



# BRISTOL OFFICES

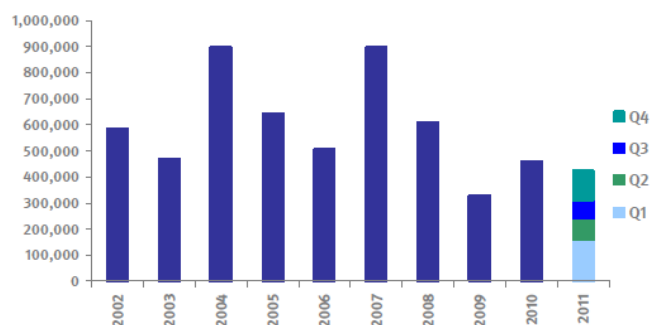
Market update Q4 2011

**Knight Frank**

## Key highlights

- The Bristol office market ended the year with a run of prime deals, leading to a healthy Q4 take-up of 114,194 sq ft and a full-year total of 424,839 sq ft – just 8% lower than 2010.
- Rents finally showed some upward movement in Q4 after a marginal softening in the first part of last year. Headline rents increased to £27.00 per sq ft, with net effective rents recovering to their mid-2009 level of £21.00 per sq ft.
- The growth in rents comes on the back of a fall in the availability of Grade A space, although the vacancy rate for all grades of space appears to be sticking at just below the 11% mark - ending the year at 10.8%, against 10.9% in Q1 last year.

City take-up (sq ft)

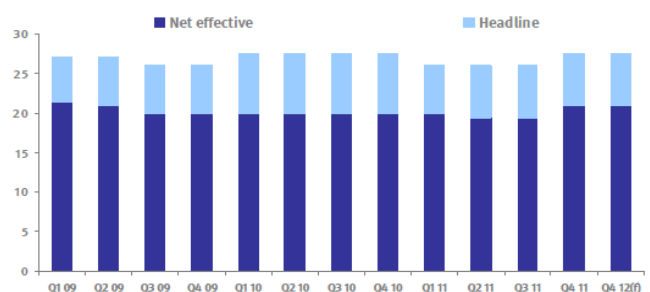


Source: Knight Frank Research

## Office gossip

- HDG Mansur secured the first occupier its Bridgewater House scheme at Finzels Reach, with the letting of 8,700 sq ft to accountants BDO.
- Creston plc agreed terms with Aerium on 27,000 sq ft at a rent of £27.50 per sq ft to become the first occupier at The West Wing.
- Law firm RPC (new to Bristol) moved swiftly to identify and acquire 14,000 sq ft at Temple Circus at a headline rent of £25.50 per sq ft, providing further evidence of the growing stature of Bristol for the legal profession.

Prime headline & net effective rents (£ sq ft)

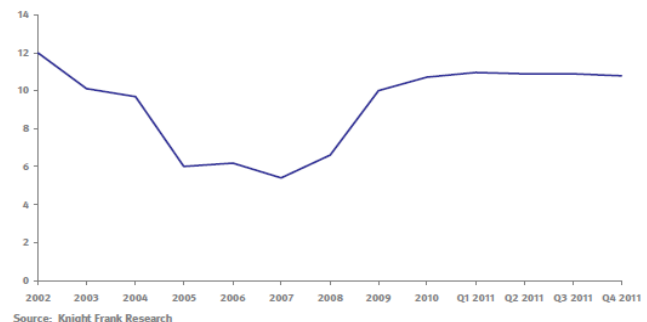


Source: Knight Frank Research

## Looking ahead

- Strong take up of new space in 2010 and 2011 is now starting to have an impact on the supply of grade A accommodation which now stands at 231,000 sq ft, with 129,000 sq ft due to be completed in 2012.
- Given the continued difficulties in obtaining funding, speculative development is likely to remain limited in 2012. The exception to this is at One Victoria Street where PRUPIM/Cubex Land have recently gained consent for the substantial re-modelling and extension of the building to provide 47,000 sq ft. Completion of this scheme is anticipated for summer 2013.
- Whilst a significant upturn in demand is not anticipated, the continued erosion of available existing stock is likely to have a positive impact on net effective rents as the year progresses.

