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PROPERTY CONSULTANTS

Market Monitor

South West of England and
South Wales Property Review

2022

Property intelligence
you can build on

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Front cover: CGI of 4 Glass Wharf, Bristol.
Courtesy of Candour Group/Tristan Capital.

Foreword

Market Monitor examines the occupational and investment markets in 11 key centres in the South West of England and South Wales.

Simon Price
Head of Agency
Alder King



SUMMARY

After a second rollercoaster year, we start 2022 with a strong sense of optimism. The economy and commercial property markets rebounded strongly last year following the lifting of lockdown restrictions and are poised for further growth this year.

Key features of the market:

- There remains an insatiable appetite for industrial/logistics space, driven by ongoing changes in consumer spending. The South West recorded over 5.5 million sq ft of take-up in 2021, another year above the five year average of 5 million sq ft. This would have been higher still if not for a significant shortage of good quality available supply. New developments in Greater Bristol, Exeter, Gloucester, Chippenham and Truro were all snapped up before or during construction by forward-looking occupiers, leading to improved rentals, lease terms and capital values.

- The increasing acceptance of the benefits of office working saw office take-up return to pre-pandemic levels in Exeter, Gloucester, Bath, Bridgwater, Plymouth, Taunton and Truro. Q4 take-up in Bristol city centre reached its second highest level recorded for a single quarter since 2016. A growing number of occupiers, with an enhanced focus on employee wellbeing and sustainability, are reducing the size of their accommodation but trading up in quality. This in turn is driving up office headline rents.
- The loss of some well-known national retailers has allowed a new mix of independent operators to acquire better located space, enhancing the vibrancy of our towns and cities. The relaxation in planning has also facilitated the conversion of redundant space to alternative uses.
- After a strong rebound in pricing last year, we expect investment returns to stabilise in 2022 and investor requirements to be more sector-agnostic, with greater focus on asset quality and location.

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
2021	1,730	2,415	5,557	4,769
2020	1,393	2,695	6,395	4,471
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

Cardiff Office and Industrial Take-up and Supply (000 sq ft)

Year	Office Take-up	Office Supply	Industrial Take-up	Industrial Supply
2021	241	797	756	915
2020	305	692	595	1,150
2019	357	721	477	845
2018	499	710	515	580
2017	704	707	880	515



CGI of the University of Gloucestershire's new campus.

Key Market Trends



Wapping Wharf, Bristol. Courtesy of Jon Craig Photography.

OFFICES SUMMARY

Simon Price

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Whilst the office market continued to feel the impact of the global pandemic during 2021, several key markets across the region proved remarkably resilient delivering strong take-up and new headline rental level highs.

Many occupiers have adopted at least a short term move to hybrid working but the second half of the year saw growing momentum in terms of greater numbers returning to offices for at least 2-3 days a week before the temporary change in Government guidance in December. The increasing acceptance of the benefits of office working including social interaction, collaboration, community and training is now positively impacting on market activity levels.

By far the most noticeable trend in the market over the last 12 months has been the increasing focus on ESG and wellbeing from occupiers, developers and investors. This is having a major impact on both new build and refurbishment design in particular in relation to M&E specification and the provision of building amenities.

The star performer in the region was once again the Bristol city centre market where Q4 take-up reached its second highest single quarter level since 2016, beaten only by Q4 2019. Exeter, Gloucester, Bath, Bridgwater, Plymouth, Taunton and Truro also recorded increased take-up.

We anticipate that 2022 will see a continuation of the trend of occupiers going down in size but up in quality. Much of the second hand space being released into the market as a consequence continues to attract interest from a range of alternative uses particularly in the residential, education and health sectors.

INDUSTRIAL & LOGISTICS SUMMARY

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The industrial and logistics market maintained its resilience and was the strongest performing sector across the region, contributing to another record year for national UK take-up. Regionally this is best demonstrated by a 118% year on year increase in take-up in Exeter albeit in some regional centres the lack of immediately available space is constraining take-up.

Demand is driven by e-commerce businesses, government investment in infrastructure, supply chain safeguarding and some emerging signs of the repatriation of manufacturing. The logistics sector, particularly internet fulfilment, and manufacturers/added value engineering occupiers also drove demand.

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

The mid box market performed well with a surge of activity particularly in Bristol and Gloucester. There is strong potential for pre-lets and pre-sales 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 secondhand space is reducing significantly. We expect further upward pressure on rents, particularly for those facing their first rent reviews on space acquired since 2015.

Business confidence in the sector is robust which will lead to a further improvement in activity.

RETAIL & LEISURE SUMMARY

Rebecca Harries

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Occupiers had to be resilient throughout 2021 to keep up with constantly changing government guidelines brought on by the pandemic. As we move into 2022, we anticipate an increase in high street footfall and hope to see consumer confidence improve.

The food and beverage sectors have however performed well, especially those offering home delivery and click and collect options and have the benefit of outside seating.

Local markets have also fared well and many smaller towns and suburbs are becoming more vibrant with a new mix of independent operators taking advantage of better located space previously unavailable to them.

Many retailers are improving the in-store customer experience to entice people through the door. As well as customising the online shopping experience, they are personalising it with AI technology and using social media as another platform to sell.

The new Use Class Order is making it easier for redundant retail space to be converted to other uses without the need for planning permission and this will continue to evolve as more offices, healthcare uses and gyms take up vacant units across the region.

INVESTMENT SUMMARY

Oli Stretton

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2021 was a year of recovery for both the economy and real estate, with a strong rebound in pricing driven largely by the boom in logistics. In 2022, we expect returns to stabilise and the influence of COVID to decrease over time.

In the office sector, investors are recognising the shift in occupier behavior towards less but better quality space and are now targeting best in class or opportunities to reposition buildings accordingly.

As we gain a more accurate picture of the post-pandemic world, areas of uncertainty will reduce. The retail sector should benefit as occupiers feel more confident in making long-term decisions about where they need to be physically present.

We expect to see continued interest in alternative and specialist sectors, such as data centres, life sciences and energy infrastructure, although the scale of investor appetite will likely outweigh the actual opportunity.

We anticipate that investors' requirements will evolve toward a more sector-agnostic approach, where the quality of the individual assets and their locations become more important.

International investors were extremely active in 2021 and we see no sign of this trend abating. We expect a particular focus on best in class, future proofed assets with strong environmental credentials. Environmental, social and corporate governance is now a central thread that runs through every decision for investors, with the decarbonisation of portfolios fundamental to risk management.

Key Alder King Transactions

1

ACQUISITIONS

- 450 Longwater Avenue, Green Park, Reading**
Size 119,000 sq ft
Leasehold acquisition for Three
- Former Debenhams Store, Kings Square, Gloucester**
Size 215,278 sq ft
Freehold acquisition for University of Gloucestershire
- 1 Trinity Quay, Bristol**
Size 75,000 sq ft
Leasehold acquisition for University of Bristol
- OneThreeSix, Marylebone, London**
Size 44,500 sq ft
Leasehold acquisition for Smart Pensions
- Unit B6 Heywood, Manchester**
Size 88,538 sq ft
Leasehold acquisition for Macfarlane Group UK Ltd
- 1480 Aztec West, Bristol**
Size 8,674 sq ft
Leasehold acquisition for Aardman Animations
- Land at Bow Street, Aberystwyth**
Size 3.3 acres
Freehold acquisition for Transport for Wales



1

DISPOSALS

- Exeter Trade Park**
Size 81,947 sq ft
Three leasehold disposals for Paloma Capital
- Gilbert House/37-39 Corn Street, Bristol**
Size 28,000 sq ft
Leasehold disposal for IV Real Estate
- 10 Wapping Road, Bristol**
Size 15,190 sq ft
Leasehold disposal for Bellborough Ltd
- Centre Severn, Gloucester**
Size 125,000 sq ft
Pre-let for Peveril Securities
- Unit C88, St. Modwen Park Chippenham**
Size 88,827 sq ft
Pre-let disposal for St. Modwen
- Highbay Warehouse, Llandrindod Wells**
Size 62,602 sq ft on 5.35 acres
Freehold disposal for Second Propco Limited
- Stovax Heating Group Facility, SkyPark, Exeter**
Size 196,000 sq ft
Leasehold disposal for St. Modwen
- Unit B Rockhaven, Bristol**
Size 25,388 sq ft
Investment disposal for Rockhaven Developments
- Unit 22, Access 18, Avonmouth**
Size 38,283 sq ft
Leasehold disposal for St. Modwen



Bristol



1 Trinity Quay, Bristol.

OFFICES

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- The Bristol office market delivered another year of strong performance, with the city centre once again the star performer.

- Key city centre transactions included the University of Bristol taking 74,373 sq ft at 1 Trinity Quay, Avon Street and the BBC 60,251 sq ft at Bridgewater House, Finzels Reach. Out of town NNB Generation Ltd acquired 32,000 sq ft at 800 Aztec West.

- The most active sectors are the public sector, TMT sector and, especially in the city centre, the flexible/co-working sector. Several existing co-working operators took additional space with a number of new entrants to Bristol currently active.

- New developments are under construction at EQ, Halo, Assembly Phase 2 and 1 Portwall Square, all of which already have deals agreed during construction. In addition Candour and Tristan Capital started on site in Q3 at 4 Glass Wharf, a speculative scheme of circa 215,000 sq ft where PC is planned for Q4 2023.

