

Market Monitor

South West of England and
South Wales Property Review

2019
Mid-Year
Update

Property intelligence
you can build on

alder king

PROPERTY CONSULTANTS



Market Monitor Update examines the occupational markets in 10 key centres in the South West of England and South Wales at the mid-year point.



Simon Price
Head of Agency
Alder King

Podville, Bristol. Courtesy of Podville Ltd.

SUMMARY

After a robust performance in 2018, the South West and South Wales commercial property markets have continued to perform well in 2019, with strong demand for office and industrial space.

South West industrial take-up was buoyant at 2.09 million sq ft, an increase of circa 27% on the same period last year, boosted in particular by some significant transactions in Swindon.

Office take-up across the region totalled 740,000 sq ft, its lowest mid-year figure for seven years. Activity was primarily constrained by a lack of supply, particularly in key markets such as Bristol and Cardiff, but the continued economic and political uncertainty also affected decision-making in some sectors, particularly the financial and professional services sectors.

New headline rentals have been recorded in the industrial market in Cardiff and Swindon and in the North Bristol office market during the first half of the year.

Despite the lower office take-up, the underlying fundamentals of the occupational market remain sound; there are strong enquiry levels and supply is increasing after hitting historically low levels in 2018. New development and refurbishments are underway in Bristol, Exeter, Gloucester, Swindon and Taunton.

With new stock and the significant number of transactions already in solicitors' hands, we anticipate a stronger performance in the second half of the year in the region's major commercial centres.

H1 2019 Office and Industrial Take-Up and Supply (sq ft) Key South West and South Wales Centres

Mid 2019	Office Take-Up	Office Supply	Industrial Take-Up	Industrial Supply
Bristol	367,000	775,000	650,000	3,000,000
Cardiff	191,000	738,000	300,000	450,000
Exeter	56,000	238,000	130,500	239,000
Gloucester	75,000	200,000	250,000	400,000
Bath	35,000	50,000	2,000	10,000
Bridgwater	20,000	40,000	70,000	250,000
Plymouth	22,000	175,000	121,000	231,500
Swindon	120,000	595,000	730,000	1,090,000
Taunton	25,000	200,000	70,000	110,000
Truro	20,000	120,000	75,000	315,000

Mid-Year Update

Key Alder King Transactions



1. Newport Leisure Park, Newport
for Monmouthshire County Council
Size 141,000 sq ft on 11 acres

2. Ballard House, Plymouth for Womble Bond Dickinson
Size 26,003 sq ft

3. Marsh Lane, Royal Portbury Docks, Avonmouth for M7 Real Estate
Size 62,000 sq ft and 7.2 acres of land

4. 600 Aztec West, Bristol for Columbia Threadneedle
Size 12,760 sq ft

5. Bristol North Baths, Bristol for Bristol City Council
Size 19,566 sq ft

6. Unit 4A Gateway 12, Waterwells Business Park, Gloucester for St Modwen
Size 34,228 sq ft

7. 24 Windsor Place, Cardiff for Property Index
Size 9,242 sq ft





Redcliff Quay and The Landing. Courtesy of L&G.

Mid-Year Update

Bristol

£23 psf

New North Bristol office headline rent

OFFICES

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

Take-up in the first half of 2019 was subdued in comparison with recent years, primarily as a result of a lack of good quality stock in the city centre ready for immediate occupation and, in some market sectors, by ongoing Brexit uncertainty. However the strong level of named enquiries and the number of viewings on existing space point to an underlying strength in the market and a number of significant transactions, including pre-lets, are in solicitors' hands and should transact during H2.

Demand remains strong in the co-working/ serviced office sector which accounted for circa 31% of H1 city centre take-up, together with the TMT and financial services sectors.

Significant H1 transactions included the acquisition by Spaces of 35,000 sq ft at Programme in the city centre. In north Bristol, St James' Place acquired 40,760 sq ft at 2610 Aztec West.

Both the city centre and out of town markets continue to suffer from a severe lack of new or newly refurbished Grade A accommodation. This will be partly alleviated by two new Grade A developments under construction in the city centre, both of which are due to complete in 2020. At The Distillery, Glassfields, Royal London Asset Management is on site with 90,000 sq ft in three buildings

and at The Assembly on Temple Way, AXA is on site with a first phase building comprising 200,000 sq ft.

In addition high quality new refurbishments are underway at The Landing on Redcliff Street by L&G and at Merchants House by Bellborough Ltd. CSL Limited is advancing proposals for circa 37,500 sq ft of high quality refurbished accommodation at 37-39 and 41 Corn Street.

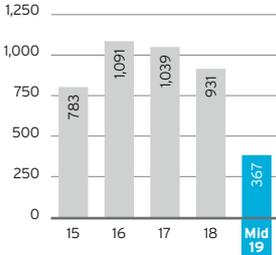
In north Bristol further refurbishment projects are planned as a result of the recent success of Buildings 600, 730 and 800 Aztec West where lettings were achieved following speculative refurbishments.

The top headline rent achieved in Bristol city centre for brand new Grade A accommodation now stands at £34.50 psf with both new speculative developments currently underway guiding in excess of this level.

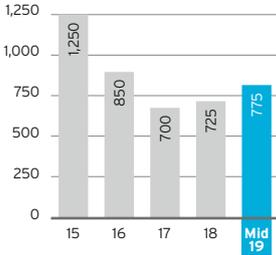
In north Bristol the letting of Building 600 Aztec West in Q1 2019 set a new headline rental high for this cycle at £23 psf.

In addition the level of incentives granted in both city centre and north Bristol markets has fallen as a consequence of reducing supply.

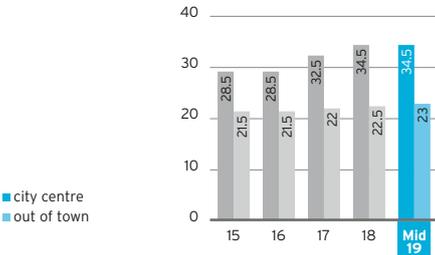
Take-Up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



INDUSTRIAL

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

H1 industrial take-up in Greater Bristol totalled approximately 650,000 sq ft with three deals accounting for 235,000 sq ft. Take-up was again constrained due to limited immediately available space in the city's core industrial and logistics locations.

Supply increased to approximately 3 million sq ft, the city's highest level for five years. This is set against the city's built stock of 65 - 70 million sq ft.

A number of new schemes have reached practical completion with Chancerygate's 107,000 sq ft, 11 unit Vertex Park now 38% pre-let and 57% of its 15 unit 121,000 sq ft Warmley Business Park pre-sold or pre-let.

In Avonmouth, St Modwen has completed its 151,000 sq ft speculative RDC building with a further 25,000 and 45,000 sq ft due to complete in August. At Severnside, Richardson Barbury has completed the first phase of its More+ scheme where 13,762 sq ft was pre-let to Pilkington Glass.

Further new build space is under construction and will be available later this year or early 2020. This includes Barwood Capital's 149,000 sq ft Junction building at Severnside and Trebor's 150,000 sq ft Portside scheme at Kings Weston Lane.

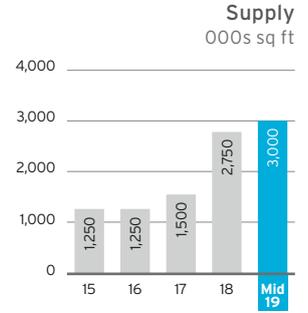
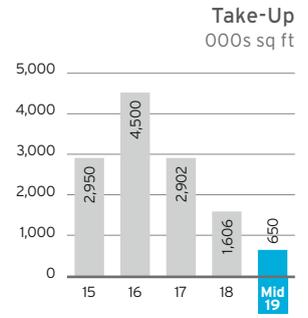
Enquiry levels in the 35,000 - 75,000 sq ft size range are up with continuing strong owner occupier demand for freehold options.



Warmley Business Park. Courtesy of Chancerygate.



Vertex Park. Courtesy of Chancerygate.



