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PROPERTY CONSULTANTS

# Market Monitor

South West of England and  
South Wales Property Review

# 2021

Property intelligence  
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## Foreword

Market Monitor examines the occupational and investment markets in 10 key centres across the South West of England and South Wales.

Simon Price  
Senior Partner  
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## SUMMARY

In a year that threw up a host of questions for the property market - about how we live, how we work, how we shop, how we socialise - it's remarkable how resilient some sectors of the market were in 2020.

The industrial/logistics market emerged strongest from the crisis, recording annual take-up of over 6.3 million sq ft in the South West, the region's highest figure since 2016. This was driven by continuing demand from e-commerce, government investment in infrastructure and last mile logistics. The lack of immediately available space means there is strong potential for developers to secure more industrial pre-lets and pre-sales this year, leading to improved rentals, lease durations and capital values.

With the widespread move to remote working during the pandemic, many office occupiers are reviewing their future occupational requirements and commonly expecting to need less (by circa 10-20%) space but of a better quality/specification.

Investors, as always in turbulent times, were drawn in a general flight to quality, showing strong demand for industrial logistics, prime offices and other secure income assets. While transactions volumes were down, there is a significant weight of money looking for attractive returns and with greater certainty later this year, investors will return.

The pandemic accelerated on-going change in the retail and leisure sectors. With a relaxation in planning policy and strong pent-up demand from consumers, the opportunity now exists to evolve our high streets to incorporate more independent retail - which on the whole survived better than the large chains - as well as a wider mix of uses including residential, leisure, workspace and civic amenities.

While the overall situation remains unsettled, we start 2021 with a Brexit trade deal in place, a Covid vaccination programme underway and a pipeline of market opportunities for developers, landlords, investors and occupiers, allowing us to feel optimistic of a sustained bounce-back in most sectors of the market beginning the second quarter of 2021.

Key South West Centres Office and Industrial Take-Up and Supply (000 sq ft)				
Year	Office Take-Up	Office Supply	Industrial Take-Up	Industrial Supply
2020	1,393	2,695	6,395	4,771
2019	1,745	2,356	4,208	5,872
2018	1,880	2,319	3,880	4,816
2017	1,719	2,490	5,054	3,578
2016	2,023	2,724	8,427	3,694

Cardiff Office and Industrial Take-Up and Supply (000 sq ft)				
Year	Office Take-up	Office Supply	Industrial Take-up	Industrial supply
2020	305	692	595	1,150
2019	357	721	477	845
2018	499	710	515	472
2017	704	707	880	515
2016	686	788	499	839





# Key Market Trends

## OFFICES SUMMARY

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Whilst the office sector was clearly hit hard by the pandemic in 2020, initial claims of a permanent mass move to working from home/ remotely are now a thing of the past with most occupiers looking towards office re-occupation during H1 of 2021, once the virus is hopefully under control.

Fundamentally, whilst many occupiers may seek to occupy slightly less space, the importance of the office as a location for community, collaboration, interaction and training is now very widely accepted. Many of the occupiers we are talking to are identifying Q1 2021 as the time to establish future requirements and to start to implement occupational strategy.

Alongside this, we are already seeing an increased focus on building quality - a shift towards slightly less space but space of a better quality/specification. Increased awareness of workplace health and wellbeing is also resulting in a much greater focus on design, amenity and enhanced M&E systems which is evident in the latest new office schemes now being promoted and in some locations constructed by developers.

The very limited level of supply in some of the region's key centres including Bristol and Bath resulted in better than expected levels of market activity during the latter part of 2020. The ongoing loss of office space for residential conversion and the limited amount of new build space coming into the market should outweigh the release of occupier 'grey' space in most markets.

Going into 2021 we believe there is a strong level of pent-up demand in key locations which will result in a quick rebound from Q2 onwards.

## INDUSTRIAL & LOGISTICS SUMMARY

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The industrial/logistics market showed its resilience to 2020's challenging market conditions and was the strongest performing sector across the region, contributing to a record year for national UK take-up. Regionally this is best demonstrated by a 55% increase in take-up in Greater Bristol from that in 2019 albeit in a number of centres a lack of immediately available space constrained take-up.

Demand was driven by e-commerce businesses, government investment in infrastructure and safeguarding against Brexit through repatriation of manufacturing and stockpiling of goods. The logistics sector, particularly internet fulfilment, and manufacturers/added value engineering occupiers also drove demand.

The region's most significant transactions of 2020 included Amazon's 2.3 million sq ft robotic logistics centre at Symmetry Park in Swindon and Bart Spices' and Wincanton/EDF's acquisitions in Avonmouth and Portbury. Gloucestershire saw higher than average take-up for manufacturing space with some significant deals while in Exeter Stovax committed to a new 190,000 sq ft manufacturing facility at SkyPark.

The majority of centres are supporting speculative development, with St. Modwen, Chancerygate, Mountpark, Panattoni, Summerfield, Tristan, Canmoor, KMW and Trebor all active across the region.

The mid box market performed well with a surge of activity particularly in Bristol, Gloucester and Exeter. There is strong potential for pre-lets and pre-sales together with design builds with the lack of supply leading to improved rentals, lease durations and capital values.

For some affordability will be an issue as the rental gap between new and good quality second hand space has reduced significantly. We expect further upward pressure on rents, particularly for those facing their first rent reviews on space acquired since 2015.



## RETAIL & LEISURE SUMMARY

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The Covid-19 pandemic had a major impact on the retail and leisure sector throughout 2020, with two national lockdowns and the closure of all non-essential shops putting a real strain on businesses. As a result there was a steady rise in the number of national brands announcing administrations, CVA's and permanent store closures.

There are however a significant number of retailers who are committed to acquiring more space to continue physical retailing. Food and convenience stores, pet shops and home improvement stores remain the most active. Out of town retail parks and drive-thrus also remain resilient which is largely down to the benefit of car parking and the space for people to social distance.

Online spending continues to grow month on month, with fitness equipment and DIY standing out as people spend more time in their homes.

Occupiers across the board are seeking increased lease flexibility so they can assess their trading figures without having to make a long term commitment. The turnover-based approach is also becoming ever more popular, allowing tenants to manage overheads.

With more redundant retail space across the regions, more landlords are having to consider repurposing options and alternative uses. The introduction of the new Use Class Order has given landlords more flexibility to consider different potential occupiers.

Local independent operators continue to take advantage of previously unattainable property, and the demand for small, well-placed units remains strong. The independent sector is becoming increasingly attractive to landlords in comparison to national brands given they have the ability to adapt quickly to ever-changing government guidelines and consumer demand.

## INVESTMENT SUMMARY

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Brexit and other macro concerns evident at the start of 2020 were overshadowed by the Covid-19 pandemic resulting in a significantly lower volume of investment transactions. Although the year got off to a promising start in Q1, activity dropped dramatically in Q2 and Q3 before investors returned strongly in Q4.

There was strong demand in the industrial sector, fuelled by e-commerce and last mile logistics, as well as any assets offering long-term secure income. As in any challenging market, there was a general flight to quality.

Investors were cautious towards the office sector as they contemplated to what extent the short-term behavioural impacts of the pandemic will play out in the longer term. Evidence suggests that investor appetite remains for the very highest quality buildings and a balanced occupier position.

Events accelerated ongoing structural change in the retail and leisure markets which were disproportionately affected by the pandemic and therefore least favoured by mainstream purchasers.

Severe short-term impacts on the purpose-built student accommodation and buy-to-rent sectors will quickly be reversed and we will see continued demand in these and other alternative sectors.

Markets were cushioned and negative impacts deferred by strong liquidity, low interest rates and unprecedented government financial and policy intervention.

2021 will present a mixed picture but greater certainty will bring greater opportunity, with a weight of money looking for attractive returns and opportunist purchasers looking to exploit market disruptions, high liquidity and supportive planning and other policy initiatives.



# Key Alder King Transactions



## ACQUISITIONS

1. **330 Bristol Business Park**  
for private investor  
**Price** £1m, 8.35% NIY  
**Size** 5,191 sq ft
2. **11-13 Tyndalls Park Road, Bristol**  
for University of Bristol  
**Size** 10,376 sq ft
3. **26 North Road, Yate**  
for South Gloucestershire Council  
**Price** £4.62m, 6.44% NIY  
**Size** 47,685 sq ft
4. **Former Motus Site, Days Road, Bristol**  
for Travis Perkins  
**Size** 30,886 sq ft on 2.7 acres
5. **Short-Term Operating Reserve Gas Facility, Gloucester**  
for Harworth Group  
**Price** £1.2m, 8.25% NIY  
**Size** 1.28 acres
6. **Anson Business Park, Gloucestershire**  
for Clarkson Evans  
**Price** £1.63m  
**Size** 5.57 acres
7. **Block D Chocolate Quarter, Keynsham**  
for St Monica Trust  
**Size** 0.5 acre



## DISPOSALS

1. **Unit 3 St. Modwen Park Gloucester**  
for St. Modwen  
**Size** 73,597 sq ft
2. **2nd Floor, 1 Brunswick Square, Bristol**  
for Columbia Threadneedle  
**Size** 14,198 sq ft
3. **DVSA, Quedgeley, Gloucester**  
for Brabon Properties  
**Price** 5% NIY  
**Size** 1.53 acres
4. **The Old Library, Cardiff**  
for Cardiff Council  
**Size** 1,559 sq ft
5. **Units A1-A4 Matford Green Trade Park, Exeter**  
for Prego Investments  
**Size** 31,400 sq ft
6. **Unit 18 Access 18, Avonmouth**  
for St. Modwen  
**Size** 45,000 sq ft
7. **48 Lynch Lane, Weymouth** for PwC Receivers  
**Size** 46,248 sq ft







10 Wapping Road, Bristol. Courtesy of Bellborough.

# Bristol

## OFFICES

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Despite the challenges resulting from Covid-19, the Bristol office market delivered a robust performance in 2020, with take-up boosted by a very strong Q1 and a very encouraging Q4 which saw the completion of several significant deals negotiated over the summer.

The lack of supply in both the city centre and out of town markets meant that, at the end of the year, headline rents had held their pre-Covid levels. In fact Bristol city centre set a new record rent of £38 psf at One Portwall Square. However incentive levels have increased in both the city centre and out of town markets.

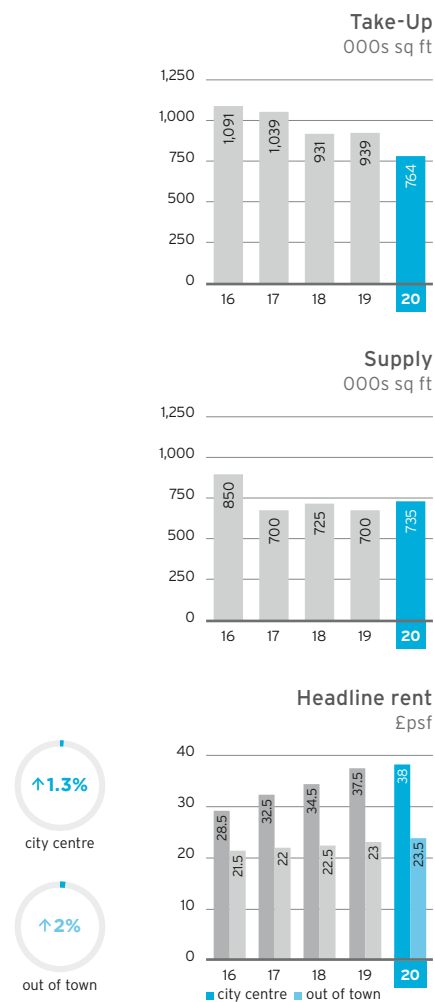
Unlike some other regional cities across the country, Bristol has so far only seen a very limited release of occupier 'grey' space. Whilst many occupiers are reviewing head count and their exact future size requirements, there is a developing trend towards slightly less space (commonly by 10 - 20%) but better quality space so that when staff and clients do return to offices the overall impression is improved. We are also seeing much more occupier focus on environmental credentials, building amenity, M&E specification and individual building community and culture.

Encouragingly for 2021 there are several significant active requirements in the 30 - 80,000 sq ft size range and, with limited good quality Grade A existing stock available, some are having to consider pre-let opportunities. The professional and financial services, TMT and the public sector remain the most active sectors in terms of take-up and current active enquiries.

With the completion at the end of 2020 of RLAM's Distillery scheme on Avon Street, One Portwall Square is the only brand new Grade A space due to complete during 2021. However, new build schemes including Assembly Phase 2, Welcome Building, EQ and Halo are all due to complete during 2022/2023.

Q4 2020 also saw the completion of a number of high quality refurbishments including Gilbert House/41 Corn Street and 10 Wapping Road, all of which are attracting good occupier interest.

We do anticipate greater focus during 2021 on Bristol as a potential relocation/expansion location as more London occupiers in particular seek to grow their hub and spoke model.



Former Motus Site, St Philips, Bristol. Courtesy of Motus.



Unit 2 Interplex, Bradley Stoke, Bristol. Courtesy of Mileway.



Unit 18 Access 18, Avonmouth. Courtesy of St. Modwen.

## INDUSTRIAL & LOGISTICS

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Take-up in 2020 amounted to 2.285 million sq ft\*, an increase of 55% on the 2019 figure of 1.474 million sq ft and approaching the 10 year average of 2.5 million sq ft.

Take-up for H1 2020 stood at 621,000 sq ft, with the largest building acquired being 70,000 sq ft in Weston-super-Mare. H2 take-up amounted to 1.663 million sq ft with three deals accounting for 647,000 sq ft. These were Bart Spices' acquisition of Barwood Capital's 139,000 sq ft Junction 1 and Wincanton/EDF acquiring Logisor's 248,000 sq ft WA 248, both on Severnside, with EDF also acquiring 260,000 sq ft at Royal Portbury.