- Refurbishments performed well with Corn Street, 10 Wapping Road, and Pivot + Mark all securing lettings. Further major schemes are underway at 360 and Tower House.

- With a number of occupiers reducing in size but trading up in quality, city centre headline rents had a strong year with several top end deals on new stock currently in solicitors hands at record levels of £40 psf plus.

- City centre 'grey space' remains at sustainable levels albeit there are signs of increasing supply building in the out of town market during 2022.

- The now strong focus of occupiers, developers and investors on ESG, wellness and community will continue to have an increasing impact on take-up and design.

Market Factsheet

Take-up 000s sq ft



1%

10 year average 894,000 sq ft

Supply 000s sq ft



11%

10 year average 1.235m sq ft

Headline rent £psf

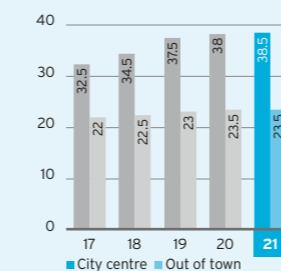


1%

0%

City centre

Out of town



Most active sectors by take-up



Public sector



Co-Working/
Flexible
Workspace



TMT/Creative
services

New build under construction



665,000 SQ FT

202,000 sq ft already pre-let/under offer



Units 21-22 Access 18. Courtesy of St. Modwen.

INDUSTRIAL & LOGISTICS

Andrew Ridler

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- As was the case nationally, Bristol's industrial and logistics market - despite Covid - delivered a strong full year performance, with take-up increasing by 13% on 2020.

- Demand is driven by e-commerce and the logistics providers seeking to expand their network efficiency.

- Supply of immediately available space is a significant concern and impacted take-up in H2. Delays in the construction supply chain and emerging labour shortages are impacting the delivery of new space. With restrictions in supply, rentals and capital values will continue to increase.

- Key transactions included Amazon's acquisition of Logisor's 316,000 sq ft WA 316 on Severnside, Oxford Instruments' pre-letting of 108,000 sq ft at Western Approach, DFS's acquisition of 245,000 sq ft at Cribbs Causeway, EBB's pre-letting of 38,000 sq ft at St. Modwen's Access 18 and Arnold Laver's 25,000 sq ft acquisition at Rockhaven.

- Competitive interest is common for freehold space. This is demonstrated by the pre-sale of Baylis Developments' six unit 30,000 sq ft scheme at Armstrong Business Park in Yate. This trend is now being seen with modern, well-specified, immediately available leasehold accommodation.

- There were a large number of occupier and developer land sales, particularly on Severnside, totaling 138 acres which will result in new development starts during 2022.

- A number of the existing large format buildings are under offer, forcing those with requirements in excess of 100,000 sq ft to look at design and builds.



Armstrong Business Park, Yate. Courtesy of Baylis.

Market Factsheet

Take-up 000s sq ft*



13%

10 year average 2.539m sq ft

Supply 000s sq ft



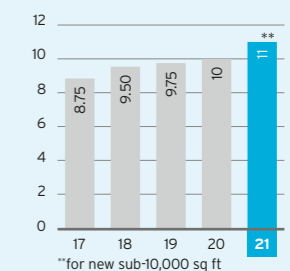
33%

10 year average 2.050m sq ft

Headline rent £psf



10%



**for new sub-10,000 sq ft

Take-up by sector %



75%
Distribution



25%
Manufacturing

Under construction/
planned for 2022
start



2.5 million SQ FT

Bristol



FlightClub, Corn Street, Bristol. Courtesy of Red Engine.



Assembly (Building A), Bristol.



Central Approach, Western Approach, Bristol.

RETAIL & LEISURE

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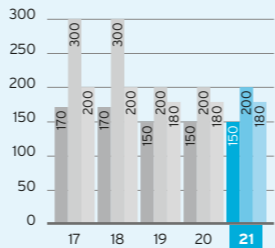
- The lockdown and unpredictable government restrictions during 2021 severely impacted the city's retail and leisure market. The re-opening of retail in April 2021 was significant and the recovery is ongoing, however footfall levels remain lower than pre-pandemic.
- Broadmead saw a number of high profile store closures, including Debenhams and Marks & Spencer. Both properties are attracting interest for alternative uses.
- Things look more positive at Cabot Circus. Ann Summers has relocated to a larger unit and Foot Locker has opened a new flagship store. Benedict Raven and eco-lifestyle store Prior also opened in Quakers Friars.
- The Mall at Cribbs Causeway is also attracting good occupiers with lettings to Tommy Hilfiger, Sky, ProCook and Ribble Cycles. Harrods has also announced that it will open a 'H Beauty' as one of three new stores outside of London. The much-anticipated Planet Ice also opened its doors in October.
- The city centre F&B sector continues to be the most active, with a high level of enquiries and new openings. Plans have been submitted to expand Cargo at Wapping Wharf and Flight Club, London Cocktail Club and Dirty Martini have all opened recently on Corn Street.
- Aldi and Lidl have announced big plans to open a number of new stores across Bristol and North Somerset. The new Aldi at Avonmeads Retail Park is set to open imminently and Lidl has announced it has taken the former H&M store on Union Street, Broadmead.

Market Factsheet

Zone A headline rent £psf



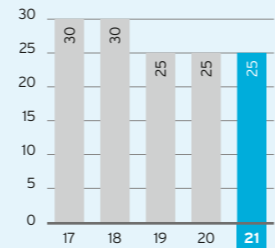
0%



Out of town headline rent £psf



0%



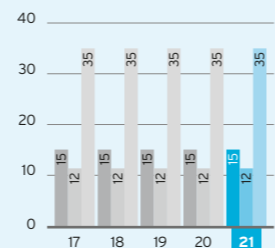
Leisure headline rent £psf



0%

0%

0%



INVESTMENT

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Significant transactions included:

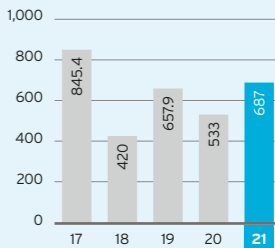
- Assembly (Building A).** This single let building was purchased by LCN Capital Partners from AXA in June 2021 for £134.2m reflecting a net initial yield of 4.71%. Building A totals circa 200,000 sq ft and has been pre-let to BT Plc on a 20 year lease and will become its regional HQ building accommodating more than 2,000 staff. The property is a landmark waterfront office building forming part of the new Temple Quarter Enterprise Zone. AXA is constructing two further office buildings totaling circa 120,000 sq ft to complete the scheme.
- Central Approach, Western Approach.** Trebor Developments sold Central Approach to AXA IM in May 2021 for £20.6m in a forward funding deal. This reflects a net initial yield of 3.60%. The property is a circa 108,000 sq ft high tech, manufacturing facility that is pre-let to Oxford Instruments on a 20 year lease and is due for completion in March 2022. The property will be a state-of-the-art new manufacturing and office HQ for Oxford Instruments.
- One Castle Park.** Circle Property sold One Castle Park to Boulton Brooks for £20m in September 2021 reflecting a net initial yield of 4.70%. The property is a refurbished multi-let city centre office building totaling circa 80,000 sq ft with a weighted unexpired lease term of 3.3 years to expiry with a total rent passing of £999,543 per annum.
- 15-33 Union Street.** AEW UK REIT purchased 15-33 Union Street for £10.19m reflecting a net initial yield of 8%. This circa 63,000 sq ft retail property is located opposite The Galleries Shopping Centre and near Cabot Circus, in an area that has been identified as a major regeneration area.

Market Factsheet

Volume of investment transactions £ms



29%

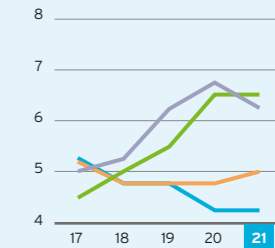


10 year average £476.81m

Prime yields %



Industrial	4.25%
Office	5%
Retail High Street	6.5%
Retail Out of Town	6.25%



Investment by sector %



41%

Office



48%

Industrial



8%

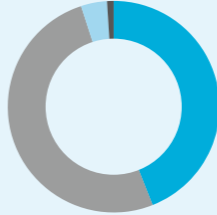
Retail



2%

Other

Total sales by purchaser type %



Institutional / Pension Fund	44%
Property Company	51%
Private Investor	4%
Other	1%

Cardiff

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OFFICES

- Whilst many occupiers are still juggling working from home and the office, others such as Admiral and First Source have released space into the market. Our client feedback is that most would like a return to the office in some form, but new Covid variants are likely to further delay any major decisions.
- Take-up is down 21% compared to the previous year and 53% down on the five year average which has decreased slightly to 510,000 sq ft. Not a pleasing statistic as the city already lags behind its UK contemporaries. As many occupiers seek to downsize, most enquiries and transactions are for suites of less than 5,000 sq ft. Out of town deals account for over 50% of the total.
- Notable deals included DWP taking 13,168 sq ft at Ty Bevan in Llanishen, Gen Med Ltd taking 12,266 sq ft at Fountain House in St Mellons and Euroclad taking circa 15,000 sq ft at Severnside, also in St Mellons.
- Further release of space at Central and Callaghan Square has pushed Grade A availability beyond 350,000 sq ft. This includes JR Smart's John Street which will release 109,000 sq ft in early 2022.
- Headline rents in the city are stable at £25 psf and we predict they will remain at this level throughout 2022 due to the overall shortage of Grade A stock.



