

**Mid-Year  
Market  
Update**

016  
017  
018

**Market Monitor**  
South West of England and  
South Wales Property Review

**July 2018**



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

## Summary

2018 has got off to a confident start, with strong demand across all our primary markets. Take-up in some sub markets has been restricted by a shortage of good quality immediately available opportunities rather than a lack of occupier and investor demand.

Despite strong demand, limited availability and prime sites with planning permission, the overall level of new development coming forward remains below what we believe the market will support, particularly in the office sector.

Based on the number of significant transactions currently in solicitors' hands, we anticipate office and industrial take-up will improve in the second half of the year in the region's major cities.

The first half of the year has seen an unprecedented level of disruption in the retail

sector as major retailers look to reshape their portfolios to meet the challenges of online shopping, rising staff costs and business rates. This has mainly taken the form of CVA's and store closures. Those that have been unable to restructure have disappeared from the high street altogether. In our opinion it is too early to accurately assess how this may affect the market and rents and therefore, unless we have been able to identify clear market evidence to the contrary, we have held rental levels in this report at their December 2017 figures and expect further pressure on the sector during 2018.

Simon Price,  
Head of Agency



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

Year	Office Demand	Office Supply	Industrial Demand	Industrial Supply
Half-Year 2018	900	2,357	1,655	4,218
Full-Year 2017	1,719	2,490	5,054	3,578
Full-Year 2016	2,023	2,724	8,427	3,694
Full-Year 2015	1,909	3,235	5,852	4,320

## Cardiff: Office and Industrial (000 sq ft)

Year	Office Demand	Office Supply	Industrial Demand	Industrial Supply
Half-Year 2018	142	702	288	500
Full-Year 2017	704	707	880	515
Full-Year 2016	685	788	499	839
Full-Year 2015	617	900	402	909

# Key Alder King Regional Transactions

Hewlett Packard Enterprise Site  
Bristol



**Client** University of the West of England  
**Size** 150,000 sq ft on 11 acres (13,935 sq m on 4 ha)

Block S, Phase 3 Paintworks  
Bristol



**Client** Verve Properties  
**Size** 10,000 sq ft (929 sq m)

Torbay Business Park  
Paignton



**Client** Midas Commercial Developments Limited  
**Size** 66,800 sq ft (6,205 sq m)

Estuary Court, Newport  
South Wales



**Client** Storage Giant  
**Size** 34,980 sq ft (3,249 sq m)

26 Mead Avenue, Houndstone Business Park  
Yeovil



**Client** Wessex Packaging  
**Size** 70,673 sq ft on 3.34 acres

Park Road, Abergavenny  
South Wales



**Client** Monmouthshire County Council  
**Size** 3.4 acres (1.3 ha)

Building 1, Harlequin Office Park,  
Emersons Green, Bristol



**Client** Mitie  
**Size** 27,239 sq ft (2,532 sq m)

Plot 3000, Gloucester Business Park  
Gloucester

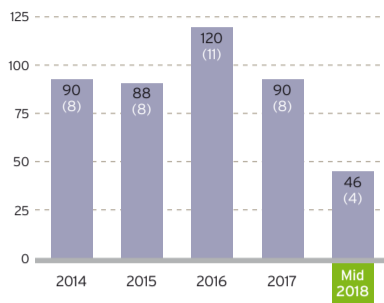


**Client** Arlington  
**Size** 150,000 sq ft on 10 acres (13,935 sq m on 4 ha)

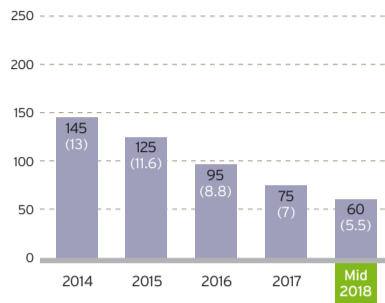
## Offices

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

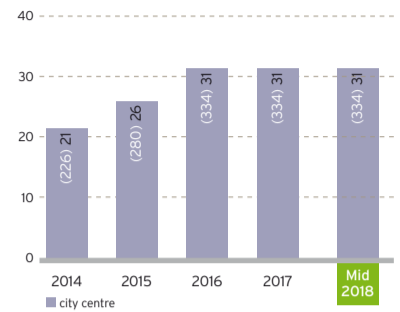
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- The Bath office market continues to see a strong level of demand, in particular from existing local and regional occupiers.
- Following a strong level of take-up ahead of the five year average in 2017, the first half of 2018 has seen a reduced number of transactions primarily due to restricted levels of supply rather than lack of demand.
- The most active market sectors continue to be serviced office operators, TMT and professional services.

### supply

- The supply of immediately available, modern open plan space is extremely limited across the Bath market.
- New build developments with planning consent are proposed at Roseberry Place and Bath Quays South. In addition, developer partners have been shortlisted by the Council for the strategic Bath Quays North development.
- Less than 40,000 sq ft (3,716 sq m) is now available for immediate occupation at the recently completed Chocolate Factory in nearby Keynsham.

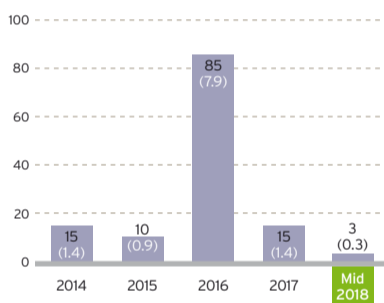
### headline rent

- The best headline rent recently achieved in the city centre is still the £31 psf (£334 psm) at 20 Manvers Street.
- A number of the proposed new developments are guiding quoting rents above this level.
- The restricted supply of immediately available space is continuing to create upward pressure on quoting rents and downward pressure on incentive levels.

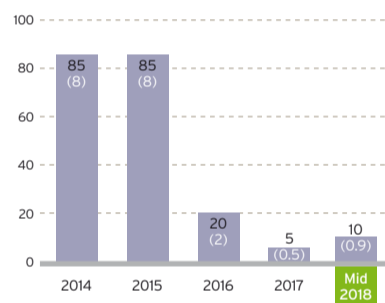
## Industrial

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

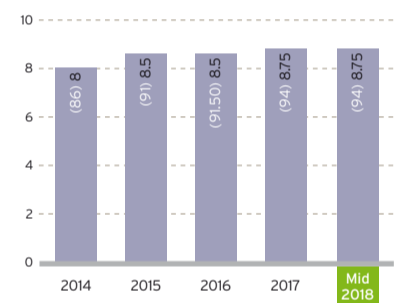
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Strong freehold owner occupier demand remains, albeit with limited opportunities.
- The lack of good quality modern space is holding back take-up.
- A number of requirements for the city are struggling to find accommodation of a modern specification and are being forced to consider locations outside Bath, with East Bristol being of particular interest.

### supply

- Supply is still limited to second hand stock.
- No speculative industrial/distribution development has taken place in Bath, with none expected for the foreseeable future.
- There is a negligible amount of good quality stock and the shortage of modern space is set to continue.

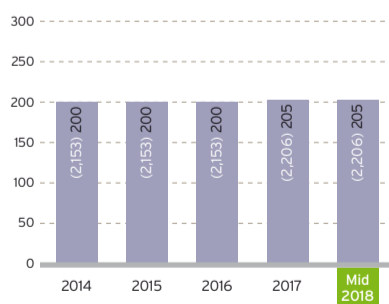
### headline rent

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

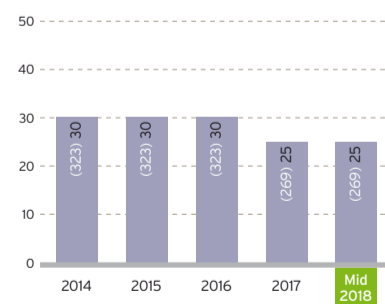
## Retail & Leisure

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

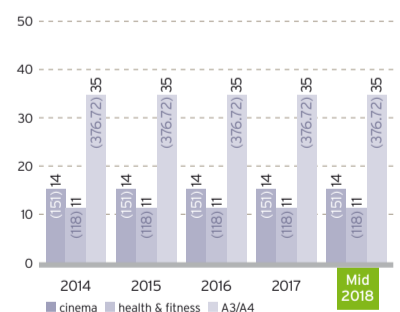
zone A headline rent £psf



out of town headline rent £psf



leisure headline rent £psf



### zone A headline rent

- New openings have been limited in H1. Card Factory opened in Southgate and Dr Martens and Nationwide in Union Street.
- Elsewhere Metro Bank has announced plans to open in part of the M&S store.
- Generally occupancy and demand levels remain high across the City.

### out of town headline rent

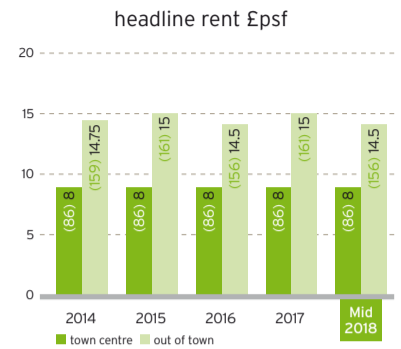
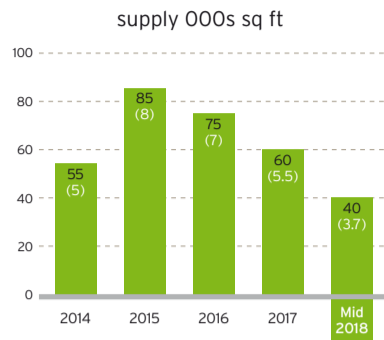
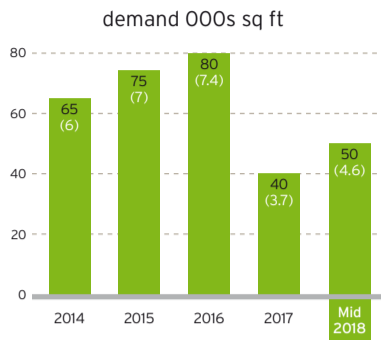
- Following the opening of Mero Retail Park last year, there has been no significant activity during H1.
- Rents remain at existing levels.

### leisure headline rent

- Despite a number of high profile closures, the restaurant sector in Bath continues to flourish.
- New restaurants include Franca Manca in SouthGate and Le Vignoble in Milsom Place.
- At Saw Close, Century Casino opened in May and Z Hotel is due to open in August.
- Planning consent has been granted for a new F45 gym in Westgate Street which will be operated by James Haskell Fitness.