The volume of transactions increased from 154 in 2019 to 159 in 2020 with approximately 66% of disposals involving property below 10,000 sq ft.

In the same period the supply of industrial space decreased to approximately 1.5 million sq ft, the lowest level for three years. For context, the city's built industrial stock is between 65 and 70 million sq ft.

Despite the Covid-19 situation, a key feature of 2020 was the increase in activity relating to e-commerce, largely driven by the pandemic forcing businesses and private individuals to buy online, and in addition the return of mid

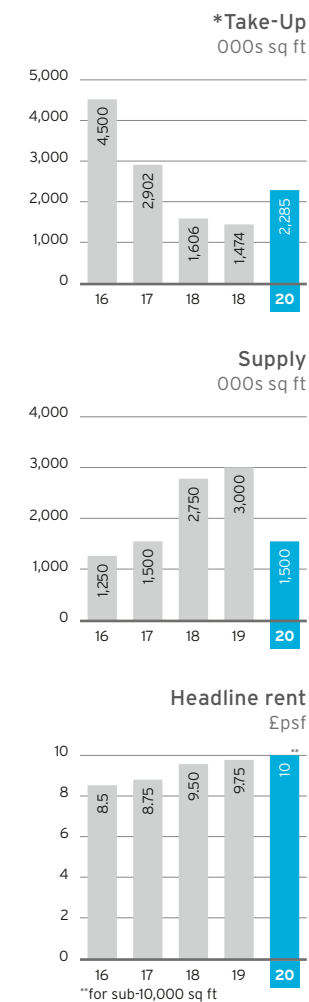
box enquiries which resulted in the take-up of any overhang in supply. This is perhaps best demonstrated by Peugeot's 45,000 sq ft leasehold acquisition at Access 18, lettings of 32,000 and 42,000 sq ft to SIG and Network Rail at More + on Severnside and 62,992 sq ft to Argos at Horizon 38, Filton.

In addition over 220 acres of land was let or sold for development and occupation with notable transactions including the letting of the Former Honda Distribution Centre at Avonmouth (56,000 sq ft on 63 acres) to BCA.

In Avonmouth, Trebor's 150,000 sq ft Portside scheme at Kings Weston Lane has now completed and Mountpark is on site with a speculative 360,000 sq ft building. St. Modwen has planning permission for its 220,000 sq ft five unit Phase 6/7 with planning submitted for a further 885,000 sq ft. Tristan Capital is planning the next phase of More + which will provide 385,000 sq ft.

The continuing supply issue for Greater Bristol is that the bulk of development land is located on Severnside, Avonmouth with an extremely limited supply in central, north and east Bristol, Yate and Thornbury where strong unsatisfied demand exists.

\*SW IAS 2020





# Bristol

## RETAIL & LEISURE

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2020 was a challenging year for retailers across the country. Encouragingly though, Bristol saw sales growth above the national average and footfall levels remained consistent prior to the November lockdown.

Vacancy rates in some areas of the city are increasing. Queens Roads in Clifton and Broadmead in particular have seen closures of several outlets where national brands have made the decision to close some sites within their portfolios.

Cabot Circus saw the closure of DW Sports recently due to the company entering into administration. The Samsung Experience Store and German restaurant/bar Klosterhaus by D&D London are now both open and trading and Lego has recently announced it will be opening a new flagship Cabot Circus store soon. Oh La La Ice Cream & Desserts also opened in the centre in August 2020.

Demand remains steady for well-placed small to medium sized units that offer lower occupational costs. There is an increased demand from start-ups and independent and regional operators who are becoming increasingly more attractive to landlords.

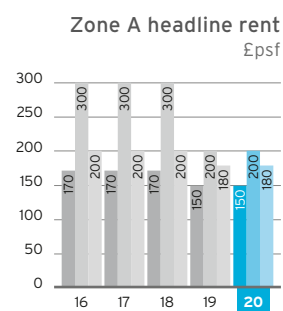
There have been a number of new openings across the Bristol independent food and beverage sector. On Whiteladies Road, Boston Tea Party has relocated to larger premises and Italian restaurant Number Fifty has taken the former Mary Janes café. Eat a Pitta has opened its fifth Bristol site in Clifton Village. The Red Church has opened in St George and Bristol Loaf, incorporating its organic sourdough bakery, Hugo's Greengrocer, Two-Belly Cheesemonger and The Bristol Vine have opened in Bedminster.

The larger stores in out of town locations are performing better, due to the benefit of ample car parking and the ability for people to social distance.

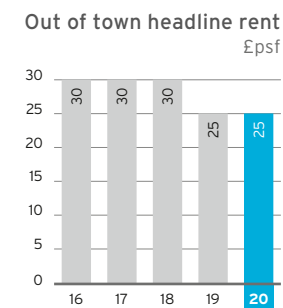
The Mall at Cribbs Causeway has also experienced some issues this year with the collapse of Intu and some store closures. However John Lewis and Marks & Spencer continue to trade well and medical operator Therapie Clinic UK hopes to take over the former Bose store, subject to planning. Baylis Estates' nearby leisure complex is making good progress, with Planet Ice rink due to open in Spring 2021.

Planet Ice, Cribbs Causeway. Courtesy of Baylis Estates/Planet Ice.

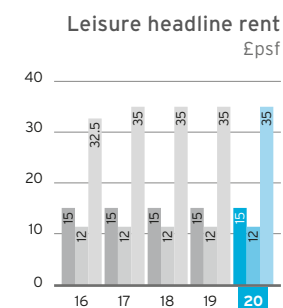
→ 0%



→ 0%



→ 0%



2620 Aztec West.



Halo, Finzels Reach, Bristol.



Orpen Park, Bristol.

"The highest volume of transactions was in the office sector despite the challenges presented by the pandemic."

## INVESTMENT

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As expected, there was a reduced volume of transactions in 2020. There was strong demand for industrial/logistics, albeit a very limited number of opportunities, and also for assets offering long secure income. The highest volume of transactions was in the office sector despite the challenges presented by the pandemic.

**Halo, Finzels Reach.** Tesco Pension Investment acquired Halo in Bristol for £70m. This 116,000 sq ft building is being built speculatively by Cubex/Fiera with the majority let to Osborne Clarke and circa 42,000 sq ft remaining to let. Given the current economic backdrop, this significant transaction which completed in June demonstrates a big vote of investor confidence in the Bristol office market.

**Orpen Park, Bradley Stoke.** Orpen Park in Almondsbury, a circa 80,000 sq ft multi-let industrial estate was sold by Longmead Capital to M7/Blackstone for £9.6m, 5.6% NIY.

**Clifton Down Shopping Centre, Clifton.** This freehold multi-let shopping centre was acquired by Sovereign Housing Association from Blackrock UK Property Fund in October for £27.2m. The site offers medium-long term potential for redevelopment for a major mixed use development.

**Next Distribution, Western Approach.** The largest industrial transaction of the

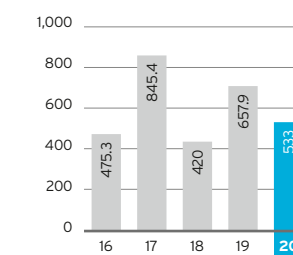
year was this single-let distribution unit sold by Jetstorm Properties to Columbia Threadneedle in September for £24.75m, 6.29% NIY. The building is 182,500 sq ft and is let to Next Plc for a further six years.

**2620 Aztec West.** This freehold single-let office building was sold by Aviva Investors to M7 Real Estate in July for £21.2m, 6.8%. The building totals 76,240 sq ft and is let to EE Ltd for a further seven years.

**100 Bristol Business Park.** This newly developed freehold single-let office building was sold by Abstract Securities to Aviva Investors in August for £55.2m, 4.6% NIY. The building totals 132,000 sq ft and was pre-let to Babcock for 15 years.

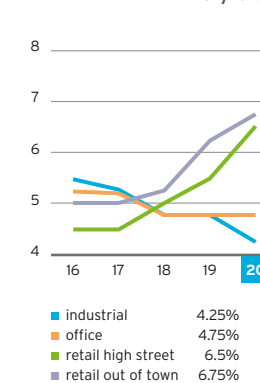
**First Avenue, Portbury.** This freehold single-let industrial unit was sold by Euro Property Investment to South Gloucestershire Council in January for £6.2m, 5.73% NIY. The building is 53,733 sq ft and is let to A-Gas Ltd until 2033 subject to a tenant break option in 2028.

Value of investment transactions  
£ms



↓ 19%

Prime yields  
%







The Old Library, Cardiff.

# Cardiff

## OFFICES

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Unsurprisingly, there was a sharp fall in demand for office space as a result of the pandemic and occupiers' reassessment of future working practices and space requirements.

Take-up for 2020 was 45% down on the five year average of just over 550,000 sq ft. A suspected increase in demand for out of town accommodation, as a result of companies seeking accommodation closer to their homes, did not transpire and city centre accommodation dominated activity, especially in and around Central train station. For example, the BBC has now completed its relocation to Central Square and HMRC is finalising relocations into the 270,000 sq ft recently completed William Morgan House, also on Central Square.

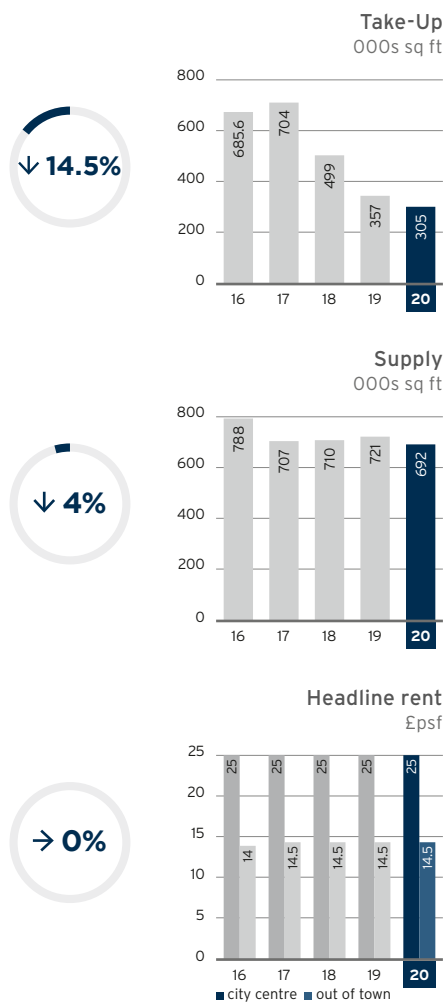
The big letting for 2020, and one which accounts for 45% of the year's take-up, was Legal & General consolidating its two Cardiff offices at Brunel House and Knox Court and taking 121,256 sq ft at the £140m Interchange building on Central Square. This will also provide a new bus station, ground floor retail/leisure and 300+ build to rent apartments and is due for completion in November 2022. JR Smart continues speculative construction of the first phase of John Street at Callaghan Square releasing 109,000 sq ft expected at the end of 2021/early 2022.

Other notable deals last year included Starling Bank taking 14,075 sq ft at Brunel House and Target Group taking 12,300 sq ft at Eastern Business Park.

The refurbishment of Hodge House on St Mary Street is now complete with further refurbishments ongoing at Fusion Point on Dumballs Road, Alexandra House on Tyndall Street and Dumfries House on Dumfries Place, each with the intent of increasing the city's larger floorplate Grade A offer.

Supply decreased slightly and is now just below 700,000 sq ft. Around 38% of this is Grade A accommodation of which 25% is located in the Bay area.

Headline rents for the city remain at £25 psf achieved from the lettings at the 2 Central Square office building to law firm Hugh James and Cardiff University School of Journalism, Media and Culture. We expect this level to remain throughout 2021 but with increasing upward pressure on incentives.



3 Ipswich Road, Cardiff. Courtesy of Springfall Properties.

## INDUSTRIAL & LOGISTICS

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As with the rest of the UK, Cardiff's industrial and logistics market outperformed other sectors, even during lockdown, and especially for units below 5,000 sq ft where demand is very strong, accounting for 59% of deals last year.

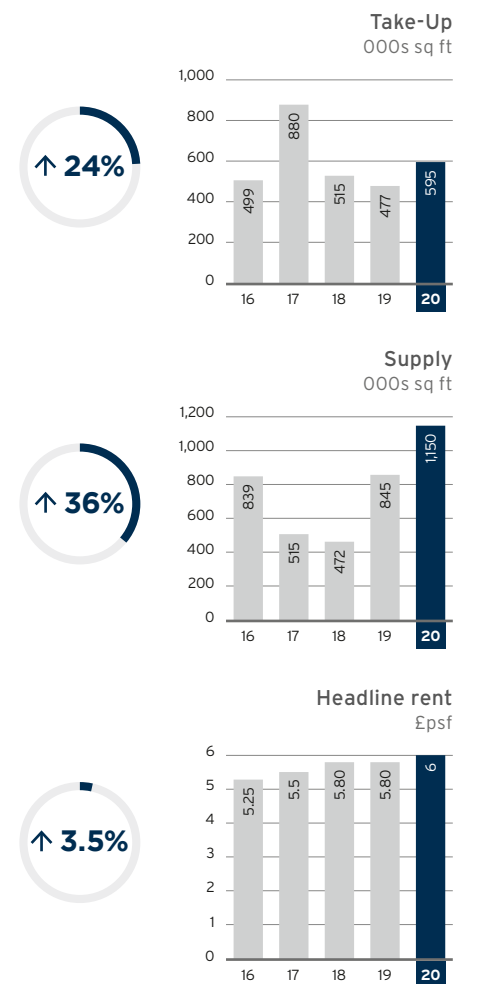
Freehold properties are becoming scarce, accounting for few transactions in 2020. We predict an increase in freehold opportunities during 2021 once the lending institutions are free from repossession restrictions.

