Overall levels of demand are likely to be higher than in 2015, whilst further delays in the decisions around Hinkley Point C (now expected in September 2016) may see a spike in demand towards the end of the year.

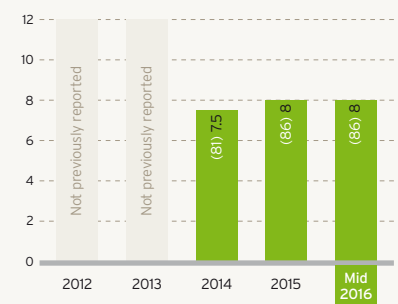
supply 000s sq ft



### supply

- There has been a reduction in the supply of good quality units of under 50,000 sq ft (4,645 sq m).
- With ample new build options available around Junction 23 and Junction 24, a number of occupiers are taking the design and build route.

headline rent £psf



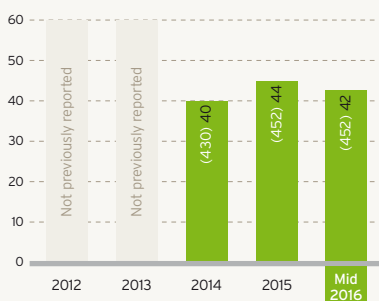
### headline rent

- Headline rents have remained at 2015 levels although, if demand spikes at the end of the year, rental growth is on the cards.
- Trade counter demand is also rising, which may push up trade counter rents towards the end of the year.

## Retail & Leisure

Andrew Maynard T 01823 444879 E amaynard@alderking.com

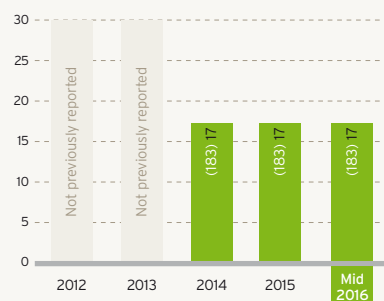
zone A headline rent £psf



### zone A headline rent

- In June 2016 there were 29 vacant retail properties within Bridgwater town centre, down 20% on the end of 2015.
- There are still notable concentrations of vacant units in the tertiary retail areas of Eastover, High Street and St Mary Street, with currently four vacant units on Fore Street.
- Zone A rental levels have stabilised at around £42 psf (£452 psm).

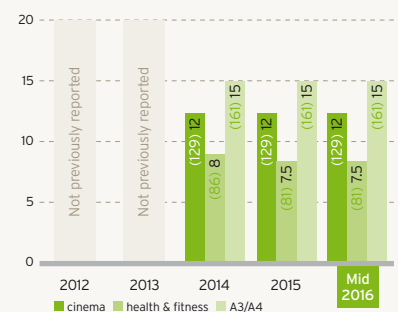
out of town rent £psf



### out of town rent

- Very low vacancy rates have continued into 2016.
- There is active demand from discount chains looking to expand their offer in the town.

leisure headline rent £psf



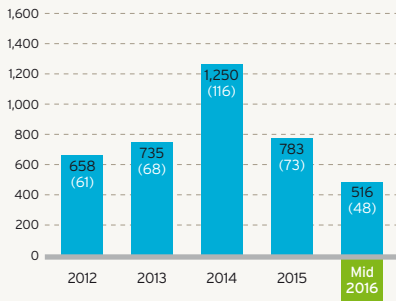
### leisure headline rent

- 2016 has seen an increase in demand from health and fitness operators.
- A3/A4 demand remains strong, particularly in and around the town centre.

### Offices

Simon Price T 0117 317 1084 E sprice@alderking.com

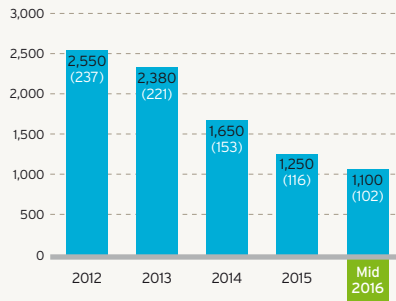
demand 000s sq ft



**demand**

- Following a subdued performance in 2015, the Greater Bristol office market performed strongly in H1 2016 with take-up of 516,000 sq ft (48,000 sq m).
- Major transactions included 82,200 sq ft (7,636 sq m) at Bridgewater House to EDF and the acquisition of 63,125 sq ft (5,864 sq m) at The Core by Direct Line.
- Ahead of the EU referendum, active enquiries totalled over 700,000 sq ft (65,032 sq m).
- Key current enquiries include several large public sector requirements and a strong level of legal sector and TMT activity.

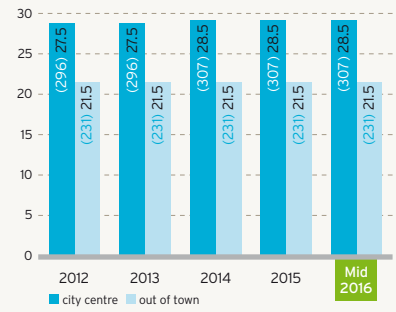
supply 000s sq ft



**supply**

- Supply has continued to reduce, resulting in strong rental growth, particularly for good quality second-hand or refurbished Grade A space.
- Only one new Grade A development is currently under construction at Aurora, Finzels Reach. Salmon Harvester/NFUM are gearing up to start at 3 Glass Wharf during the second half of the year.
- A number of refurbishment schemes totalling circa 300,000 sq ft (27,871 sq m) are on site including 1 Brunswick Square and Prince House, Prince Street.

headline rent £psf



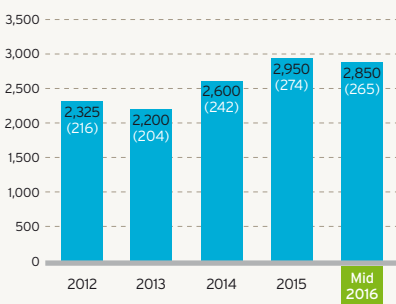
**headline rent**

- The highest established headline rent currently remains at £28.50 psf in the city centre but we anticipate that £30 psf could now be achieved before the end of the year.
- In addition reducing supply has continued to result in further reductions in incentive levels.

### Industrial

Andrew Ridler T 0117 317 1071 E aridler@alderking.com

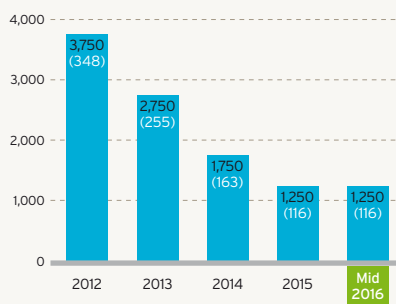
demand 000s sq ft



**demand**

- H1 take-up is at its highest level for 10 years.
- Four significant transactions have contributed to this figure - The Range's acquisition of a 1.1 million sq ft (102,193 sq m) site and Lidl's acquisition of a 600,000 sq ft (55,741 sq m) plot in Severnside, with Brake Bros and Roper Rhodes acquiring 250,000 sq ft (23,226 sq m) and 195,000 sq ft (18,116 sq m) respectively in Portbury.
- There is a negligible amount of good quality stock and shortages of modern space are impacting on take-up.
- There has been a return of mid-range requirements in the 25,000 - 100,000 sq ft size range (2,323 - 9,290 sq m).

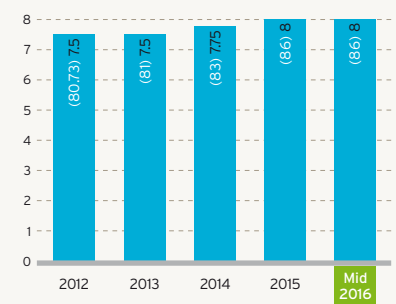
supply 000s sq ft



**supply**

- Availability is at an 11 year low with a large proportion of the supply comprising obsolete space for which there is limited demand.
- Speculative development is underway at Access 18, Avonmouth and Apollo Park, Yate, with further schemes planned at Horizon 38, Filton, Vertex Park, Emersons Green and Belvedere Court, Weston-super-Mare.
- There is strong freehold demand from owner occupiers but few opportunities.
- There has been a noticeable take-up of space in the 25,000 - 75,000 sq ft size range (2,323 - 6,960 sq m).

headline rent £psf



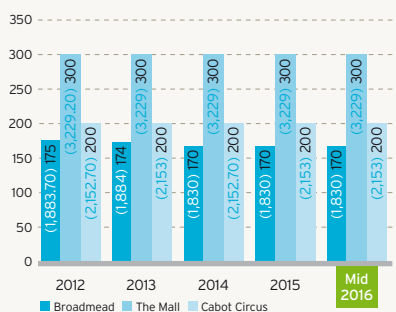
**headline rent**

- There is no new space immediately available, and we anticipate that rentals of circa £8.50 psf (£91.50 psm) could now be achieved for accommodation below 20,000 sq ft (929 sq m).
- Rents for modern and mid-range buildings remain at £6.50 psf (£70 psm). Good quality second-hand buildings are commanding rents of around £5.50 - £6.00 psf (£59.20 - £64.57 psm).
- With the reduced levels of good quality available stock, rental incentives for prime space have reduced significantly with lease durations extending.