## Offices

Andrew Maynard | T 01823 444879 | E amaynard@alderking.com



### demand

- Void levels remain very low in the town, especially in the out of town market. Occupiers are increasingly considering new build opportunities to provide a long-term solution.
- There is an increase in demand for hybrid office buildings incorporating an element of storage. This is in part due to the increase in the number of construction companies looking to set up in the town, some of which are related to Hinkley Point C.

### supply

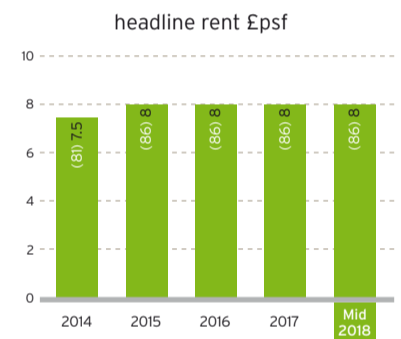
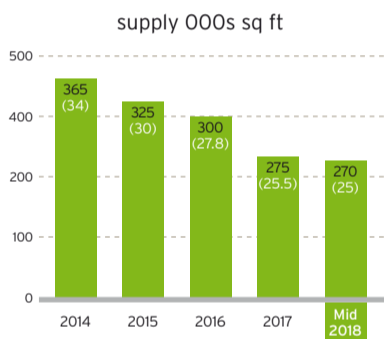
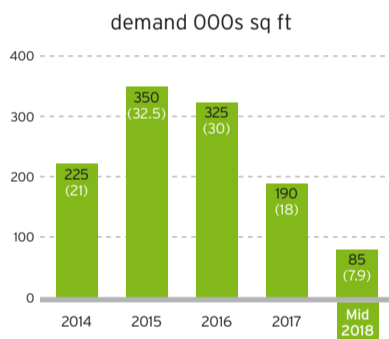
- Following the success of earlier phases, principally with supply chain companies to Hinkley Point C, a third phase at the Somerset Energy Innovation Centre on Woodlands Business Park will provide a further 20,000 sq ft (1,858 sq m) of accommodation.

### headline rent

- Despite the supply and demand dynamics, rental and freehold levels have remained relatively consistent for a number of years and now lag behind other locations along the M5 corridor.

## Industrial

Andrew Maynard | T 01823 444879 | E amaynard@alderking.com



### demand

- The availability of existing buildings continues to frustrate occupiers, especially those seeking freehold premises.
- The type and size of enquiries is very diverse, with requirements generally up to 100,000 sq ft (9,289 sq m).

### supply

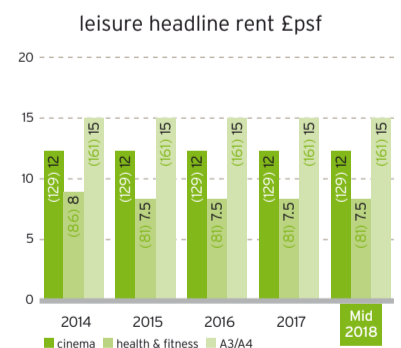
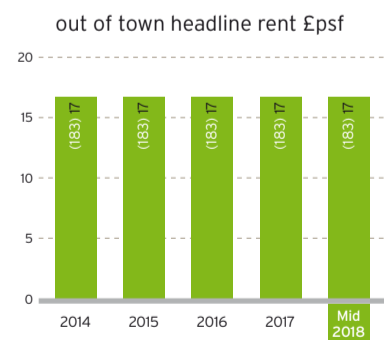
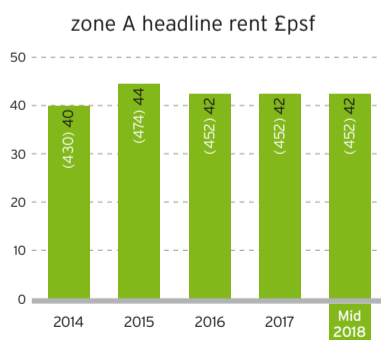
- The successful Woodlands Business Park is now in its final phase with several buildings under construction including a bespoke 19,358 sq ft (1,798 sq m) workshop let to Scania.
- Enquiries for accommodation on new business parks at Peninsula 23 and Bridgwater Gateway are increasing with the first buildings likely to be ready for occupation in 2019.
- There remains a shortage of good quality buildings between 10,000 and 50,000 sq ft (929 and 4,645 sq m) in the town.

### headline rent

- Capital values have increased in line with the wider area, with early signs of rental increases for modern buildings along the M5 corridor.

## Retail & Leisure

Andrew Maynard | T 01823 444879 | E amaynard@alderking.com



### zone A headline rent

- Sedgemoor District Council is moving forward with its plans to deliver a new development on the Northgate site. The scheme will include a six screen cinema, a gym and four restaurants and has a potential opening date of Spring 2021. Somerset County Council has sold 1.1 acres of the site to Aldi for a new format supermarket. Aldi has submitted a planning application and if approved construction would start in June 2019.
- Zone A rentals levels remain at around £40 to £42 psf.

### out of town headline rent

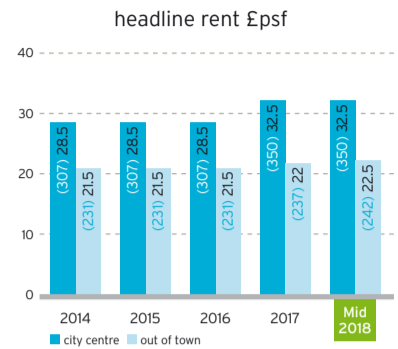
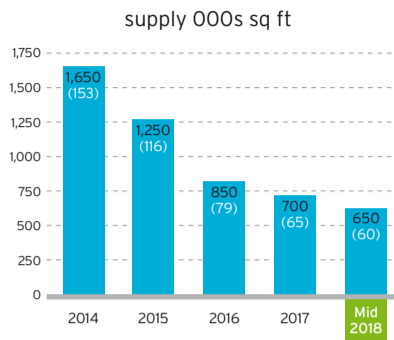
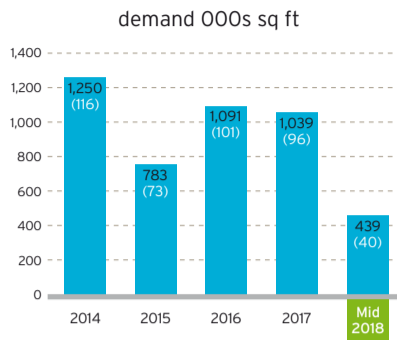
- Bridgwater Retail Park is also undergoing further development with an M&S Foodhall, Home Bargains and Food Warehouse already confirmed. Lidl is also relocating to a new larger store on the site.

### leisure headline rent

- Construction of a new 4 star Mercure Hotel at Eastover is nearing completion. When it opens in October 2018, it will deliver 118 rooms and a Marco Pierre White steakhouse.
- The erection of a steel frame is also underway for a Holiday Inn Express on the Regional Rural Business Centre site. A new Premier Inn will follow at Bridgwater Gateway on the other side of the A38.
- A revised consent has been granted for a 100 bedroom hotel on the former Bridgwater Hospital site and a 123 bedroom consent has been granted at Woodlands Business Park.

## Offices

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



### demand

- Take-up in H1 2018 was subdued, largely due to a lack of supply rather than a lack of enquiries. Some significant deals are now in solicitors' hands.
- Notable city centre transactions included sales at Phase 3 of the Paintworks development of 20,738 sq ft (929 sq m) to Ethical Property Company and 10,000 sq ft (929 sq m) to Royal Photographic Society.
- Out of town ALD expanded taking 27,259 sq ft (2,532 sq m) at Harlequin Office Park at Emersons Green from Mitie.

### supply

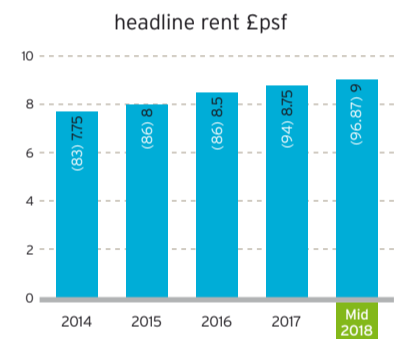
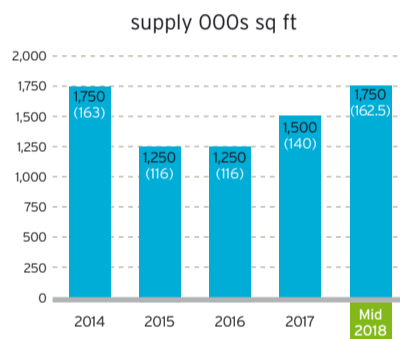
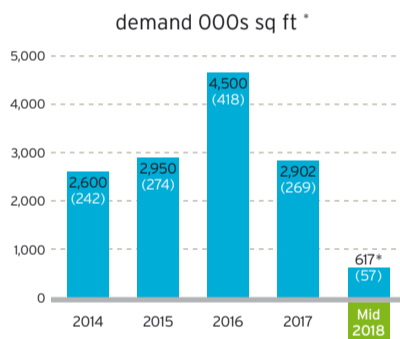
- There is a severe shortage of new or newly refurbished Grade A accommodation in the city centre and out of town markets. In addition the lack of Grade B space in the city centre is impacting on the Grow On market.
- Speculative city centre refurbishments have recently completed at Temple Point and Phase 1 Programme and have attracted strong interest. Out of town speculative refurbishments have just reached practical completion at 600 and 800 Aztec West.

### headline rent

- In the city centre Aurora has already achieved a headline rent of £32.50 psf (£350 psm) with a deal currently in solicitors' hands at circa £34 psf (£366 psm).
- With incentive levels also reducing, these recent lettings are now providing evidence for uplifts at rent review.
- Out of town the recent refurbishment of 140 Aztec West has resulted in headline rents of £22.50 psf (£242 psm) being achieved. The quoting rent on the recently completed 600 Aztec West is £24 psf (£258 psm).

## Industrial

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



### demand

- Three sizable transactions totalling 1.56 million sq ft (135,174 sq m) impacted on take-up in 2017.
- The shortage of modern, immediately available space limited take-up in the first half of 2018. Unlike previous years, there was no large format take-up over 100,000 sq ft (9,290 sq m). There has however been significant development site acquisition activity of approximately 90 acres (36 ha) which should lead to new space becoming available in the next 12-18 months.