Interestingly, units between 5,000 and 10,000 sq ft have tended to attract less interest, which could be as a result of smaller businesses finding it difficult to make the jump to this level, creating more availability in this size range. Overall supply has increased by 36% due to a surge of available properties between 20,000 sq ft and 60,000 sq ft.

Notable deals last year included the BBC solidifying its presence in Cardiff, committing to 30,553 sq ft at Lakeside on St Mellons Business Park. The largest deal of the year was the letting by Welsh Government to Great Point Studios at Wentloog consisting of 177,719 sq ft in Q3.

To its detriment, Cardiff's employment land allocation is relatively limited with new opportunities quickly being snapped up for higher value residential or mixed uses. Notable exceptions are Proco Developments who recently constructed and sold all eight units ranging from 1,440 to 3,140 sq ft on Lamby Way. Fairfield Industrial Estate in Taffs Wells released six new build units last year and successfully let the majority before practical completion. The units ranged from 980 to 1,500 sq ft, again evidencing strong demand for smaller units where occupiers were not afraid to pay as much as £10 psf.

Headline rents have once again increased to over £6 psf due to the demand for good quality and well positioned industrial stock. This is evident as a result of lettings such as 5,831 sq ft let to Cardiff & Vale University Health Board for £6.17 psf at Parc Ty Glas, Llanishen.







The Hayes, Central Cardiff.

# Cardiff

## RETAIL & LEISURE

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Uncertainty remains surrounding the future of retail not only as a result of the pandemic but due to the forced speed in the progression towards online sales. At this point, it is almost impossible to estimate the effect on headline rents in the city, as it is to predict the short term future.

Whilst the closure of Debenhams and administrations of Arcadia Group, Bon Marche, DW Sports, Edinburgh Woollen Mill, Peacocks, Go Outdoors and TM Lewin dominated headlines, there were still some positive stories, with Hollister seizing the opportunity to move to a larger store in St David's shopping centre and new stores for Hotel Chocolat, Levi's, ECCO, FatFace and Skechers.

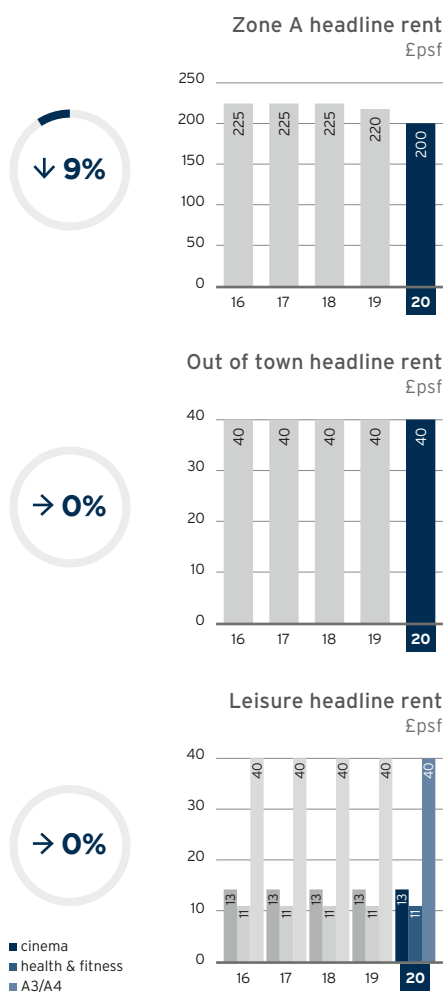
As CVA's become more prevalent, we predict a trend towards pop-up shorter term stores and turnover rents, which will make for some interesting future valuations.

Restaurants and leisure companies have been hit hard but there is no doubt this sector will bounce back with several brand operators already inquisitive for the better located, soon to be vacated stores. Evidence of this is Kiln and Ilk opening a new 1,133 sq ft site on

The Hayes as well as taking 1,129 sq ft on the ground floor of Capital Tower on Greyfriars Road.

The big news is Marston's taking over the operation and leasing the 156 Brains pub chain, thankfully keeping the Welsh brand name.

Other positives include the ever increasing demand for drive-thrus and discount food operators remain hungry for new sites. Even Metro Bank has opened a drive-thru on Newport Road. Furthermore, in July, Starbucks opened a new drive-thru on Culverhouse Retail Park. It's ironic that the city is set to open its first drive-thru Coronavirus testing centre in Whitchurch.



Global Reach, Celtic Gateway Business Park.

## INVESTMENT

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The Cardiff market experienced reduced levels of activity but confidence remained in the logistics and office sectors. Notable transactions included:

### Red Dragon Centre, Cardiff Bay.

Early in 2020, Cardiff Council completed the acquisition of the Red Dragon leisure scheme from BA Pension Fund to facilitate a major leisure-led mixed use regeneration scheme. Plans are for the existing 13 acre 16 unit leisure scheme to be added to existing land interests and redeveloped to provide a £500m mixed use development anchored by a new 15,000 person capacity indoor arena. Cardiff Council was reported to have paid £54.60m.

**4 Capital Quarter.** Demonstrating continued confidence in the city centre office market, JR Smart sold this prime multi-let office investment to Greenridge Regional UK Property for £33.40m, 5.47% NIY.

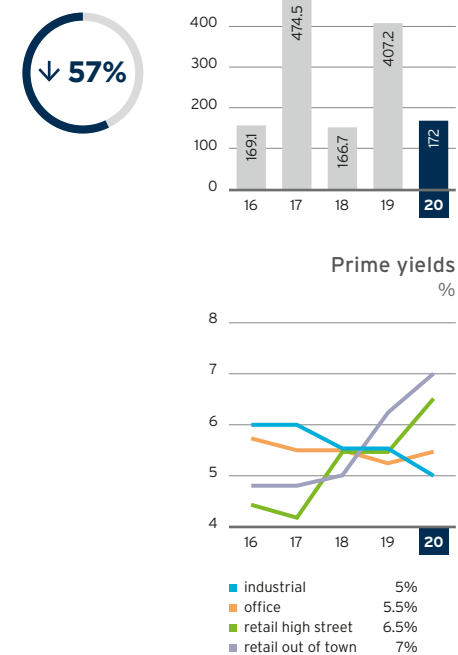
### Global Reach, Celtic Gateway Business Park.

This multi-let office building, enjoying a prominent position and excellent car parking, was acquired by London & Scottish Property Investment Management on behalf of Regional Reit for £8.40m, 8.90% NIY.

### Service Area, Cardiff Gateway Business Park.

In a surprise off market transaction, Newcore Capital Management purchased the petrol filling station service area and ancillary retail from Cardiff Gate Business Park Ltd for a reported £10.0 m, 4.79% NIY.

Value of investment transactions £ms







Kestrel GTX, Sowton Industrial Estate, Exeter.  
Courtesy of Staunton Property.

## Exeter

### OFFICES

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The occupation of office space changed dramatically in 2020. With many staff having barely set foot in buildings since the end of March, the temporary impact on the market has been huge. The longer term impacts will take several years to be fully understood due to the length of commercial leases.

So whilst staff stayed away in their droves, businesses still paid rent and occupied the space, albeit on a much lower density. Some obviously took the decision to move out of space permanently as we saw an increase in stock of 2,000 to 5,000 sq ft coming to market in H2 2020.

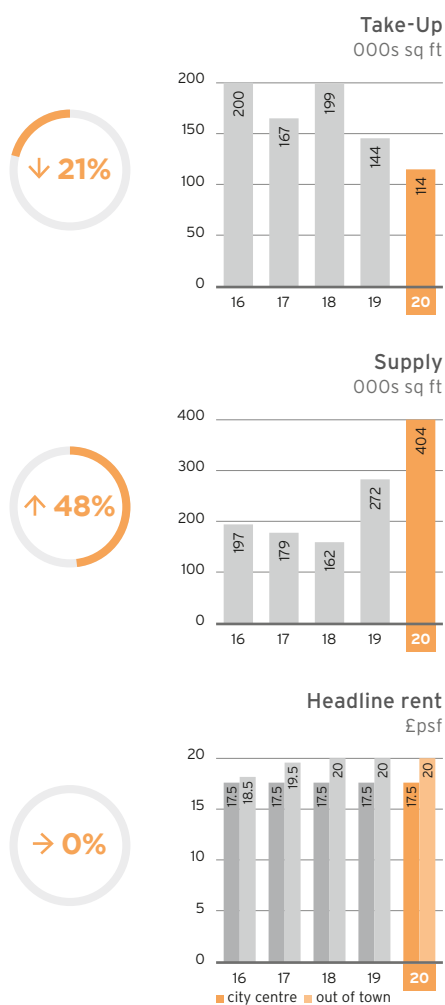
The accepted wisdom is that businesses will reduce the amount of space they occupy. We anticipate that demand will exist in 2021 for this newly released space as larger occupiers who are less quick to act downsize as well.

Supply stands at its highest level since 2013. This is due to an increase in smaller suites coming to market but also the availability at Winslade Park where there is over 100,000 sq ft of space across three buildings.

Although there is an increase in supply, we have yet to see downward pressure on rents. Incentives have moved out but landlords and developers are holding firm at the moment. We expect this position to remain for quality space. In secondary locations and where premises may be in need of improvement we expect negotiations to be harder and reductions to be given.

Despite the pandemic, transactions did take place, particularly in the first half of the year. Transaction volumes were down but only by about 30%. Some of these transactions were already committed. The largest totalling almost 15,000 sq ft was to the NHS to support The Nightingale Hospital and the response effort.

The second half of the year was slower as the expected summer return to work didn't materialise. We therefore saw reduced activity across the year but it's too early to say if this reduction is the start of a trend or a short term reaction to the pandemic.



CGI of the Stovax Heating Group building. Courtesy of St. Modwen.



Units A1-A4 Matford Green Trade Park. Courtesy of Prego Investments.



Exeter Trade Park, Marsh Barton, Exeter. Courtesy of Graftongate.

### INDUSTRIAL & LOGISTICS

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The industrial property market was once again the best performing sector in the region. While some transactions were delayed and a few aborted at the start of lockdown 1, businesses in the industrial and warehouse sector adapted and in some cases thrived in a new restricted trading environment.

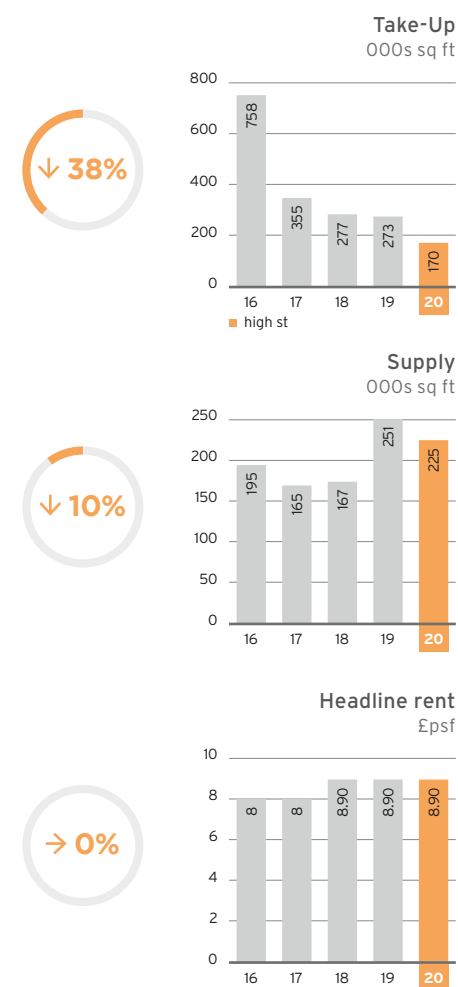
The supply of suitable premises remains the primary issue in the market with little secondary stock coming to market, very limited new build under construction and a development pipeline that won't provide additional supply until Q2 2021. There are good levels of interest in two schemes under construction and it is a lack of stock that held back take-up last year rather than the wider economic picture.

Exeter Trade Park, located on the former Vospers Ford site in Marsh Barton, will be ready for occupation in July 2021. There is strong interest in the six trade counter units which will provide a leap forward in headline rents to north of £12 psf. The Graftongate development also offers two larger distribution units which will meet the strong demand evident in the market.

At Mercury Business Park in Cullompton, we are offering small industrial units both for sale and rent. Interest has been very strong with half the units in the first phase under offer months ahead of completion. Units start from 753 sq ft at £150 psf.

We saw strong activity at the upper end of the market in H2 2020. The Stovax Heating Group agreed terms to lease a 196,000 sq ft building at SkyPark. Construction is programmed to begin in summer 2021. Lettings at Kestrel GTX and Units A1-A4 Matford Green Trade Park also took place. These were the largest buildings on the market and showed the demand for space in the 30,000 - 50,000 sq ft bracket. Strong rents were also achieved reflecting the market but also the high quality refurbishment at Kestrel GTX and the construction cost inflation impacting new builds like Matford Trade Park.

With such strong demand from the logistics sector, we expect to see increased demand in 2021.







High Street, Exeter.

# Exeter

## RETAIL & LEISURE

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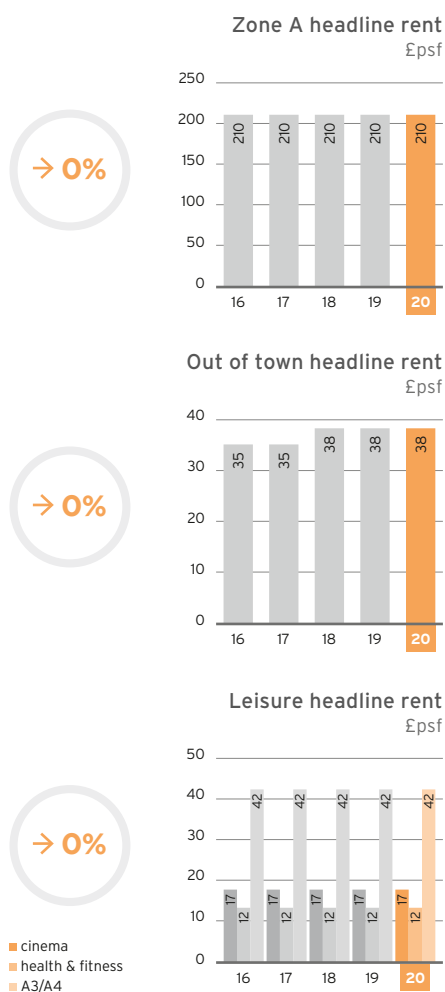
In the current climate it is very difficult to comment on the retail sector without focusing too much on retail closures and changes in buyer behaviour. In Exeter the closure of high street retailers has been underway for several years as online spending increased.