### Retail & Leisure

Charles Russell-Smith T 0117 317 1043 E crussell-smith@alderking.com

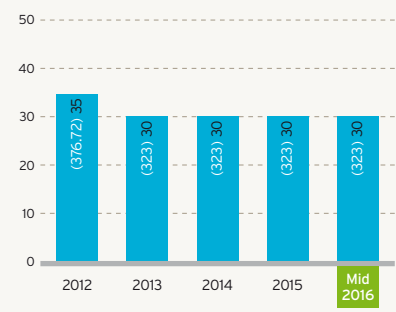
zone A headline rent £psf



**zone A headline rent**

- Demand remains at reasonable levels both within the city centre and at The Mall.
- New openings at The Mall include Tiger, Skechers and White Stuff.
- The Galleries has experienced a plethora of new lettings including Slaters Menswear, The Entertainer and Bon Marché. Jack Wills is shortly to open in the former Azuza Coffee Shop on Merchants Street.

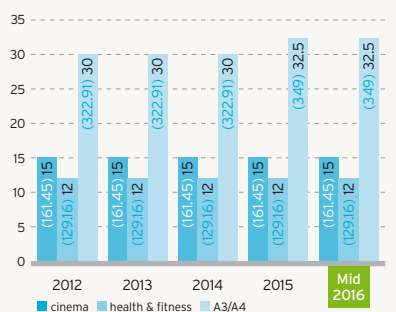
out of town rent £psf



**out of town rent**

- There has been limited letting activity in the first half of 2016.
- At Imperial Retail Park Hobbycraft has opened a new 10,000 sq ft (929 sq m) store.
- Iceland has also opened its second Food Warehouse at Avonmeads Retail Park.

leisure headline rent £psf



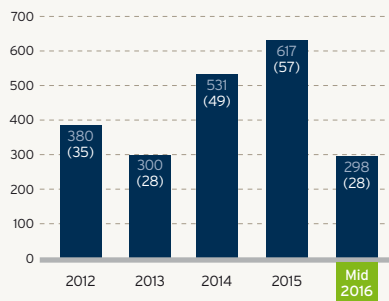
**leisure headline rent**

- Demand for food and beverage representation remains strong across the city. Areas such as Temple Quay where limited offers currently exist have attracted new occupiers including Friska and Veeno. Other emerging locations include Wapping Wharf and Finzels Reach.
- The Ivy is to open its first restaurant outside London in Caledonia Place, Clifton Village.
- At Yate Riverside, the Cineworld is now open, together with Prezzo, Nando's and Frankie & Benny's.

## Offices

Owen Young T 029 2038 1996 E [oyoung@alderking.com](mailto:oyoung@alderking.com)

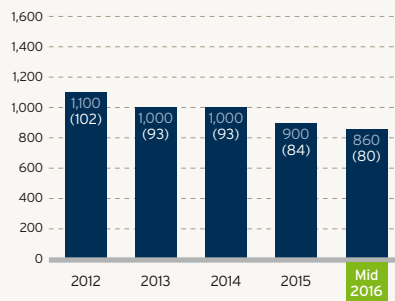
demand 000s sq ft



### demand

- Strong city centre demand continues with H1 35% up compared to H1 2015.
- Notable deals include HMRC taking 54,587 sq ft (5,071 sq m) at Brunel House and Cardiff University taking 29,000 sq ft (2,694 sq m) at Friary House. MotoNovo is due to take over 70,000 (6,503 sq m) at 1 Central Square which will be a good start to the second half.
- There was a noticeable drop in Q2 of smaller enquiries but a number of large requirements remain including HMRC requiring up to 400,000 sq ft (37,161 sq m) and Network Rail up to 60,000 sq ft (5,574 sq m).

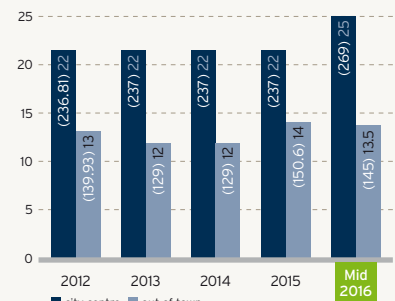
supply 000s sq ft



### supply

- Availability continues to decrease and is down 15% compared to the same time last year.
- We expect a large proportion of secondary accommodation to be taken up by year end, a positive for the city, and supply to reduce to 750,000 sq ft (69,677 sq m) by year end.
- Grade A space remains in short supply and has stimulated proposed new development at 2 Central Square, 3 Capital Quarter and Fusion 3 whilst Welsh Government owned land is due to come to market at Callaghan Square.

headline rent £psf



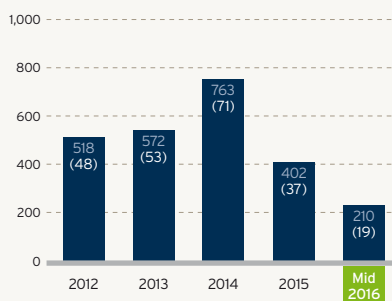
### headline rent

- As predicted, headline rents have jumped in the city centre from £22 psf (£237 psm) to £25 psf (£269 psm) on the back of S3 Advertising taking circa 6,000 sq ft (557 sq m) at 1 Central Square.
- This is good news for the city and should stimulate further development and inward investment.
- Out of town rents have also increased slightly where British Red Cross have let space at Greenmeadow Springs.

## Industrial

Owen Young T 029 2038 1996 E [oyoung@alderking.com](mailto:oyoung@alderking.com)

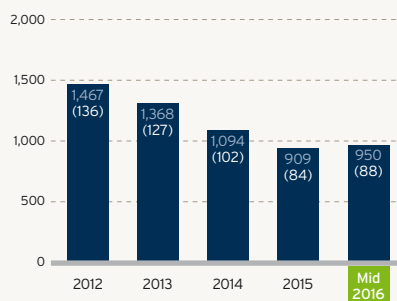
demand 000s sq ft



### demand

- Take-up has decreased by 13% compared to the same time last year and requires conversion of some larger requirements to maintain the five year average of 550,000 sq ft (51,097 sq m).
- 80% of transactions were less than 10,000 sq ft (929 sq m), of which 24% were freehold. Notable deals include Rombourne's purchase of 42,171 sq ft (3,918 sq m) at Block E, Capital Business Park.
- Pent up demand remains as evidenced by Alder King dealing with over 2 million sq ft (185,806 sq m) of requirements in the last six months, where Cardiff would be considered.

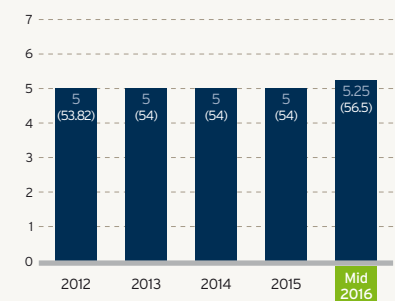
supply 000s sq ft



### supply

- Availability has been maintained mainly as a result of new and outstanding availability at Glass Avenue (Trident Park) which totals 235,000 sq ft (21,832 sq m) and includes 183,332 sq ft (17,032 sq m) at the former CMC premises.
- The new Eastern Bay Link Road will enhance access across southern Cardiff and should encourage new development along Rover Way and along the foreshore.
- Quality units are now in short supply and further development will be required to meet projected demand.

headline rent £psf



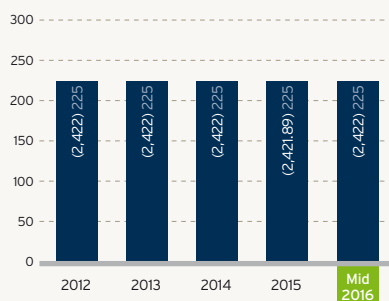
### headline rent

- As predicted, headline rents have increased and this will continue as the last remaining quality units are taken up.
- This is evidenced by Mambo's letting of 19,331 sq ft (1,796 sq m) at 5 Neptune Point at £5.25 psf (£56.51 psm).