\* Courtesy of IAS Western Branch

### supply

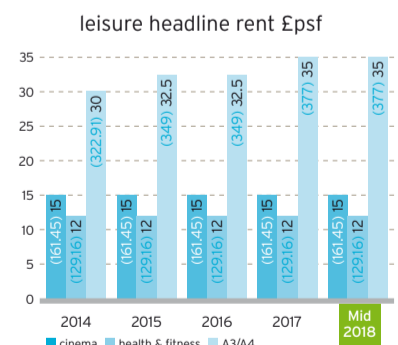
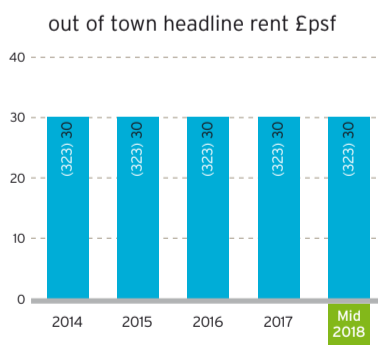
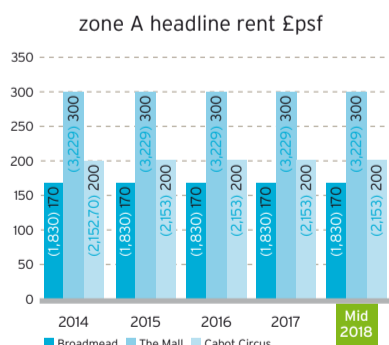
- Availability remains at historically low levels with a large proportion comprising obsolete space.
- Speculative development is underway at St Modwen's Access 18 in Avonmouth, Horizon 38, Filton, Chancerygate's Vertex Park in Emersons Green and Warmley Business Park. At Severnside, Richardson Barbury is on site with its 33 acre "mid box" scheme with Trebor Developments and Mountpark, having acquired sites for 400,000 sq ft and 1 million sq ft respectively.

### headline rent

- With limited new space immediately available, rentals of circa £9 psf (£96.87 psm) could be achieved for accommodation below 10,000 sq ft (929 sq m).
- Rents for modern and mid-range buildings have increased to £6.50 - £7.50 psf (£70 - £81 psm). Good quality second hand buildings below 5,000 sq ft (464.5 sq m) are commanding rents of around £7 - £9.50 psf (£75 - £102 psm).
- With the reduced levels of good quality 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

- Proposals for major new developments at Callowhill Court in Broadmead and at The Mall at Cribbs Causeway remain unresolved.
- Metro Bank remains on course to open in the former Bhs store in September. TK Maxx opened in the adjacent former Peacocks store in June and Bo Concept has opened nearby in Merchant Street. All three will add vibrancy to this part of Broadmead. In Cabot Circus Holland & Barratt has opened a larger store and Escape Hunt will open shortly.
- The White Company has opened its largest store in the South West at The Mall.

### out of town headline rent

- There has been limited activity in the first quarter. Prime rents remain at existing levels.
- Go Outdoors has taken 10,000 sq ft (9,290 sq m) at Centaurus Retail Park. The former Maplin unit remains available.
- At Eastgate Retail Park there are plans to add an additional 12,000 sq ft (1,114 sq m) together with a new restaurant pod.

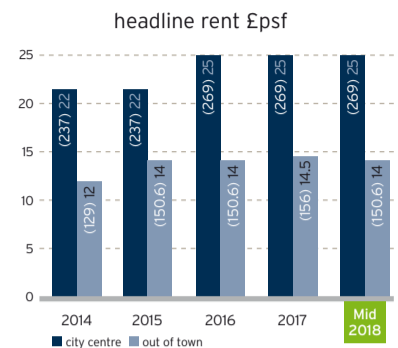
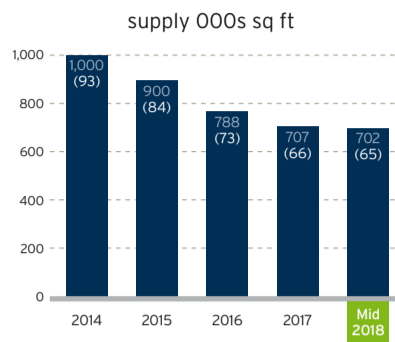
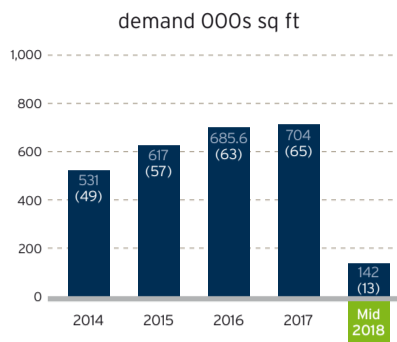
### leisure headline rent

- The first half of 2018 was one of change in Bristol's food and beverage sector. Although Jamie's Italian closed, the city has welcomed several new additions.
- Marston's has opened a Lost & Found Cocktail Bar & Restaurant in Queen's Road and the New World Trading Company has opened The Florist on Park Street.
- Elsewhere in the city the independent sector continues to expand with both Pigsty and Woky Ko opening their second restaurants in Gloucester Road and Queen's Road. In Portishead The Siren's Calling has opened at @68 The Marina.

Key sq ft (sq m)

## Offices

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



### demand

- There are a number of quality active requirements of over 20,000 sq ft (1,858.1 sq m) which are expected to take up much of the existing Grade A space in the second half of 2018.
- Practically all of the larger requirements are now concentrating in and around Central train station.
- Conversely, requirements between 5,000 and 10,000 sq ft (464.5 to 929.03 sq m) have decreased whilst those below 2,000 sq ft (185.8 sq m) remain at a healthy level, especially along the city fringe.

### supply

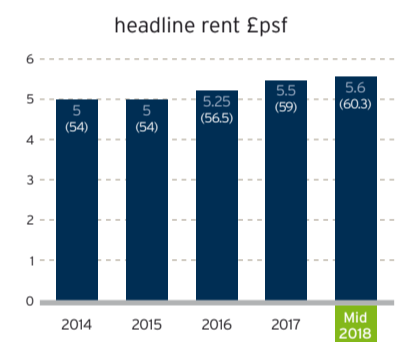
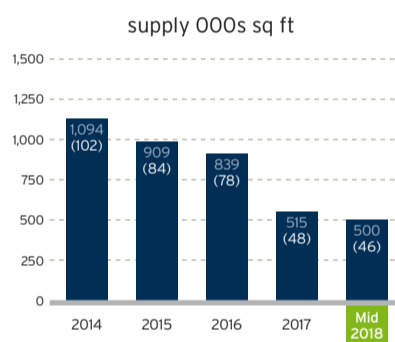
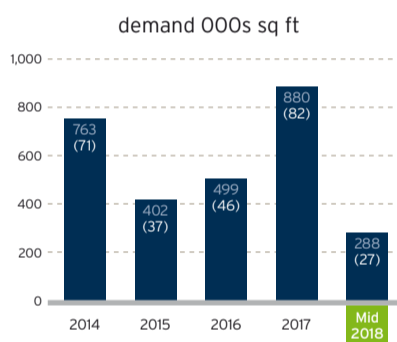
- Supply remains stable but is expected to decrease in the second half of 2018 with a number of larger requirements active in the market and viewing existing stock.
- Student development has taken further stock, including Hallinans House, but we believe existing development projects will now satisfy future demand.
- Grade A stock currently stands at circa 170,000 sq ft (15,793.5 sq m). Existing stock is forecast to be depleted quickly and replaced by 170,000 sq ft (15,793.5 sq m) at Buildings 3 and 4 at Capital Quarter.

### headline rent

- Headline rents remain stable with growth expected as a result of diminishing Grade A supply.
- Incentives continue to tighten on good Grade B stock, which is itself in short supply, but remain on new development for strong covenant occupiers.
- Out of town rents are consolidating and forecast to rise over the next 12 months.

## Industrial

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



### demand

- Take-up is on track to achieve the five year average of circa 600,000 sq ft (55,742 sq m).
- However, the shortage of available stock and lack of new development is likely to have a significant effect going forward.
- Freehold transactions dominate take-up and include the sale of 80,000 sq ft (7,432.2 sq m) at the former Westco premises on Penarth Road, 51,000 sq ft (4,738 sq m) at the former Yodel premises in Wentloog and 31,000 sq ft (2,880 sq m) at Courtney House on Ocean Business Park to Brains Brewery.

### supply

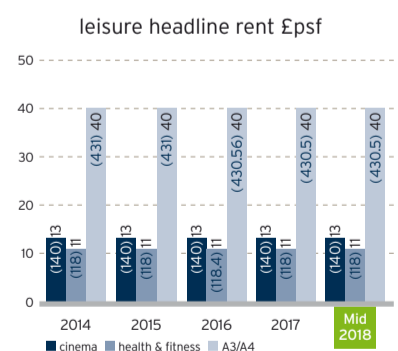
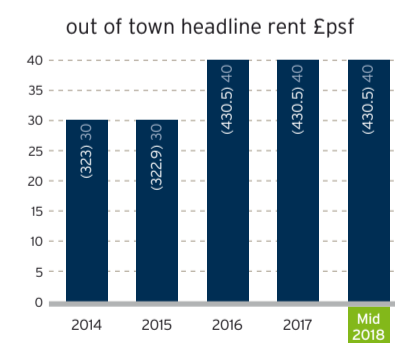
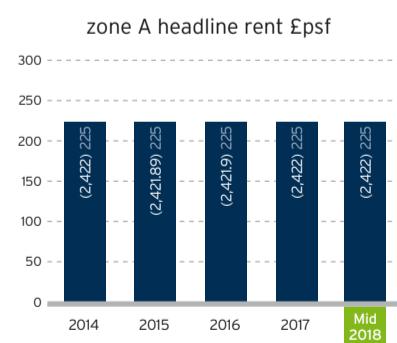
- Supply has decreased year on year and is now approximately 35% of where it was back in 2013.
- There is a real shortage of available units across all size ranges, irrespective of quality.
- Freehold units with secure yards are becoming extremely rare and command premium values.
- We have witnessed an increasing number of developer enquiries on the scarce amount of available developable land and we forecast new development in the next 12-18 months.