In the early days of Amazon and its competitors, we saw backfilling of the retail voids by the food and beverage sector. Exeter had large scale expansion in Princesshay and The Guildhall with a focus on experiential retail and café culture. These brands took on large national expansion programmes and were already suffering badly before the pandemic. The lack of trade from Q2 2020 onwards only served to hasten further closures in a declining sector. The full impact on the city centre will only become clear as we review the all-important Christmas trading period and head through 2021.

This situation has served to polarise the market. There is strong demand from the convenience sector with the likes of Co-Op and Tesco keen to open new stores in close proximity to residential development. These local centres performed very well in 2020 as they met the needs of the consumer at a local level.

There is also demand from operators of drive-thru restaurants, whether it be fast food or coffee. Both saw strong trading as soon as restrictions were lifted. Many benefitted from a slimmed down menu and reduced staff as only the drive-thru was open. This helped generate income at a time when restrictions prevented some competitors from opening.

Where there is interest in the market, whether it be on the high street or out of town within retail parks, we are seeing occupiers looking for more flexible leases, allowing them to dip a toe into the water without long term lease commitments. Turnover rents are also far more popular enabling occupiers to balance property costs against returns, rather than creating larger fixed overheads.



Broadwalk House, Southernhay West.

## INVESTMENT

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 Scott Rossiter T 01392 353089 E [srossiter@alderking.com](mailto:srossiter@alderking.com)

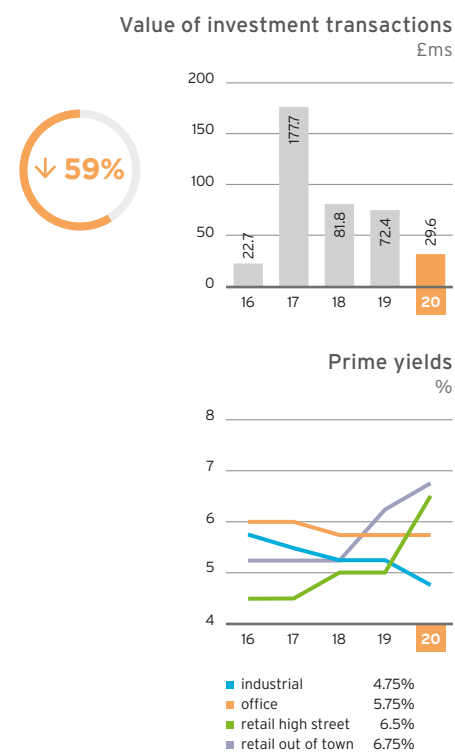
Investment activity in Exeter mirrored activity nationally with a lower volume of transactions generally but with a number of notable transactions either side of the mid-year period.

**Exeter Retail Park.** Early in 2020 Patrizia Immobilien AG acquired from Aviva Investors Pensions this multi-let retail park for £23.70m, 9.27% NIY.

**Broadwalk House, Southernhay West.** The Crown Estate disposal of this well located multi-let office building attracted strong interest for existing office use and the opportunity to reposition. Castleforge Partners acquired it for circa £13.0m, 5.0% NIY.

**Exeter Gateway.** The Church Commissioners' patient investment in the Exeter Gateway prime logistics development resulted in two significant forward funding transactions following single unit lettings having been agreed with Amazon Logistics and DHL. Urban Logistics Reit Plc committed at £11.2m and £8.5m respectively representing a reported 5.3% NIY.

**Sowton Industrial Estate.** During the course of 2020, a number of transactions occurred on Sowton Industrial Estate including the disposal by Fiera Real Estate of the Giant Booker Unit to Urban Logistics Reit Plc for £5.1m, 8.0% NIY.







The completed Ecclesiastical Insurance headquarters, Gloucester Business Park. Courtesy of Arlington.

# Gloucester

## OFFICES

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Through what turned out to be a turbulent year for the sector, take-up in the Gloucester office market remained approximately in line with the five year norm at 140,000 sq ft.

Perhaps of more relevance was the level of H2 activity and here there was strong take-up and ongoing unsatisfied demand for space. Whilst how occupiers use their office space may change in the short, medium or long term, this change has brought about continued demand.

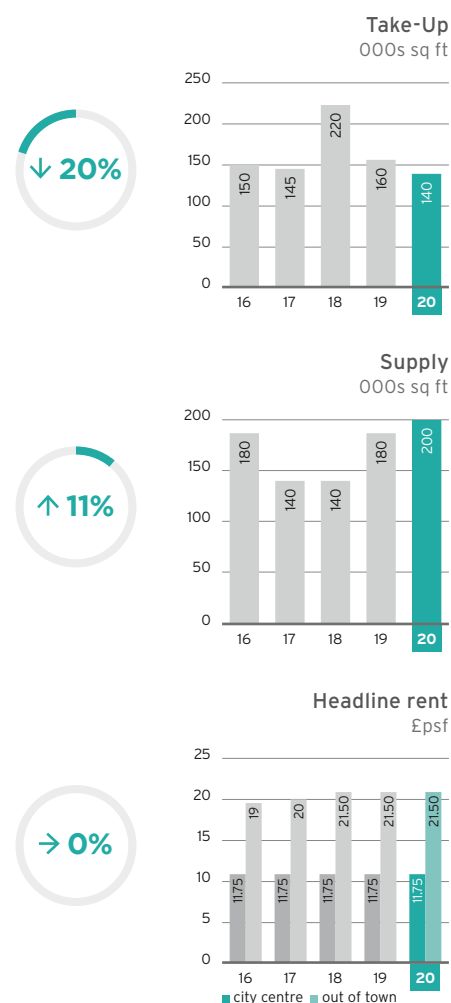
During the year, Arlington completed the new 66,000 sq ft headquarters building for Ecclesiastical Insurance Group at Gloucester Business Park. This is a stunning building currently being fitted out for occupation early in 2021. Gloucester Business Park remains an attractive out of centre location and strong interest is present in nearly all of the vacant office stock.

Demand for residential conversion opportunities remains strong and this, together with a further relaxation of planning policy, is set to deliver more activity in many under-utilised city centre buildings.

Elsewhere in the county, Iress acquired some 50,000 sq ft in Formal Investments' Honeybourne Place located in St James Square, Cheltenham, the most significant office building undertaken in Cheltenham for many years.

Supply of available space in Gloucester remains low and is currently in the region of 200,000 sq ft. There seems little prospect of new build speculative office development coming forward and so new building delivery will most likely be in the form of build to suit delivery. Further land remains available for this purpose at Gloucester Business Park and centrally, Gloucester City Council's Kings Quarter scheme has provision for new office development.

In Cheltenham, completion of the refurbishment of The Quadrangle scheduled for Q1 2021 will provide some 52,000 sq ft of office space. This is a landmark building centrally located adjoining Imperial Gardens and the scheme includes ground floor retail and restaurant space and a new rooftop restaurant.



Unit 3 St. Modwen Park Gloucester. Courtesy of St. Modwen.



The GE Aviation/Dowty Propellers building. Courtesy of Arlington.

"Another strong performance demonstrates the resilience of the Gloucester market."

## INDUSTRIAL & LOGISTICS

**Adrian Rowley** T 01452 627133 E [arowley@alderking.com](mailto:arowley@alderking.com)

2020 saw another strong performance by the Gloucester industrial market with total take-up of circa 550,000 sq ft. The majority of the city's supply in recent years has come from new build development and this remains the case.

St. Modwen's first phase at St. Modwen Park Gloucester reached practical completion at the end of 2019, with the 45,000 sq ft building let simultaneous with completion to Adey Innovation. The 56,000 sq ft building let to ProCook in June and the 74,000 sq ft building was let to Swantex Paper in October. This, together with the letting of St. Modwen's last building at Gateway 12 to Advanced Insulation in July, demonstrates the resilience of the Gloucester market.

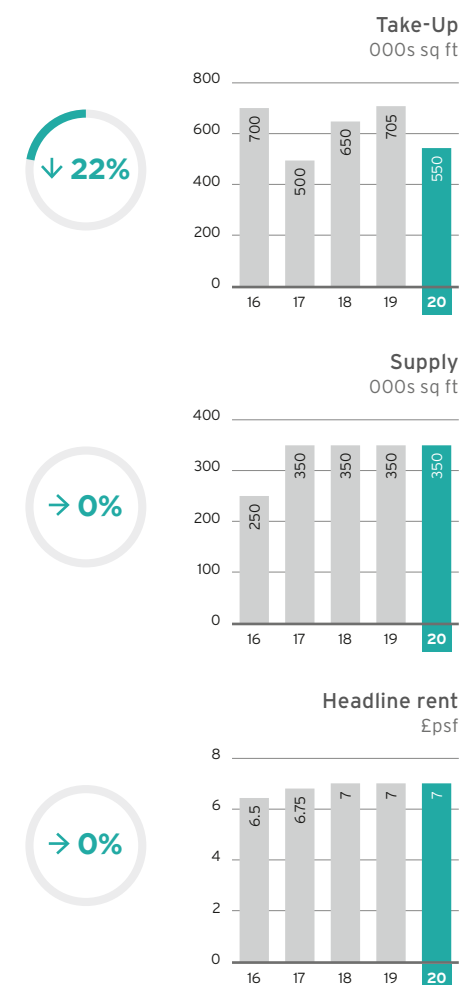
Peveril Securities are scheduled to commence work at Centre Severn, Barnwood on a new 125,000 sq ft distribution facility on a 16 acre site which is being procured on a pre-let basis and in Tewkesbury, Moog have agreed terms for a new 184,000 sq ft unit with expansion land, again on a pre-let basis.

Supply stands at approximately 350,000 sq ft. Available stock will be boosted by much needed new speculative development starts.

St. Modwen has commenced work on Phase 2 at St. Modwen Park Gloucester to deliver three speculative new industrial warehouse buildings of 36,000 sq ft, 42,000 sq ft and 55,000 sq ft, with a targeted completion date of June 2021.

Furthermore, Paloma Capital and Chase Commercial intend to start on site at Access Park, Eastern Avenue, Gloucester with six new industrial buildings from 10,000 sq ft to 30,000 sq ft. Demolition and site clearance is due to commence in early 2021 with the industrial development to follow. The scheme also includes consent for 55,000 sq ft of bulky goods retail space, a drive-thru, pub/restaurant and hotel.

Elsewhere other schemes set to provide much needed Grade A industrial space include Chancerygate's 14 unit 91,200 sq ft Festival Trade Park at Kingsditch Trading Estate in Cheltenham. This will be its second development in Cheltenham in as many years, having completed the 92,800 sq ft Furlong Park at Bishops Cleeve in 2019 and follows IPIF's second phase of speculative trade units completed also at Kingsditch Trading Estate.







Lidl supermarket, Gloucester. Courtesy of Robert Hitchins.

# Gloucester

## RETAIL & LEISURE

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Within the central area, Rokeby Developments continues with the major reconstruction of the historic Downings Malthouse building at Bakers Quay, Gloucester Docks. Not only does this constitute a significantly important part of Gloucester's heritage, but the development also provides the link between Bakers Quay and Gloucester Quays. Downings Malthouse is set to provide 72 new residential apartments together with additional commercial space scheduled for completion later in 2022.

Gloucester City Council is pressing ahead with the redevelopment of Kings Quarter. Following completion of the new bus station, the demolition of the former Bruton Way multi-storey car park has cleared the site for the next phase of the development linking into Kings Square.

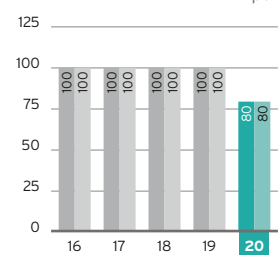
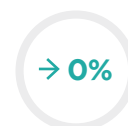
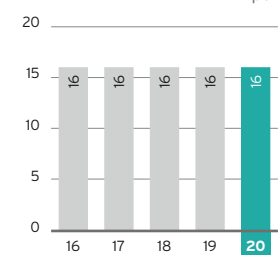
Whilst demand for prime high street space was challenged through 2020, it is encouraging that demand for secondary retail space remains good with a significant level of take-up occurring in the central area, the food and drink and leisure sectors being the most active.

Out of town, at Kingsway, Robert Hitchins has successfully completed the development of a new 24,000 sq ft food store for Lidl together with a new retail/leisure scheme for occupiers B&M and Pure Gym.

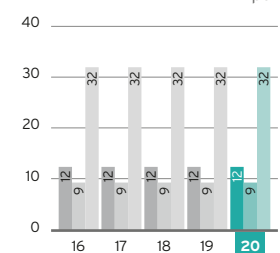
Paloma Capital and Chase Commercial are due on site to commence the redevelopment of the former Whitbread site in Eastern Avenue, this being the prime out of town retail pitch. The scheme includes planning consent for 55,000 sq ft of bulky goods retail space together with a pub/restaurant, drive-thru restaurant and hotel.