RETAIL & LEISURE

Rebecca Harries T 0117 317 1086 E rharries@alderking.com

The first half of 2019 saw an increase in retail sales in all sectors except department stores when compared with 2018, despite the ongoing uncertainty surrounding Brexit negotiations. However, an increasing number of retailers pursuing CVA's has led to store closures and the renegotiation of rents with landlords. We expect this to continue throughout 2019.

Demand levels remain reasonable within the city centre and at The Mall at Cribbs Causeway. New openings at Cabot Circus include Typo and Tortilla. Quakers Friars is set to be transformed with works to the public realm and D&D London plans to open a luxury restaurant in the former Brasserie Blanc.

The food and beverage and food store market within Bristol is healthy with a number of active requirements for the city. Marks & Spencer has recently opened a Simply Food unit on Whiteladies Road. Both Aldi and Lidl have strong expansion plans across the UK with specific requirements for Bristol and the surrounding areas.

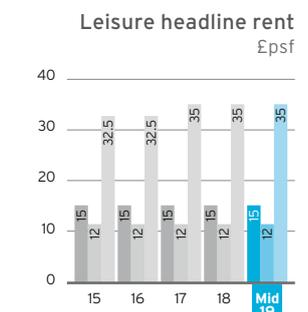
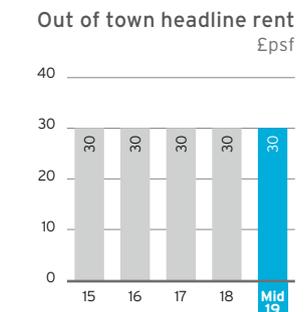
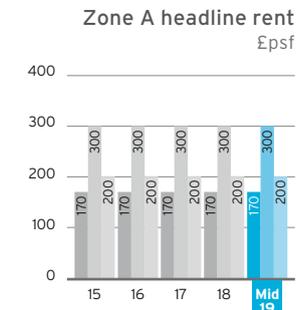
There has been a flurry of new independent restaurant openings at Cargo/Wapping Wharf, Finzels Reach and within the city centre. Hyde & Co is set to open a further restaurant and other new additions from Spicer + Cole and Woky Ko are trading. Mokoko is on the verge of opening its fourth coffee shop/bakery at Portishead Marina.

The gym sector also remains strong with new openings in Bristol including F45, The Village Gym and a new David Lloyd Leisure facility set to open in Emersons Green in December 2019. Further active gym enquiries within the city centre remain unsatisfied through lack of supply.

St Catherine's Place Shopping Centre in Bedminster is set to undergo an extensive regeneration to include a new street frontage and landscaping, new homes, a 3-screen Scott Cinema and new retail/restaurant/leisure units.



Sixty8 at The Marina, Portishead.





24 Windsor Place, Cardiff.

Mid-Year Update

Cardiff

£6 psf

New industrial headline rent

OFFICES

Owen Young T 029 2038 1996 E oyoung@alderking.com

Demand for city centre offices remains robust but there is a shortage of available Grade A city centre stock, which currently amounts to below 100,000 sq ft. Take-up for 2018 totalled 499,000 sq ft, which was below the 10 year average of 567,000 sq ft. The majority of the 2018 transactions were in the city centre at No 2 Kingsway and at Central Square including 100,000 sq ft to Hugh James and 269,000 sq ft to GPU and 65,000 sq ft to Admiral at Capital Quarter.

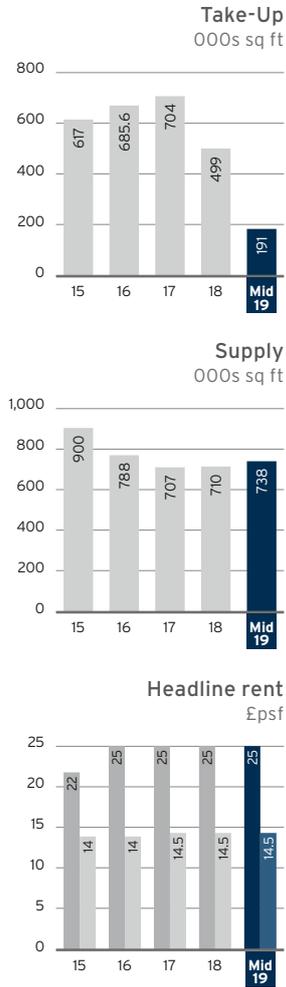
Take-up for H1 2019 totalled 191,000 sq ft, with the largest lettings being 40,000 sq ft to Sky and 18,567 sq ft to Optimum Credit at 4 Capital Quarter.

There is however a two year pipeline of over 400,000 sq ft of city centre Grade A office buildings, including 250,000 sq ft at Rightacres' Central Quay, 85,000 sq ft at Rightacres' Central Square Interchange and 100,000 sq ft at JR Smarts' John Street site adjoining Capital Quarter. Vastint is also proposing offices as part of its proposed mixed use redevelopment at The Embankment site on Dumballs Road.

Out of town, Centre 7, which is located at the entrance to Cardiff Gate International Business Park at Junction 30 of the M4 motorway, is available to let following a recent refurbishment and provides 50,600 sq ft with 201 car spaces.

Freehold demand from owner occupiers remains strong for city centre and out of town office buildings, particularly for smaller sized properties and there is evidence of capital growth in this sector. Alder King has recently acquired the freehold interest of 24 Windsor Place in Cardiff city centre for an investor client, where 6,000 sq ft of offices will now be made available following refurbishment.

Headline rents remain stable at £25 psf in the city centre and £14.50 psf out of town. The expectations are that city centre headline rents will increase to £27.50 psf in 2021 following release of the current development pipeline, with a reduction in the level of incentives such as rent free periods.



INDUSTRIAL

Owen Young T 029 2038 1996 E oyoung@alderking.com

Demand for industrial buildings across all unit sizes remains strong, despite the prevailing political and economic uncertainties. There is however an undersupply of available modern and new buildings in the sector to rent and purchase, which is having an impact on transaction levels.

Take-up in Cardiff for H1 2019 was 300,000 sq ft, with the majority of transactions on units of 20,000 sq ft and under. However, this includes the letting of 180,000 sq ft on a short term agreement to Bad Wolf at Pinewood Film Studios in Wentloog.

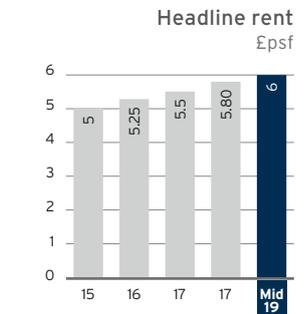
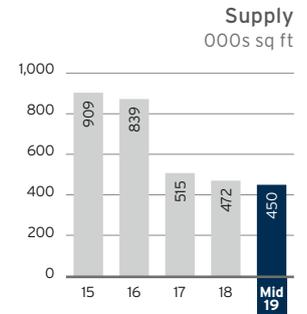
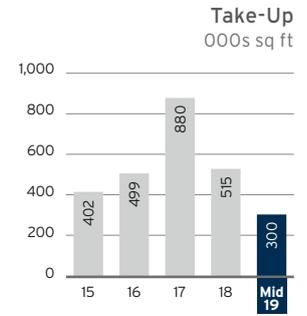
There were five transactions of over 50,000 sq ft in the South Wales region during H1 2019, totalling 650,000 sq ft which is below the levels achieved in 2017 and 2018. The largest transaction was the sale of 270,000 sq ft at IP5, Imperial Park in Newport.

Cardiff is in need of speculative development on a large scale, as supply is decreasing year on year. However, the perception of achievable headline rents and completed freehold values and the lack of serviced sites has limited development activity in the city.

We envisage an increase in supply in South-East Wales in the short term following the announcement of the proposed closure of the Ford engine plant in Bridgend in 2020, the administration of Quinn Radiators which occupies 750,000 sq ft at Imperial Park in Newport and the loss of jobs at Allied Bakeries' site at Maes-y-Coed Road in Llanishen, Cardiff.

The decision by the First Minister of the Welsh Government not to progress the M4 Relief Road is bad news for the industrial sector in the region and has taken the gloss off the removal of the tolls on the Severn Bridges in December 2018.

Headline prime rents in Cardiff continue to increase due to the shortage of quality stock and now stand at £6 psf, up on the £5.80 psf reported in 2018. We expect rents to continue to increase due to the imbalance between supply and demand.