## Retail & Leisure

Owen Young T 029 2038 1996 E [oyoung@alderking.com](mailto:oyoung@alderking.com)

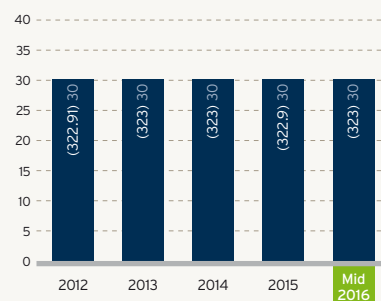
zone A headline rent £psf



### zone A headline rent

- Recent closures of Chas Ohlson and Austin Reed have been offset by new occupiers such as Wilko, Shake Shack and Paloma and relocations of HMV and Mac Cosmetics.
- Victoria's Secret will launch a new 10,000 sq ft (929 sq m) store in St David's Centre, taking the majority of the former H&M unit. H&M upsized into a 46,000 sq ft (4,274 sq m) store.
- Experian research announced London, Edinburgh, Kingston-upon-Thames and Cardiff as having the strongest market potential with robust consumer demand and a bright economic future.

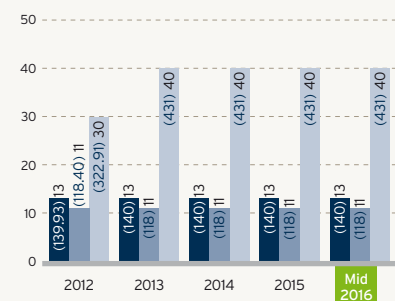
out of town rent £psf



### out of town rent

- There has been construction activity at both Cardiff Gate and Ty Glas Retail Parks. Cardiff Gate has completed a major expansion programme with new larger footprint stores for Wren Kitchens, Tapi, Oak Furnitureland and Pure Gym. Ty Glas is near completion on a new Specsavers store adjacent to M&S.
- Although not considered prime, Newport Road still commands strong rents with a new Poundland store and Starbucks drive-thru.

leisure headline rent £psf



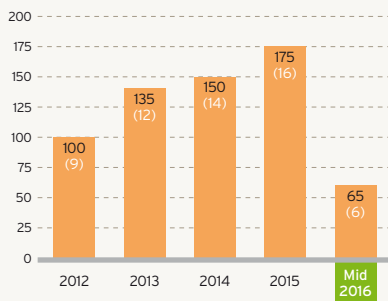
### leisure headline rent

- The city centre continues to expand its A3 and A4 use offering with a new Barley & Rye on Greyfriars Road, Turtle Bay on St Mary's Street, The Dead Canary on Barrack Lane and Eat within St David's Centre.
- Hotel demand continues with a number of active requirements and a new Premier Hotel planned for Cardiff Bay, overlooking the Wales Millennium Centre. Developer Signature Living is set to restore the Coal Exchange, spending £40m to convert it into a luxury 200-suite hotel with the first phase due to open later this year.

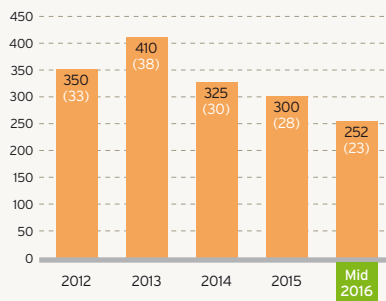
### Offices

Noel Stevens T 01392 353093 E [nstevens@alderking.com](mailto:nstevens@alderking.com)  
 Ralph Collison T 01392 353091 E [rcollison@alderking.com](mailto:rcollison@alderking.com)

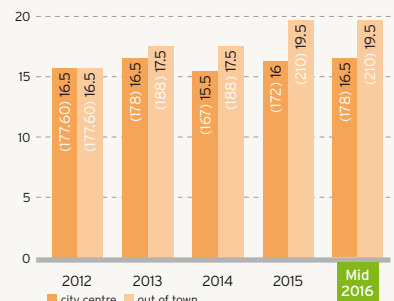
demand 000s sq ft



supply 000s sq ft



headline rent £psf



**demand**

- There has been a very positive increase in demand during H1 2016 for larger offices of 10,000 sq ft plus (929 sq m), particularly in the out of town market. We expect a number of major relocations to be announced later in the year.
- Strengthening demand will lead occupiers to consider new build, resulting in increased construction over the next two years.
- A further 30,000 sq ft (2,787 sq m) sale at Skypark, subject to planning, will boost take-up in the second half of 2016.

**supply**

- Supply remains tightly constrained. With occupiers staying put, there is limited second-hand stock coming back to the market.
- In the city centre there is no Grade A availability as the final space at The Senate, now under offer, will soon complete.
- Out of town developers are reacting to the lack of supply with speculative development. St Modwen will deliver 17,200 sq ft (1,598 sq m) at Skypark by the end of 2017. This will offer the highest quality office space in the market.

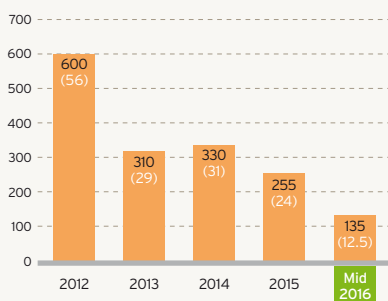
**headline rent**

- Rents have hit £16.50 psf for existing Grade A accommodation. Out of town rents will soon reach £19.50 psf for smaller new builds.

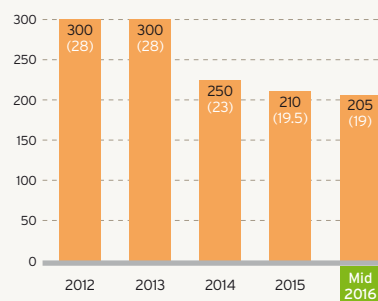
### Industrial

Noel Stevens T 01392 353093 E [nstevens@alderking.com](mailto:nstevens@alderking.com)  
 Ralph Collison T 01392 353091 E [rcollison@alderking.com](mailto:rcollison@alderking.com)

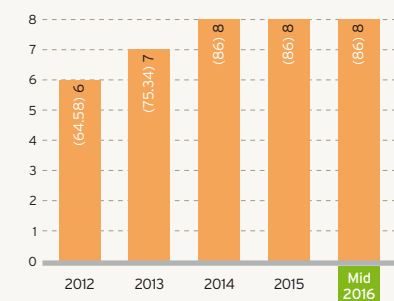
demand 000s sq ft



supply 000s sq ft



headline rent £psf



**demand**

- Exeter has benefited from a major upswing in demand from major logistics occupiers with key operators looking for 100,000 sq ft plus (9,290 sq m).
- The completion of a 55,000 sq ft (5,110 sq m) scheme at Hill Barton, which was pre-let to STILL, represents a major boon for the business park and is testament to its increasing profile in the market.

**supply**

- Occupiers taking pre-sales and pre-lets are beginning to free up some space in core locations like Marsh Barton. Britannia Lanes's acquisition of the STILL facility for its new hub is a prime example.
- Supply remains constrained by occupiers' views on pricing.
- The stable supply levels reflect churn in the market.

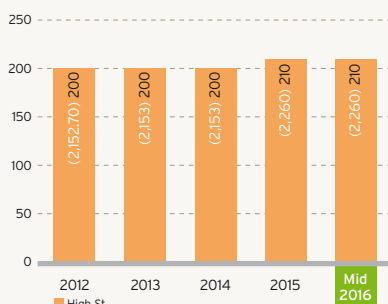
**headline rent**

- The headline rent remains £8.10 psf with secondary rents regularly hitting £6 psf plus. With supply restricted, this upward trend will continue.

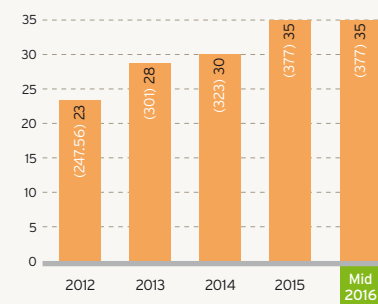
### Retail & Leisure

Lee Southan T 01392 353090 E [lsouthan@alderking.com](mailto:lsouthan@alderking.com)

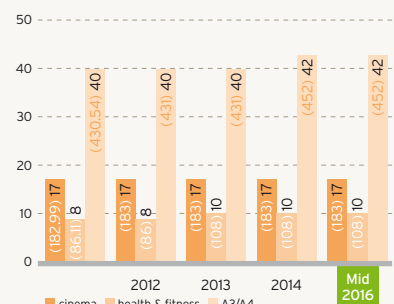
zone A headline rent £psf



out of town rent £psf



leisure headline rent £psf



**zone A headline rent**

- The Guildhall Shopping Centre is nearing completion, with a new focus on food. Twelve new restaurant and bar premises are set to open this summer.
- Princesshay continues to attract strong interest with Fat Face extending its unit to meet demand.