### headline rent

- Headline rents are increasing due to the shortage of quality stock.
- We expect rents to continue to increase due to the imbalance between supply and demand with occupiers sometimes forced to pay above market rental levels to satisfy their requirements.

## Retail & Leisure

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



### zone A headline rent

- There is downward pressure on headline rents, especially along the fringe of Queen Street and High Street with closures at Toys R Us, That's Entertainment, Pia and the recent House of Fraser announcement.
- Footfall remains strong in St David's Shopping Centre with Stradivarius taking 5,200 sq ft (483 sq m) in Upper Grand Arcade and Virgin Holiday Travel Store taking 1,213 sq ft (113 sq m).
- Other openings include Virgin Money in the Old Locke & Remedy with Cardiff Creative and Celtic Brides taking space in Capitol Shopping Centre.

### out of town headline rent

- Retail parks remain strong but asset managers will be monitoring poorly performing stores in the wake of a number of CVA announcements and uncertainty in the market.
- Lidl and Aldi dominate requirements, with a new store under construction on Caerphilly Road in north Cardiff.
- Newport Road is expected to attract a new Metro Bank, Wickes and Costa, reinforcing the historic and future credentials of the area.

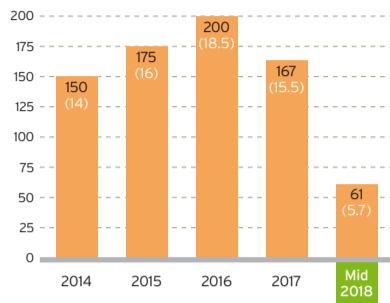
### leisure headline rent

- A number of high profile A3 and A4 closures highlight the uncertain market and include Sea Shack, Arbennig, Cibo, Eat and surprisingly Tim Hortons in The Hayes.
- Two new Premier Hotels are currently under construction underpinning the growing major event attraction of the city and the requirement for additional beds due to Newport's International Convention Centre.
- The location for a new £100m, 15,000-seater indoor arena has been announced and will be developed on the Council's existing headquarters building at County Hall and the nearby Red Dragon Centre at Atlantic Wharf, in Cardiff Bay.

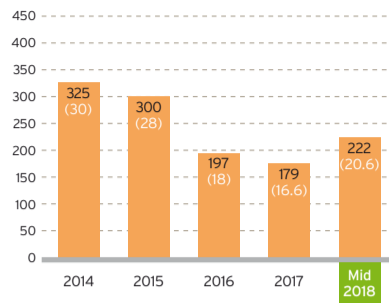
## Offices

Noel Stevens | T 01392 353093 | E nstevens@alderking.com

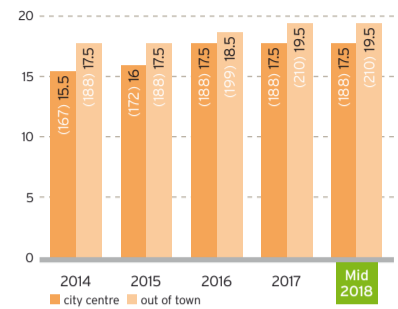
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Thanks to an increase in supply, there has been real progression in demand. This is not fully reflected in the HI statistics but will show in H2.
- The range in size is also positive, with deals concluded on suites up to 14,000 sq ft (1,300 sq m) and interest for up to 30,000 sq ft (2,787 sq m).
- Demand from serviced office operators remains strong. A new centre opened recently at Maximus House, Pynes Hill and a sale has been agreed to another in the city centre. Alder King is also seeking space for Regus to open a third facility out of town.

### supply

- The supply of existing out of town stock increased in the first half of 2018. However terms are being agreed on a number of properties so this upturn won't be reflected in the end of year figures. This churn will always form the major part of the market.
- It is unusual that the space coming back to market is of good quality or has been refurbished. This has given out of town occupiers real choice for the first time in almost a decade.
- Supply in the city centre remains very tightly restricted with no applications forthcoming.

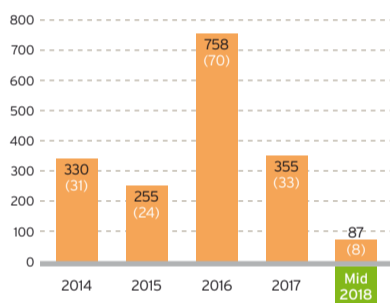
### headline rent

- The highest rent remains the £19.50 psf (£210 psm) achieved at 1 Tiger Moth Road, SkyPark. Two floors remain in this building and future lettings are likely to push rents higher.
- Equally encouraging is the recent record rent for existing, albeit only five year old stock. £19 psf (£204.50 psm) was achieved recently at Eagle House. Eagle One's HQ set the bar for the highest new build rent five years ago and has seen real rental growth reflected by the lack of supply.
- More mainstream secondary refurbishments are also seeing rental growth with £15.50 psf (£167 psm) setting the tone.

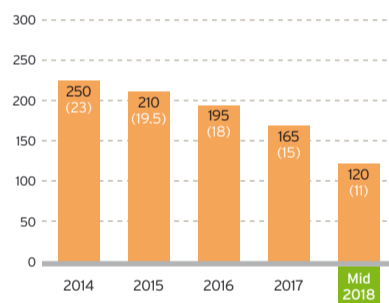
## Industrial

Noel Stevens | T 01392 353093 | E nstevens@alderking.com

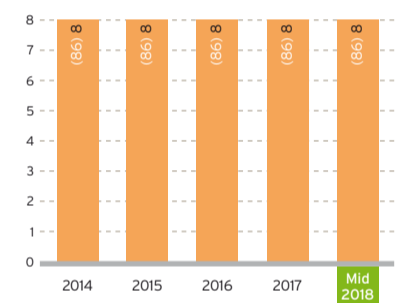
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Demand for industrial space has been adversely affected by a lack of supply. Major occupiers looking for big box distribution premises in the South West have found very little stock and have had to put requirements on hold or rethink their distribution strategy and focus on growth areas closer to Bristol.
- Demand for freeholds remains very strong from the owner occupier market. Increasingly investors are looking to buy vacant and let to avoid the levels of competition in the investment market.

### supply

- The supply of secondary stock has fallen. This combined with no speculative development has fuelled the downward trend in demand.
- Developers are increasingly considering speculative development and we expect to see planning applications being submitted in H2. This won't be reflected in the supply figures until spring 2019 at the earliest.
- Outline permission was granted for circa 500,000 sq ft (46,452 sq m) of new development at Westex Business Park on the outskirts of Exeter which will significantly improve supply.

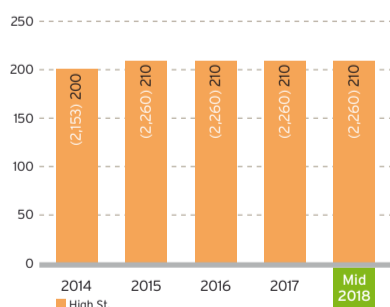
### headline rent

- Due to the lack of transactions there has been no material shift in rents.
- Rental growth will be influenced by construction cost inflation with developers increasingly reporting the need to see rents in excess of £8.50 psf (£91.50 psm) to make new development work.

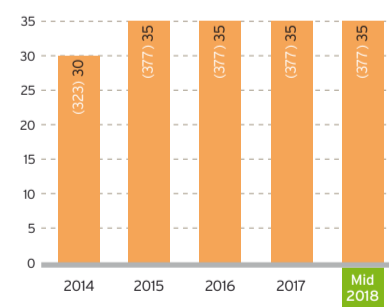
## Retail & Leisure

Noel Stevens | T 01392 353093 | E nstevens@alderking.com

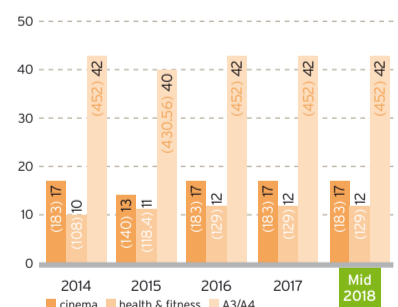
zone A headline rent £psf



out of town headline rent £psf



leisure headline rent £psf



### zone A headline rent

- The retail market in Exeter has been affected by a number of city centre closures. The food and beverage sector has also been hit after a long period of growth with five shops in this sector closing in HI within the city centre.
- Major brands including Mothercare have opted for CVA and announced the closure of its store in The Guildhall.

### out of town headline rent

- Demand for new stores in the right locations is still strong. A new planning application has been submitted for the Moor Exchange development close to J29 of the M5 with big brands including Next signed up. The development of The Police HQ at Middlemoor has also progressed with Hammerson selected as buyer for the development land.
- Toys R Us, Matalan and Maplin have closed. This will give rise to potential alternative uses, particularly from the active leisure sector.

### leisure headline rent

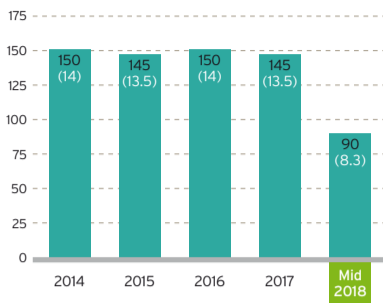
- There has been some good news with Pure Gym opening in the former Bhs premises. Demand is still strong for budget gyms in high footfall locations either in the city centre or on main arterial routes.
- The lower rents for leisure compared with traditional retail is constraining the number of new openings as landlords are keen to retain higher value retail consents. Openings should accelerate as more traditional retailers cease trading.



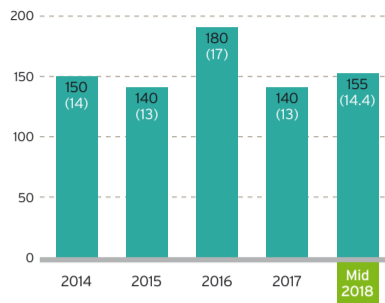
## Offices

Adrian Rowley | T 01452 627133 | E arowley@alderking.com

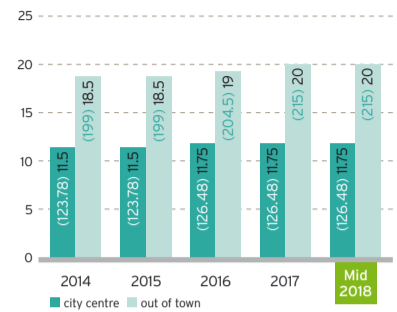
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Significant transactions included the letting of three buildings totalling 8,900 sq ft (827 sq m) in Charlton Court, Gloucester Business Park to HNEE and the 14,300 sq ft (1,328.5 sq m) letting of 2 Kimbrose Way, The Docks to the NHS, the latter being one of the largest city centre office lettings in recent years.
- Take-up of secondary office space for conversion has continued apace. Elsewhere, in very much an out of centre location, the 32,000 sq ft (2,973 sq m) former Royal Mail building in Eastern Avenue was acquired for conversion.