Vacancy rate (%)



Source: Knight Frank Research

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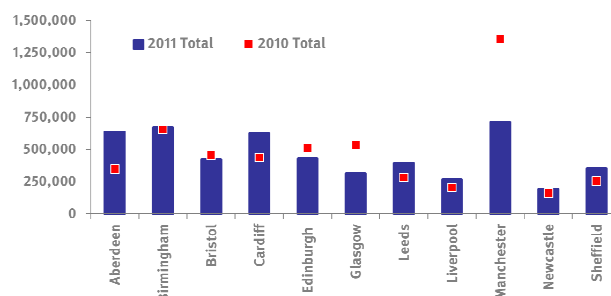
# UK REGIONAL OFFICES ROUND-UP

Q4 2011

## Occupier demand

- There was a clear slowdown towards the year-end, with Q4 2011 quarterly take-up down 15% on Q3, however, 2011 as a whole was just marginally worse than 2010.
- Across the 11 cities, annual take-up for 2011 totalled 5,015,938 sq ft - only 4% down on 2010. Most markets enjoyed stronger 2011 take-up compared with 2010 including Aberdeen, Birmingham, Cardiff, Leeds, Liverpool, Newcastle and Sheffield. In contrast, Bristol, Edinburgh, Glasgow and Manchester recorded annual falls in take-up activity.
- Occupiers remain cautious, with the majority continuing to assess the impact of current economic conditions on their businesses. Activity remains focused at the smaller end of the market.

City centre take-up, 2011 total vs 2010 total (sq ft)

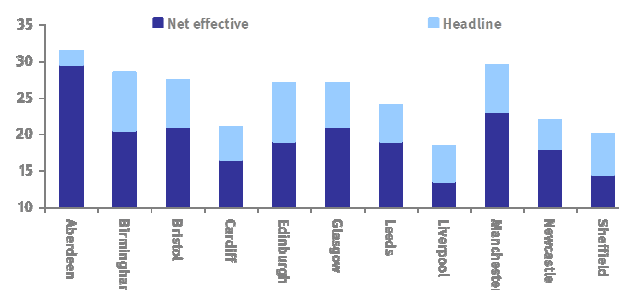


Source: Knight Frank Research

## Supply and rents

- The volume of speculative development activity is limited, confined to just four of the 11 cities at the end of Q4. Manchester has the highest amount of development underway (207,500 sq ft).
- As a result, Grade A supply remains ever more constrained. At the end of Q4 2011, total Grade A supply across the 11 cities was down 9.3% on Q3 2011 and down 26.3% on 2010 and.
- Prime net effective rents held up reasonably well throughout 2011, the one exception being Manchester, where net effectives declined by 2% on Q3. In terms of rental growth, Bristol outperformed the other regional markets, seeing headline rents increase to £27.00 per sq ft, with net effective rents recovering to their mid-2009 level of £21.00 per sq ft.

Q4 2011 Prime headline & net effective rents (£/sq ft)



Source: Knight Frank Research

## Investment market

- Transactional activity in Q4 amounted to £561m outside London and the South East, an improvement on Q3 but nevertheless 30% below the 10-year quarterly average. With a modest final quarter, the 2011 total sales value of £1,774m falls behind the 2010 value by 29%.
- Interest in the regional office investment market continues to be focused on prime property, for which there is a healthy level of demand, particularly from institutional investors. In the secondary market meanwhile, the challenging occupier markets and lack of available debt for purchasers continue to exert downward pressure on values.
- Overall investor sentiment was more cautious towards the year-end. Regional office yields softened marginally in a number of markets on 7 of the 11 regional offices during Q4 2011 except Cardiff, Leeds, Manchester and Newcastle where yields were unchanged.

Prime office yields

	2011				Yield sentiment
	Q1	Q2	Q3	Q4	
Aberdeen	6.00%	6.00%	6.00%	6.25%	◀ ▶
Birmingham	5.75%	5.75%	5.75%	6.00%	◀ ▶
Bristol	6.00%	6.00%	6.00%	6.25%	◀ ▶
Cardiff	6.25%	6.25%	6.25%	6.25%	◀ ▶
Edinburgh	6.00%	6.00%	6.00%	6.25%	◀ ▶
Glasgow	6.00%	6.00%	6.00%	6.25%	◀ ▶
Leeds	6.00%	6.25%	6.25%	6.25%	◀ ▶
Liverpool	6.50%	6.75%	6.75%	7.00%	◀ ▶
Manchester	6.00%	6.00%	6.00%	6.00%	◀ ▶
Newcastle	6.50%	6.50%	6.50%	6.50%	◀ ▶
Sheffield	6.50%	6.75%	6.75%	7.00%	◀ ▶

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