**out of town rent**

- Demand from the convenience store sector continues to be strong in local and district centres.
- Alphington Retail Park has reached maturity with Starbucks and KFC each opening a drive-thru.

**leisure headline rent**

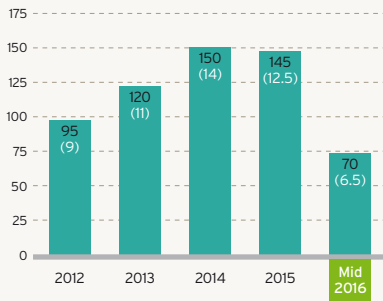
- Strong demand from trampoline operators will result in new facilities opening in the city in the coming years.
- Budget gym operators remain active.



## Offices

Adrian Rowley T 01452 627133 E arowley@alderking.com

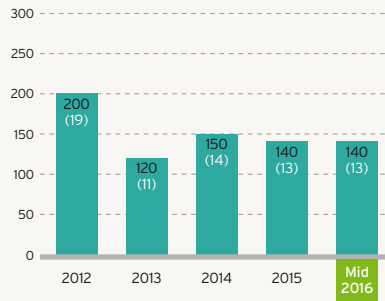
demand 000s sq ft



### demand

- Take-up for the first six months of 2016 totalled 70,000 sq ft (6,500 sq m), in line with recent years' take-up.
- This includes two lettings at Lansdowne Court, Gloucester Business Park totalling 20,000 sq ft (1,858 sq m) and three transactions at Barnwood Fields totalling 24,000 sq ft (2,230 sq m).

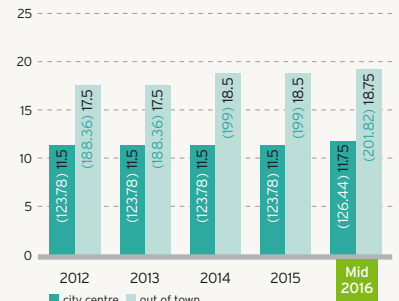
supply 000s sq ft



### supply

- Supply is currently approximately 140,000 sq ft (13,000 sq m), the majority of which comprises secondary space.
- This continues the trend of recent years and the shortage of stock continues to add inflationary pressure to rents and values.
- Office stock continues to be removed from the market for residential conversion, adding further pressure on supply.

headline rent £psf



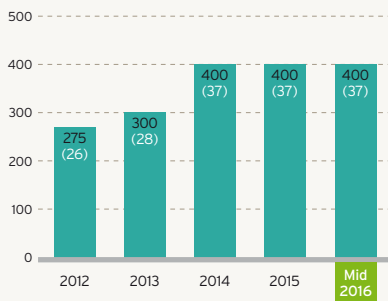
### headline rent

- The headline rent for out of town Grade A space is currently £18.75 psf (£201.82 psm).
- The gap between Grade A and secondary space has narrowed as occupiers are increasingly having to compete on terms for secondary space.
- The headline rent for town centre space is currently £11.75 psf (£126.44 psm).

## Industrial

Adrian Rowley T 01452 627133 E arowley@alderking.com

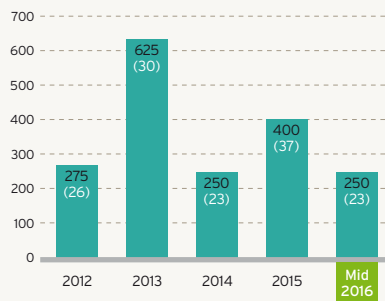
demand 000s sq ft



### demand

- Take-up for H1 2016 totalled 400,000 sq ft (37,160 sq m), significantly higher than in recent years.
- Take-up includes DHL's acquisition of the 286,000 sq ft (26,570 sq m) former St Ivel building at Gloucester Business Park and ProCook's acquisition of the 40,000 sq ft (3,716 sq m) Unit 2 Gateway 12.
- Howard Tenens has completed construction of the 170,000 sq ft (15,793 sq m) Bristol Gateway building at Severn Distribution Park. This is the largest speculatively built warehouse in the county for many years.

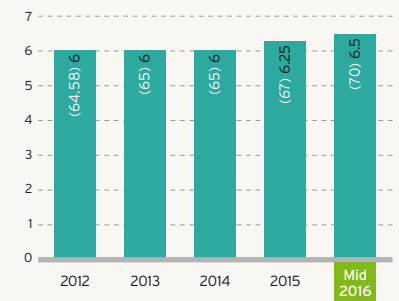
supply 000s sq ft



### supply

- Supply is currently 250,000 sq ft (2,323 sq m), a figure that clearly illustrates the significant lack of stock in the market.
- This continues the downward trend of the last six years and is likely to fuel further new build bespoke development.
- St Modwen has continued its programme of speculative development and is on site at Gateway 12 constructing a second 40,000 sq ft (3,716 sq m) building.

headline rent £psf



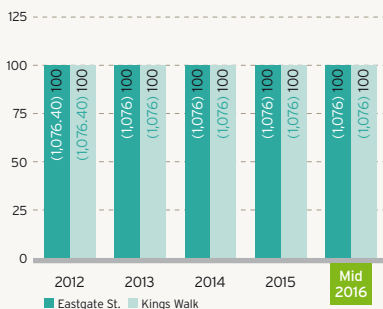
### headline rent

- The headline rent for Grade A space has increased to £6.50 psf (£69.66 psm).
- The upward pressure on rents and capital values is likely to continue as a result of good demand, limited supply and the level of new build bespoke space being provided that needs to take account of the continued rise in construction costs.

## Retail & Leisure

John Hawkins T 01452 627133 E jhawkins@alderking.com

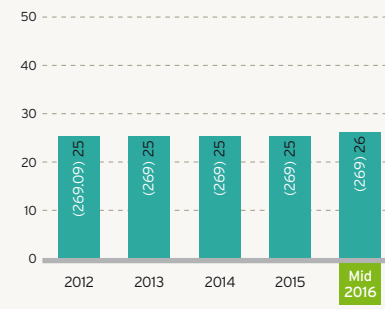
zone A headline rent £psf



### zone A headline rent

- TK Maxx will open imminently in the former M&S store on Northgate Street. This will provide a welcome 'customer draw' to this side of the city centre and help balance recent activity on the opposite side of the city centre towards Southgate Street and The Quays.
- The City Council has announced the sale of Kings Walk shopping centre to Vixcroft which plans to invest £5 million improving the centre. The City Council has started demolition works on the former bus station in anticipation of the redevelopment of this key city centre site.

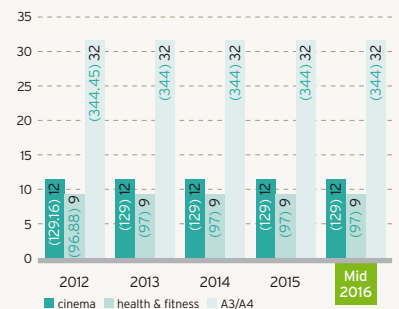
out of town rent £psf



### out of town rent

- Triangle Park continues to experience strong demand from a mix of retailers and food outlets keen to sit alongside the Morrisons food store and Costa Coffee drive-thru.
- There is minimal availability at Whittle Square, St Oswalds Park and Eastern Avenue. Existing demand is likely to fuel further new development in this sector.

leisure headline rent £psf



### leisure headline rent

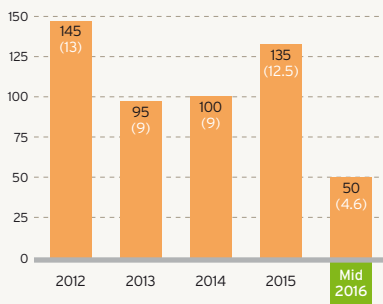
- The Gloucester Quays continues to go from strength to strength, with the cinema and food offerings proving to be increasingly popular. Carlucio's is the latest to open alongside Zizzi's, Ed's Easy Diner and Chimichanga.