RETAIL & LEISURE

Owen Young T 029 2038 1996 E oyoung@alderking.com

The retail and leisure markets in the city centre remain robust but challenging. Supply is expected to increase in the short term following recent announcements of administrations, CVA's and store closures. This has impacted on occupiers in Cardiff city centre such as Jamie Oliver, Arcadia (Top Shop, Miss Selfridge, Burton and Dorothy Perkins), House of Frazer, Monsoon and Accessorize.

However, Cardiff is the sixth biggest retail centre in the UK and contributes around £1 billion per annum to the local economy. The city centre dominates the South East Wales region in terms of retail and leisure, boosted by the ever increasing number of major events at the Principality Stadium, Cardiff City Stadium and Millennium Centre. St Davids Centre has attracted tenants recently including Stradivarius, Berksha, Ecco Shoes, Daniel Wellington and Proline Skates. Boots, Greggs and Pret a Manger have also opened further outlets at Central Square, within the new BBC headquarters.

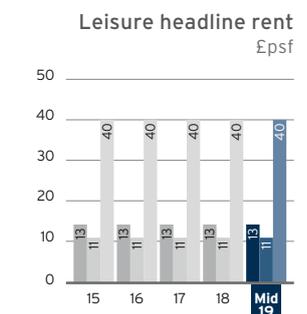
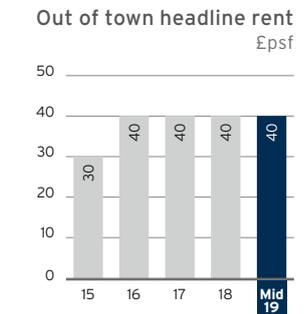
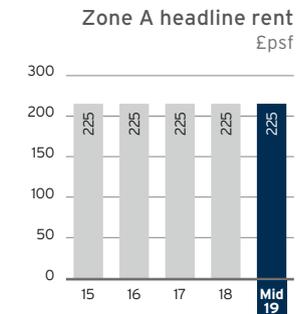
The occupational markets in the out of town retail sector have been more resilient than the city centre retail market, but similarly supply is likely to increase in the short term

with the announcement of the administration of Bathstore and the portfolio reviews of companies such as Homebase which has resulted in the closure of the Culverhouse Cross and Llanishen Stores.

The redevelopment of the Brains brewery site on the southern edge of the city centre is progressing with the relocation of the brewery and demolition due to commence. The proposed mixed use development totals 2.5 million sq ft and includes a significant leisure element.

Cardiff City Council has unveiled plans for a £500 million scheme to include an indoor 15,000 seater arena, bars, restaurants and waterside apartments on a 30 acre site centred on the Red Dragon Centre in Cardiff Bay.

The Welsh Rugby Union has announced plans for a new 175 bedroom luxury hotel adjoining the Principality Stadium on Womanby Street, to be operated by the five star Celtic Manor Resort and to include restaurant, spa and meeting/ballroom facilities. Other hotels in the course of construction in the city centre include Premier Inn and Easy Hotel.



■ cinema
■ health & fitness
■ A3/A4



Winslade Park, Clyst St Mary, Exeter.

Mid-Year Update

Exeter

£20 psf

Office headline rent

OFFICES

Noel Stevens T 01392 353093 E nstevens@alderking.com

The first half of 2019 saw very limited market activity with occupiers staying put and developers reluctant to invest large sums in bringing forward new space in a potentially worsening economic environment.

The largest transaction was the 10,000 sq ft letting to SWAHNSN at Vantage Point. The majority of transactions were small lettings split between the city centre and business parks.

Supply increased to pre-2016 levels but the majority of space is relatively small. Only 19% of the space available is over 5,000 sq ft, with less than 7% over 10,000 sq ft. By contrast almost 52% of the market ranges in size from 1,000 to 5,000 sq ft. Freehold and leasehold premises make up that availability. Freeholds remain relatively rare so when they do come to market demand is strong from occupiers and investors.

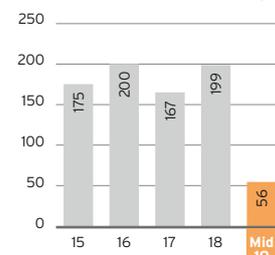
When reviewing supply, the quality also needs to be considered. There remains very little Grade A and limited Grade B space in the market from 3,000 sq ft to 10,000 sq ft.

The market will see a major boost to supply in 2020 when Winslade Park comes back to life. It is currently under offer to a developer with plans to create a modern campus-style development combining circa 180,000 sq ft of office space with homes. Offering a mixture of spaces to suit start-ups through to large office floorplates for major occupiers, it promises to be a very interesting new development.

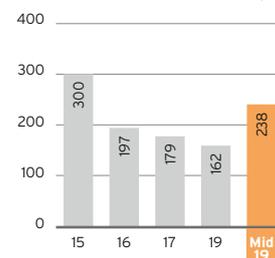
Speculative development is being considered at Eagle One's Exeter Gateway development which sits close to J29 of the M5 and in front of the Science Park. Rents on any new build space will need to be circa £22.50 psf to account for construction cost inflation.

Rents on good quality existing space continue to increase due to the limited supply. £16.50 psf is now the market level for space with air conditioning. The highest rent for secondary space is now £18.95 psf. This is the exception rather than the rule due to the premises being only five years old and of very high quality.

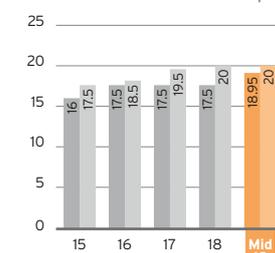
Take-Up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



INDUSTRIAL

Noel Stevens T 01392 353093 E nstevens@alderking.com

The industrial sector continues to benefit from the nation's changing shopping habits although the big box logistics market (warehouses of 100,000 sq ft +) has slowed.

Demand in the first half of 2019 showed a continuation of 2018's performance. This is however masked by the fact that a single 92,000 sq ft letting to Amazon makes up 71% of the total demand so far this year. Without that letting there would only have been 38,500 sq ft of sales and lettings.

In recent years the imbalance between supply and demand has been the root cause of a lack of transactions. There hasn't been the stock available in the market to meet demand. However we have seen an increase in supply of 43% so far this year so the statistics would imply that this is no longer the case. In reality a couple of larger buildings have come to market which distorts the supply picture.

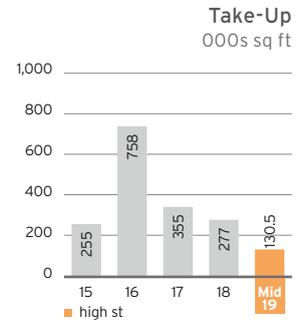
There is still a need for more quality industrial buildings in Exeter to meet the demands of local businesses and those looking to relocate and expand into the area.

There is strong demand for the new units at Matford Green Business Park where our client is looking to deliver 30,000 sq ft of new space in early 2020. The building can be sub-divided in to four 7,500 sq ft units. Interest is strong from businesses looking to right size as well as those looking to move into the area.

We are beginning to see redevelopment of existing buildings coming through as older stock on Marsh Barton reaches the end of its useful life. Travis Perkins purchased the former Wheatons Printworks in 2017 and has demolished the buildings. It will be bringing forward new trade counters shortly. We will also see redevelopment of the former Vospers Ford site now it has moved to new premises at Matford Green.



CGI of Matford Green Business Park. Courtesy of Prego Investments Ltd.



RETAIL & LEISURE

Noel Stevens T 01392 353093 E nstevens@alderking.com

There have been continued closures on the High Street as retail chains suffer but plans are being put forward to revitalise the vacant space.

The owner of the Harlequins shopping centre is proposing a mixed use scheme to include a 315 bed student block along with a second block of 23 studios, again for students. A 140 room hotel is also proposed which will benefit from a restaurant and bar.