■ Eastgate St  
■ Kings Walk

Zone A headline rent  
£psfOut of town headline rent  
£psf

■ cinema  
■ health & fitness  
■ A3/A4

Leisure headline rent  
£psf

DVSA, Quedgeley. Courtesy of Brabon Properties.



Gateway 12 Business Park. Courtesy of ProCook.

“Strong investor demand remains, in particular in the industrial sector.”

## INVESTMENT

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**Adrian Rowley** T 01452 627133 E [arowley@alderking.com](mailto:arowley@alderking.com)

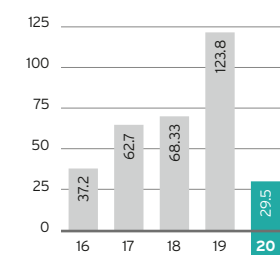
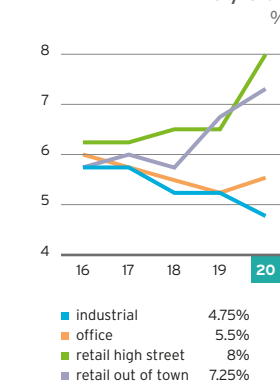
2020 saw very few transactions in the region. Those opportunities that did present themselves confirmed that strong investor demand remains, in particular in the industrial sector.

**Wincanton, Brockworth.** The largest transaction of the year was this freehold single-let industrial unit sold by Railways Pension Trustees to Exeter Property Group in September for £23.49m, 6.13% NIY. The unit is 241,500 sq ft and is let to Wincanton until December 2023.

**Gateway 12 Business Park.** This freehold single-let industrial unit was sold by ProCook in a sale and leaseback to Leftfield Capital in September for £5.15m, 5.47% NIY. The building is 43,626 sq ft and was let on a new 20 year lease.

**Regent House, Rodney Road.** This freehold multi-let office was sold by Accrue Capital to Cew Capital LLP in March for £4.0m, 5.60% NIY. The building provides 10,000 sq ft of refurbished period office accommodation in the centre of Cheltenham.

**DVSA Driving Test Centre, Quedgeley.** Assets with strong defensive characteristics remain in strong demand. This freehold government-let investment was sold by Brabon Properties to Value & Income Trust Plc in November for £4.65m, 5% NIY. The building provides a multi-purpose driving test centre on a 1.53 acre site and is single-let to The Secretary of State for Housing, Communities and Local Government for 25 years subject to a tenant break in 10 years. Alder King represented the vendor.

Value of investment transactions  
£msPrime yields  
%





CGI of Number 1 Bath Quays.

# Bath

## OFFICES

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In common with the wider regional market, Bath's office market has been impacted by the ongoing Covid situation, although a consistent level of demand and lack of supply going into the crisis helped limit the effects.

Take-up in Bath in 2020 reached circa 78,000 sq ft, circa 13% down on 2019. Take-up was again partly restricted by the lack of available space and the uncertainties surrounding the pandemic.

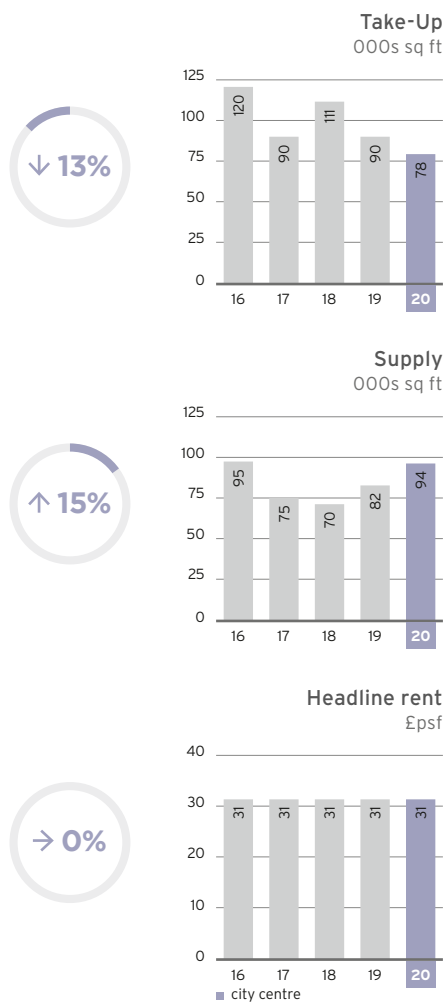
The TMT sector remains by far the most active sector within Bath in terms of the amount of space taken and the number of individual transactions, with the public sector also active.

The most notable transactions of 2020 included 24,000 sq ft let at Pinesgate, where Civica and TrueSpeed took just over 15,000 sq ft and 9,000 sq ft respectively. The University of Bath also acquired 9,000 sq ft in the ground and first floors of Lewis House on Manvers Street.

The supply of immediately available, modern, open plan accommodation within the city still remains limited. We estimate that total supply stands at circa 94,000 sq ft which represents just over 12 months' worth of take-up based on the five year average. This figure includes 23,000 sq ft over four floors at Quay House and 17,000 sq ft over two floors at Kings Court.

Available supply is set to increase during 2021 with the eagerly anticipated completion of the South Quays development. No 1 Bath Quays, the first speculative office development within the city centre for more than 20 years, is set to complete by the middle of 2021 and will offer 45,000 sq ft of Grade A office space. Adjoining this is Newark Works, where 40,000 sq ft will be offered in suites ranging from 120 sq ft to 5,000 sq ft. Completion for Newark Works is expected by the end of 2021.

Top headline rents in Bath city centre remain at £31 psf. This is set to increase with potential lettings at No 1 Bath Quays where a rent of £34 psf is being quoted.



## INDUSTRIAL & LOGISTICS

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Demand for good quality industrial space remains strong, with a number of active requirements, particularly for freehold space. However options within the city continue to be almost non-existent.

Supply is limited to second hand stock. There has been no speculative industrial/distribution development in Bath and none is expected for the foreseeable future with alternative uses still able to significantly outbid industrial and logistics occupiers.

Occupiers struggling to find accommodation of a modern specification are therefore forced to consider locations outside Bath such as east Bristol, particularly along the

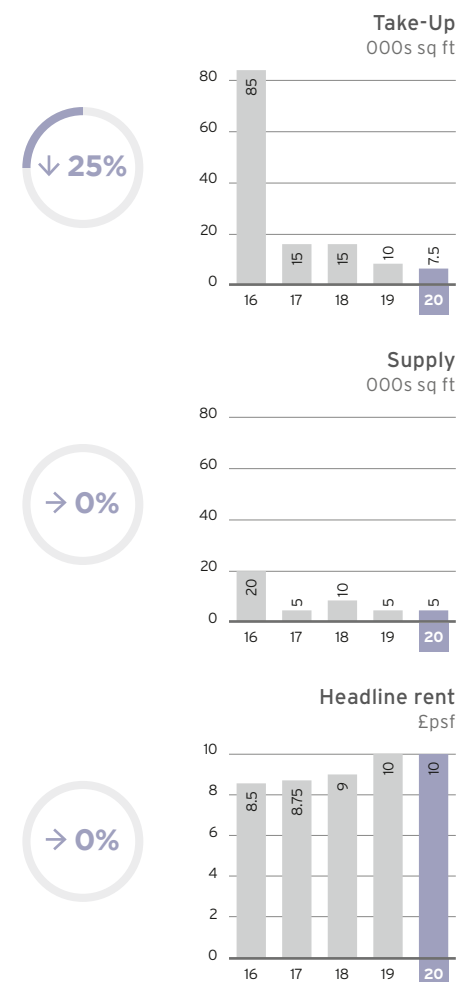
Ring Road Corridor from the A4 to the M32, and Chippenham where St. Modwen has recently completed the first building on its 70 acre St. Modwen Park Chippenham scheme. This will provide 106,000 sq ft with another 88,000 sq ft to follow in the autumn of 2021. The balance of the scheme can accommodate buildings up to 800,000 sq ft.

Due to the lack of supply, take-up dropped back on the 2019 figure and was made up of a number of smaller transactions involving smaller format secondary space.

The imbalance in demand and supply means headline rentals for new space of up to 2,000 sq ft are now close to £10 psf per annum.



St. Modwen Park Chippenham.  
Courtesy of St. Modwen.

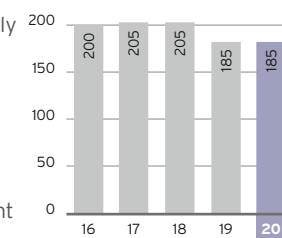


## RETAIL & LEISURE

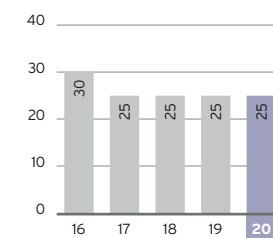
**Rebecca Harries** T 0117 317 1086 E [rharries@alderking.com](mailto:rharries@alderking.com)

Demand for smaller, lower-cost units in Bath remains strong, particularly from start-ups and independent operators. Restaurant occupiers are looking to occupy units that were previously unattainable to them, where those landlords are now considering all levels of covenant. Footfall levels are steady and the council has now pedestrianised some areas in the city centre which has helped the general shopping environment. Bristol-based pizzeria Bosco is preparing to open in the former CAU restaurant on Milsom Place. Suit shop Suave Owl has also recently opened on Milsom Street.

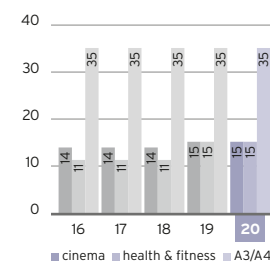
**Zone A headline rent** £psf



**Out of town headline rent** £psf



**Leisure headline rent** £psf



## INVESTMENT

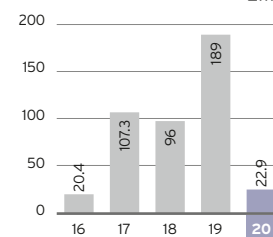
**Oli Stretton** T 0117 317 1121 E [ostretton@alderking.com](mailto:ostretton@alderking.com)

There were only two investment transactions in 2020, both in the office sector. This is more a reflection of the lack of supply rather than investor appetite which is likely to subsist, albeit mirroring the national trends in terms of sector bias and general flight to quality.

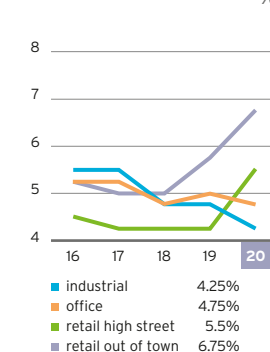
**Queen Square House.** This freehold Listed Georgian office building was sold by Aviva in May for £3.8m, 4.78% NIY. The building which is arranged over three floors totalling 8,672 sq ft is multi-let with a WAULTC of approximately 3.25 years off an average rent of £22.70 psf.

**Grosvenor House, The Square, Lower Bristol Road.** This 18,546 sq ft single-let office building was acquired off-market by Wesleyan Assurance in November for £6.75m, 6.18% NIY. It is let to Amdocs Ltd with five years unexpired at £24.00 psf.

**Value of investment transactions** £ms



**Prime yields** %







CGI of proposed Monmouth Scientific building at Peninsula 23.

## Bridgwater

### OFFICES

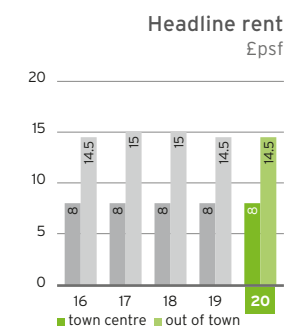
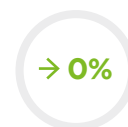
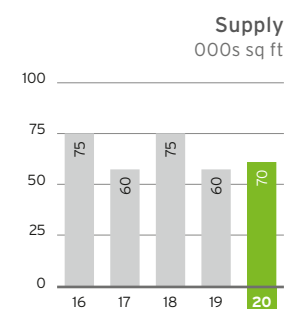
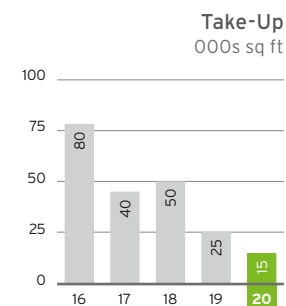
Andrew Maynard T 01823 444879 E amaynard@alderking.com

Despite a more challenging office market in 2020, the ongoing demand for small office space from the Hinkley Point C (HPC) supply chain maintained a reasonable churn in the market with The Exchange on Express Park nearing 100% occupancy at the end of the year. The town centre market has also fared well given the impact of Covid-19.

There continues to be demand for freeholds, fuelled in part by developers looking for PDR opportunities to satisfy the ongoing demand for rental properties to provide short term accommodation for workers involved with HPC.

Further activity also occurred with completion of the Phase 2 Enterprise Hub building and Phase 3 buildings at the Somerset Innovation Centre on Woodlands Business Park, Bridgwater, which will target occupiers linked to the energy sector and the HPC project.

As a result of the reasonable levels of activity in 2020, rental levels maintained their 2019 levels.



CGI of proposed Somerset Willow building at Peninsula 23.

### INDUSTRIAL & LOGISTICS

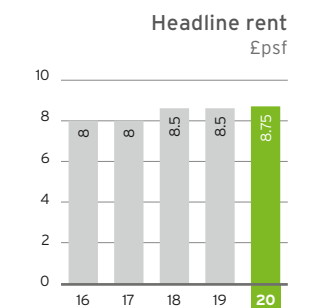
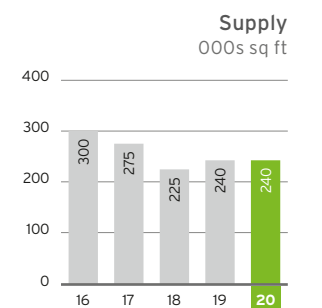
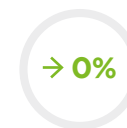
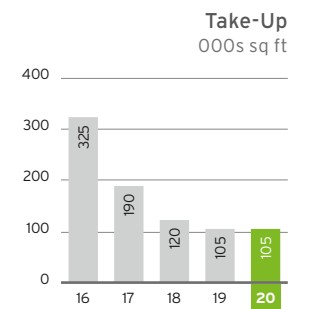
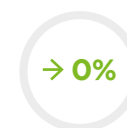
Andrew Maynard T 01823 444879 E amaynard@alderking.com

The first three industrial lettings on Bridgwater Gateway completed in Q3 and Q4 2020, whilst the construction of a Costa Coffee drive-thru at the entrance to the business park also started on site in November.