## Offices

Noel Stevens T 01392 353093 E nstevens@alderking.com

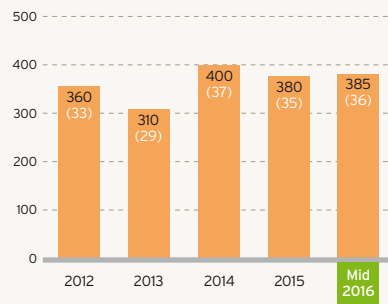
demand 000s sq ft



### demand

- Demand for offices is in line with 2013 and 2014 at the half-year point but a stronger H2 is expected with a major transaction to be announced.
- The largest deal in H1 was the 23,000 sq ft (2,137 sq m) letting at Drakes Hill Court by God TV to Plymouth City Council at a sub £4 psf rental.

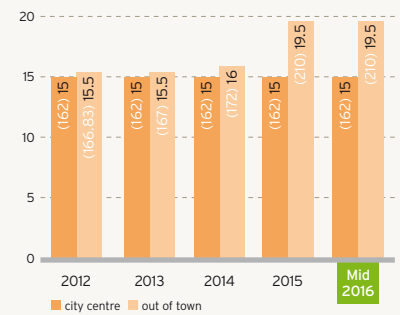
supply 000s sq ft



### supply

- Supply will increase slightly in 2016 with the completion of the new 20,000 sq ft (1,858 sq m) Business Centre at Plymouth Science Park. The £7m build will offer 11 units over three floors and cater for up to 200 people.

headline rent £psf



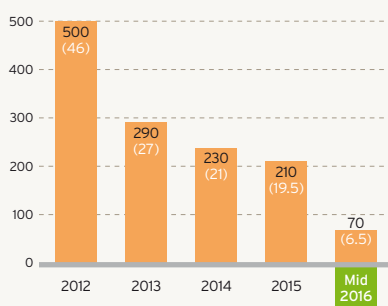
### headline rent

- Headline rents remain unchanged. Increases will be driven by construction cost inflation rather than market forces.
- Quality second-hand stock is available at sub £15 psf (£162 psm).

## Industrial

Noel Stevens T 01392 353093 E nstevens@alderking.com

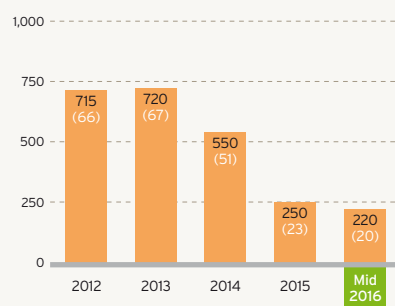
demand 000s sq ft



### demand

- As with Exeter, Plymouth is benefiting from increased large requirements from the logistics sector. There is particular interest in the city's wharf frontage including the 270,000 sq ft (25,000 sq m) South Yard development.
- The largest occupational transaction to date in 2016 has been the 11,500 sq ft (1,068 sq m) sale of Darklake View to Mayflower Stone Limited in March.
- There was lower than expected take-up in the first half of the year but this should improve in the second half.

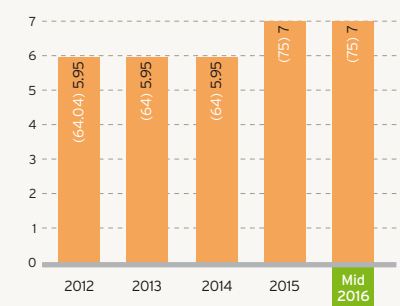
supply 000s sq ft



### supply

- The downward trend in supply continues but should now stabilise.
- There is sufficient existing stock to satisfy most requirements in the market.
- The South Yard development remains the highest profile site for new occupiers in the market.

headline rent £psf



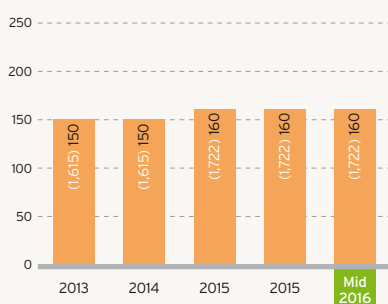
### headline rent

- The headline rent remains unchanged. As with Exeter, construction cost inflation rather than market sentiment will drive rents.

## Retail & Leisure

Lee Southan T 01392 353090 E lsouthan@alderking.com

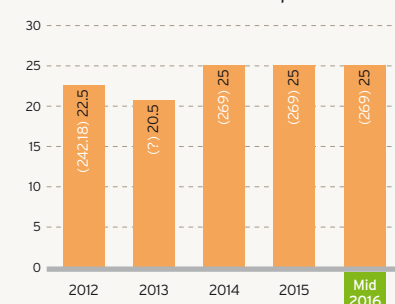
zone A headline rent £psf



### zone A headline rent

- Plymouth city centre has seen steady take-up throughout the first half of the year. However the news that BHS is closing will leave a large void to be filled in the high street.
- Holland & Barrett is to open a new format concept store with shake bar. Other new entrants to the city include Krispy Kreme, Flannels and Poundworld. Pandora has expanded within the city's Drake Circus shopping centre.

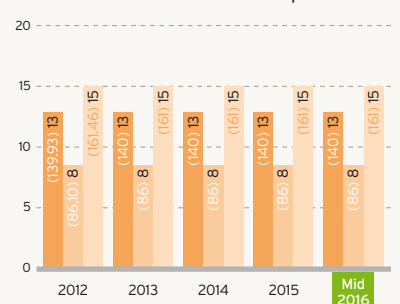
out of town rent £psf



### out of town rent

- Poundland opened a new 8,000 sq ft (743 sq m) store at Friary Retail Park, confirming strong demand for discount retailing in Plymouth.
- There has been steady take-up in Mutley Plain, with Devon Air Ambulance taking space along with a number of other local entrants.

leisure headline rent £psf



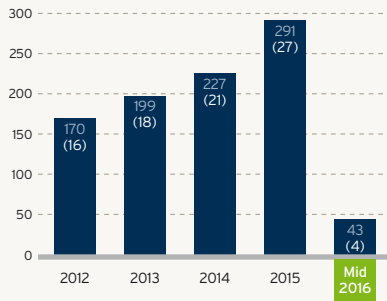
### leisure headline rent

- Focus remains on the £40 million, 100,000 sq ft (9,290 sq m) expansion of Drake Circus which, once completed, will host a new cinema and restaurant quarter for the city.
- The next phase of the planned £200m redevelopment of Millbay has been given the green light. The regeneration project will provide a mix of residential, leisure, business and retail development.

## Offices

James Gregory T 01793 428106 E jgregory@alderking.com

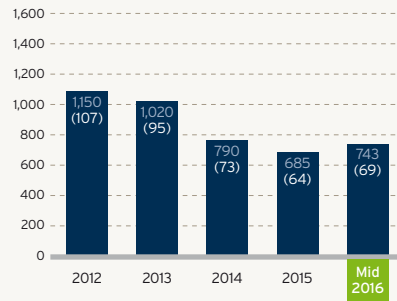
demand 000s sq ft



### demand

- Overall recorded take-up during the first half of 2016 was below average which does not accurately reflect the positive mood with which the year started. This has largely been as a result of the uncertainty caused by the EU referendum during the second quarter.
- It is interesting to note that several buildings which have suffered from recent poor demand have two or more parties showing very positive interest.
- The largest transaction to date this year is at Edison Park where newcomer to Swindon, BeWiser Insurance, took 10,225 sq ft (950 sq m).

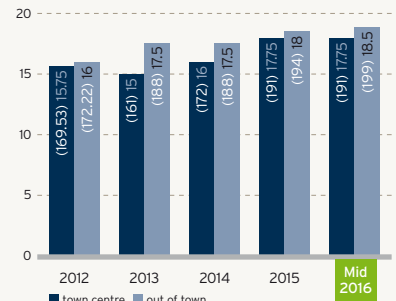
supply 000s sq ft



### supply

- Supply has increased slightly from its lowest recorded level at the beginning of the year.
- This is due in the main to The Quadrant which offers 67,000 sq ft (6,224 sq ft) coming to the market and additional accommodation at Westmead.
- There continues to be a strong appetite for conversion of older stock to residential use as developers take advantage of the stronger economy, the relaxed planning regime and the forthcoming electrification of the mainline railway.

headline rent £psf



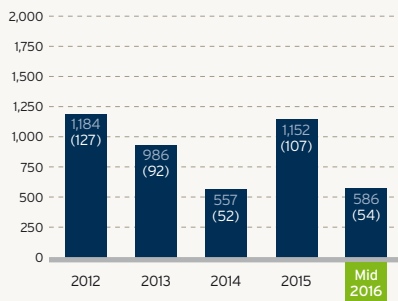
### headline rent

- Quoting rents for good quality refurbished stock are creeping upwards as the supply and demand dynamics move in favour of the landlord.
- Swindon is still significantly cheaper than its M4 neighbours in Reading and Bristol and this is being recognised by occupiers.
- Rental incentives are gradually being eroded and rental term certain is increasing.