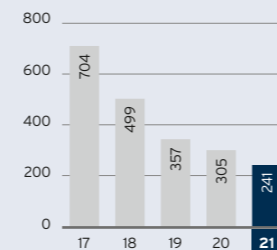
Euroclad, Wentloog Corporate Park, St Mellons. Courtesy of S Gambarini.

Market Factsheet

Take-up 000s sq ft



21%
↓

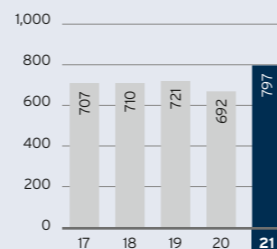


10 year average 507,000 sq ft

Supply 000s sq ft



15%
↑



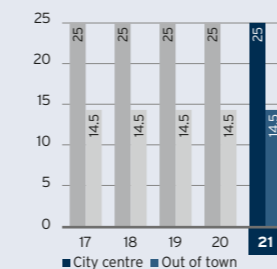
10 year average 841,000 sq ft

Headline rent £psf



0%
City centre

0%
Out of town



Take-up by sector %



11%
Finance



22%
Healthcare



10%
Professional Services



9%
Public Sector

Under construction/
refurbishment



109,000 SQ FT



Unit 1, Fforest Farm, Longwood Drive, Cardiff.



The Port of Cardiff. Courtesy of Associated British Ports.

INDUSTRIAL & LOGISTICS

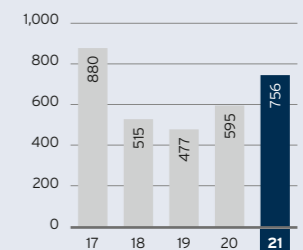
- Cardiff's industrial market continued to outperform other property classes due to constant demand, particularly for space under 5,000 sq ft with high eaves and above average sized yards.
- Enquiry levels remained strong as industrial tenants were less impacted by Covid, with some even benefiting, particularly distribution and trade counter businesses.
- The majority of deals in 2021 were for space below 5,000 sq ft with fewer deals above 20,000 sq ft which follows recent trends. In order to meet demand, landlords continue to split larger units to meet occupier demand and achieve a higher rent psf.
- The largest transaction was the letting of Unit 1 at Fforest Farm at J32 of the M4 to Cytiva totaling 119,000 sq ft at £5 psf. This deal, combined with other market activity, pushed the total take-up for the year to 756,000 sq ft, up 27% on 2020 and 58% on 2019.
- Developers strongly outnumber development sites around the city fringes and along the M4. Industrial portfolios are being refurbished to meet the market's demand for good quality stock. Notably, Associated British Ports have identified Cardiff as one of its strategic sites for development and will be preparing land for development over the next 18 months.
- Headline rents increased to £6.10 psf and are predicted to rise further in 2022.

Market Factsheet

Take-up 000s sq ft



27%
↑

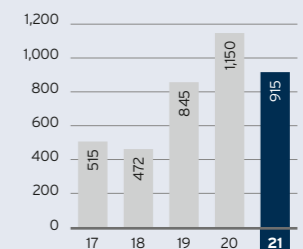


10 year average 594,000 sq ft

Supply 000s sq ft



20%
↓

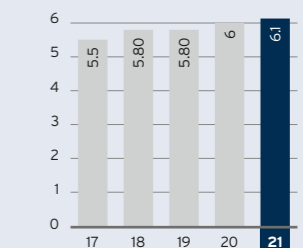


10 year average 957,000 sq ft

Headline rent £psf



1.6%
City centre



26%
Supply at The Port of Cardiff



11.5%
2021 deals over 20,000 sq ft

Cardiff



Cardiff Central Bus Interchange.

RETAIL & LEISURE

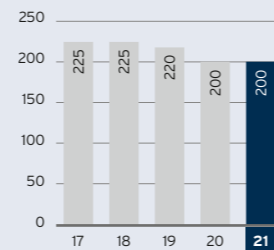
- Another tough year ends with contrasting fortunes for Wales and Cardiff compared to the rest of the UK. In August, the Wales Retail Consortium reported a 14.4% decrease in footfall in Cardiff on two years ago, the shallowest decline of any UK nation. Then Omicron arrived, the Welsh Government imposed stricter rules than England, and the leisure sector felt the pain.
- On a brighter note, St David's Shopping Centre attracted Phase Eight (2,135 sq ft) and was joined by its sister brand Hobbs, (3,024 sq ft) and Rituals making its Welsh debut with a new 875 sq ft boutique. These latest openings form part of 68,000 sq ft of new lettings announced at the Centre in 2021, including ZARA, Breitling, Morphe, Mallows Beauty and Sky. The Debenhams store remains vacant.
- Construction of the impressive Interchange building continues at Central Square, forecast to complete at the beginning of 2023. It will provide four independent ground floor retail units fronting a 14-bay bus station with associated public concourse. Above will be a split-plate multi-storey car park for 249 cars, an independent 120,000 sq ft GIA office block and 318 Build to Rent apartments.
- Pipeline developments include a seven year masterplan for Atlantic Wharf in Cardiff Bay, anchored by a £150m indoor arena and 150 bed hotel.

Market Factsheet

Zone A headline rent £psf



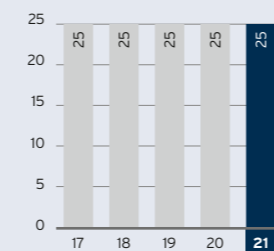
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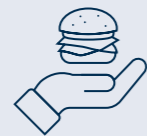
Out of town headline rent £psf



0%



Leisure headline rent £psf



0%

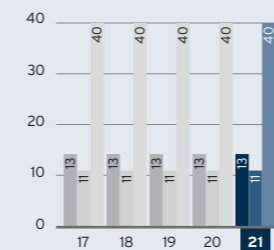
0%

0%

Cinema

Health & Fitness

A3/A4



72-76 Queen Street, Cardiff.



3 Harbour Drive, Cardiff.

INVESTMENT

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Significant transactions included:

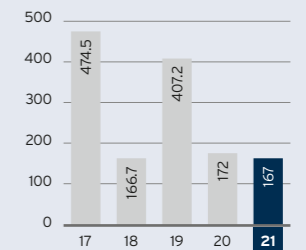
- **Unit 1, Forest Farm Industrial Estate, Longwood Drive.** Unit 1 Forest Farm Industrial Estate was bought in September 2021 by London Metric for £11.06m reflecting a net initial yield of 5.00%. This circa 118,000 sq ft urban logistics warehouse is let to Global Life Sciences on a new 10 year lease with RPI rental uplifts and a passing rent of £595,000 per annum. The building is located in an established Life Sciences location, adjacent to J32 of the M4.
- **72-76 Queen Street.** Topland Group purchased this prime retail unit on Queen Street from M&G for £2.32m in July 2021, reflecting a net initial yield of 6.42%. The circa 120,000 sq ft retail unit is let to Marks & Spencer PLC for a further 135 years, having occupied the building for over 80 years. The passing rent is £1.61m per annum.
- **3 Harbour Drive.** This key office deal saw KAMCO purchasing 3 Harbour Drive from Global Mutual for £25.025m. The circa 97,000 sq ft Grade A office building is let to Atradius Ltd.

Market Factsheet

Volume of investment transactions £ms



3%

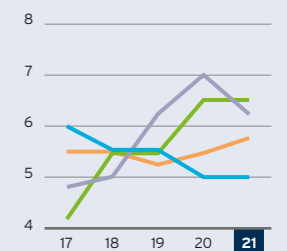


10 year average £216.35m

Prime yields %



Industrial	5%
Office	5.75%
Retail High Street	6.50%
Retail Out of Town	6.25%



Investment by sector %



30%

Offices



27%

Industrial



30%

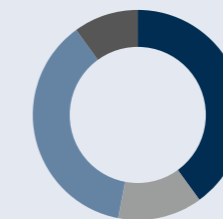
Retail



13%

Other

Total sales by purchaser type %



Institutional / Pension Fund	40%
Property Company	13%
Private Investor	37%
Other	10%

Exeter

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OFFICES

- The flight to quality in the office market can be seen by the spread of transactions that took place in 2021. The top end of the market saw good levels of demand as businesses sought to provide the best space to tempt staff back to the office.
- Winslade House saw just over 32,000 sq ft transact as the first phase of occupiers start to move in. By offering a variety of leases, from flexible workspace up to longer term traditional leases, Burrington Estates have created high quality space to suit all budgets.
- The remaining Grade A ground floor space at 1 Tiger Moth Road, SkyPark was let to Troy UK, a fast growing business which already occupies the first floor. Rents on the space are now £20 psf +.
- New build and refurbished space is planned and quoting rents for the best space in the city centre is now £25 psf. Out of town at the business parks, rents will need to be at similar levels but as it stands no developer is looking to build speculatively.
- The growth in supply widely predicted because of the pandemic has not been seen. With leases running for several years, the true impact on occupation will only be seen in the next five years as most leases have been through an expiry or break.
- Headline rents were maintained in 2021 but incentives increased on a case by case basis. Occupiers looking for secondary space have had more choice and Q4 saw a raft of out of town lettings which showed that demand does still exist.
- With the changes in demand, we have seen an increase in conversations around conversion of city centre space to student housing and residential. These redevelopments will serve to reduce supply of secondary space and re-balance the market.