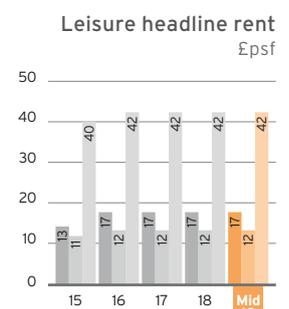
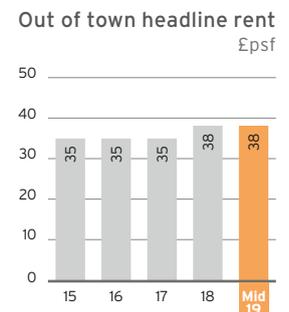
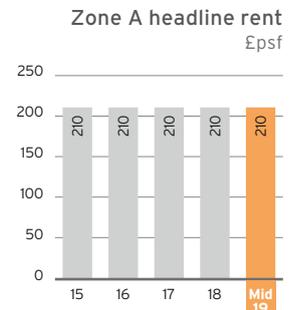
The redevelopment of House of Fraser is also proposed by its new owners. Luxury shops are to remain at street level with a

three storey hotel being constructed above. A glass roof top bar and terrace is proposed at the top level to take advantage of views across the city. It is hoped this high end development will attract more people into the city centre.

As the redevelopment plans show, the trend towards reduced retail and more accommodation, whether it be hotel, student or residential, is seen by developers as the solution to falling demand from retailers.



Artist's impressions of the proposed House of Fraser redevelopment. Courtesy of Prydis HOF Ltd/Expedite Design Services.





CGI of Dowty Propellers, Gloucester Business Park. Courtesy of Arlington.

Mid-Year Update

Gloucester

£21.50 psf

Office headline rent

OFFICES

Adrian Rowley T 01452 627133 E arowley@alderking.com

Total take-up during the first half of 2019 totalled approximately 75,000 sq ft. This is in line with the five year average.

Arlington has commenced construction of the new Ecclesiastical Insurance headquarters facility at Gloucester Business Park which is due for completion in June 2020. This has been the most significant office pre-let commitment in Gloucester for many years.

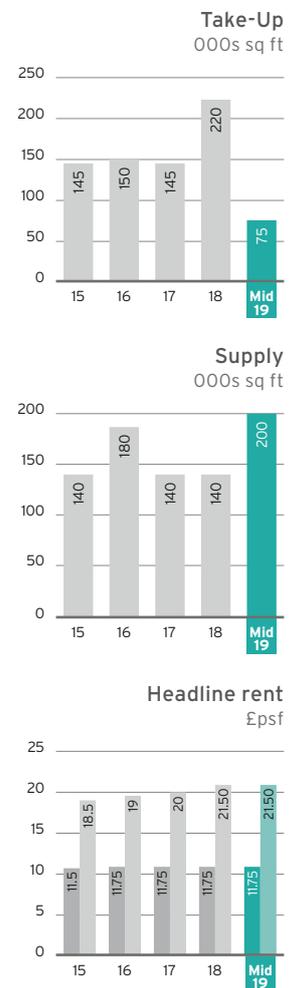
Whilst the relocation of such a significant city centre occupier to an out of centre business park location is significant for the city, there has been an upswing in activity in the central area. Here, demand for office space has increased as well as there being a continued appetite for residential conversion opportunities.

Gloucester City Council is pressing ahead with the promotion of the Kings Quarter transformation which is set to provide some 40,000 sq ft of new office space together with 150 new homes, restaurants and shared workspace in the centre of the city.

The attractiveness and availability of office space in Gloucester's out of centre business parks has been highlighted by the contrast in stock levels in neighbouring Cheltenham. Amongst a number of relocations, patent solicitors Wynne Jones have relocated from Cheltenham to Grade A space at Valiant Court, Gloucester Business Park. Elsewhere green energy company Sanctus has acquired 23,000 sq ft of office space at Olympus Park, Quedgeley from Legal & General. Also at Olympus Park, The Diocese of Gloucester Academies Trust has acquired 9,000 sq ft for the use of the building as a temporary school, implementing a little known permitted development right.

Stock levels have been boosted by the news of Hitachi's scaling down of its nuclear power generation activities in the UK resulting in the availability of its 52,000 sq ft headquarters building at Gloucester Business Park. Current supply is approximately 200,000 sq ft.

Headline rents for Grade A out of town space remain at £21.50 psf. Rents for secondary out of town space have also remained consistent at £14 - £15 psf. Headline rents for city centre space remain at £11.75 psf.



INDUSTRIAL

Adrian Rowley T 01452 627133 E arowley@alderking.com

Take-up for the first half of 2019 totalled approximately 250,000 sq ft, in line with the five year average.

Construction of the two major bespoke manufacturing projects at Gloucester Business Park are progressing well and are due for completion later this year. These comprise a 183,000 sq ft facility for Dowty Propellers, part of the GE Aviation group and a 150,000 sq ft building for G-TEKT who are suppliers to JLR. Both projects constitute significant investment in Gloucester's manufacturing sector which has been a long standing cornerstone of the regional economy.

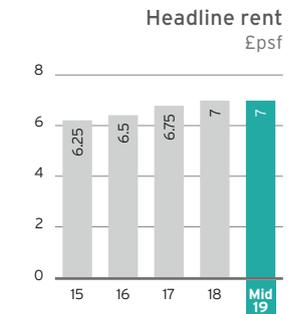
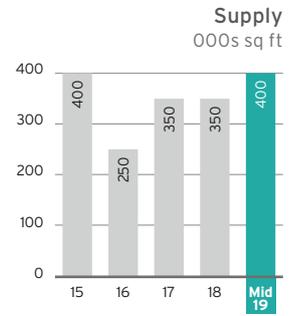
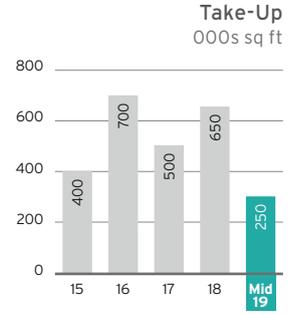
St Modwen is continuing its impressive programme of speculative development. Following completion of the three final buildings at Gateway 12, two of these have been let - a 34,000 sq ft building taken by WMB and a 24,000 sq ft building which has been acquired by Rochling. Just a single building of 67,000 sq ft remains available to let.

St Modwen has now opened up St Modwen Park Gloucester which is adjacent to Junction

12 of the M5 and is on site constructing the first phase, speculatively providing buildings of 44,900 sq ft, 55,700 sq ft and 72,700 sq ft. These are scheduled for completion in Q4 this year.

Supply of available space remains low at approximately 400,000 sq ft. Beyond the larger developments referred to above, supply of small to medium sized space is extremely low. The two developments providing space in this size range, Rockhaven and Gabwell have been all but taken up, achieving headline rents of approximately £8.50 psf for smaller buildings. Headline rents for mid-range space remains at £7 psf.

Highways England has now announced its preferred route for the much awaited A417 'Missing Link' road project. Momentum is gathering behind this project which will create an improved link between Gloucester and the M4 motorway in the local context and the Midlands and Southern England in the wider context. Final commitment to the scheme could be secured in 2021 with the programme currently providing for completion in 2024.



RETAIL & LEISURE

Adrian Rowley T 01452 627133 E arowley@alderking.com

The principal focus of activity in this sector within Gloucester remains Gloucester Docks including Gloucester Quays and the Bakers Quay regeneration schemes. The number of annual visitors to The Docks is listed as being some five million people.

Gloucester Quays continues to attract new restaurant and retail occupiers to its vibrant, waterside environment. Rokeby Developments are bringing forward their second phase of the Bakers Quay development with construction due to start on Downings Warehouse. This will provide a mix of refurbished and new build space creating a total of approximately 18,300 sq ft of commercial space with high quality apartments to the upper parts.

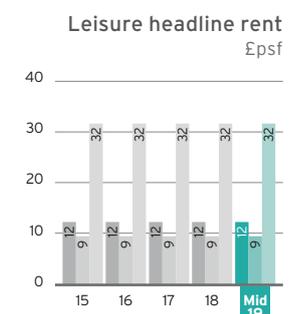
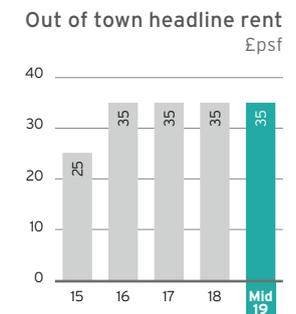
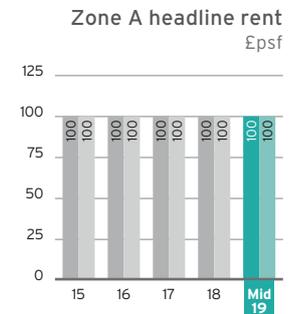
To the south of The Quays, Peel has completed the new Next store providing approximately 28,000 sq ft of retail space plus a café on a redeveloped site within The Peel Retail Centre.