## Industrial

James Gregory T 01793 428106 E jgregory@alderking.com

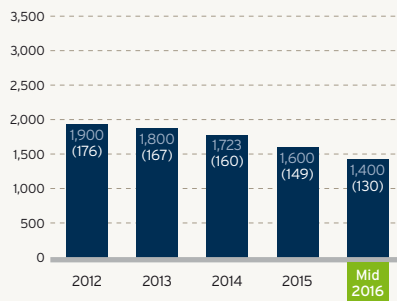
demand 000s sq ft



### demand

- The first quarter of 2016 recorded a very healthy level of take-up, largely as a result of transactions from late 2015 now completing.
- Demand was weaker in the second quarter as a result of uncertainty around the EU referendum and the lack of available opportunities.
- Significant lettings include 107,600 sq ft (9,996 sq m) at the Metro Building, Groundwell to TS Tech, 90,390 sq ft (8,397 sq m) at Cheney Manor to JB Global and 102,000 sq ft (9,476 sq m) at 6 Stephenson Road, Groundwell to Honda Logistics UK.

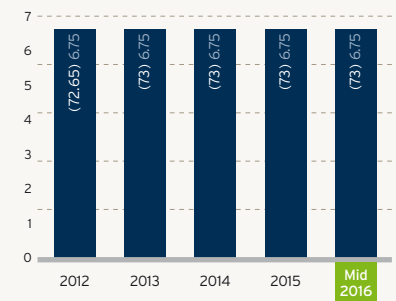
supply 000s sq ft



### supply

- Applicants across most size ranges are now struggling to identify suitable accommodation.
- Take-up at Glenmore's scheme in west Swindon has continued well and occupants are now arriving at Rockhaven's Kembrey Park.
- Two of the three large empty buildings at Groundwell Industrial Estate are now let, with strong interest in the third.
- db symmetry has commenced groundworks at its 96 acre site to the east of the town where it has secured planning permission for 1.2m sq ft (111,480 sq m) of B8 accommodation in two buildings.

headline rent £psf



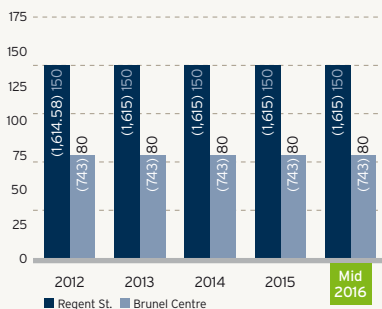
### headline rent

- The overall rent and incentive package on recent transactions is edging upwards as a result of the dwindling supply.
- This is having a positive effect on the bullishness of landlords who are reviewing their quoting rents. This is especially noticeable for better quality or refurbished accommodation.

## Retail & Leisure

Martin Baker T 01793 428102 E mbaker@alderking.com

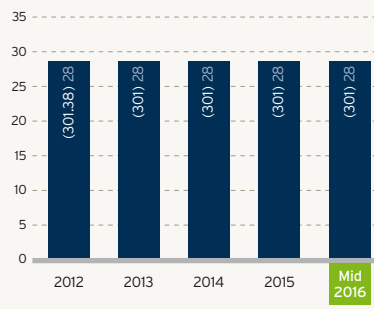
zone A headline rent £psf



### zone A headline rent

- The town centre has seen major investment of late with the revitalisation by F1 Real Estate of the Brunel Centre including its new food court known as The Crossing. This has already attracted several occupiers including Chopstix, Subway and KFC as well as a gym and a soft play centre.
- In addition Brunel Square has undergone a revamp with significant public realm works to make it a more welcoming environment.

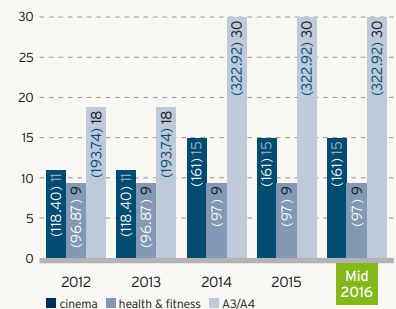
out of town rent £psf



### out of town rent

- The Outlet Centre continues to flourish and attract customers from a wide geographical area. Discussions are ongoing as to how it can be linked to the town centre with a new pedestrian bridge across the mainline railway line.
- The car showroom market has continued to upgrade with the recent opening of the new MINI centre on Great Western Way.

leisure headline rent £psf



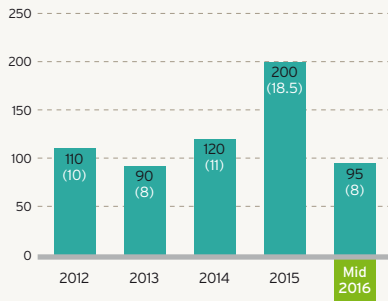
### leisure headline rent

- Moirai Capital Investments have submitted their planning application to redevelop the 40 acre site adjacent to The Oasis leisure centre to provide an indoor ski centre, sports-related retail, a hotel and a 5,000 capacity seated arena together with new food and beverage offers and car parking.

## Offices

Andrew Maynard T 01823 444879 E amaynard@alderking.com

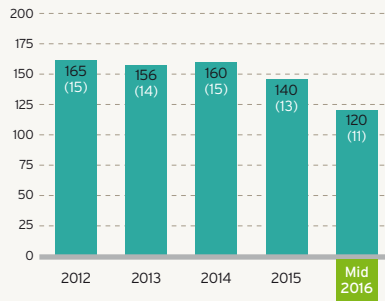
demand 000s sq ft



### demand

- Several larger requirements are considering Taunton as a potential location, which could therefore significantly increase take-up in the town.
- Demand for out of town space, around Junction 25 of the M5 motorway, remains relatively consistent over the long term, especially for sub 3,000 sq ft (280 sq m).

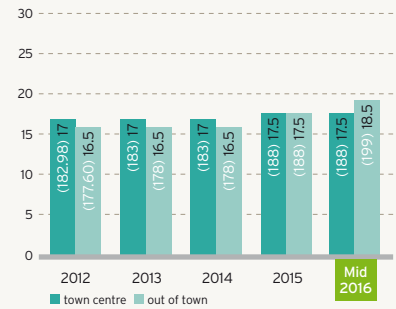
supply 000s sq ft



### supply

- Town centre supply will rise during the final quarter of 2016, with the release of circa 60,000 sq ft (5,574 sq m) of office accommodation at Tangier Central.
- The supply at Blackbrook Business Park off Junction 25 continues to be very low.

headline rent £psf



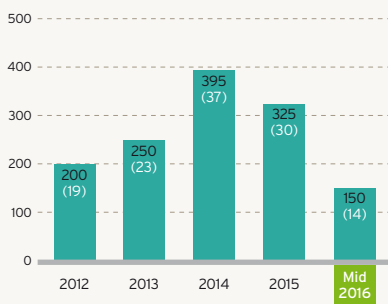
### headline rent

- Whilst there has been no new build activity during 2016, we anticipate that out of town headline levels will have increased in line with other rents along the M5 corridor.
- Rents for town centre accommodation remain at similar levels to 2015 with little prospect of change during the remainder of 2016.

## Industrial

Andrew Maynard T 01823 444879 E amaynard@alderking.com

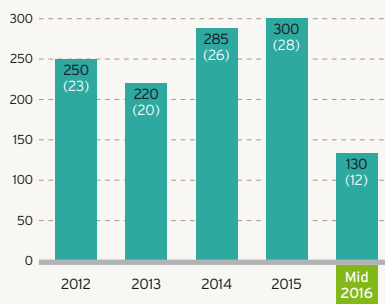
demand 000s sq ft



### demand

- Demand increased throughout the first half of 2016.
- Demand for sub 5,000 sq ft (465 sq m) continues unabated with significant take-up at Westpark 26.
- There has been continued growth in demand from the logistics sector, with manufacturing demand rising at a slower rate.