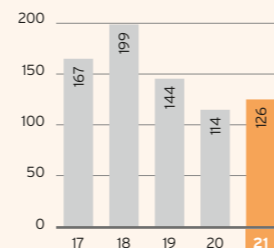
One Tiger Moth Road, SkyPark, Exeter.

Market Factsheet

Take-up 000s sq ft



10.5%

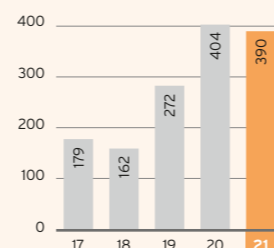


10 year average 147,000 sq ft

Supply 000s sq ft



3.5%



10 year average 300,000 sq ft

Headline rent £psf

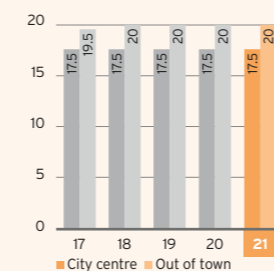


0%

City centre

0%

Out of town



Exeter Trade Park. Courtesy of Graftongate.

INDUSTRIAL & LOGISTICS

- 2021 saw continued strong demand in the industrial sector. Rents and capital values hit new highs and demand was strong across the board.
- The completion of new buildings at developments including Exeter Trade Park in Marsh Barton helped increase supply and also cement rental growth in the market. However as all the units were pre-let, the supply didn't exist long in the market. The Paloma Capital/Graftongate scheme will see Selco as its anchor tenant in a new 36,000 sq ft building and is a high profile example of successful redevelopment.
- The construction and pre-sale or pre-letting of units was one of the key themes for the year. There is so little existing stock available in the market that most of the take-up has come from new builds. New builds have been at the mercy of rampant construction cost inflation which has in part driven the rise in rents and capital values. With such low supply and strong demand, developers have been able to build at inflated costs and then price that in to the sale or letting to maintain viability.
- Occupiers are willing to pay the extra for new build space which is high quality, energy efficient and without defects. This transition from construction to pre-let means the supply of space has not increased, although some of the demand has.
- Trade counter quoting rents are now £14 psf + for the best space, sub 5,000 sq ft. Demand from trade occupiers at the top end of the market has been strong.
- Small unit demand remains extremely good and we have seen developments completing. The second phase of Mercury Business Park is under construction with terms being agreed at £175 psf. In 2022 we can expect these capital values to increase. Small unit rents have also taken a march forward. £10 psf + is now required a minimum for new build.



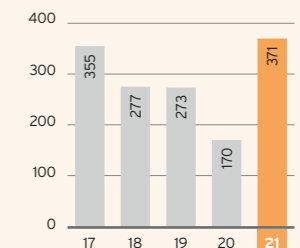
CGI of the Stovax Heating Group unit. Courtesy of St. Modwen.

Market Factsheet

Take-up 000s sq ft



118%

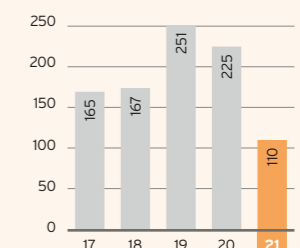


10 year average 370,000 sq ft

Supply 000s sq ft



51%

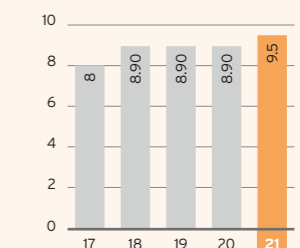


10 year average 217,000 sq ft

Headline rent £psf



6.7%



Exeter



Costa Coffee, Pynes Hill.

RETAIL & LEISURE

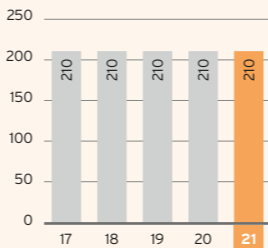
- Exeter saw a raft of new store openings in 2021. The largest new retailer was Ted Baker, replacing cosmetics brand Mac in Princesshay. The city centre also saw new food offerings from The Ivy, Luciano's and GDK. The Ivy in particular has had a positive impact on the city centre.
- BrewDog and The Botanist have opened at The Guildhall. This shows there is still demand for city centre space in the food and beverage sector and that the best brands see Exeter as a target location.
- The shift from pure retail to experiential offers continues with the opening of Locked in a Room, an escape room experience.
- One of the city's landmark buildings, The Royal Clarence Hotel, is set to be redeveloped as luxury flats as hotel development becomes unviable. Bringing more people to live in the city will be a benefit to local businesses. The quality of development is likely to be high so those new home owners should come with high disposable incomes and add to the buzz that The Ivy and No.5 have created.
- Out of town there were limited closures during the pandemic. Hobby Craft replaced Carpetright at Rydon Lane Retail Park.
- Demand remains very strong for drive thru restaurants with Costa Coffee opening a new branch at Pynes Hill. The market continues to flourish with rents at just under £40 psf for the best sites.
- Demand in the leisure market is outstripping supply. Operators like Ninja Warrior and gyms continue to look for space, much of it quasi-industrial. The size of gym requirements out of town has increased as demand from gym goers continues to increase. Unfortunately demand from traditional users of the space remains strong and therefore change of use is not possible.

Market Factsheet

Zone A headline rent £psf



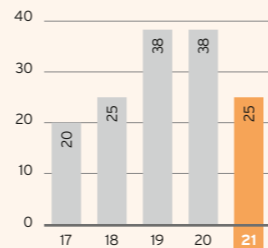
0%



Out of town headline rent £psf



47%



Leisure headline rent £psf



0%

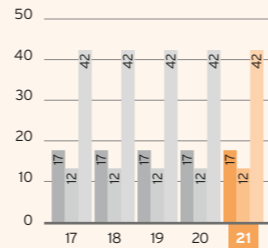
0%

0%

Cinema

Health & Fitness

A3/A4



Broadwalk House, Southernhay Gardens, Exeter.

INVESTMENT

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Significant transactions included:

- Kestrel Way, Sowton Industrial Estate.** This single let industrial unit was purchased by London Metric in September for £6.1m reflecting a net initial yield of 4.23%. The unit which totals circa 47,000 sq ft is single let to Jewson with 17 years remaining on the lease. Sowton is one of Exeter's most desirable industrial estates.
- Broadwalk House, Southernhay Gardens.** Castleforge purchased this city centre office building for £13m reflecting a net initial yield of 5%. The circa 80,000 sq ft office building is multi-let to a variety of tenants. The office is held long leasehold with 188 years remaining. The building offers modern, flexible office space and is located in the middle of the Castle Quarter and close to Exeter's Quayside.
- Exeter Gateway Logistics Park.** Urban Logistics REIT purchased Exeter Gateway (DC4) in September for £4.78m reflecting a net initial yield of 5.3%. This is a forward funding deal of a circa 30,000 sq ft new build industrial unit. The company already has a number of units at Exeter Gateway.



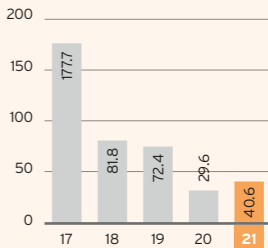
Exeter Gateway Logistics Park, Exeter.

Market Factsheet

Volume of investment transactions £ms



37%

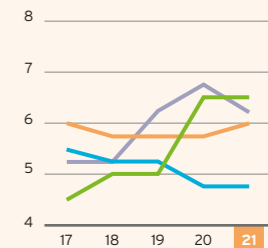


10 year average £76.82m

Prime yields %



Industrial	4.75%
Office	6%
Retail High Street	6.5%
Retail Out of Town	6.25%



Investment by sector %



21%

Offices



40%

Industrial



38%

Retail



0%

Other

Total sales by purchaser type %



Institutional / Pension Fund	30%
Property Company	35%
Private Investor	35%

Gloucester

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OFFICES

- Demand for office space in Gloucester continues to improve as the sector reacts to the pandemic. Not only has space been re-occupied but the drive for improved staff wellbeing and a shift to less intensive occupation has added to increased demand.
- Take-up for 2021 totalled approximately 250,000 sq ft, well exceeding previous years' take-up.
- Supply of space remains very low in both out of centre and city centre locations and there has been an absence of any speculative new build development for over 10 years. These factors look set to continue and so choice of available properties will most likely remain limited.
- These factors have pushed a number of key occupiers requiring larger space to start considering new build bespoke development as the best option for certainty of delivery.
- The letting of some 88,000 sq ft of office space to EDF at Gloucester Business Park was 2021's most significant transaction. EDF took Javelin House, the former headquarters building for Horizon Energy, together with five other buildings on the Park as it relocates its operation from Barnwood. The move ensures that Gloucester retains its status in the energy sector and also highlights the key skills present in that sector.
- Now in parallel with out of centre demand, demand for office space in the city centre has continued to increase year on year. This is very good news for the City and bodes well for the various city centre regeneration projects that are ongoing.
- The market conditions have led to an increase in headline rents for out of centre space, which now sits at £22.00 psf and an increase to £12.00 psf for city centre space.