The discount food retailers remain active. Aldi has opened a new store on Hucclecote Road to the east of the city and Lidl has acquired the former Imperial Commercials site in Mercia Road opposite the St Oswalds retail park having secured planning consent for a new store.

Robert Hitchens is soon to promote a new District Centre development at Innsworth to the north east of the city. The scheme has consent for a 24,000 sq ft food store, a parade of six retail units together with a public house, a health centre, day nursery, leisure and office uses. The District Centre will serve the existing Innsworth and Churchdown communities as well as the 1,300 new homes to be delivered over the next few years as part of the wider development.



CGI of Bakers Quay. Courtesy of Rokeby Developments.



Mid-Year Update

Bath



SouthGate Centre, Bath.
Courtesy of SouthGate Limited Partnership.



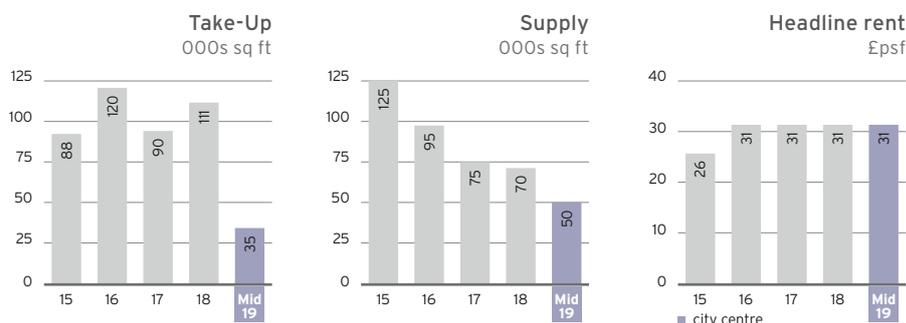
CGI of Roseberry Place, Bath.
Courtesy of Deeley Freed and Nash Partnership.

OFFICES

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

The Bath office market saw a subdued level of activity in the first half of 2019, primarily due to the limited level of immediate supply. The majority of transactions were sub 5,000 sq ft, with the most active sectors being the co-working/serviced office operators and the TMT sector.

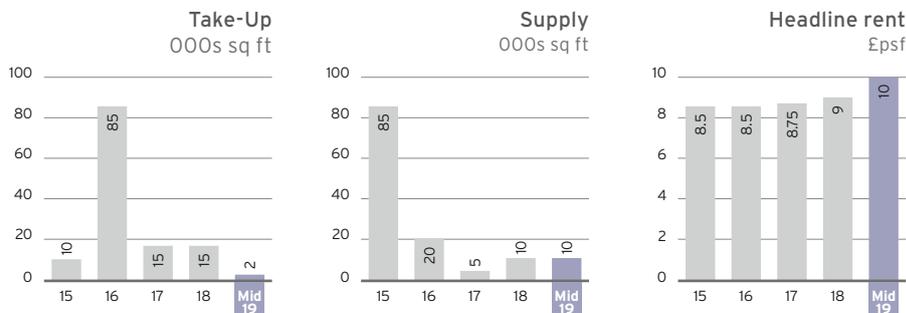
Supply of immediately available modern open plan accommodation remains very limited with one new build scheme at Bath Quays South currently on site. The best headline rent recently achieved in Bath city centre remains £31 psf.



INDUSTRIAL

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

Demand for good quality industrial space remains strong, with a number of active requirements, particularly freehold. However there are limited options in the city. Supply is limited to second hand stock and no speculative development is expected for the foreseeable future. A number of requirements are looking outside Bath, with East Bristol of particular interest. This imbalance in demand and supply means we anticipate headline rents for new space below 2,000 sq ft to reach £10 psf.

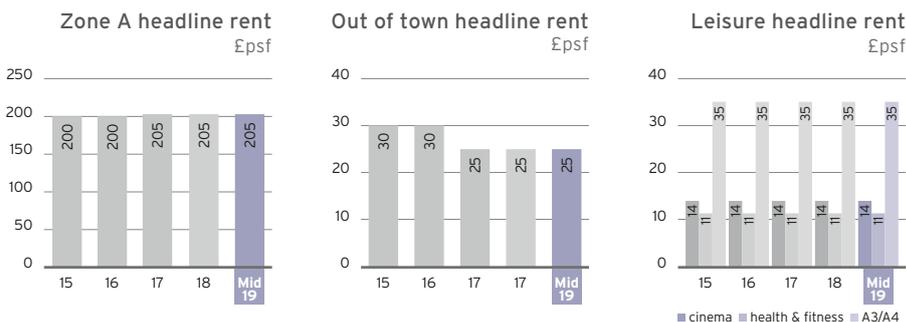


RETAIL & LEISURE

Rebecca Harries T 0117 317 1086 E rharries@alderking.com

Vacancy levels in Bath remain low within the main SouthGate shopping area and demand is good, with a high level of representation from national operators.

There are however a number of voids on Milsom Street and New Bond Street and with retailers becoming more selective with the units they take, this is putting pressure on rents of older or listed properties. New openings include Tivoli, a boutique cinema which has taken a former first floor restaurant within SouthGate shopping centre. Comptoir+Cuisine and Beckford Bottle Shop have also recently opened in the city.



Mid-Year Update

Bridgwater



Scania, Bridgwater. Courtesy of KMW Properties.



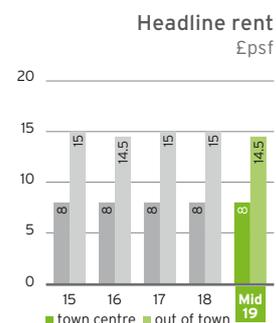
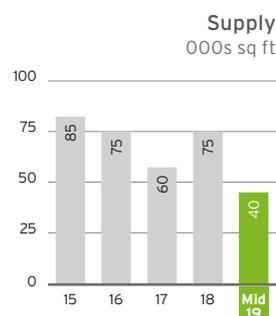
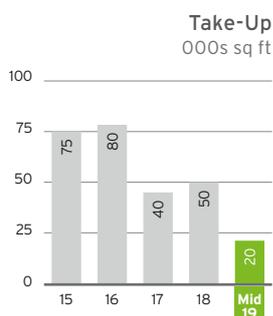
Phase 2, Somerset Energy Innovation Centre, Bridgwater.

OFFICES

Andrew Maynard T 01823 444879 E amaynard@alderking.com

Whilst office occupier demand is predicted to rise over the next 12 months as a result of a new batch of contractors working on the Hinkley Point C project, the completed Phase 2 building at the Somerset Innovation Centre will soak up much of this demand.

Demand continues to sit within the 500 to 2,000 sq ft size range with very few requirements over this.

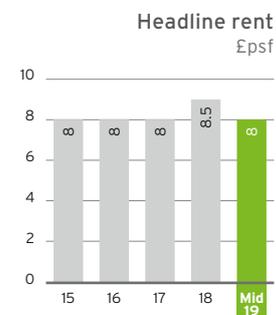
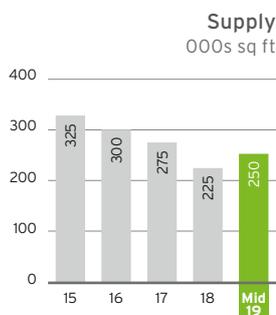
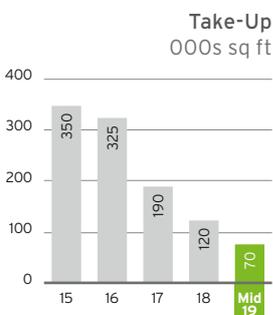


INDUSTRIAL

Andrew Maynard T 01823 444879 E amaynard@alderking.com

The town remains a favoured location within the industrial/logistics markets due to good availability and a number of new build options on both Junctions 23 and 24 of the M5 motorway.