### supply

- Supply of Grade A and secondary space remains low, continuing the long term trend. Supply currently stands at 155,000 sq ft (14,400 sq m).
- BizSpace has recently acquired the 37,000 sq ft (3,437 sq m) Building 1, The Office Campus, Barnwood and is close to completing a major building refurbishment and conversion to provide serviced office space.

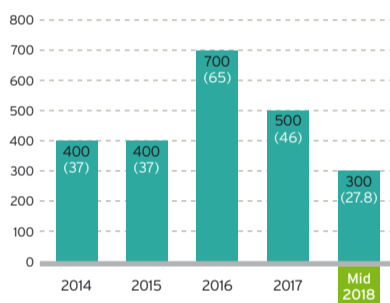
### headline rent

- The headline rent for Grade A out of town office space remains at £20 psf (£215 psm).
- Rents for secondary space remain within the £14-£15 psf range (£150-£161 psm).
- Headline rents for the city centre stand at around £11.75 psf (£126 psm).

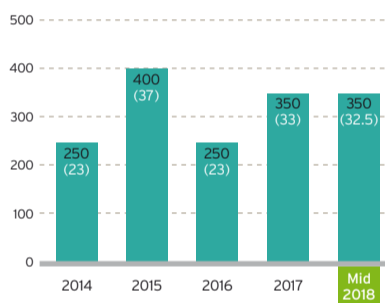
## Industrial

Adrian Rowley | T 01452 627133 | E arowley@alderking.com

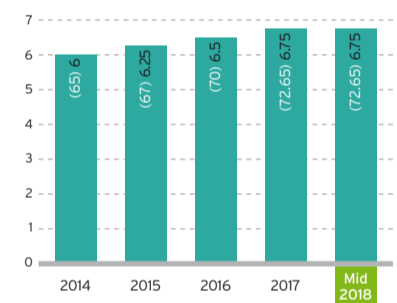
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Demand from the manufacturing sector continues with a number of large new build projects underway or proposed. These represent a significant level of new investment into the county.
- Projects include the completion of a new 110,000 sq ft (10,219 sq m) manufacturing building for TBS Engineering delivered by Arlington at Gloucester Business Park. Also at Gloucester Business Park, a new 150,000 sq ft (13,935 sq m) factory is under construction for G-TEKT who manufacture car body sub-assemblies for Jaguar Land Rover and Honda.

### supply

- St Modwen is continuing its extensive programme of speculative development at Gateway 12. Two buildings of 38,000 sq ft (3,530 sq m) and 41,300 sq ft (3,837 sq m) have been completed, the former let to Amazon Book Depository and the latter under offer. Three further buildings of 66,400 sq ft (6,168 sq m), 24,100 sq ft (2,239 sq m) and 34,100 sq ft (3,168 sq m) will be completed later this year.
- Rockhaven's speculative small unit scheme at Triangle Park has reached practical completion, offering buildings from 1,875 sq ft (174 sq m). A healthy level of early sales have taken place.

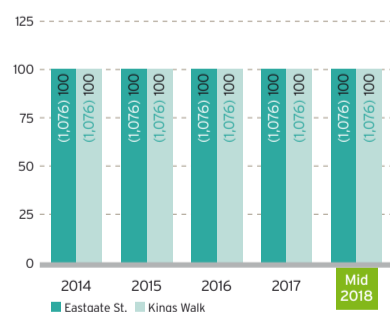
### headline rent

- The headline rent for Grade A space remains at £6.75 psf (£72.65 psm) for mid-range space.
- It is anticipated that the upward pressure on rents will continue as a result of the underlying shortage of available stock and the continued rise in construction costs.

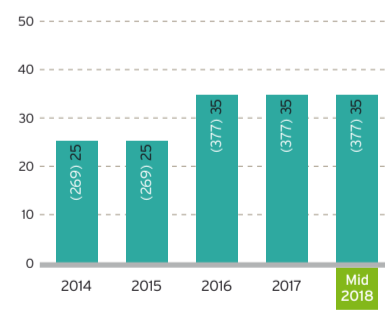
## Retail & Leisure

John Hawkins | T 01452 627135 | E jhawkins@alderking.com

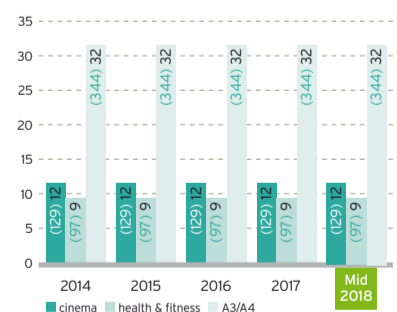
zone A headline rent £psf



out of town headline rent £psf



leisure headline rent £psf



### zone A headline rent

- There are relatively few void units and demand remains reasonably strong for the city centre.
- The development of the new bus station is well advanced which will significantly enhance this area of the city centre. The new retail units in the scheme will be well received.
- The Kings Square development continues to progress. This much anticipated mixed use scheme, combined with the new bus station, will have a substantial impact on the rejuvenation of the city centre.

### out of town headline rent

- Demand for out of town units remains strong with limited availability. Whittle Square at Gloucester Business Park and St Oswalds Park are fully let.
- Occupier demand is being led by coffee drive-thru and discount food retailers. Starbuck's has opened a new drive-thru on Eastern Avenue close to Costa's newest drive-thru on Triangle Park. Both are trading extremely well, which has led to further lettings. Triangle Park will progress a planning application for a second phase to include an additional drive-thru and three inline units.
- Construction is underway on Aldi's third Gloucester store on Hucclecote Road. Both Aldi and Lidl continue to seek new sites.

### leisure headline rent

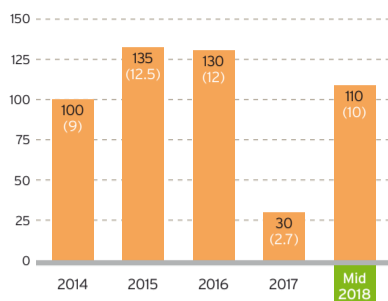
- Bakers Quay, adjacent to The Quays outlet centre in Gloucester Docks, will see the opening of a new Costa Coffee and Brewers Fare this summer. These openings are expected to trigger greater demand from retailers and restaurateurs for this prime location.
- The popularity of Gloucester Quays continues to grow, driven by the restaurant offering. The latest occupiers are more traditional retailers in the form of Jack Wills and Joules and will provide an additional draw to The Docks.
- Within the health and fitness sector, both the budget and premier gym operators remain active and eager to acquire a limited supply of suitable properties.

Key sq ft (sq m)

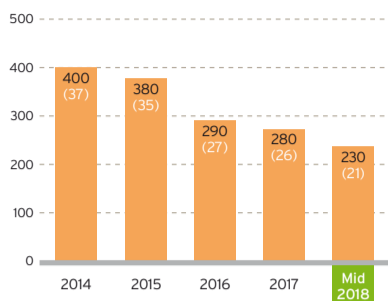
## Offices

Noel Stevens | T 01392 353093 | E nstevens@alderking.com

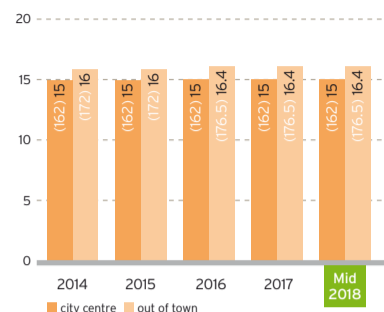
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Demand in H1 improved with major occupiers including Health Education England and Plymouth Argyle relocating. Sub 5,000 sq ft (464 sq m) remains the most active segment in the market.
- There is the potential for major inward investment coming to fruition in H2 which will dramatically improve the full year figures.

### supply

- Supply is down overall but high quality refurbishments such as The Merchant are now available. The building has been subject to a multi-million pound renovation.
- New build options at Sutton Harbour and Higher Home Park are also available to occupiers with longer lead in times.
- With increases in underlying demand, buildings like Crownhill Court are likely to be saved from redevelopment. The building is currently for sale and is likely to be purchased and renovated as offices, helping to maintain current supply levels.

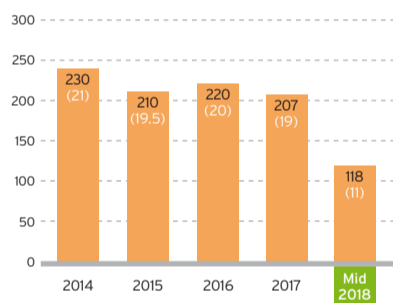
### headline rent

- Headline rents remain unchanged as transactions are focused on existing and refurbished space.
- Rents for secondary stock are increasing slightly where demand exists. This is partly due to the increasing cost of delivering space to market.

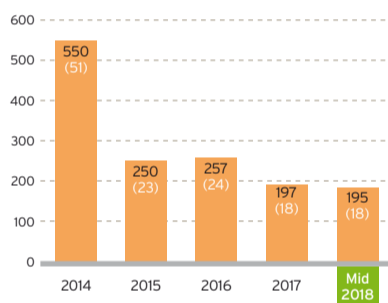
## Industrial

Noel Stevens | T 01392 353093 | E nstevens@alderking.com

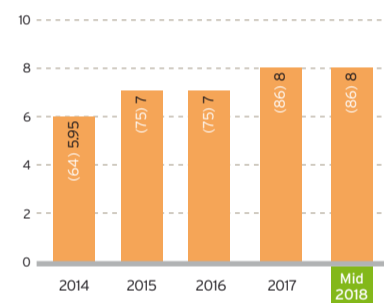
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Industrial transaction levels have fallen considerably in H1 due to a lack of supply. Underlying demand remains good but, without options available, it goes unsatisfied.
- Transactions at the lower end of the market dominate with the average deal size being just under 2,000 sq ft (186 sq m).
- Demand remains strong for small freeholds with Oceansgate proving there is demand to support continued development.