Infrastructure works began on Peninsula 23, with planning progressing for the first three buildings totalling over 77,000 sq ft, with deals agreed with Monmouth Scientific and Somerset Willow. Construction is likely to commence in early 2021. The business park totals 15 acres and will provide opportunities for roadside, office and industrial occupiers over the next few years.

Progress at Hinkley Point C continues with another key milestone reached in 2020 with the completion of the first of three off-shore tunnels needed for the power station's cooling-water system. The tunnel boring machine made the 3.5km journey 33m below the Bristol Channel to complete the first in-take tunnel in December 2020. Generally, activity at the site ramped up significantly in 2020 and will continue to do so in 2021.

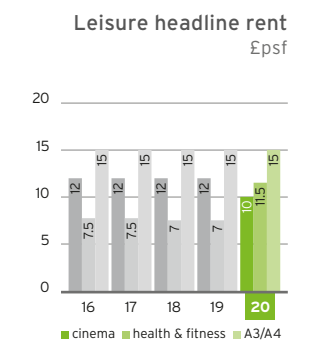
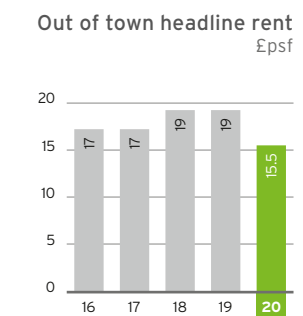
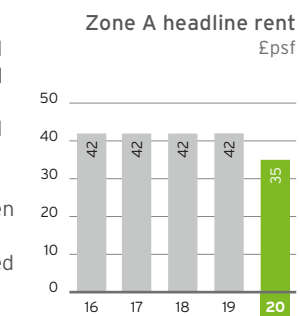
The link road connecting Gravity to the M5 is close to completion and will allow the 625 acre sustainable mixed use scheme to push forwards.



### RETAIL & LEISURE

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The new Aldi store on the Northgate site opened in October 2020, with a sale of the old store agreed some months ago. The expanded Bridgwater Retail Park welcomed several new occupiers in 2020 with Costa Coffee, The Card Factory, Subway, Consol Tanning Studio and a new Cancer Research UK Superstore opening on the site. A new Ibis hotel is expected to open in Spring 2021 offering 144 bedrooms on the Woodland Business Park in Bridgwater, situated next to the Somerset Energy Innovation and Enterprise Centres and opposite the new Peninsula 23 development scheme.

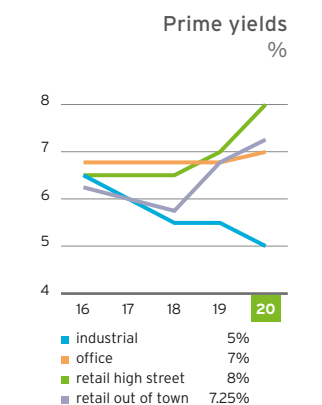
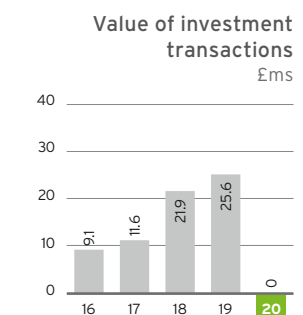


### INVESTMENT

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No transactions were reported last year which we attribute to the pronounced effects of Covid-19.







Royal William Yard, Plymouth. Courtesy of Urban Splash.

# Plymouth

## OFFICES

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After two good years, office take-up in Plymouth fell back dramatically to the level last seen in 2017. The largest transactions were all sub 5,000 sq ft.

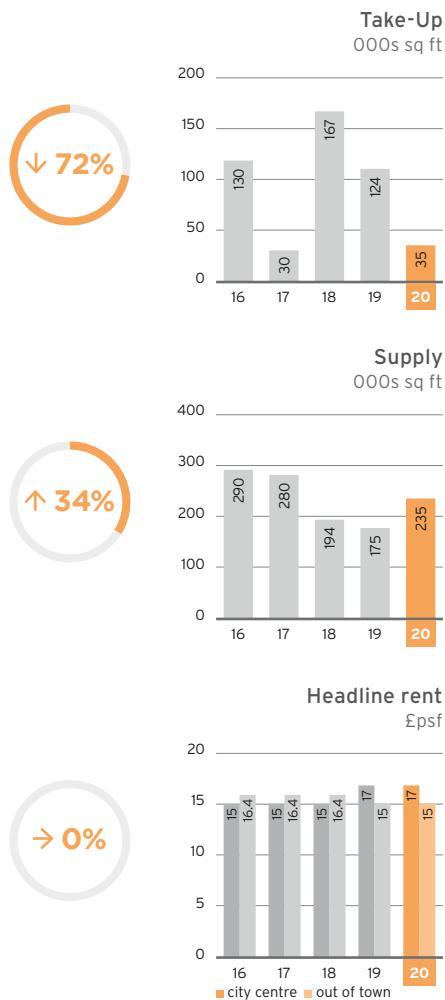
Supply has increased but that should be expected. The 2019 figures represented an historic low. The vast majority of available space is small, with 67% by number of listings being 3,000 sq ft in size or below and 84% being less than 5,000 sq ft. The positive takeaway is that in a cycle of down-sizing smaller spaces should meet market demand.

More space will come through on a sub-let or assignment basis where leases have time left to run. We will also see landlords bringing more space to market as leases expire.

Pressure on rents and lease flexibility is building. Landlords will have the ability to offer terms to suit the market whereas occupiers looking to sub-let or assign space are bound by the terms of their leases which in many cases will only allow deals to happen at the passing rent. This will have been agreed in better times. The ability to offer incentives in these instances is also often restricted. This will mean occupier space is likely to remain on the market where it doesn't offer value or quality.

EDF has announced the closure of its Outland Road premises as it moves to more flexible working and the repurposing of other offices in its portfolio, most notably Gadeon House at Exeter Business Park.

Following the acquisition of Ballard House in 2019, Plymouth City Council has embarked on a strategic review of its office portfolio which is likely to release more supply into the market later this year. This is likely to free up at least one building for redevelopment. Given the demand picture we can expect this to be for alternative uses.



## INDUSTRIAL & LOGISTICS

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Take-up in 2020 was down on the previous two years but still at a healthy level. As with Exeter, availability of suitable space has served to reduce the demand.

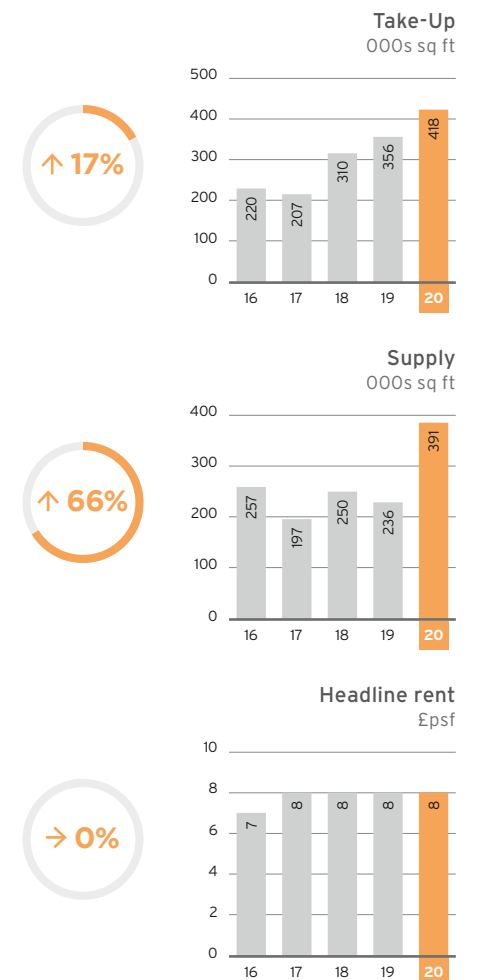
The figures were greatly improved by the 96,000 sq ft letting of 179 Plymbridge Road. The warehouse was let to the University Hospitals Plymouth NHS Trust. Without this, overall take-up would have been considerably down on previous years but, as with most years in Plymouth, there is a standout sale or letting that helps boost the numbers. There were also two lettings and one sale around 25,000 sq ft which shows demand for larger industrial buildings still exists.

Demand is also good for small industrial units. Burrington Estates are developing 30 units at Eurotech Park measuring 1,000 sq ft to 1,200 sq ft. Priced at £150 psf, they are on a par with Exeter. The small freehold market has been significantly under-supplied for many years so this next wave of developments was always going to

be popular. The issue is the price required to make development viable. Prices have taken a big step forward in recent years and confidence in the industrial market has meant forward thinking developers are now seeing the demand from delivering this type of stock.

Supply increased 66% on 2019's figure, mainly due to two new buildings totalling 151,000 sq ft coming to market - 85 St. Modwen Road which offers 66,000 sq ft and the former Bestway unit which provides over 85,000 sq ft and is currently the largest available.

What is important to sustain growth is the quality of these premises. As construction costs continue to rise we will see more secondary space being refurbished to capture higher rents whilst limiting capital expenditure. Provided buildings have an eaves height of 6m + and benefit from reasonable yard space and parking, refurbishment is a viable option.

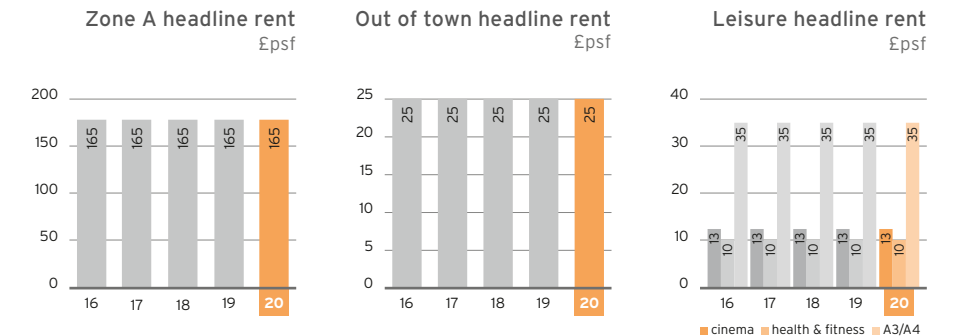


## RETAIL & LEISURE

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The city has seen closures of a number of high profile brands including Laura Ashley and Cath Kidston. These closures are part of nationwide strategies and aren't particular to just Plymouth.

As with the rest of the region, demand remains polarised. In May, Pure Gym completed on a 15,000 sq ft unit at Coypool Retail Park which provided welcome good news.



## INVESTMENT

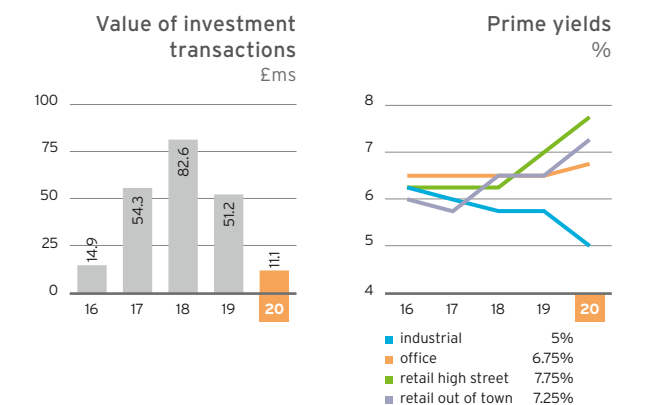
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Scott Rossiter T 01392 353089 E [srossiter@alderking.com](mailto:srossiter@alderking.com)

There were relatively few transactions in the city last year in line with national trends but Plymouth City Council continues to be acquisitive, buying both on and off patch.

**Carkeel Retail Park.** This retail park was sold by Kames Capital to Plymouth City Council in January for £10.10m, 6.5% NIY.

**St Augustines House, 135 Alexandra Road.** This student block comprising 90 student beds was sold by HCH Capital to VELO Student Living in August for £3.75m, 8.19% NIY.







The Amazon warehouse under construction, Symmetry Park.

# Swindon

## OFFICES

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Office take-up in 2020 was the second highest of the last five years due to the momentous announcement that Zurich has committed to take a 96,118 sq ft pre-let at Kimmerfields in the heart of the town centre. This is the first office pre-let in Swindon for over 20 years. Contractors are on site and it is hoped that it will lead to further office development on this scheme which is changing its focus to incorporate a more mixed use environment with residential and leisure uses. Significant parts of the town centre are destined to be overhauled on the back of this office letting with the proposed creation of the bus boulevard along Fleming Way and a collection of leisure occupiers to establish a new cultural quarter.