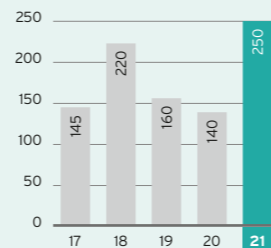
Javelin House, Gloucester.

Market Factsheet

Take-up 000s sq ft



78%

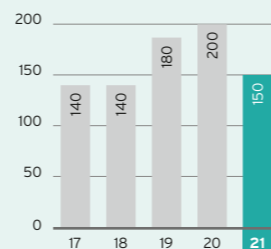


10 year average 157,500 sq ft

Supply 000s sq ft



25%



10 year average 160,000 sq ft

Headline rent £psf

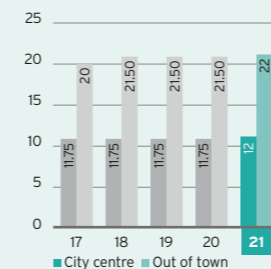


2%

City centre

2%

Out of town



Key occupier by sector %



35%

Energy



10%

Service

Under construction/
refurbishment



33,000 SQ FT



Festival Trade Park, Cheltenham. Courtesy of Northwood Urban Logistics.

INDUSTRIAL & LOGISTICS

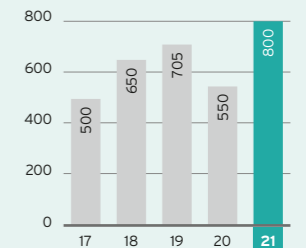
- The industrial warehouse sector performed extremely well during 2021. The greatest demand for space throughout the year came from the distribution sector although Q4 did see an upswing in demand from manufacturers.
- Total take-up for the year hit approximately 800,000 sq ft, exceeding 2020 which in itself had been the highest take-up level for 15 years.
- Delivery of new speculatively-built space continues at St. Modwen Park Gloucester with the completion of the Phase 2 scheme comprising four mid-box units ranging from 36,000 sq ft to 55,000 sq ft. The 55,000 sq ft building has been let to Gardiner Bros and a 54,000 sq ft building has been let to Schlumberger. A speculative start has also been made on a building of 60,700 sq ft which is due for completion in summer 2022.
- During 2021, St. Modwen also completed the construction of the 116,000 sq ft Unit 4 which has been delivered on pre-let terms for Gardiner Bros and a start on site has been made to construct a 167,000 sq ft warehouse building for ProCook, also on pre-let terms.
- In Cheltenham, Northwood Urban Logistics are well on track to complete the speculative development of Festival Trade Park located in Kingsditch Trading Estate. This will provide a total of 91,300 sq ft in 14 units. Practical completion is due in February and currently approximately two thirds of the space is under offer.
- Peveril Securities has just completed the development of the new 125,000 sq ft distribution facility for Amazon at Centre Severn, Gloucester. The bespoke development includes a total site area of some 14 acres and a 270,000 sq ft decked van park.

Market Factsheet

Take-up 000s sq ft



45%

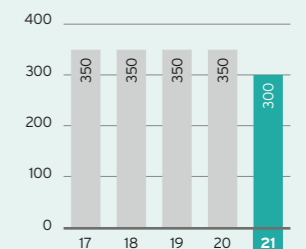


10 year average 518,000 sq ft

Supply 000s sq ft



14%

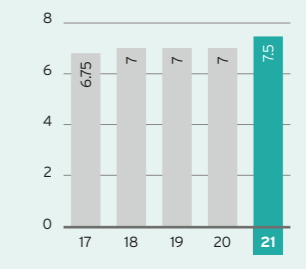


10 year average 372,000 sq ft

Headline rent £psf



7%



Key occupier by sector %



75%

Distribution



25%

Manufacturing

Under construction/
refurbishment



425,000 SQ FT

Gloucester



CGI of the University of Gloucestershire's new campus.

RETAIL & LEISURE

- The most significant event for the city centre during 2021 was the University of Gloucestershire's acquisition of the former Debenhams department store in Kings Square. The building extends to 215,000 sq ft and has been a landmark building in the centre of Gloucester since the original part was constructed in the late 1930s. The University has acquired the building for conversion to an educational facility specializing in providing health and care courses, with works due to start early in 2022 for a completion for the start of the September 2023 academic year. This is a huge boost for Gloucester and the potential benefits to the central area and the city generally could be significant.
- Gloucester City Council and development partners REEF are pressing ahead with the Kings Quarter re-development scheme. Following on from the re-modelling of Kings Square, REEF is promoting The Forum which is set to be the first major phase of the scheme and is to be located on the gateway approach from the newly developed bus station. The Forum is proposed to provide office, co-working, leisure, residential, restaurant and café uses linking to a multi-story car park.
- The next phase of Bakers Quay, Gloucester Docks being the conversion of Downings Warehouse has been further delayed through planning. The scheme is a key element in creating the connection between Bakers Quay and Gloucester Quays. A start on site in the autumn is hoped for which would lead to delivery in 2024.
- Elsewhere, Robert Hitchins has made a start on site with its major factory outlet and garden centre scheme located adjacent to Junction 9 of the M5 at Tewkesbury.

Market Factsheet

Zone A headline rent £psf

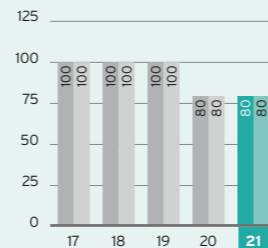


0%

Eastgate St

0%

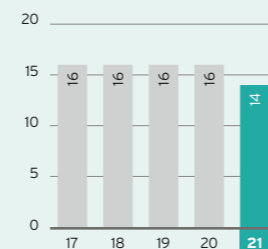
Kings Walk



Out of town headline rent £psf



12.5%



Leisure headline rent £psf



0%

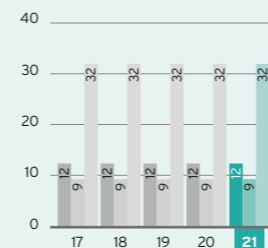
Cinema

0%

Health & Fitness

0%

A3/A4



Costa Coffee Drive Thru, Triangle Park, Metz Way.



Centre Seven, Barnwood.

INVESTMENT

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Significant transactions included:

- Costa Coffee Drive Thru, Triangle Park, Metz Way.** A private investor purchased this 1,851 sq ft Costa Coffee drive thru for £1.3m reflecting a net initial yield of 4.7%. The property is let to Costa Limited for a further 10 years with a rent passing of £64,785 per annum.
- Madleaze Trading Estate.** Picton Property Income purchased this circa 300,000 sq ft multi-let industrial estate for £13.1m reflecting a net initial yield of 5.4%. The estate has 18 units with a rental income of circa £750,000 pa with two vacant units. The quoting price was £12m and attracted a lot of investor interest, illustrating the demand for the industrial sector.
- Centre Seven, Barnwood.** Uttlesford District Council purchased this circa 123,000 sq ft single let warehouse for £42m in March, reflecting a net initial yield of 4.1%. The unit is pre-let to Amazon for 15 years at £15 per sq ft. This was an off market deal.

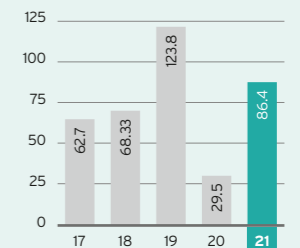
Market Factsheet

Volume of investment transactions £ms



193%

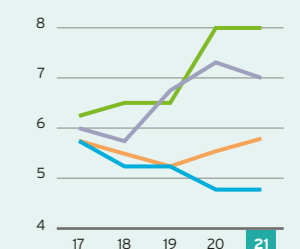
10 year average £62.01m



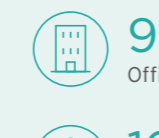
Prime yields %



Industrial	4.75%
Office	5.75%
Retail High Street	8%
Retail Out of Town	7%



Investment by sector %



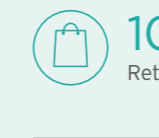
9%

Offices



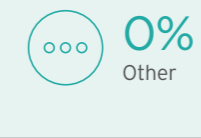
71%

Industrial



10%

Retail



0%

Other

Total sales by purchaser type %



Institutional / Pension Fund	39%
Property Company	31%
Private Investor	30%

Bath



CGI of Bath Quays South.

OFFICES

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- Whilst the Bath office market saw an increasing level of supply, this didn't have a negative impact on activity levels, with take-up in line with recent years and headline rents increasing.
- Take-up in 2021 reached circa 90,000 sq ft, which is very similar to 2020. The majority of activity was sub 5,000 sq ft, with lettings completing in Westpoint, Northumberland Building and Queen Square.
- Top headline rents in Bath city centre increased to £32.50 psf and we expect them to continue to rise during 2022, with lettings at the recently completed speculative development at No.1 Bath Quays.
- The supply of immediately available, modern, open plan accommodation within the city has previously restricted the Bath market in recent years. However, as a result of new developments, refurbishment projects and a change in working practices, there has been a rise in supply over the last 12 months. Total supply currently stands at circa 160,000 sq ft, the highest it has been in recent years. This figure includes 45,000 sq ft at the South Quays development, where a number of lettings are already in solicitors' hands.