### supply

- Supply remains severely constrained. Investors are increasingly looking at breaking up larger premises to create units in the 5,000 to 20,000 sq ft (465 to 1,858 sq m) range relevant to the market but also capable of occupation by the stronger national occupiers present in Plymouth.
- H2 will see more transactions as the refurbishment of buildings like Plymbridge House are completed. The circa 50,000 sq ft (4,645 sq m) building will be fully let on completion which is testament to the lack of supply.

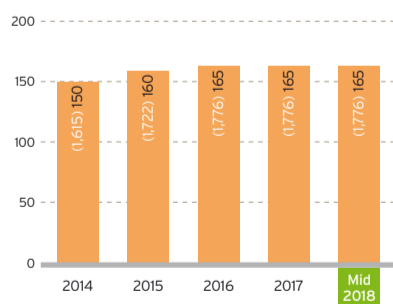
### headline rent

- Headline rents have remained stable as we have yet to see leasehold development. Given construction cost inflation, any new build will need to push rents upwards to create development viability.

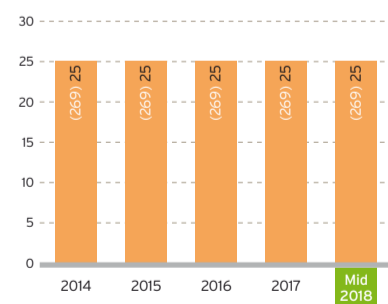
## Retail & Leisure

Noel Stevens | T 01392 353093 | E nstevens@alderking.com

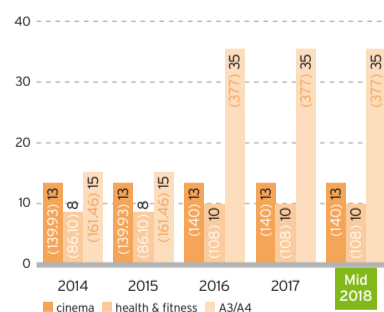
zone A headline rent £psf



out of town headline rent £psf



leisure headline rent £psf



### zone A headline rent

- Plymouth's retail market has been affected by the closure of Toys R Us. House of Fraser plans to close its store on Royal Parade.
- The city has seen openings of a variety of shops, including a new Greggs and Starbucks in Mutley Plain.

### out of town headline rent

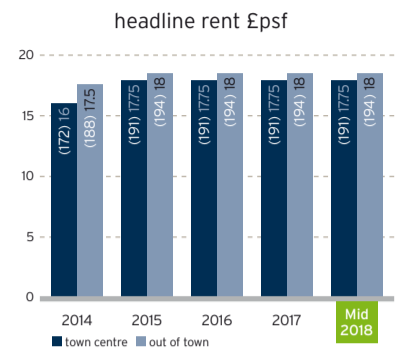
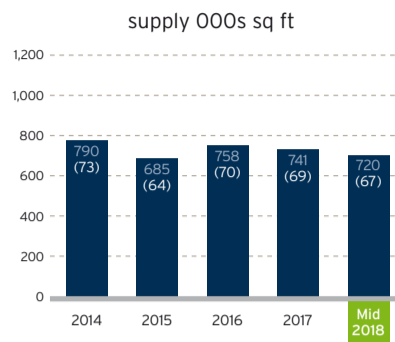
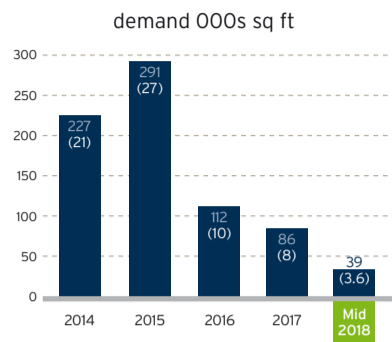
- Plymouth Gateway Retail Park is under construction and due for completion later this year. It will offer an additional 55,000 sq ft (5,110 sq m) and will be fully let on completion to occupiers including KFC, Costa, Sofology and Wren Living. Mothercare is also a named occupier.

### leisure headline rent

- Work is continuing on the £48m Drake Circus Leisure scheme. Due to open in 2019, the 100,000 sq ft (9,290 sq m) scheme will include a 12 screen cinema plus 13 restaurant units including Zizzi's and Frankie and Benny's.

## Offices

James Gregory | T 01793 428106 | E jgregory@alderking.com



### demand

- The out of town market has continued to dominate activity, with two thirds of transactions being out of the town centre. Newsquest and On Semiconductors have taken 11,397 sq ft (1,059 sq m) between them at Edison Park, Dorcan.
- The Pattern Store has been sold to The Diocese of Bristol for administrative offices and a place of worship. The two floors of offices in the historic building total 8,676 sq ft (806 sq m).
- There are a number of unsatisfied larger requirements seeking better quality accommodation but there is a shortage of supply.

### supply

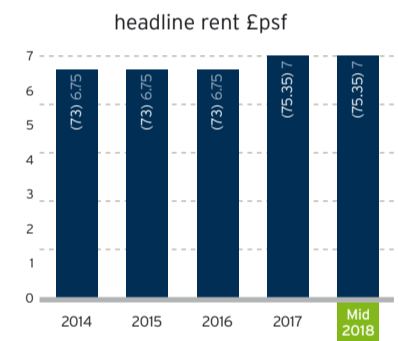
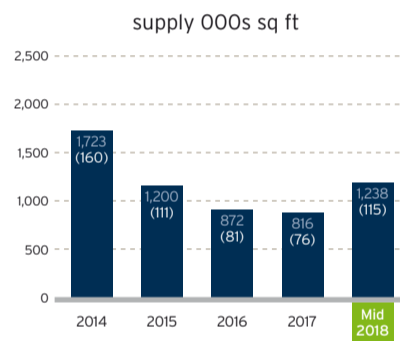
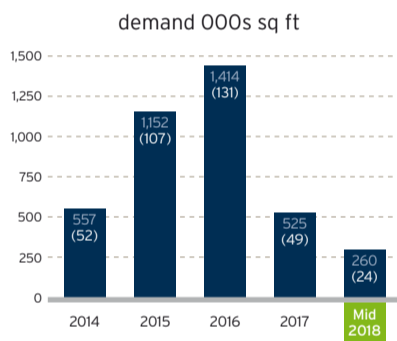
- Office supply has fallen substantially as further office buildings have been converted to residential. These include Newsquest's former building in Old Town, Alexandra House and Maxwell House in the town centre.
- Trilogy at Kembrey Park, Canberra House at Lydiard Fields and 3 Newbridge Square in the town centre offer the best immediately available office accommodation.
- Swindon Borough Council is re-evaluating the Kimmerfields development and it is likely the scheme will become more mixed use.

### headline rent

- Churchward has continued to shine with all office buildings now fully occupied and some lease events concluded in favour of the landlord.
- Prospective occupiers are in many cases finding few immediately available opportunities to meet their requirements. This is resulting in shorter rent free periods and incentives being offered to tenants.
- Due to the relatively subdued number of new enquiries, tenants are still able to secure low headline rents if they are willing to compromise in terms of specification.

## Industrial

James Gregory | T 01793 428106 | E jgregory@alderking.com



### demand

- B&Q is on site constructing an additional 375,000 sq ft (34,838 sq m) adjacent to its Regional Distribution Centre at G Park.
- Limited supply has led to only one transaction of existing stock over 30,000 sq ft (2,787 sq m) that being Shaker Kitchens at Groundwell.
- Four further transactions in excess of 20,000 sq ft (1,858 sq m) have taken place including TS Tech taking 27,156 sq ft (2,523 sq m) at Blackworth Industrial Estate, Highworth, and cutting edge Recycling Technologies which has taken 25,590 sq ft (2,377 sq m) at Stirling Court, South Marston.

### supply

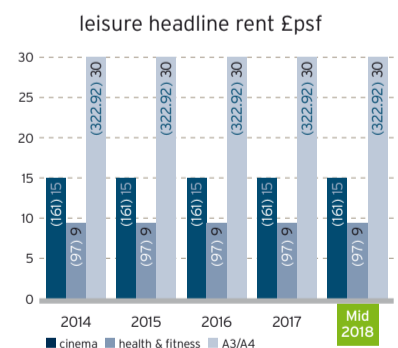
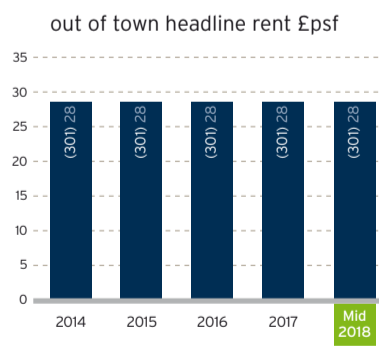
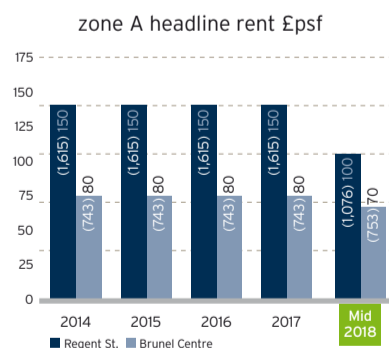
- DB Symmetry's first speculative unit of 217,323 sq ft (21,190 sq m) has been completed. This, together with the 149,173 sq ft (13,858 sq m) Groundwell Distribution Centre, have boosted supply.
- The number of mid-range opportunities continues to reduce and demand has outstripped supply.
- Canmoor is planning a multi-unit speculative development at Ignition, Dorcan. Mooreland Estates has planning for Trinity Park and Rockhaven is proposing five new small units at Kembrey Park. Other developers are looking at opportunities to construct small units.

### headline rent

- £7 psf (75.35 psm) has been achieved on a number of transactions for larger accommodation.
- Higher rents are being achieved on small units where occupiers look at a unit price rather than £ psf/psm.
- Rental incentives have steadily reduced as a result of a continued lack of available stock.