Whilst Hinkley Point C has not yet impacted significantly on demand and rental levels, the next phase of construction at the site should trigger an increase, with more contractors involved in fabrication and M&E now that the buildings are emerging out of the ground.

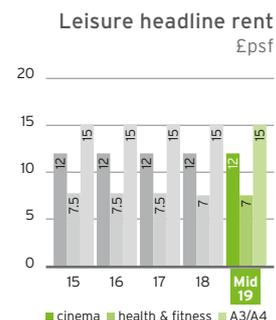
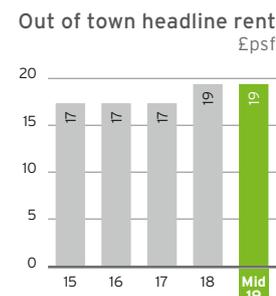
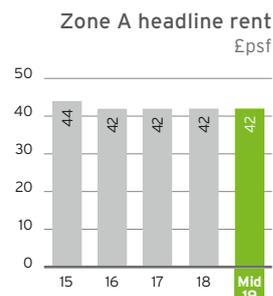


RETAIL & LEISURE

Andrew Maynard T 01823 444879 E amaynard@alderking.com

Gym operators continue to target the town despite several operators opening in 2018/19. Aldi has secured planning consent to relocate from Eastover to a larger store forming part of the Northgate Regeneration Area. Meanwhile, plans to divide the former Lidl store on Bridgwater Retail Park are moving ahead with the first unit, confirmed as Costa Coffee, opening in early 2020.

A number of existing town centre retailers have relocated to different premises. The overall void level has dropped from 9.2% to 8.8% (Bridgwater Town Team Report February 2019), leaving 22 vacant units in the town.



Mid-Year Update

Plymouth



CGI of Drake Circus Leisure. Courtesy of British Land.



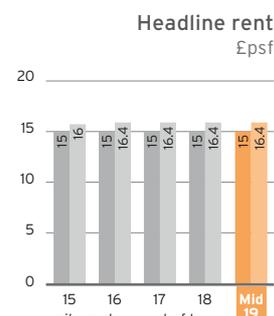
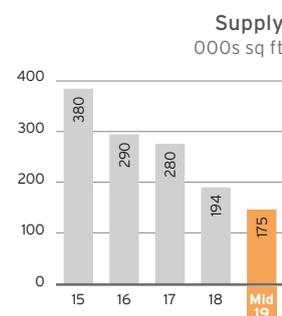
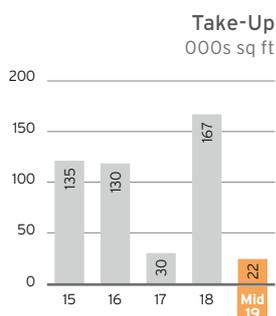
The Brewhouse, Royal William Yard. Courtesy of Urban Splash.

OFFICES

Noel Stevens T 01392 353093 E nstevens@alderking.com

The Plymouth office market continues to show large swings in supply and demand. From a record 2018, 2019 got off to a very slow start. Of the 17 transactions recorded, the largest was just over 4,000 sq ft. Twelve transactions related to space under 1,250 sq ft.

Supply dropped 9% in the first half of the year. In real terms this relates to 19,000 sq ft. Given the market transacted 22,000 sq ft, virtually no new stock has come to the market.

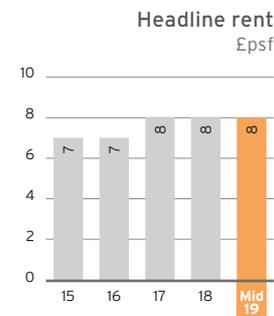
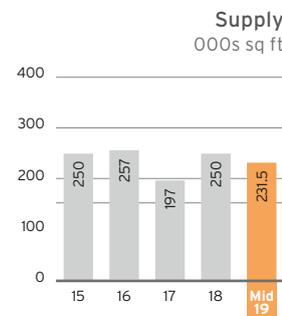
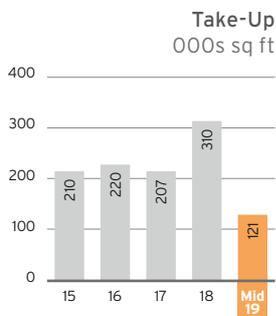


INDUSTRIAL

Noel Stevens T 01392 353093 E nstevens@alderking.com

The Plymouth industrial market is one of the strongest in the South West. The first half of 2019 saw 29 transactions, the largest of which related to a 33,374 sq ft letting on Bradley Park in Roborough. Six transactions in excess of 5,000 sq ft took place giving a combined size of over 76,000 sq ft.

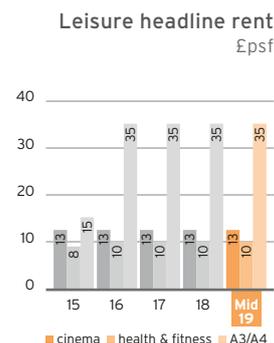
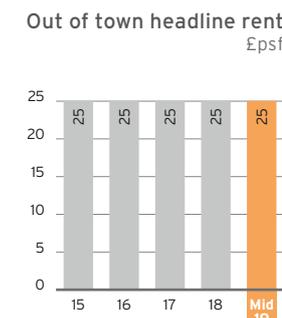
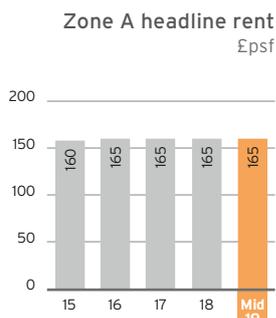
Supply has reduced slightly but this is not surprising given the deals done and the lack of new development.



RETAIL & LEISURE

Noel Stevens T 01392 353093 E nstevens@alderking.com

Plymouth is one of the very few city centres with positive news. The new Drake Circus Leisure development is due to open this autumn and is almost 70% let which is very positive news for the city. With a 12 screen Cineworld cinema as the anchor, it has now attracted bars and restaurants including Five Guys, Nando's, Cosy Club and Zizzi. An adventure golf centre will be opening a 15,000 sq ft facility.



Mid-Year Update

Swindon



The Pierre Simonet Building, Gateway North, Swindon.



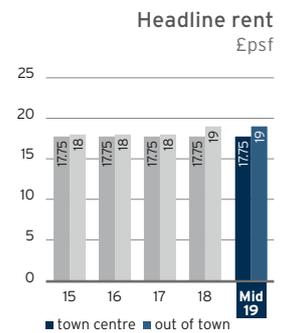
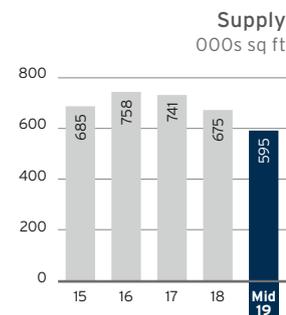
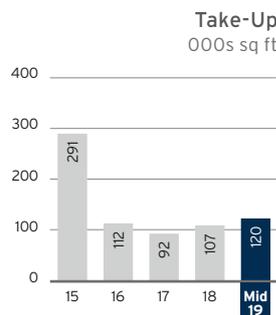
Travelodge Swindon West, Great Western Way.

OFFICES

James Gregory T 01793 428106 E jgregory@alderking.com

H1 take-up is already higher than each of the past three years, due largely to Nationwide's acquisition of the 76,000 sq ft Trilogy Building at Kembrey Park and Thames Water's continued expansion with a further 11,600 sq ft at Cherry Orchard East. The town has a number of unsatisfied requirements which bodes well for several mid-size lettings later in the year.

Zurich has secured planning permission for 100,000 sq ft at Kimmerfields and construction will commence later this summer.

