OCCUPIER HEADLINES

- City centre take-up reached 532,085 sq ft in 2018, a total in line with the 10-year average. There were a total of 105 deals which is comparable to the levels of activity in 2017.
- Availability remained close to a 20 year low at circa 5% with only 15,621 sq ft of new Grade A product on the market.
- The most significant deal of the year was the letting of Studio A at Aurora to Amdaris which moved headline rents to £35.00 per sq ft. A lack of Grade A stock will continue to put upward pressure on rents in 2019.
- There were 13 deals above 10,000 sq ft the largest of which was the letting of 34,612 sq ft to Immediate Media at Trilliums Eagle House.

INVESTMENT HEADLINES

- Investment volumes exceeded the £300m mark for the fourth consecutive year in 2018. A total of £311m of office stock was sold, 25% ahead of the 10-year annual average.
- Underpinning volumes was two sales above £50m. The sale of Aurora at Finzels Reach to Royal London Asset Management for £62.13m was the standout deal. The sale achieved a net initial yield of 4.5%.
- Sustained investor interest fuelled by a undersupply of offices meant that prime yields in Bristol moved in by 25bps to 4.75%. This level was supported by the sale of Aurora in September 2018.

KNIGHT FRANK VIEW

Steve Oades
Partner

The Bristol office market has enjoyed a buoyant 12 months. Prime rents have now broken the £35.00 per sq ft mark and refurbished Grade B buildings are now quoting over of £30.00 per sq ft. The market fundamentals remain strong. With no speculative development due to be delivered in 2019 and with availability already at a near record low for the last 20 years, rental growth looks set to continue as we move through 2019.

Whilst institutional demand has softened slightly during Q1 as investors adopt a more defensive positon, market interest remains high and we forecast prime yields to stabilise at 4.75%-5.00%.

Off market transactions accounted for approximately 50% of investment volumes in 2018 and we forecast this trend to continue in 2019. The ongoing investment, whether into infrastructure or amenity, is paying dividends and Bristol is cementing its position as one of the most popular regional cities and has been repeatedly voted best place to live in the UK.