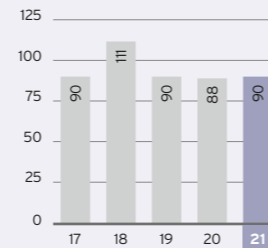
Market Factsheet

Take-up 000s sq ft



2.3%

10 year average 79,000 sq ft

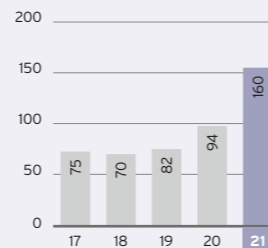


Supply 000s sq ft



70%

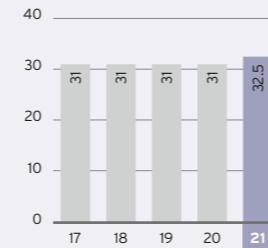
10 year average 89,000 sq ft



Headline rent £psf



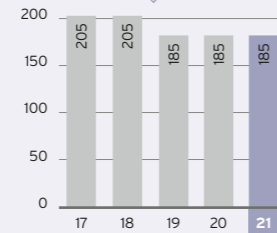
4.8%
City centre



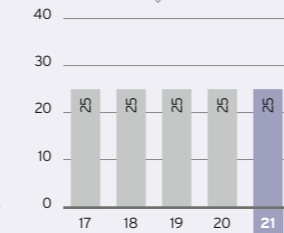
RETAIL & LEISURE

- Bath has struggled with the reduced number of tourists visiting the city. However there is strong demand from F&B operators. The Square Grill Restaurant and Piano Bar is set to open soon on Abbey Churchyard. Coppa Club has submitted a planning application to occupy the former GAP store on Old Bond Street.

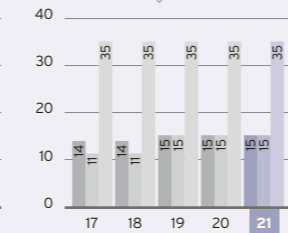
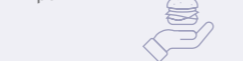
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf



■ Cinema ■ Health & fitness ■ A3/A4



Unit C88, St. Modwen Park Chippenham.



Midland Bridge House, Bath.

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 secondhand stock with no speculative industrial/distribution development and none expected for the foreseeable future.
- Occupiers struggling to find accommodation of a modern specification are being 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 pre-let 88,000 sq ft to Furniturebox. The balance of the scheme can accommodate buildings up to 800,000 sq ft.
- Due to the lack of supply, take-up mirrored the 2020 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 5,000 sq ft are now close to £13 psf per annum.

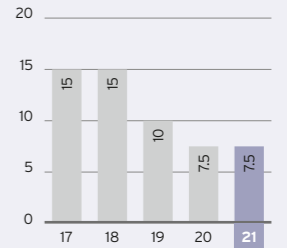
Market Factsheet

Take-up 000s sq ft



0%

10 year average 20,000 sq ft

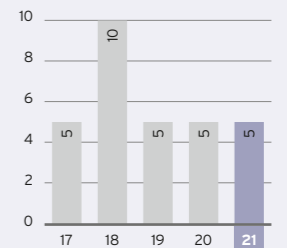


Supply 000s sq ft



0%

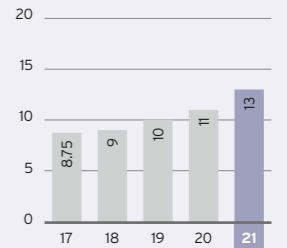
10 year average 27,000 sq ft



Headline rent £psf



18%



INVESTMENT

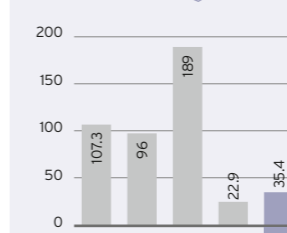
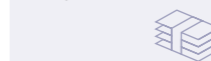
Oli Stretton

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Significant transactions included:

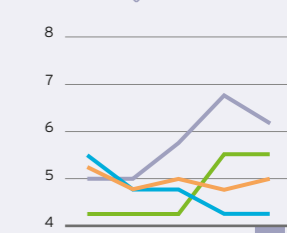
- Midland Bridge House.** A private family trust purchased the freehold of this office investment for £5.925m reflecting a net initial yield of 5.7%. The circa 18,500 sq ft office is located in the historic centre of Bath and is single let to Royds Withy King. There is a substantial car park offering longer term redevelopment opportunities.

Volume of investment transactions
£ms



■ Industrial
■ Office
■ Retail High Street
■ Retail Out of Town

Prime yields
%



Bridgwater



Angel Crescent, Bridgwater.

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OFFICES

- The take-up figures for 2021 include the occupation of Phase 2 and Phase 3 buildings at the Somerset Innovation Centre on Woodlands Business Park and are therefore significantly above the underlying long term trend, which is broadly similar to 2020.
- Demand rose within the town centre and the headline rent also improved slightly to £9 psf, an increase of 12.5% on the same time last year. Out of town rents are broadly similar.
- The level of supply has dropped substantially, partly due to the occupation of the Phase 2 and 3 buildings at Somerset Innovation Centre, which has stood vacant for some time.
- There is very little out of town available stock at present, with limited availability at the very popular business centre at The Exchange on Express Park but good availability of flexible office spaces at TCN's NEST@Mallard Court, both of which provide a range of offices and workspaces.

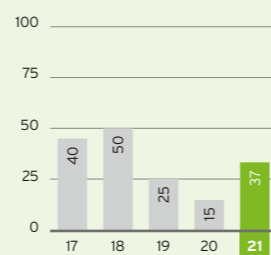
Market Factsheet

Take-up 000s sq ft



146%

8 year average 48,000 sq ft

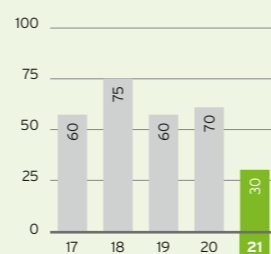


Supply 000s sq ft



57%

8 year average 65,000 sq ft

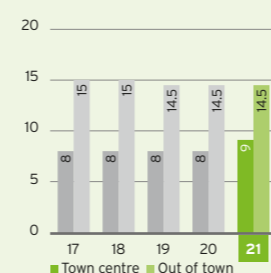


Headline rent £psf



12.5% 0%

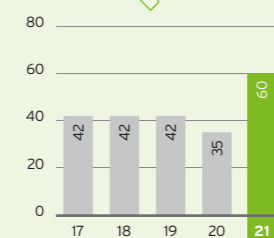
Town centre Out of town



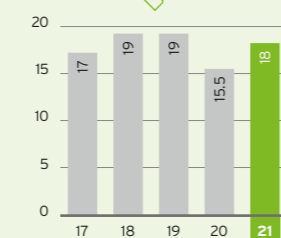
RETAIL & LEISURE

- Sedgemoor District Council's development Northgate Yard will be complete in October 2022. The scheme's seven screen cinema, eight lane bowling alley, sports bar and five restaurants to the northern edge of the town centre will deliver a first class entertainment and dining hub for the town and further the regeneration of the Northgate area.

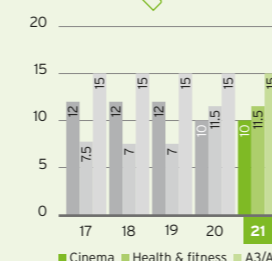
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



Monmouth Scientific building under construction.

INDUSTRIAL & LOGISTICS

- The availability (occupation from Q2 2022) of the Argos Distribution Centre at Huntsworth Business Park has added over 350,000 sq ft to the supply figures at the beginning of 2022 but that aside, the underlying supply did rise by around 8% during the year.
- Take-up was relatively good in 2021 with progress on a number of new build projects, notably at both Peninsula 23 and Bridgwater Gateway, with more construction starts likely into 2022 at both schemes.
- Rental levels have remained relatively stable over the past few years.
- Freehold demand for new build is good within the town with a number of local companies looking to expand and improve their property assets.

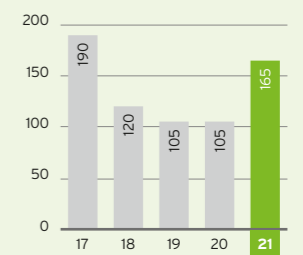
Market Factsheet

Take-up 000s sq ft



52%

8 year average 198,000 sq ft

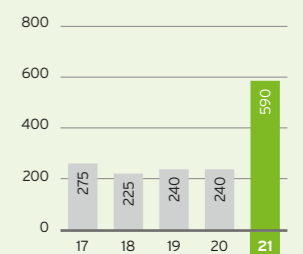


Supply 000s sq ft



145%

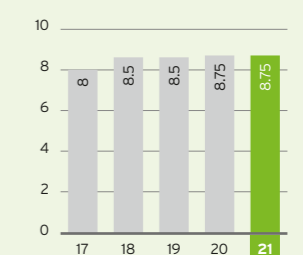
8 year average 320,000 sq ft



Headline rent £psf



0%



INVESTMENT

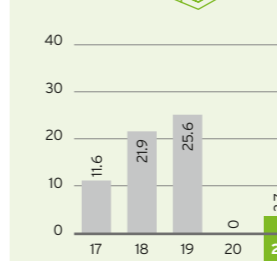
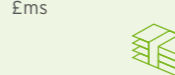
Oli Stretton

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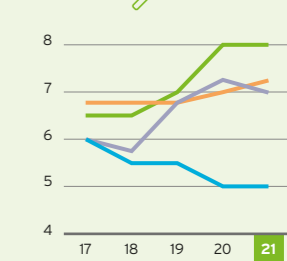
Significant transactions included:

- Polden Distribution Centre, Bristol Road.** LMF Holdings Ltd purchased the freehold of this single let industrial asset from Brookshire Capital for £4.7m, reflecting a NIY of 5.01%. The property totals circa 53,000 sq ft and is let to Butcombe Brewery Limited for 20 years from August 2017.