## Retail & Leisure

James Gregory | T 01793 428106 | E jgregory@alderking.com



### zone A headline rent

- Debenhams plans to extensively refurbish its store in The Parade. The upper floors will be converted to residential which will help to upgrade the large property on Fleming Way and bring new life to that part of the town centre.
- Wilkinsons has opened a new 20,000 sq ft (1,858 sq m) store in The Parade. The Works has also been attracted to the town centre.
- House of Fraser is due to close its 140,000 sq ft (13,006 sq m) store in the town centre.

### out of town headline rent

- Aldi has secured planning permission for its sixth store at Highworth, Swindon. This follows a long planning battle for the proposed new store.
- Iceland has now opened a new store at Barnfield Road off Great Western Way. Two other out of town retailers are shortly to join them adjacent to the recently refurbished Lidl store.
- Travelodge is now on site constructing a new hotel on the Great Western Way which will incorporate a Subway and Greggs on the ground floor.

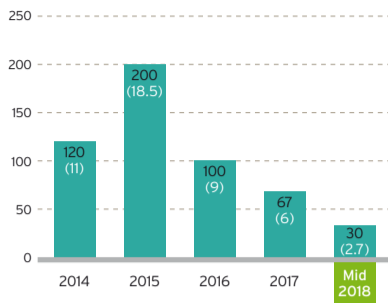
### leisure headline rent

- The Crossing at the Brunel Centre is trading well with occupiers including Subway, Chopstix and Triple Two Coffee. Further lettings are in solicitors' hands, leaving just two kiosk units and one larger unit available.
- The £270m Oasis development, promoted by Seven Capital, has secured 50% pre-lets for phase one to include a 180,000 sq ft (16,722 sq m) Snowcentre, a 13 screen cinema with the UK's largest IMAX screen, bowling alley, hotel and gym. Empire Cinemas, Hollywood Bowl and Ellis Brigham have been named as anchor tenants. A detailed planning application will be submitted later this year.

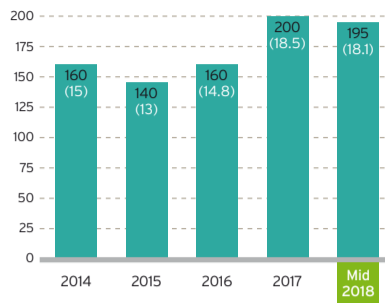
## Offices

Andrew Maynard | T 01823 444879 | E amaynard@alderking.com

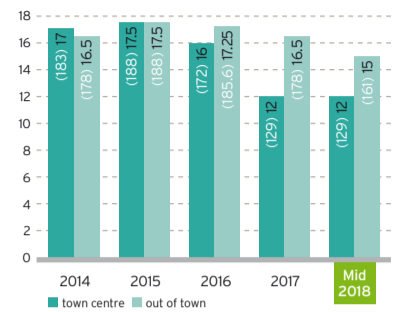
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Enquiry levels and take-up have risen following a disappointing 2017, suggesting an improving outlook for 2018, but are still quieter than in 2015/16.
- Demand for freehold remains good within the town centre, although a lack of out of town freehold stock is a longstanding problem.

### supply

- The introduction of former public sector space into the market continues with the remaining 45,000 sq ft (4,181 sq m) of Tangier Central and 15,950 sq ft (1,482 sq m) in Deane House providing occupiers with far more choice than in previous years.
- Overall supply is down slightly due to deals which completed in Q1 2018.

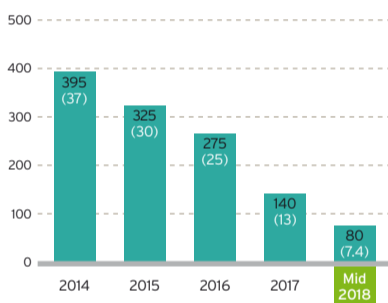
### headline rent

- Out of town rental levels have adjusted due to the sluggish market in 2017.
- Freehold levels have remained steady or even improved slightly over the past 12 months.

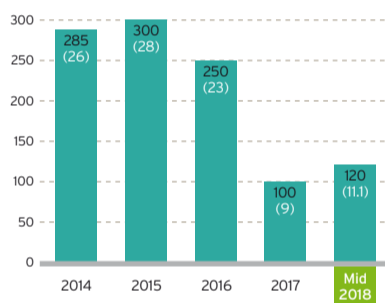
## Industrial

Andrew Maynard | T 01823 444879 | E amaynard@alderking.com

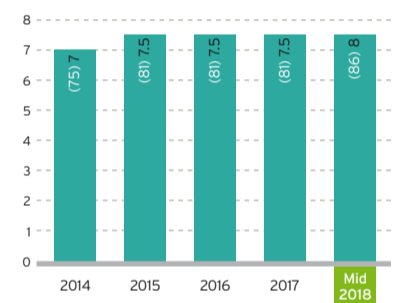
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Improvements to J25 of the M5 are likely to start later this year bringing Nexus25 on stream in 2019. This 61 acre (25 ha) employment site has a Local Development Order in place to streamline the front end of the development process.
- Elsewhere, demand continues to outstrip supply for existing premises, especially for freeholds.

### supply

- Taunton's first speculative industrial development for a decade is nearing completion at IPF's 30,000 sq ft (2,787 sq m) scheme at Sovereign Way on Crown Industrial Estate.
- Summerfield Developments continues to attract occupiers to Westpark26 in neighbouring Wellington, which has become a very popular and well-established mixed use business park.

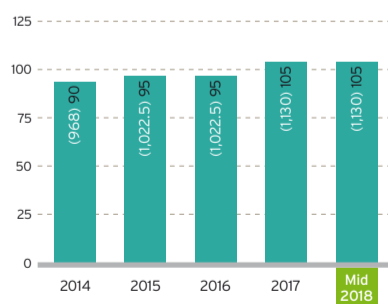
### headline rent

- Capital values for new build continue to improve with rental levels stepping up marginally in the first six months of the year.

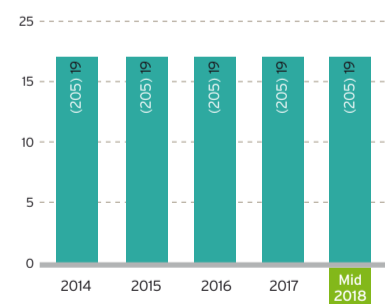
## Retail & Leisure

Andrew Maynard | T 01823 444879 | E amaynard@alderking.com

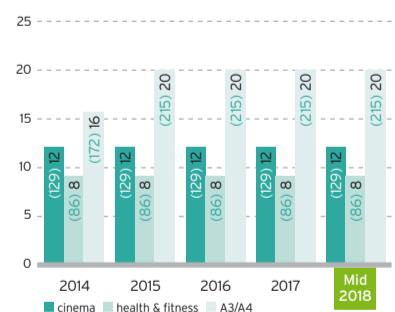
zone A headline rent £psf



out of town headline rent £psf



leisure headline rent £psf



### zone A headline rent

- Work is progressing on the regeneration plans for the Coal Orchard site. Outline consent was granted earlier this year for a mixed scheme of retail and business units, flats and restaurants fronting onto the River Tone, close to the town centre.
- Planning permission has been granted on the Firepool Regeneration scheme for a mix of retail, offices, leisure and residential uses.
- The vacancy rate has risen in the first half of the year, although the town still has a relatively low void level as a percentage of total stock when compared with other towns in the region.

### out of town headline rent

- There have been no new store openings in the first half of the year, following changes in the tenant line-up at Priory Fields last year.

### leisure headline rent

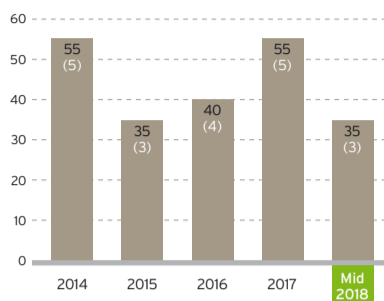
- The market has been quieter of late, with much of the hotel sector focusing efforts in neighbouring Bridgwater to capture the potential of Hinkley Point C.

Key sq ft (sq m)

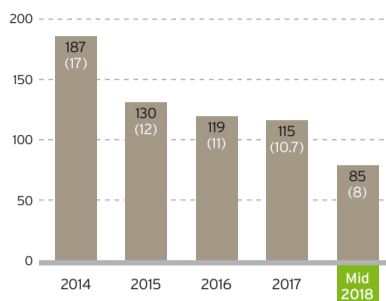
## Offices

Tom Duncan | T 01872 227005 | E tduncan@alderking.com

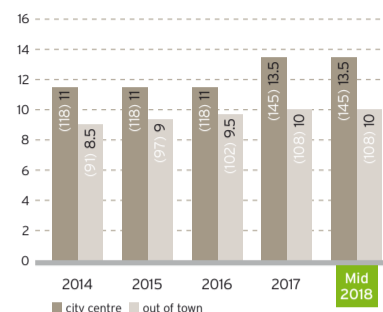
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Office take-up has increased by approximately 5,000 sq ft (464.5 sq m) compared to the same time last year.
- Preference remains for modern city centre accommodation with car parking.
- Older office buildings continue to be sold for conversion to residential use which distorts the take-up figures.
- A single transaction can have a significant impact on the figures reported due to the relatively small size of the market.

### supply

- The supply of office accommodation has decreased by approximately 30,000 sq ft (2,787 sq m) in the first half of 2018.
- Town centre headline rents remain strong, possibly as a result of reduced supply of high quality modern accommodation.
- The cost of construction still 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.

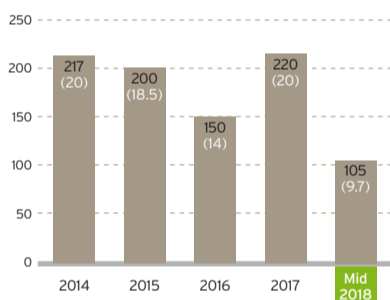
### headline rent

- 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.
- Incentives in the form of initial rent free periods or stepped rental arrangements are not unusual.
- The reduced supply of good quality modern space has put pressure on rents to increase.