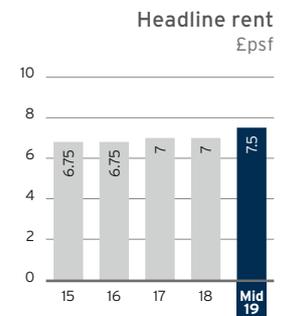
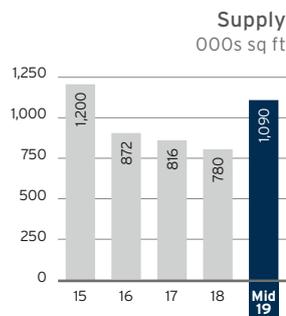
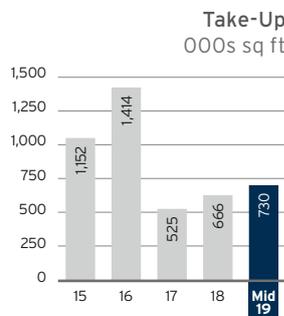


INDUSTRIAL

James Gregory T 01793 428106 E jgregory@alderking.com

Ignition, Dorcan, has demonstrated the need for new mid-large units. DHL has taken 80,000 sq ft at a record rent for the town and several other units are close to announcing occupiers. Trinity Park, Hillmead is also on site constructing 80,000 sq ft.

The DB Symmetry site has been sold to First Pannetoni which is proposing a speculative 600,000 sq ft unit. There is likely to be an increase in second hand stock as the wider ramifications of the forthcoming Honda closure become clearer. Activity in the sub 5,000 sq ft market remains strong.

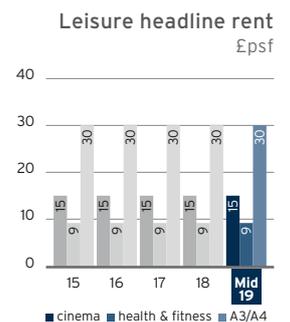
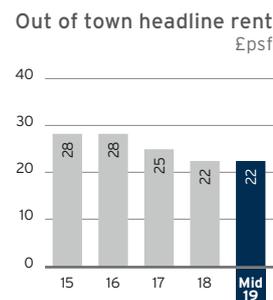
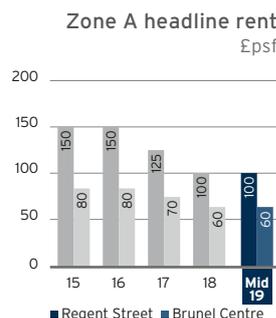


RETAIL & LEISURE

James Gregory T 01793 428106 E jgregory@alderking.com

Swindon town centre continues to fight against the closure of many big brands. Both House of Fraser and Debenhams are to remain open despite many other outlets across the country closing. Unfortunately the Arcadia Group shops are to close in the near future.

Aldi and Lidl continue to expand with new outlets recently opened and proposed at Romborne & Highworth and Orbital Shopping Centre respectively. The new Travelodge on Great Western Way, together with Swindon's first drive thru Starbucks and first drive thru Subway, is now open and trading.



Mid-Year Update

Taunton



Harrison House.



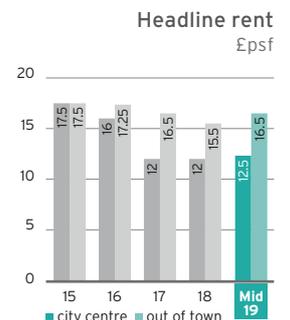
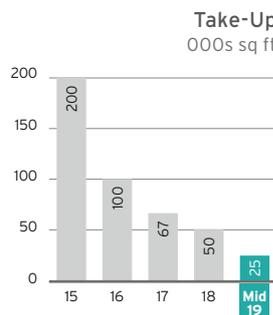
Creech Castle.

OFFICES

Andrew Maynard T 01823 444879 E amaynard@alderking.com

Whilst the level of enquiries and take-up in the office market have improved, especially in the sub 2,000 sq ft range, the increase in supply within the out of town market continues to limit rental growth, making the town great value for money against other locations along the M5 corridor.

Early take-up of suites in East Reach House has been encouraging and the town centre market has improved markedly, with better quality accommodation with reasonable parking provision being available in several locations.

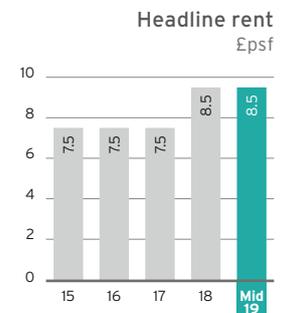
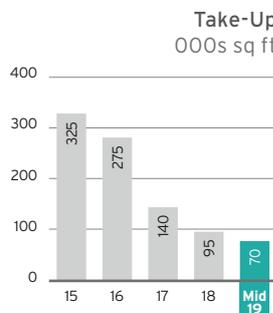


INDUSTRIAL

Andrew Maynard T 01823 444879 E amaynard@alderking.com

The industrial market has seen excellent take-up at the first speculative development for some years, which is encouraging developers to look at further development opportunities within the town.

Junction 26 continues to be active on the new build front with developers Summerfield Developments on site with two new buildings. Freehold values have increased once again with £135 psf being achieved on a consistent basis, whilst rents remain at the same headline level as in 2018.

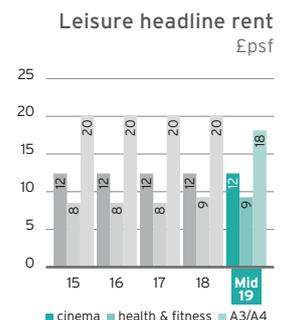
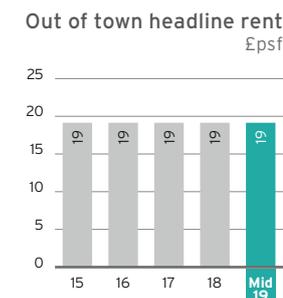
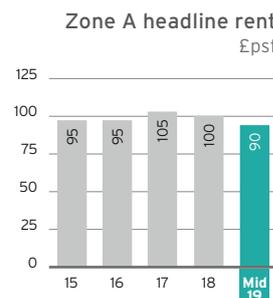


RETAIL & LEISURE

Andrew Maynard T 01823 444879 E amaynard@alderking.com

The Garden Town badge continues to assist in promoting the town's growth agenda in all sectors, and, whilst voids in the town centre are up slightly, the town still outperforms many within the area.

Taunton's Debenhams store is not scheduled for closure but the retail market remains challenging. Whilst the A3 sector is going through a difficult period, the town is fairly resilient with Boston Tea Party taking the former Prezzo premises. Development of the local authority's Coal Orchard scheme is underway, with completion scheduled in 18 months and early occupier interest.



Mid-Year Update

Truro



Tesco Express, Newquay.



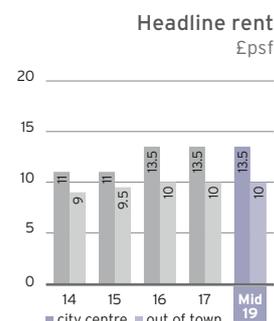
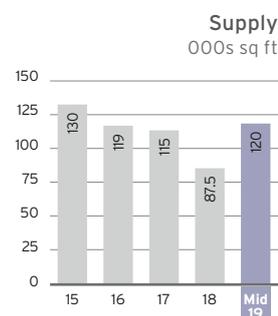
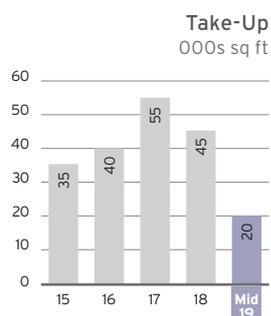
High Water House, Truro.

OFFICES

Tom Duncan T 01872 227005 E tduncan@alderking.com

Supply increased by circa 41% in the first half of the year with a number of larger offices in Truro becoming available. While there is continued activity in the market for smaller office suites, there is limited known demand for larger floor areas. The largest space available in Truro is the 7,027 sq ft ground floor of High Water House on Malpas Road.

With relatively little activity and headline rents for the best space reaching £13.50 psf, there has been no new speculative office development in Truro.