Volume of investment transactions £ms



Prime yields %



Plymouth

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OFFICES

- There were very positive signs in the office market in 2021, with transaction levels at a record high. The 2018 high of 167,000 sq ft was the previous record, beating the 145,000 sq ft transacted in 2012. With 71,200 sq ft transacted in the first six months of the year, there was a strong finish. The high demand is in part a build-up from 2020 and points to some real positivity in business sentiment.
- With such a positive demand picture, it is not surprising that the supply of space has dropped to its lowest ever level. The office market has been slow moving for some time so new development has been restricted.
- The increased demand and reduced supply should lead to improved demand for existing stock. Downsizing is likely to continue but demand is improving for better quality space as occupiers seek to attract staff back in to the office.

RETAIL & LEISURE

- The former Debenhams building is now under offer with the identity of the buyer unknown. Given the changes in shopping habits, the building is likely to re-open with an alternate use in place. B&M opened a new store in the former BHS unit. Drake Circus also found new occupiers and, as with other markets, new food and beverage brands continued to expand. Brew Dog opened at The Barcode as part of its national expansion.



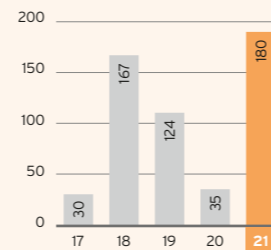
Market Factsheet

Take-up 000s sq ft



414%

10 year average 114,000 sq ft

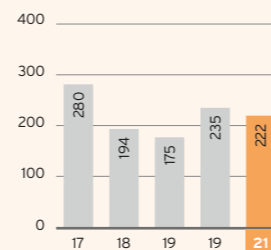


Supply 000s sq ft



6%

10 year average 284,000 sq ft



Headline rent £psf

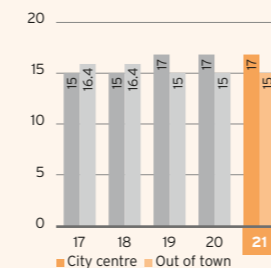


0%

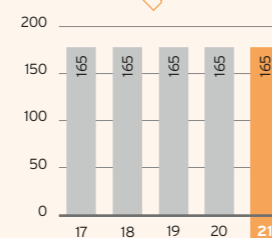
City centre

0%

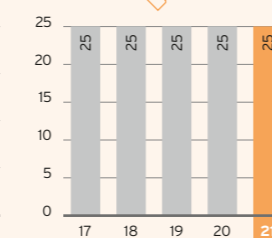
Out of town



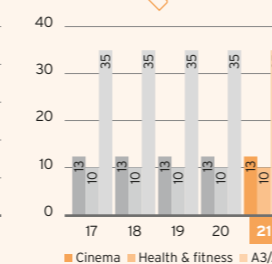
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



Bluewater Industrial Estate, Plymouth.



West Point & Centre Court, Exeter Street, Plymouth.

INDUSTRIAL & LOGISTICS

- Industrial take-up continues to rise in Plymouth market with 2021 posting the highest figures recorded, the previous high being 500,000 sq ft in 2012. The first half of the year saw the majority of transactions. As we would expect, the majority of transactions were sub 5,000 sq ft.
- The supply of industrial property is at its lowest level since 2018 and a fraction of what it was 10 years ago. With strong demand and reduced supply across the country, we are seeing developers react and try to deliver space. The City Council is helping to drive forward deliver at locations like Oceansgate and Phase 3 of the Header Court development in Langleigh.
- With the changes in consumer shopping habits, demand is set to continue in 2022 as the move from the high street to the warehouse continues.

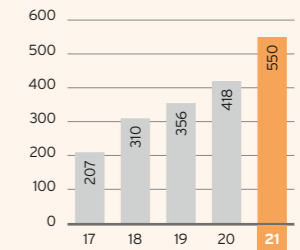
Market Factsheet

Take-up 000s sq ft



32%

10 year average 329,000 sq ft

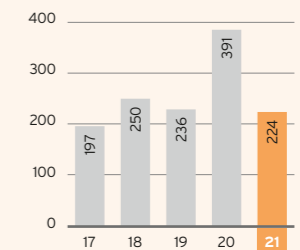


Supply 000s sq ft



43%

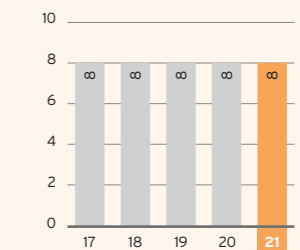
10 year average 379,000 sq ft



Headline rent £psf



0%



INVESTMENT

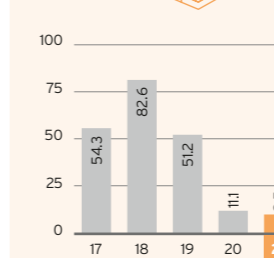
Oli Stretton

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Significant transactions included:

- Bluewater Industrial Estate, Bell Close.** Boundary Real Estate purchased this multi-let secondary industrial estate in April for £6.8m reflecting a net initial yield of 8.40%. The property is let to seven different tenants across 12 different units comprising 145,824 sq ft, plus some external storage and a solar farm.

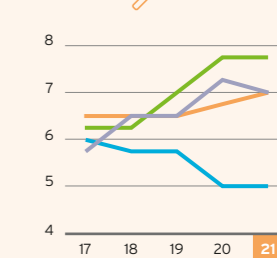
Volume of investment transactions £ms



Prime yields %



Industrial
Office
Retail High Street
Retail Out of Town



Swindon

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OFFICES

- Swindon's office market had a slow year with no large corporate relocations. Surplus space has been brought to the market, leading to an increase in supply as companies seek to balance office and remote working. This has resulted in a significantly lower than average overall take-up.
- The transactions that did take place were in the main out of town small deals where companies have focussed on acquiring space with its own front door and plentiful car parking. There has been a strong requirement for better quality workspace as employers seek to provide an improved working environment for their employees.
- The legal sector was the most active during 2021, with Royds Withy King, Hillman Pooley, and Wood Awdry Douglas all taking additional better quality offices.
- Construction of Zurich's new headquarters office building at Kimmerfields continues apace and is due for completion later this year. In addition to another 100,000 sq ft proposed office accommodation, Swindon Borough Council has published bold plans for the new Theatre and Cultural Quarter to be located in the heart of the Town Centre.

RETAIL & LEISURE

- Prime retail accommodation has struggled with more vacancies coming to the market including the Sainsbury's unit in the Brunel Centre. Several small independent traders have come to the Town and whilst most have been food and beverage operators, a number are of a specialist retail nature. Out of town, the Designer Outlet Centre continues to trade well. Just before Christmas, the complex was sold for £600m to LaSalle IM.



Ashville Court, Methuen Park, Chippenham.



Churchward House, Churchward, Swindon.



Headlands Trading Estate, Swindon.

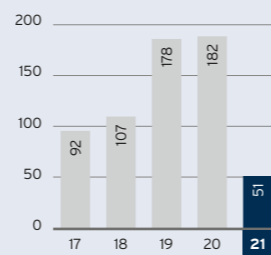
Market Factsheet

Take-up 000s sq ft



72%
↓

10 year average 161,000 sq ft

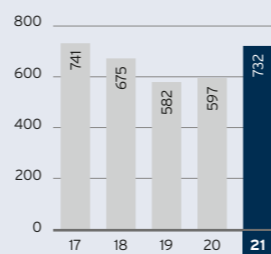


Supply 000s sq ft



22%
↑

10 year average 773,000 sq ft



Headline rent £psf

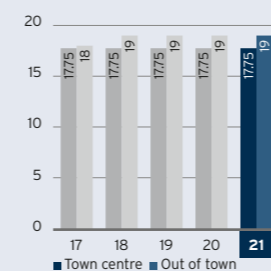


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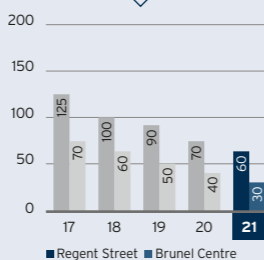
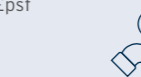
Town centre

0%

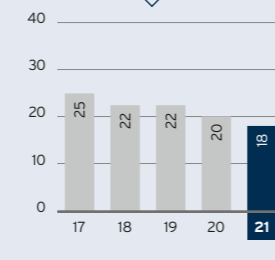
Out of town



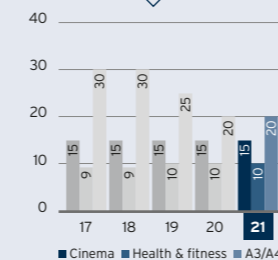
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf



INDUSTRIAL & LOGISTICS

- The industrial market has gone from strength to strength with rents increasing, incentives being reduced and a distinct lack of supply in many size ranges. We let three refurbished 50,000 sq ft hangars during 2021 but the lack of high quality large space with significant eaves height has meant that the overall level of take-up was below average. Trinity Park at Westmead (80,000 sq ft) attracted Bleckmann Logistics in Q2 and Ignition at Dorcan now has only one warehouse available. Phase Two which will comprise one 200,000 sq ft unit is due to commence construction in March.
- Several other large warehouses came to the market at Groundwell during 2021, largely as a result of the Honda closure and the knock on effect to the supply chain. There is strong interest in several of these and also at the former Honda site where Panattoni is working up its planning application. Swindon as a location remains very strong and the level of rent is favourable compared to the likes of Reading and Bristol.
- At St. Modwen Park Chippenham, Furniturebox's 88,000 sq ft pre-let is well under construction and at Ashville Court, Methuen Park, 15 of the 20 business units that form Phase One are under offer ahead of completion of the units in May. This underlines the pent up demand.