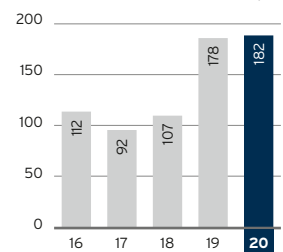
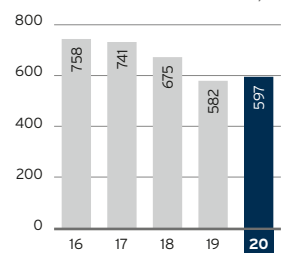
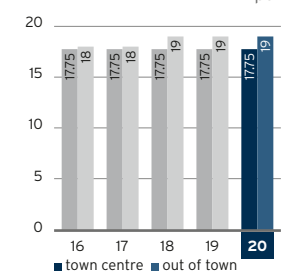
The most significant out of town letting which completed at the end of 2020 was the 18,028 sq ft letting of two floors in Canberra House at Lydiard Fields to Allstar. In addition to the 7,000 sq ft letting of Priam House at Churchward to Excalibur in Q1, these lettings clearly demonstrate that good quality buildings remain the most sought after. There were a handful of small lettings where parties sought to establish small hubs for their staff to meet as they saw the benefits of staff sharing ideas and collaborating together. This trend led to the sale of the 23,932 sq ft Fraser Centre at Dorcan for the establishment of a business centre.



CGI of the new Zurich office, Kimmerfields. Courtesy of Zurich.

The level of supply has not yet risen as much as might have been expected as occupiers still evaluate their long term needs but we expect additional surplus office space to be brought to the market in 2021. Some of the poorer stock continues to attract interest from PDR operators and the sale of the 158,000 sq ft North Star House, the 32,017 sq ft Kingsbridge Point and the 13,719 sq ft Paxton House are all good examples.

We hope to see an upgrade of Signal Point, the 77,000 sq ft building above Swindon Railway Station where Network Rail has regained ownership. The area as a whole is being improved with the continued gentrification of The Carriageworks which has seen welcome investment through the Swindon & Wiltshire LEP and is bearing fruit with significant new occupiers including the Royal Agricultural University.

Take-Up  
000s sq ftSupply  
000s sq ftHeadline rent  
£psf

→ 0%

## INDUSTRIAL & LOGISTICS

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The level of 2020 take-up was hugely distorted in a positive way as a result of the letting and subsequent investment sale of the largest single building in the UK for an Amazon Robotic Sorting Logistics Warehouse. The four storey, 2.32 million sq ft facility is now under construction at Symmetry Park.

Demand remains strong across all size ranges with the largest speculatively constructed Radway Point 2 totalling 100,116 sq ft being firmly under offer and due to complete early in 2021. There are limited other options across the town for high quality buildings that are immediately available which include Trinity Park at Hillmead offering a total of 79,814 sq ft. This is reflected in the lower than average overall take-up during 2020 once the Amazon transaction is excluded. There was a reduced number of transactions in the mid and upper size ranges due to a lack of supply rather than a lack of demand.

Further afield, St. Modwen Park, Chippenham has continued work at its new development adjacent to Junction 17 of the M4 and has

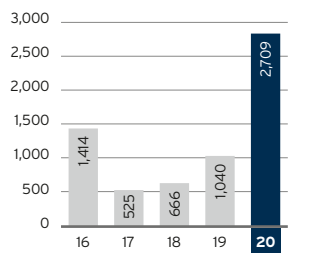
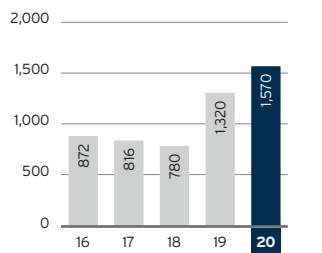
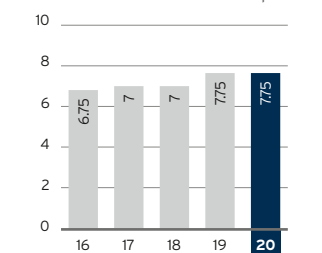
created all the development plateaus to create the next phases up to 1 million sq ft. The 106,075 sq ft Unit C106 has been completed and the 88,827 sq ft Unit C88 is due to commence construction in Q1 2021.

The level of second hand supply is beginning to increase largely as a result of Honda suppliers vacating premises ahead of the site closure in July 2021. A shortlist of large developers have been approached regarding the future of the site which we await with interest.

The market for sub 5,000 sq ft units continues to be very positive with examples being new occupiers at three of the four speculatively constructed trade counter units at Kembrey Place and three new occupiers at the refurbished units at River Ray Industrial Estate.

Rents are holding up and few incentives are being granted for new leases. There is also a distinct shortage of good quality accommodation across Wiltshire as a whole.

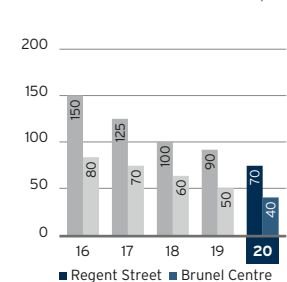
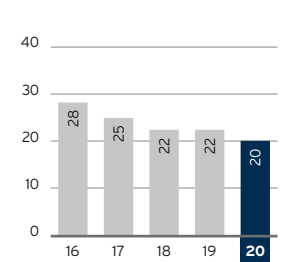
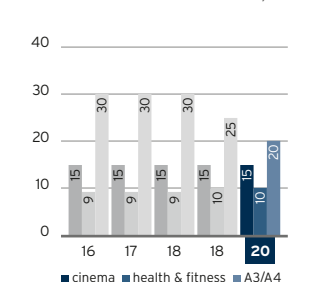
→ 0%

Take-Up  
000s sq ftSupply  
000s sq ftHeadline rent  
£psf

## RETAIL & LEISURE

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Notwithstanding the well-documented large high street casualties in recent months, there were 22 new lettings in the town centre in the second half of 2020. These were mainly takeaway and food retail but demonstrate there is demand from small independent operators. A property on Wood Street, Old Town's favoured road, saw best bids result in the opening of a new café/delicatessen. Out of town, Lidl has acquired two new stores and Premier Inn will commence construction of its new hotel on the former Aspen House site early in 2021.

Zone A headline rent  
£psfOut of town headline rent  
£psfLeisure headline rent  
£psf

## INVESTMENT

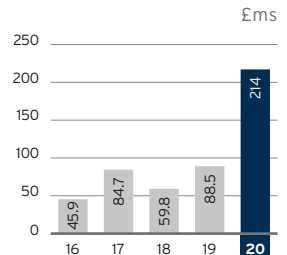
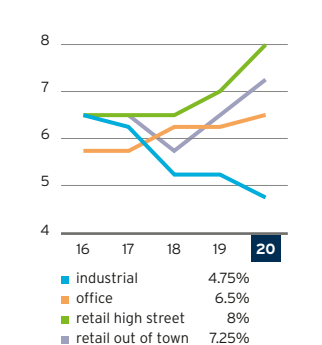
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There was a very high volume of transactions by value last year, distorted by a very large single transaction.

**Amazon, Symmetry Park.** In a sale which represents the UK's largest ever single asset logistics funding transaction, this freehold warehouse was sold by Panattoni to LGIM for £201.78m, 4.30% NIY. The warehouse is under construction and will total over 2.3 million sq ft. The property is pre-let to Amazon on a 20 year lease at a rent of around £10m per annum subject to CPI linked uplifts.

**Units D1-D6 Stirling Road, South Marston Industrial Park.** This industrial asset was sold by LaSalle IM to Nidderdale Capital Ltd for £3.6m, 6.90% NIY. The property is let to Hermes Parcelnet and Royal Mail with a WAULTC of 5 years.

Value of investment transactions  
£msPrime yields  
%





The new generation McDonald's restaurant, Westpark 26.  
Courtesy of Summerfield Developments.

# Taunton

## OFFICES

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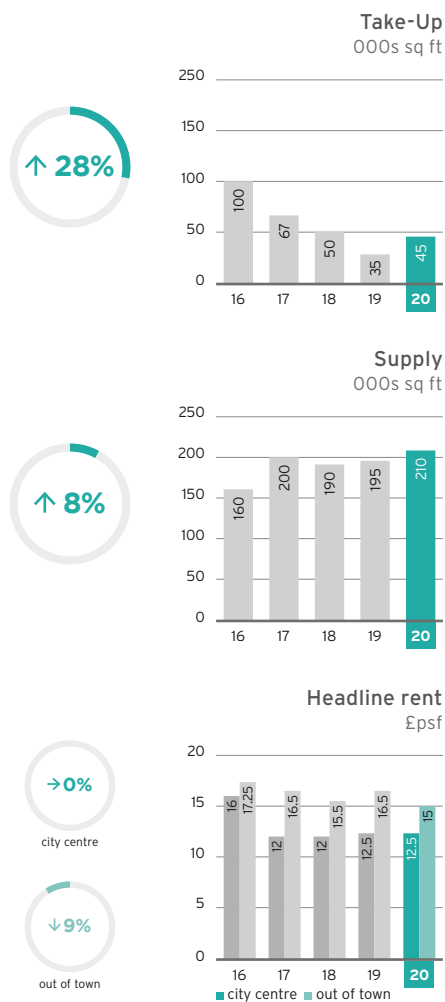
Take-up generally decreased during 2020 within both the town centre and out of town markets but the completion of a deal on Zenith House, one of the unused Fire Control Centres, to Rutherford Diagnostics markedly improved the overall take-up figure for the year.

Activity picked up in the second half of the year with over 15,000 sq ft of deals agreed which, whilst unlikely to complete until Q1 2021, do suggest some recovery in the market.

Take-up was more focused on the town centre with new occupiers in the local authority's Deane House and Tangier Central. The trend towards smaller offices under 5,000 sq ft continues within the town, although there have been a number of requirements for larger space within the town centre from public sector organisations.

Rents in the town centre remained stable over the year but there was a reduction to more historic levels in the out of town market for existing accommodation, with no new build deals agreed during the year. Incentive levels increased to some degree but vary widely depending on the other fundamentals within any deal structure.

There were few freehold deals completed in 2020, although as in recent years there have been relatively few office buildings on the market on a freehold basis. This may change over the next two years as occupiers and investors look to move away from current levels of office accommodation.



## INDUSTRIAL & LOGISTICS

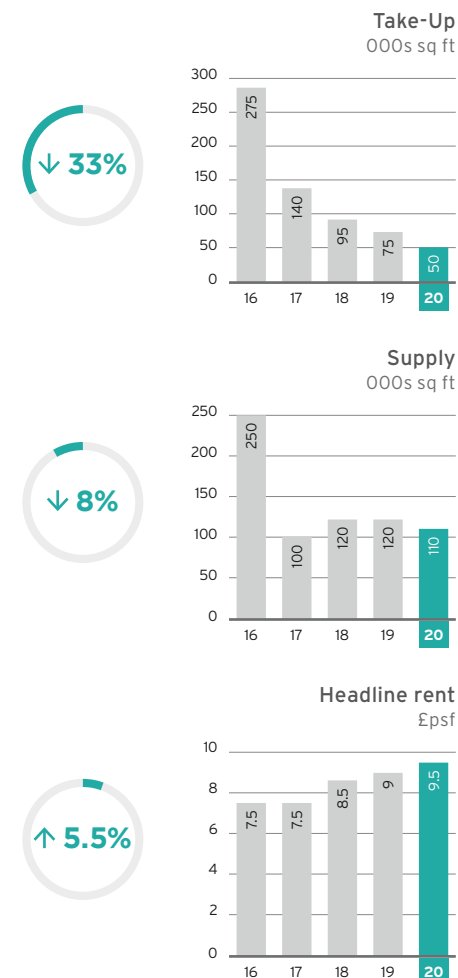
Andrew Maynard T 01823 444879 E amaynard@alderking.com

Demand for sub-3,000 sq ft units on either a freehold or leasehold basis continues to outstrip supply, a feature which is common along the whole M5 corridor in Somerset.

Westpark 26 in Wellington saw further progress with the completion of a new McDonald's restaurant with drive-thru in December 2020. The facility is the first of a new generation of 140 seater restaurants for the brand and builds on Westpark's growing roadside offer, whilst plans for a further trade counter scheme on the site are well underway with deals agreed with two national trade counter occupiers.

Progress on access to unlock the Nexus 25 scheme is ongoing at Junction 25 of the M5 motorway. The business park totalling some 25 hectares will provide over 1 million sq ft of space within 400m of the motorway junction, which is also being upgraded as part of the current works.

Freehold demand continues to push prices up, with increases also being witnessed on leasehold deals across most sizes and sectors in the town's industrial and logistics market. We expect demand to remain good with further increases in value over the next 12 to 24 months.

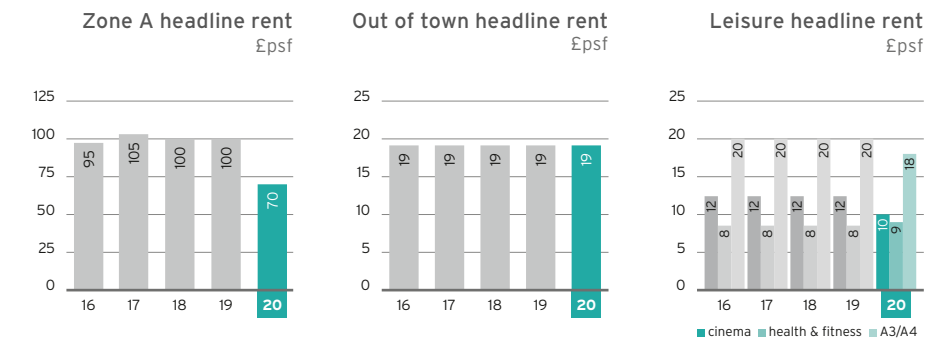


## RETAIL & LEISURE

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Like other centres, Taunton saw an increase in vacant retail properties in 2020, with around 90,000 sq ft of vacant stock, primarily secondary or tertiary in nature. Although some retail units went under offer, we expect some deals may fail to complete. Next is shutting its town centre store but hopes to return on an edge of/out-of-town retail park.

The Coal Orchard development is under construction and will provide 18,566 sq ft of accommodation in eight retail units for Class E, A3 and D2 uses.