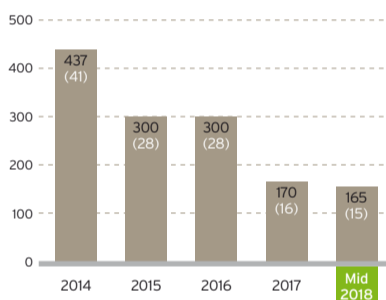
## Industrial

Tom Duncan | T 01872 227005 | E tduncan@alderking.com

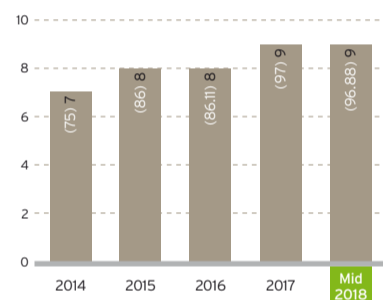
demand 000s sq ft



supply 000s sq ft



headline rent £psf



### demand

- Demand is marginally higher than the same time last year. However the figures include take-up at a new development in Falmouth. Without this take-up will have dropped in the year to date.
- Enquiries for strategically located warehouse/distribution units in excess of 20,000 sq ft (1,858 sq m) have increased.
- Demand remains focused on modern accommodation with good access to the A30 or specific centres.
- Some demand is latent, only becoming apparent once new accommodation becomes available.

### supply

- After falling to a nine year low in 2017, supply has dropped further in the first half of the year.
- Good quality modern accommodation close to the A30 is in increasingly short supply.
- There is a shortage of supply of consented development sites to accommodate larger requirements.
- Uncertainty continues around the availability of grant funding, without which new development is generally not viable.

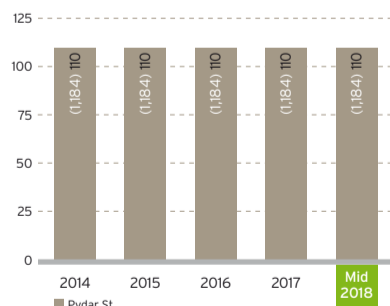
### headline rent

- There is upward pressure on rents for well-located modern accommodation due to a shortage of supply.
- Premium levels may be achieved where units appeal to trade counter users adjacent to edge of town retail parks such as Treliske Retail Park.
- Tenants are generally requesting shorter lease terms with more frequent Options to Break.
- Some occupiers are forced to pay in excess of the market rent in order to make a development viable to a developer and to satisfy an operational requirement.

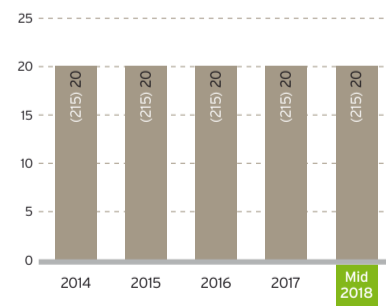
## Retail & Leisure

Tom Duncan | T 01872 227005 | E tduncan@alderking.com

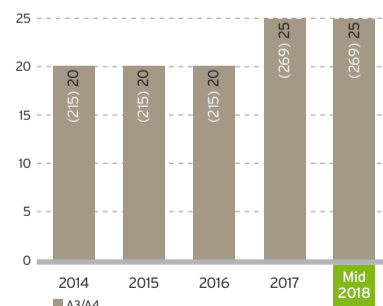
zone A headline rent £psf



out of town headline rent £psf



leisure headline rent £psf



### zone A headline rent

- Truro has seen limited prime retail activity in the first half of 2018.
- The former East unit in St Nicholas Street and the former Mothercare unit in Pydar Street are currently vacant.
- Further city centre retail space is anticipated to become available during the year.
- Truro city centre remains well let but there has been no recent rental growth reported.

### out of town headline rent

- There has been limited out of town retail activity in Truro.
- The former B&M unit on the corner of Morlaix Avenue and Newham Road is available and Mothercare has opened a unit at Treliske Retail Park.
- Further out of town developments continue to be promoted on the Truro Football Club site and at West Langarth.

### leisure headline rent

- There has been limited activity in Truro's leisure market.
- News is still awaited regarding the commencement of Truro's 6,000 capacity Stadium for Cornwall at West Langarth.

# Residential Development Land

## Land market summary

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

- The first half of 2018 has seen continued growth in South West house prices, with average annual price growth of 4-6% across the region, a slight slowdown on the same period last year, but still outperforming the national average of 4.2%.
- Anecdotally, we have observed price reductions in certain areas, as factors such as affordability begin to impact buyers in a market that has seen steady growth in prices for some time.
- Reputable residential commentators and analysts, including the RICS, are forecasting future five year house price growth of 10-20%. The wide range in forecasts reflects different views on the uncertainty surrounding the UK's exit from the EU.
- Lack of stock, the limited supply of new homes relative to demand, and reasonably positive economic sentiment are the main factors driving house price growth in the South West. However, affordability may become more of an issue, as house price growth and inflation both continue to outstrip wage growth.
- We are experiencing strong demand for consented sites in attractive areas and received a number of very competitive offers for sites we have marketed in 2018.
- Demand remains high for 'strategic' land that will deliver development over the next 3-5 years and beyond, particularly those acquired through options or promotion agreements. In our view, the uncertainty around the ongoing Brexit negotiations and other macroeconomic concerns has not impacted on these types of transactions, as developers and promoters are taking a medium to long term view on the housing market remaining buoyant across the region.
- We have previously reported details of the draft Joint Strategic Plan and Joint Transport Study, which sets out where an estimated 105,000 new homes and associated transport infrastructure will be built to meet demand for the period 2016-2036. These documents have been submitted to the Government's Planning Inspectorate and we expect an examination in public to take place in October 2018.
- A number of local authorities in our region are currently unable to satisfy their five year housing land supply commitments, which has led to a raft of new residential planning applications, particularly in South Gloucestershire and North Somerset although a recent Supreme Court ruling involving Cheshire East Council has re-confirmed interpretation of planning policy for local authorities when determining 'speculative' applications.
- Government incentives such as 'Help to Buy' are stimulating demand in a number of areas, particularly the sale of new-build dwellings where housebuilders are reporting a high number of transactions being supported by the scheme. The popularity of this scheme is attracting interest from institutional investors, with similar products already being offered, which could complement, or replace Government support if it is ever scaled back or removed.
- Demand for well-located student housing sites continues unabated in the key university cities of Bath, Bristol and Cardiff with extremely competitive bidding for the best sites, whereas in Exeter and Plymouth a number of recent planning consents have provided the supply pipeline required to meet current demand.
- Competition between conventional office use, private residential, the PRS and student developers is creating a healthy central Bristol development market both for new build, conversions and refurbishments. Alder King received strong demand from the residential and student developer markets during the recent marketing of Kingsown House, an industrial premises in central Bristol.



### 1. Bower Farm, Bridgwater

Outline planning permission achieved by Alder King's planning team for 260 dwellings. Alder King will be marketing the site in Q4 2018.

### 2. Soundwell Centre, Bristol

Acting for City of Bristol College, Alder King sold this 4.8 acre former college site to LocatED for redevelopment as a new Free School.

### 3. Former Bridgwater Hospital

Alder King is marketing this unique conversion and redevelopment opportunity with planning permission for a 100 bed hotel, A3 and gym uses.

### 4. Shepherd's Wharf, Plymouth

Acting for the Rowe Group, Alder King is marketing this 1.4 acre waterfront site with lapsed planning permission for a 183 apartment scheme.

PROPERTY CONSULTANTS

# Commercial Investment

## Investment summary

John Benson | T 0117 317 1100 | E [jbenson@alderking.com](mailto:jbenson@alderking.com)

- Against a background of continued economic uncertainty, the commercial real estate market remained resilient throughout the first six months of 2018.
- A total of £23.62 billion worth of property was transacted in the first half of the year, representing a 16% decrease in volumes compared to the same period last year. In contrast to the overall trend, investment in Regional Markets was up 8% year on year in the first quarter to £5 billion and demand in the Alternative sectors remained strong.
- Although the market witnessed lower stock levels in the first half of 2018, competition remains strong for prime properties with solid fundamentals, leading to competitive bidding for many situations.
- The lack of stock has continued to support values in most sectors but the retail sector has not followed this trend having witnessed upward pressures on yields in the period. Ongoing structural change and investor nervousness surrounding the future of the high street continues to dent confidence. There are many economic and structural factors making retail investments less attractive including the increased number of CVA's being used as a business and financial management tool to the detriment of landlords and investors. We expect to see further failures in the sector, pressure on net effective rents and continued investor nervousness.
- Demand for the alternative sector shows no sign of fading with many investors continuing to favour comparatively defensive assets offering stable, long-term income. The hotel sector witnessed the largest increase in investment with £1.2 billion invested during the first quarter of 2018.
- The average all-property yield rose slightly in Q1 2018 by 17 bps to 6.44%, after falling in the second half of 2017.
- A healthy occupier market, the relative value of real estate and continued overseas demand should keep property yields at low levels in the near term. Looking further ahead, much will depend upon the pace of interest rate rises and the impact Brexit has upon wider confidence and investor sentiment.
- Recent market evidence shows prime yields as below:
 

Offices:	5.75%
Industrial:	5.75%
Retail:	5.5%
Retail Warehouse:	5.0%



**1. Premier Inn, Blackfriars Street, Hereford.**  
Forward funding of a new 65 bed hotel in central Hereford. Pre-let to Premier Inn on a 25 year index linked lease with an option to break at year 20. Practical completion is planned for June 2019. Acquired on behalf of B.S. Pension Fund Trustee Ltd.

**2. 36/37 Ganton Way, Techno Trading Estate, Swindon**  
Single let industrial warehouse with a GIA of 57,886 sq ft (5,378 sq m). The property is let on a five year FRI term to Tyco Electronics UK Ltd from December 2017, with the tenant having an option to break at the end of the third year. Acquired on behalf of Revelan UK Ltd. £3.07m, 8.41% NIY.

**3. Conference House, Portishead Office Park**  
Single let detached office building totalling 10,334 sq ft NIA (960 sq m). The property is let to The First Secretary of State on FRI terms for a further 2.5 years. Sold on behalf of a private client for £1.83m, 8.21% NIY.

# Alder King

---

Alder King is one of the UK's leading independent property consultancies. We provide an award-winning package of services to private and public sector clients throughout the country on all aspects of commercial property and land.

Asset Recovery

Expert Witness

Planning

Building Consultancy

Facilities Management

Property Management

Business Rates

Industrial/Logistics Agency

Retail & Leisure Agency

Commercial Development

Investment & Asset Management

Residential Development

Development Funding

Lease Advisory

Valuation

Energy

Office 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



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



## 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

July 2018. 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.

**alder king**

PROPERTY CONSULTANTS