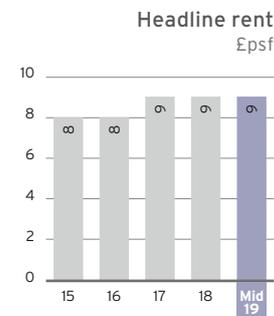
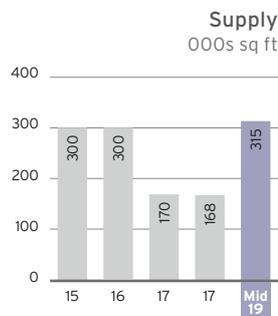
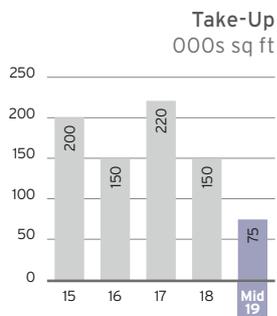
INDUSTRIAL

Tom Duncan T 01872 227005 E tduncan@alderking.com

The first half of 2019 saw a 87.5% increase in the level of supply with a circa 68% rise in the number of individual instructions.

There has also been a significant increase in availability as a result of some long-awaited new speculative grant-funded industrial units in Falmouth, Scorrier, Indian Queens and The Aerohub near Newquay.

Demand remains steady, noting that a large proportion of the take-up to date is as a result of the sale of the former Crantock Bakery building at Indian Queens.

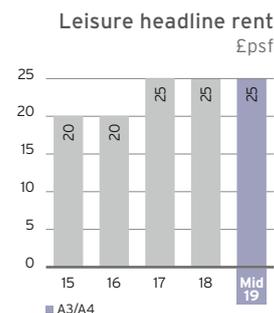
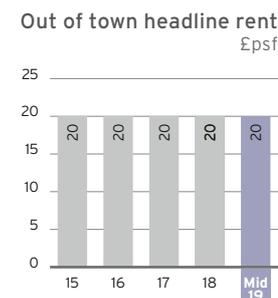
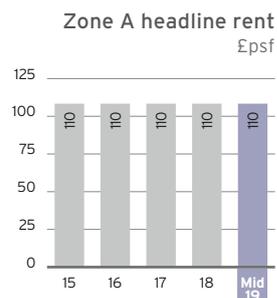


RETAIL & LEISURE

Tom Duncan T 01872 227005 E tduncan@alderking.com

There has been reduced activity in Truro's prime retail market. However, it is anticipated that some recent lease events including re-gears may trigger some weakening of reported headline rents by the end of the year.

Transactions in good secondary positions include the letting of 4 Lemon Street to Kernow Mobiles and 20 Victoria Square to Cornwall Air Ambulance. Some other towns in Cornwall have been less resilient with increases in vacancy rates and some retailers seeking rent reductions/less onerous lease terms upon renewal.





Mid-Year Update

Residential Development Land



LAND MARKET SUMMARY

Chris Haworth T 0117 317 1042 E chaworth@alderking.com

There was limited growth in South West house prices in the first part of 2019, with average annual growth running at 1-1.5% across the region for Q1. Growth was restrained by affordability, uncertainty around Brexit and, with respect to higher value properties, SDLT.

Residential commentators and analysts are forecasting five year house price growth in the South West of 10-15% (compounded), with most of that growth forecast to be in years 3-5. Immediate growth prospects are flat or very low.

On the other side of the 'land value equation', build costs are either matching or outstripping house price growth and housebuilders are increasing their margins which has the potential to put downward pressure on land prices.

The emergence of new entrants to the market, in particular housing associations, coupled with demand for different housing tenure models, is sustaining land values for good quality sites, although prices for secondary and tertiary sites are under pressure. For example we recently completed the sale of land for 170 dwellings in Yatton to a leading regional housing association in a highly competitive process including several PLC housebuilders.

Despite the current market uncertainties, there is still a shortage of housing in many parts of our region. There is good demand and competition for residential sites in the main cities across the South West and South Wales and also towns in close proximity to a M4/M5 motorway junction.

Demand remains high for strategic land delivering development over the next 3-5 years and beyond, particularly land available through options or promotion agreements. Current uncertainty around Brexit has not impacted on these types of transactions as developers and promoters are taking a medium to long term view on the market remaining buoyant. The latest Deposit Draft of the JSP for the West of England has been submitted to the Planning Inspectorate and an Examination in Public is scheduled for this summer.

The care and retirement living markets remain very strong, with numerous specialist developers particularly acquisitive for sites in established residential locations. However, proposed legislative changes relating to leasehold ground rents and onsite affordable housing have the potential to disrupt this sector of the market. We are providing development viability advice on a large number of schemes for leading retirement property developers.

Case Studies

- 1. Bower Farm, Bridgwater.**
Outline planning permission achieved by Alder King's planning team for 260 dwellings. Alder King is now marketing the site.
- 2. Rockwell Green, Wellington.**
25.8 acre site sold to Bovis Homes with planning permission for up to 205 dwellings and 60 bed apartments with care.
- 3. Filwood House, Fishponds.**
Six acre brownfield site sold to Frontdoor Properties for potential mixed use redevelopment. Alder King's planning team has been instructed.
- 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.



1



2



3

Mid-Year Update

Investment

INVESTMENT SUMMARY

John Benson T 0117 317 1100 E jbenson@alderking.com

The volume of investment sales between January and May 2019 stands at circa £15bn, down 30% from the same period in 2018. The leisure and alternative sectors made up over 40% of activity, while volumes in the retail sector continue to decline. The UK is selecting its third Prime Minister in four years and the possibility of both a general election and a no deal Brexit weigh on market sentiment. Therefore it is difficult to envisage 2019 investment volumes reaching the five year average of £63bn.

Office investment volumes so far in 2019 are circa £4.6bn compared to the £7.2bn transacted over the same period a year ago and the weakest level since 2008. Despite attractive currency exchange rates, overseas investors have taken a more cautious approach, accounting for only 38% of all office investment in Central London, down from 72% in 2018. Overseas investors and UK institutions are reducing their exposure to the sector and are a net seller of office assets so far in 2019.

Sentiment in the retail sector remains very negative and consumer confidence is fragile. Retail investment volumes stand at £1.8bn so far this year, down from £2.3bn during the same period last year. With more administrations and CVA's expected, there will be further downward pressure on rents. Shopping centres are trading particularly

poorly and only seven shopping centre deals have been reported so far in 2019, some with yields of circa 10%. Activity is likely to remain subdued in the short to medium term amid continued uncertainty.

Industrial has been the strongest performing sector so far in 2019 with a 6.9% year on year total return. Demand for prime single and multi-let industrial assets is very strong with competitive bidding situations leading to prices in excess of quoting terms being achieved.

Investors are approaching the secondary end of the market with a greater degree of scepticism. Demand is strongest for long and secure income streams with a focus on assets providing longer term income and opportunity that can withstand Brexit concerns. Assets with redevelopment and repositioning opportunities are attracting investors attempting to see opportunity in uncertainty.

All regions, bar London, posted below average volumes. Investors continue to move away from the three main sectors (office, retail, industrial) unless offering attractive added value opportunities towards the secure long dated income offered by alternatives, with hotels and build-to-rent opportunities proving popular.

Yields

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

Case Studies

- 7-9 Whiteladies Road, Bristol.**
Alder King acted for the University of Bristol on the off market acquisition of 7-9 Whiteladies Road, a circa 12,000 sq ft Grade II listed office building. The office is let to ARAG plc for an unexpired term of five years. The price was £4.78m, NIY 4.75%.
- Co-op Store, Shirehampton, Bristol.**
Alder King acted for Chadwick Holdings on the disposal of this single let Co-op convenience store and petrol filling station. The property provides an unexpired term of 8.5 years with a passing rent of £126,824 per annum. The achieved price was £1.9m, NIY 6.28%.
- Trelleborg, Dunball Industrial Estate, Bridgwater.**
Alder King acted for South Somerset District Council on the purchase of this circa 40,000 sq ft industrial unit let to Trelleborg Sealing Solutions UK for an unexpired term of three years. The price was £2.82m, NIY 7.5%.

Alder King

Alder King is a top 25 UK property consultancy providing a market-leading package of services on all aspects of commercial property and land. Expertise that will give you the property intelligence you need to succeed.

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



www.alderking.com

Research and press contact

Simon Price - sprice@alderking.com

Sarah King - sking@alderking.com

0117 317 1000

July 2019. 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 EG Radius Data Exchange.

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