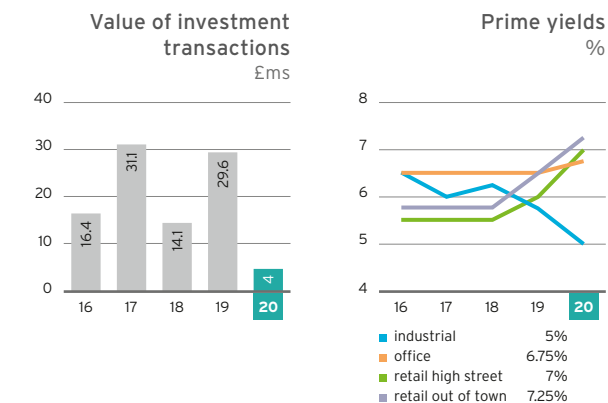


## INVESTMENT

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There was only one noteworthy transaction in 2020 which completed pre-Covid-19 and is indicative of the reduced volume of transactions across the region.

**Nuffield, East Reach, 151-156.** This fitness/leisure centre was sold by Kingston Estates Ltd to KFIM in January for £5.0m, 4.82% NIY. The property totals 2,096 sq m and is single let to Nuffield Health with 23 years unexpired at a rent of £256,800 per annum.







Boscawen Street, Truro.

# Truro

## OFFICES

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The office market in Truro and the surrounding area saw an increase in supply for the second consecutive year, this time up 36%. However, whereas there was an increase in take-up in 2019, last year saw a drop of 60%. This is primarily thought to be as a result of Covid-19.

The increased supply has come from a variety of areas with many properties remaining on the market for an extended period. The majority of the supply is available to rent with the largest availability being circa 8,000 sq ft.

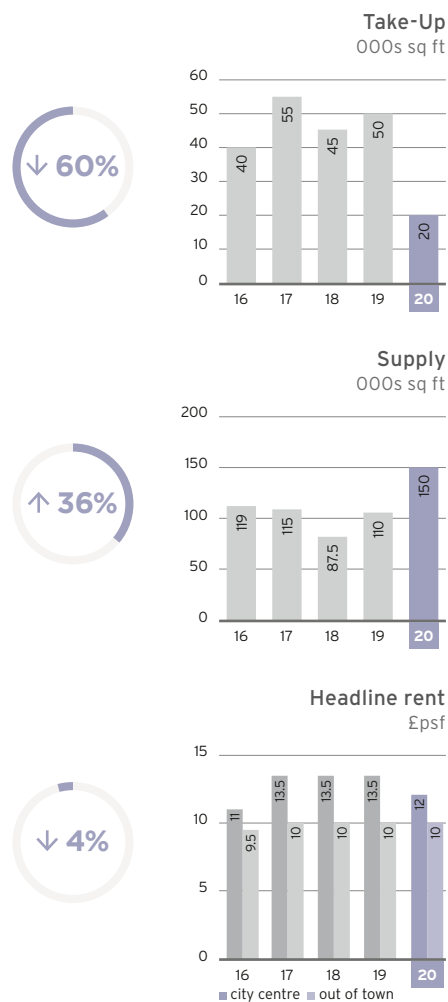
Take-up over the past year was limited to suites of circa 3,000 sq ft and below, with the majority of transactions being lettings.

Truro remains the preferred administrative centre for Cornwall with a preference for good quality city centre or edge of city centre accommodation with car parking. Modern accommodation is generally preferred although traditional suites in refurbished offices in Lemon Street remain popular due to its proximity to the city centre.

With a reduction in activity and generally poorer quality lettings, headline rents for Truro have slipped from a peak of £13.50 psf to a figure closer to £12, although the full impact of the pandemic is yet to be ascertained.

There has been no new speculative office development in Truro and it remains the case that the cost of construction generally exceeds the value of the completed product unless grant funding can be secured.

Where lettings have occurred they often reflect increased caution by tenants. Leases are generally shorter with more frequent tenant break clauses. We are aware of one letting where an upward and downward rent review clause has been agreed.



## INDUSTRIAL & LOGISTICS

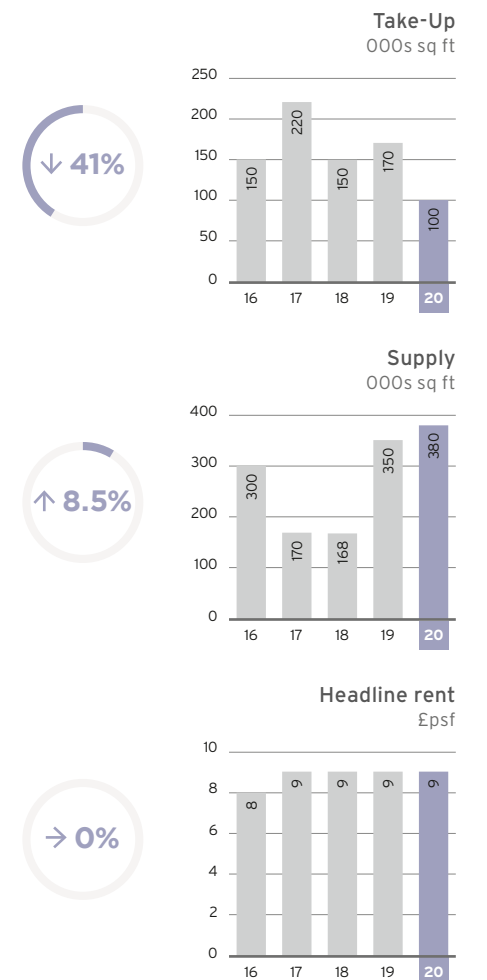
Tom Duncan T 01872 227005 E [tduncan@alderking.com](mailto:tduncan@alderking.com)

The supply of industrial accommodation also increased for the second year running. However the proportion of older units has increased and the corresponding reduction in demand/take-up due to the Covid-19 pandemic is a contributing factor. On a positive note there is a significant number of industrial units which are now under offer, suggesting that there may be some catch-up in the first half of 2021.

New developments have performed well with a continued lack of supply of good modern stock. The most recent new development was completed with the aid of European Grant funding, often restricting occupation to SMEs only. It is questionable whether the pressure on rents created by the shortage of supply will continue to push up rents such that speculative development will be viable without grant funding.

Despite being the strongest commercial sector, take-up dropped significantly during 2020 with a reduction of over 40%. As above, with a number of deals agreed towards the end of the year it is anticipated that some catch-up will be evident early in 2021.

Demand for industrial accommodation in Cornwall is generally focussed on well-established industrial estate locations with good access to the A30 and A38 such as Camborne/Pool/Redruth, Indian Queens, Victoria Business Park and Bodmin. There also continues to be a shortage of consented land suitable to satisfy any larger requirements such as distribution warehouses in excess of 50,000 sq ft where demand arises. Without the availability of suitable sites, there is potential for Cornwall to miss out on potential investment opportunities.

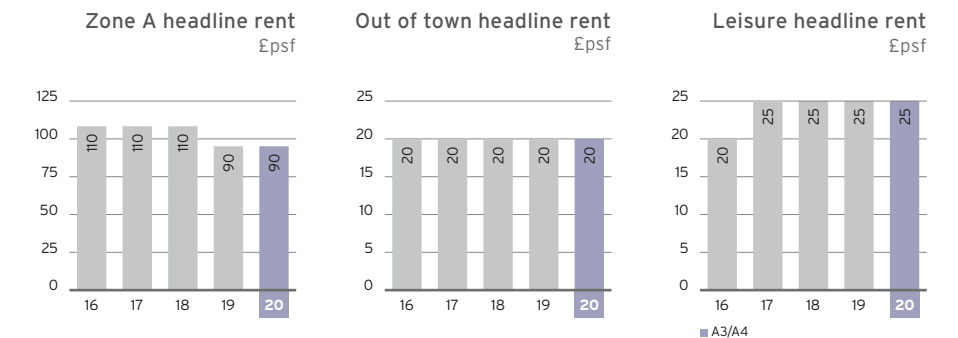


## RETAIL & LEISURE

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2020 was dominated by a number of big names vacating the prime retail pitch including Laura Ashley at 7 Pydar Street, Hotter Shoes at 11 Pydar Street and Thorntons at 12 Pydar Street.

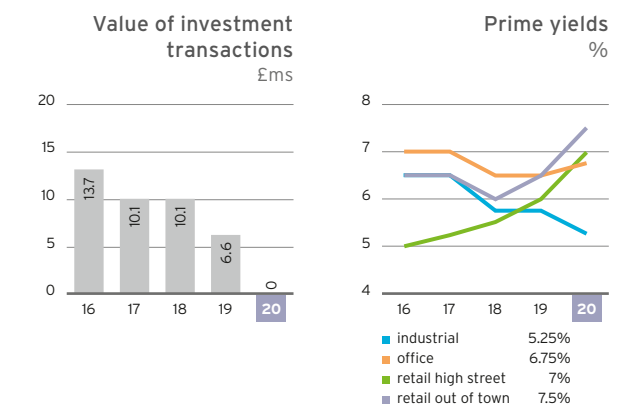
In 2019 headline rents dropped to circa £90 psf ITZA. Prime rents are likely to have suffered further but the rental tone is not yet settled. Available units are quoting between £85 - £95 psf for Zone A.



## INVESTMENT

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No transactions were reported last year, which provides further evidence of the effects of the pandemic on activity levels.







# Residential Development Land

## LAND MARKET SUMMARY

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The residential market in the second half of 2020 was characterized by a contrast between very strong house sales and muted land buying activity.

Almost without exception, the PLC housebuilders reported strong sales volumes and values. In some cases, the spikes in demand caused by the inability to progress property purchases during periods of local and national lockdown enabled housebuilders to increase their pricing. The secondhand market proved equally buoyant with house price indexes consistently pointing to increasing values and residential sales agents reporting very strong demand. Relocations from London and a general focus on the quality of home have further driven a very positive market within the South West.

Perhaps by contrast, activity in the purchase of consented land has been more muted. PLC housebuilders in many cases maintained a cautious stance due to a perception that the demand bubble is fragile and that a recession will lead to high unemployment and a reduction in buyer confidence. Despite these fears the demand profile for completed product has remained strong, partially fueled by exceptionally low interest rates and an economy which has thus far shown signs of resilience.

Towards the end of the year, Brexit once again loomed large. Uncertainty around a trade deal further fueled a cautious approach to land buying. A positive outcome to these negotiations and the impact of the Coronavirus vaccine roll out are likely to lead to very strong demand for consented residential land as housebuilders seek to rebuild their land banks following a period of relative inactivity.

Despite these uncertainties several housebuilders have made large purchases using land funds specifically established for the purpose of taking advantage of reduced competition in the period. The small to medium housebuilders focusing on sites of up to 80 units have also contributed to strong demand for smaller sites, as they seek to satisfy a demand for product without the ability to rely on established land banks.

### Case Studies

- 1. Davy House, Bristol.** Acting on behalf of longstanding clients City of Bristol College, Alder King has recently placed under offer this historic 80,000 sq ft Grade II listed former orphanage building. Alder King Planning Consultants are retained by the buyers to seek planning permission for conversion to residential dwellings.
- 2. Marston Gate Farm, Frome.** Acting jointly for multiple land owners, Alder King negotiated terms for a promotion agreement with Gladman Developments over this 70 acre site in Somerset.
- 3. Daniels Industrial Estate, Stroud.** Newland Homes acquired this seven acre brownfield site for a residential-led mixed use scheme. The existing offices and employment will be safeguarded. A planning application is likely to be submitted in 2021. Alder King acted for the landowner.



Courtesy of lhc design.

# Planning

## STRATEGIC PLANNING SUMMARY

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2020 proved a turbulent year in many ways, not least for the planning system. We saw the introduction of the new E class, and the Planning White Paper has signaled potential radical change. It remains to be seen how the Government will react to the consultation feedback; if the response to the standard method for calculating the housing requirement is anything to go by, then it is impossible to predict what the planning reforms will ultimately look like.

The summer consultation on the standard methodology advocated a different approach that would have yielded significant increases in the housing requirement across England and the West Country. In the four West of England authorities, the change would have been very significant. Compared to the abandoned JSP requirement of 105,000 homes over a 20 year period, the new approach would have seen those authorities have to plan for circa 160,000 homes.

Given the huge backlash from many Conservative backbenchers, the Government has done a complete U-turn and merely given the top 20 cities (in terms of population) a 35% uplift.

Bristol is the only city in the South West affected and the City Council will have to deal with a significant uplift to over 3,000 homes per annum. There is little or no prospect of the city being able to accommodate this level of growth so there will be more pressure than ever before to engage via the duty to cooperate. It will still represent a very high growth level figure of circa 132,000 homes with obvious added pressures for Green Belt release through the forthcoming consultation of the Spatial Development Strategy in summer 2021.

### Case Studies

- 1. Silverthorne Lane, Bristol.** Feeder Estates LLP, a partnership managed by Square Bay, is proposing the comprehensive mixed-use regeneration of land off Silverthorne Lane in Bristol's Temple Quarter Enterprise Zone. The plans include the delivery of a new comprehensive school for Bristol, as well as purpose-built student accommodation, new homes (including affordable homes) and commercial space. Square Bay has extensive experience in Bristol, such as enabling the regeneration of Brandon Yard, Bristol Harbourside, which featured the restoration of ruined historic industrial buildings similar to those found at the Silverthorne Lane site.
- 2. Clevedon Triangle, North Somerset.** Full planning application submitted for the extension of the existing retail units to include a new gym, a standalone coffee shop and a senior living apartment block in Clevedon town centre.
- 3. The Oliver Buildings, Barnstaple.** Resolution to grant planning permission obtained for the redevelopment of the Grade II listed Oliver Buildings which have stood derelict in Barnstaple town centre for a number of years. The proposal includes 47 apartments and 1,186 sq m of retail and commercial space.



# Alder King

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