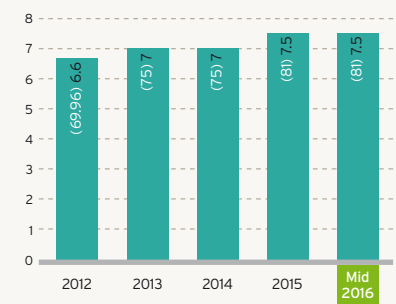
supply 000s sq ft



### supply

- There remains a lack of supply of quality premises and land within Taunton and the surrounding areas.
- Levels of supply are unlikely to change significantly in the short term.

headline rent £psf



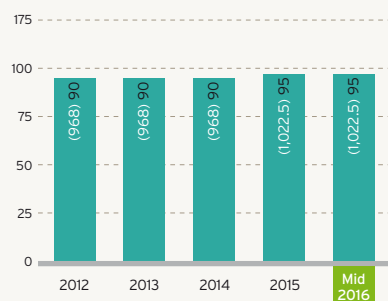
### headline rent

- Whilst rents haven't increased yet in 2016, marketing voids and incentives have come down.
- With continued pressure due to the ongoing imbalance between demand and supply, rental growth is a real prospect over the coming months.
- Trade counter rents are also likely to improve within the next 12 months.

## Retail & Leisure

Andrew Maynard T 01823 444879 E amaynard@alderking.com

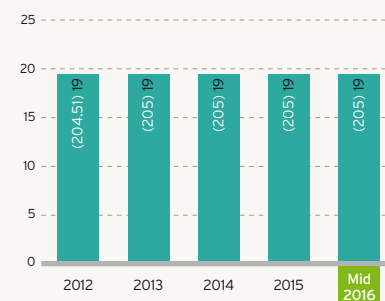
zone A headline rent £psf



### zone A headline rent

- Overall vacancy rates have fallen over the past two years and now sit at around 3%.
- Some secondary locations have seen improving market conditions.
- Plans for both The Coal Orchard and The Orchard Centre are progressing.
- Zone A rental levels have remained at around £95 psf (£1,022 psm).

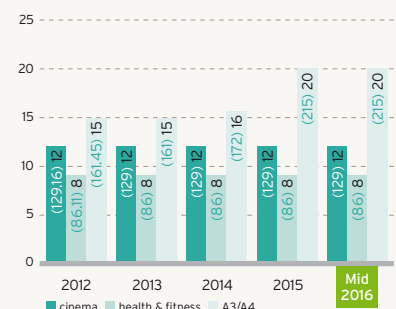
out of town rent £psf



### out of town rent

- The planning application for a supermarket, retail scheme, plus leisure and A3/A4 uses on the Firepool regeneration area is likely to be determined at planning committee in August 2016.

leisure headline rent £psf



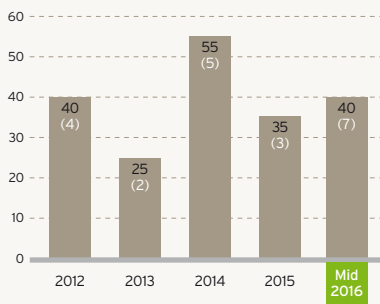
### leisure headline rent

- After a busy 2015, the market has slowed in 2016 although activity will increase again with Firepool and The Coal Orchard in 2017/18.

## Offices

Tom Duncan T 01872 227005 E tduncan@alderking.com

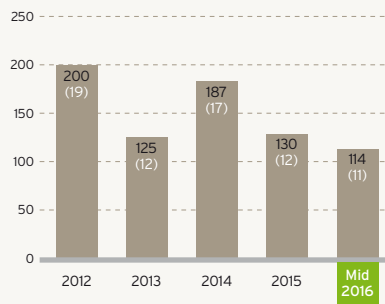
demand 000s sq ft



### demand

- Demand increased slightly in the first half of 2016.
- The market is distorted by some buildings being acquired for alternative uses.
- Preference remains for modern city centre accommodation with car parking.
- Demand on the edge of Truro and outside Truro has improved slightly with a small increase in headline rents.
- Demand for freehold opportunities is particularly strong.

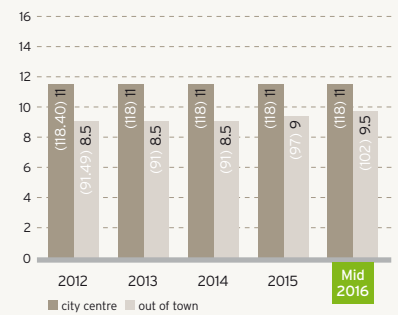
supply 000s sq ft



### supply

- The supply of office accommodation has decreased compared to the same period last year.
- The cost of construction generally exceeds the value of the completed product resulting in limited new development.
- There is an over-supply of secondary accommodation above ground floor with no parking in the city centre.
- There has been a reduction in supply of out of town accommodation at Truro Business Park.

headline rent £psf



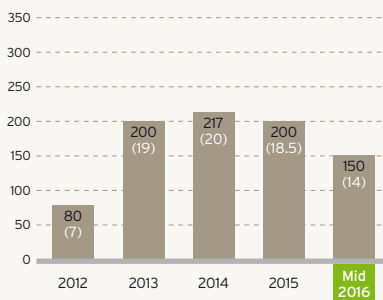
### headline rent

- Ground floor city centre offices with parking can achieve a premium rental for certain occupier groups.
- Shorter lease terms with five year or earlier break clauses are becoming more common.
- Other incentives including initial rent free periods or stepped rental arrangements are not unusual.
- There can be competition for good modern space due to the lack of supply which itself puts upward pressure on rents.

## Industrial

Tom Duncan T 01872 227005 E tduncan@alderking.com

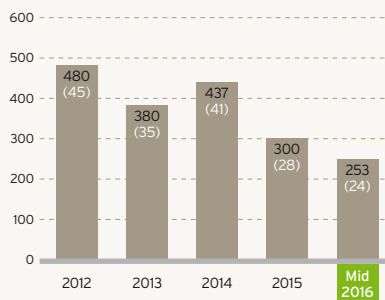
demand 000s sq ft



### demand

- Demand has reduced slightly since the same period last year.
- Some demand is latent and not evident until a suitable property becomes available. The shortage of new industrial units has resulted in a reduction in evident demand.
- Demand remains focused on modern accommodation with good access to the A30.
- Unsatisfied demand exists in certain locations where there is a lack of supply, often as a result of ageing stock with limited development over recent years.
- There are increased freehold enquiries.

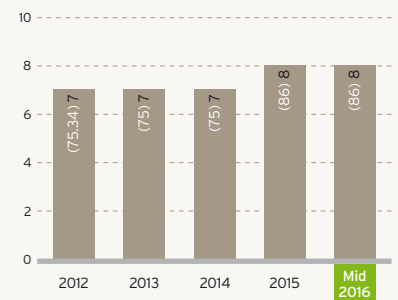
supply 000s sq ft



### supply

- Good quality modern accommodation close to the A30 is becoming increasingly short in supply.
- Uncertainty exists around the availability of grant funding without which new development is generally not viable.
- Supply has decreased since the same time last year.
- There is an over-supply of older accommodation and an under-supply of certain sizes of modern accommodation.

headline rent £psf



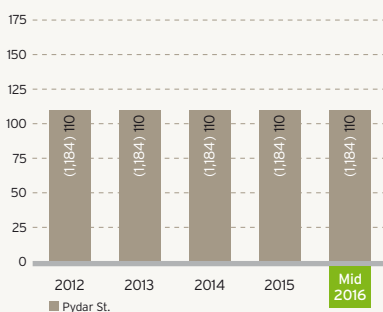
### headline rent

- Rents have remained steady for prime modern industrial accommodation.
- There is increasing pressure for rents to increase due to decreasing supply of new accommodation and reduced availability of grant funding.
- Tenants are generally requesting shorter lease terms with more frequent Options to Break
- Incentives in the form of rent free periods or stepped rental arrangement are becoming more common, especially in older accommodation in order to secure lettings
- Owner occupier or Personal Pension Fund demand for freeholds is becoming more common, especially for smaller businesses.

## Retail & Leisure

Tom Duncan T 01872 227005 E tduncan@alderking.com

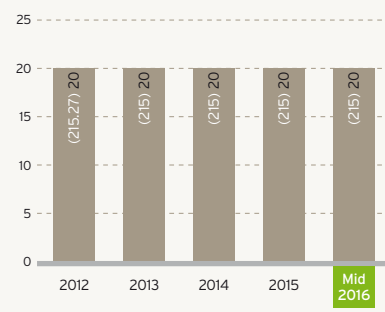
zone A headline rent £psf



### zone A headline rent

- Vacancy rates increased during the first half of 2016 but Truro continues to perform better than the national average.
- Work is well progressed on a 50,000 sq ft (4,645 sq m) Primark store at Lemon Quay.
- Deichmann has taken prime space in 21-23 King Street.

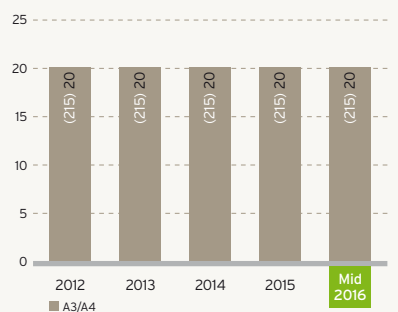
out of town rent £psf



### out of town rent

- A new Waitrose is now open on the eastern side of the city adjacent to the Park & Ride.
- New out of town developments are being promoted on the Truro Football Club site and at West Langarth.
- Further applications including food store proposals are under discussion.

leisure headline rent £psf



### leisure headline rent

- The retirement sector is particularly active with McCarthy & Stone's site completed and Churchill's site on the former police station site nearing completion.
- Discussion continues regarding the possible construction of a Stadium for Cornwall at West Langarth.



# Commercial Investment



John Benson

T 0117 317 1100

E [jbenson@alderking.com](mailto:jbenson@alderking.com)

## Investment Summary

- A total of £22.83 billion worth of assets was transacted in the first half of 2016 (Property Data). This is a 29% year on year decline in trading volumes for H1 2016. All sectors witnessed a fall in volumes, with the exception of the industrial sector.
- Capital values dipped in March/April following the new stamp duty tax bands introduced by the Chancellor but then increased by 0.2% in April/May. Although we have witnessed lower stock levels in H1 2016, competition remained strong for prime properties with solid fundamentals.
- Although transaction volumes in H1 were affected by the uncertainties surrounding the EU referendum, rental value growth kept pace with the growth seen in 2014 and 2015. Occupier demand continued to be strong and rental values grew 0.8% in the first four months of the year.

- The UK electorate's decision to leave the European Union will have an adverse impact on the UK CRE investment market in the short and medium term. Political and economic uncertainty will lead to a period of caution and reduced activity levels in the capital market. The fundamental attractions of UK CRE investment remain unchanged to both UK and foreign investors and in time confidence will return.
- Recent market evidence shows prime yields as below:

|                  |      |
|------------------|------|
| Offices          | 5%   |
| Industrial       | 5.5% |
| Retail           | 6%   |
| Retail Warehouse | 6%   |

### 1. Hermes Parcelnet, Access 18, Avonmouth

Long leasehold 43,000 sq ft industrial unit let to Hermes Parcelnet. Acquired for a Pension Fund for £5.6m 5.9% NIY

### 2. Marlborough House, Marlborough Street, Bristol

Freehold office acquisition on behalf of Study Inn. £7.4m 9.17% NIY

### 3. Drakes Court, Eagle Way, Langage Business Park, Plymouth

Freehold multi-let industrial disposal on behalf of City Monument. £2.95m 7.37% NIY

### 4. Travelodge, Lind Hill, Ryde, Isle of Wight

Freehold 41 bed Travelodge hotel acquisition on behalf of Rowe Group. £2.34m 5.75% NIY

### 5. Formula One Autocentre, Days Road, Bristol

Freehold disposal of a MOT and car service centre in central Bristol on behalf of Society of Merchant Venturers. £1.117m 5.5% NIY



# Residential Development Land



1



2

Chris Haworth T 0117 317 1042 E [chaworth@alderking.com](mailto:chaworth@alderking.com)

## Land Market Summary

- The first half of 2016 saw continued growth in South West house prices, with average annual price growth of 4-6% across the region, down slightly on the same period last year. However prices have been growing at a higher rate in particularly popular areas such as central Bristol and Bath.
- Prior to Brexit, reputable housing market commentators and analysts, including the RICS, have been forecasting five year house price growth of 18-21%.
- March 2016 saw the highest ever number of transactions in a single month - 165,000 according to research by Nationwide - some 26,000 more than the previous peak in January 2007. The surge in transactions towards the end of the financial year was driven by a combination of low mortgage rates and the additional 3% stamp duty for second homes introduced from 1 April.
- Since April, house builders have anecdotally reported a reduction in reservations as many investors rushed to conclude transactions prior to the end of March and uncertainty around the EU Referendum created a hiatus in the market, with generally lower levels of transactional activity observed across the region, especially in the £1m+ market. However, we believe the current 'lull' in the market is masking pent-up demand.
- The potential impact of Brexit on the housing market is very difficult to predict but it will not change the short to medium term supply shortage of housing in the South West. It is likely that Brexit will cause a slowdown in the volume of sales and short-term uncertainty. It is too early to say to what extent confidence will be affected but it is feasible that there could be either stagnation or a price correction.
- In May Bristol elected Labour candidate Marvin Rees as its new Mayor, replacing George Ferguson. Bristol also elected a new Council with a Labour majority. Mayor Rees has stated his aim to build 2,000 new homes (40% 'affordable') per year by 2020, many of which he proposes to deliver via a new Council-owned development company.
- The new Housing & Planning Bill is expected to come into force in late 2016 and will introduce a raft of new provisions aimed at increasing the supply of new housing. Key elements will be the requirement for local authorities to maintain a 'brownfield register' with the expectation 90% of these sites have a planning permission by 2020 and the formal introduction of the 'starter homes' initiative.
- Government incentives such as the Help to Buy ISA and Help to Buy Mortgage Guarantee continue to bolster demand and volume PLC housebuilders are reporting selling 25-40% of units via these schemes.
- The recent overturning of the 'West Berkshire' case by the Court of Appeal has reintroduced vacant building credit into the NPPG, meaning developers can offset the floor area of unused buildings against affordable housing requirements. The decision also means the re-introduction of an exemption on affordable housing for developments of fewer than 10 units.
- We eagerly await the findings from the initial consultation for the West of England Joint Spatial Plan which has now been delayed from June until September. It will identify locations for the development of up to 85,000 new dwellings over the next 20 years.
- Demand for consented residential land has remained consistent, with house prices growing at a similar rate to build costs, resulting in little overall change in the price of development land. However, competition for well-located sites in central Bristol and Bath (Cardiff and Exeter) remains very strong. For example Alder King recently sold a brownfield site in south Bristol for in excess of £2m per acre.
- The student and healthcare markets continue to be very buoyant.
- The private rented Sector (PRS) and build to rent sector also remain very active although many developers and investors in this sector are struggling to compete with land values on the same development sites for Private 'sales' schemes of a similar scale.

### 1. St Margaret's School, Exeter

Acting on behalf of the Trustees of St Margaret's School, sold to Grenadier Estates for residential conversion of existing listed buildings and redevelopment of the car park for new dwellings.

### 2. The Crescent, Newquay

Acting for a Receiver, sold to Ilya Properties Ltd for development into 17 waterside apartments.

### 3. Land at Pudding Pie Lane, Langford, Bristol

Acting for the University of Bristol, Alder King is marketing this 12.6 acre site with outline planning consent for 141 units.

### 4. Land at Bath Road, Bristol

Alder King is acting for a Receiver in the sale of a 1.18 acre former garage which is now allocated for development in the Temple Quarter Enterprise Zone.



3



4

**alder king**

PROPERTY CONSULTANTS





CGI The Chocolate Factory, Keynsham.  
Courtesy of St Monica Trust.

- |                             |                               |
|-----------------------------|-------------------------------|
| Asset Recovery              | Investment & Asset Management |
| Building Consultancy        | Lease Advisory                |
| Business Rates              | Office Agency                 |
| Commercial Development      | Planning                      |
| Development Funding         | Property Management           |
| Energy                      | Retail & Leisure Agency       |
| Expert Witness              | Residential Development       |
| Facilities Management       | Valuation                     |
| Industrial/Logistics Agency | Viability in Planning         |

**Bristol**  
0117 317 1000

**Cardiff**  
029 2022 0000

**Exeter**  
01392 353080

**Gloucester**  
01452 623290

**Swindon**  
01793 615477

**Taunton**  
01823 444879

**Truro**  
01872 222174

Stay connected



**Research and press contact**  
Simon Price - [sprice@alderking.com](mailto:sprice@alderking.com)  
Sarah King - [sking@alderking.com](mailto:sking@alderking.com)  
0117 317 1000

[www.alderking.com](http://www.alderking.com)



July 2016. The figures and forecasts in this report are intended as a general guide and although Alder King has made every effort to ensure accuracy, it cannot accept liability for any errors in fact or opinion. All rights reserved. This report is strictly copyrighted and reproduction in any form is prohibited unless permission is first obtained. The stated figures should not be used for valuation purposes. Investment volume data supplied by CoStar.

Alder King LLP is a Limited Liability Partnership registered in England and Wales no. OC306796. Registered Office: Pembroke House, 15 Pembroke Road, Bristol, BS8 3BA. A list of members is available at the registered office.