INVESTMENT

Oli Stretton

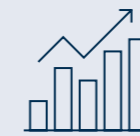
T 0117 317 1121 E ostretton@alderking.com

Significant transactions included:

- Sainsburys, Oxford Road.** Realty Income Corporation purchased this single let supermarket in June for £40.22m reflecting a net initial yield of 4.75%. This circa 77,000 sq ft supermarket is let to Sainsbury's with 18.5 years unexpired.

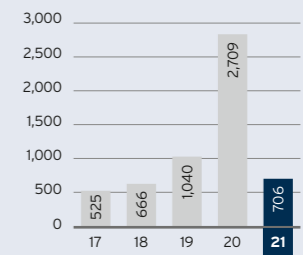
Market Factsheet

Take-up 000s sq ft



74%
↓

10 year average 1.093m sq ft

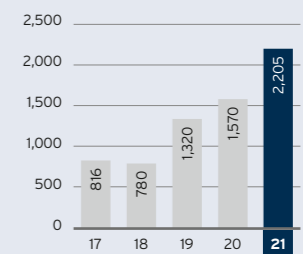


Supply 000s sq ft



40%
↑

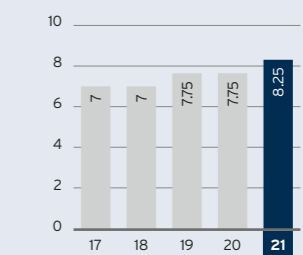
10 year average 1.364m sq ft



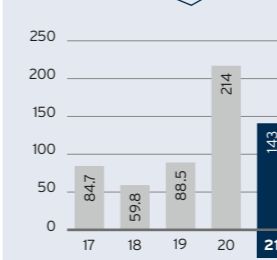
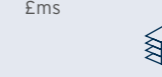
Headline rent £psf



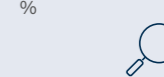
6%
↑



Volume of investment transactions
£ms



Prime yields
%



Taunton

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OFFICES

- The leasehold market in both the town centre and out of town on Blackbrook Business Park continued at a reasonable level, building on 2020.
- Rental levels on Blackbrook Business Park also improved slightly in the year, although the town centre hasn't seen rental growth in the last three years.
- The emerging medical/healthcare sector makes up a significant element of lettings under the revised Use Class E, making up just under 65% of transactions over the year. This includes the conversion of the 31,600 sq ft and never used Regional Fire Control Centre on Blackbrook Business Park to a state of the art diagnostic centre and offices. Clustering may well increase the number of healthcare related occupiers in the town, especially around Junction 25 of the M5, over the coming years.
- The Creech Castle Business Centre continues to thrive, with a further phase of serviced office accommodation.
- Meanwhile in January 2022, Gavin Eddy's Forward Space company will be launching its new creative workspace scheme in the converted Collar Factor next to Somerset County Cricket Club.

RETAIL & LEISURE

- The Coal Orchard development scheme is nearing completion. This comprises eight retail units including Class E, A3 and D2 proposed uses providing 18,566 sq ft of accommodation with apartments to the upper floors along the River Tone.
- Void levels remained relatively stable in 2021, with the largest vacant unit being the former Debenhams store on North Street, which was used as a pop-up cinema in the lead up to the Christmas.



Bedford House.



Coal Orchard.

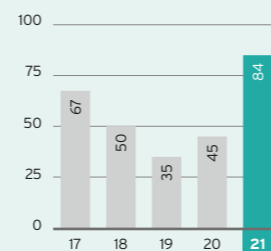
Market Factsheet

Take-up 000s sq ft



86%

10 year average 90,000 sq ft

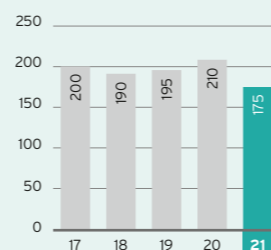


Supply 000s sq ft



16%

10 year average 175,000 sq ft



Headline rent £psf

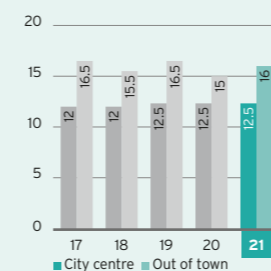


0%

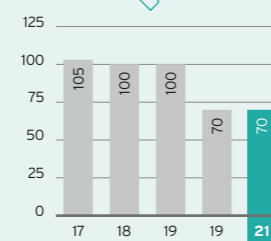
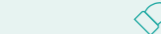
City centre

6%

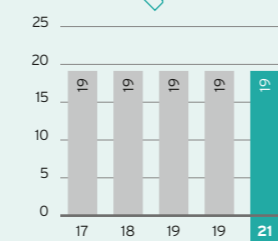
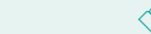
Out of town



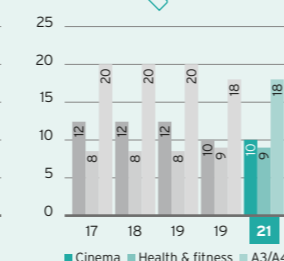
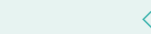
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



INDUSTRIAL & LOGISTICS

- IPIF's various schemes on the Crown Industrial Estate off Priorwood Road continue to enjoy strong interest and take-up across all formats and sizes. The refurbishment of Block M into seven units is already receiving good interest with several deals close to being agreed.
- Earlier in 2021 Coker Engineering's new build scheme at Monkton Heathfield also benefited from a rising level of enquiries with all units under offer at over £9 psf by May/June.
- At Westpark 26, Summerfield Developments are progressing well with Blocks C & D, new build units totalling just over 20,000 sq ft. All the units within Block C are under offer with the tenant line-up including Screwfix and Toolstation.
- Rents for secondary stock in Taunton have risen over the past year, whilst new build at Westpark 26, a useful barometer of the potential for Taunton rents, achieved £10 psf in 2021.
- Demand for freehold properties remains strong from both owner occupiers and developers/investors looking to benefit from the improving market conditions.
- Early interest for land at Comeytrove Business Park resulted in two deals being agreed on around four acres, with over four acres remaining.

INVESTMENT

Oli Stretton

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Significant transactions included:

- 3 Lisieux Way.** Assura Group Ltd purchased this single let office building in October for £3.6m reflecting a net initial yield of 9.5%. The office totals circa 47,000 sq ft and is let to Pathology Lab with a rental income of £366,109 per annum.

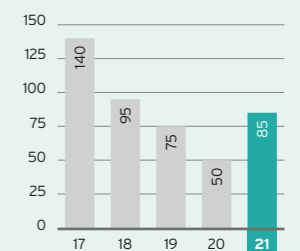
Market Factsheet

Take-up 000s sq ft



70%

10 year average 189,000 sq ft

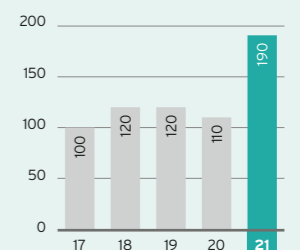


Supply 000s sq ft



72%

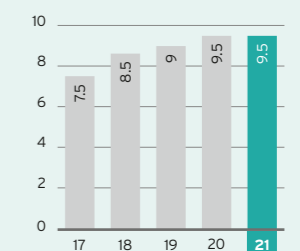
10 year average 188,000 sq ft



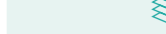
Headline rent £psf



0%

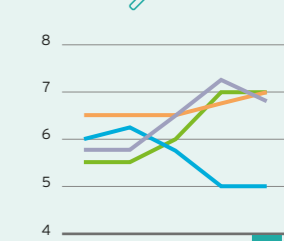
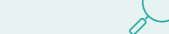


Volume of investment transactions £ms



Industrial
Office
Retail High Street
Retail Out of Town

Prime yields %



Truro

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OFFICES

- The office market in Truro and surrounding area has seen a rebalance, with a reduction in supply and increase in take-up over the last 12 months. This is in part a catch up in the market following earlier Covid-19 restrictions and there was a notable improvement in take-up in H2 2021.
- The majority of the take-up in 2021 related to small units of sub 3,000 sq ft. Whilst on paper, supply exceeds demand, those applicants seeking good quality stock within a specific location frequently find options limited. Both demand and supply in respect of stock in excess of 10,000 sq ft is patchy.
- Truro continues to be the commercial and administration centre for Cornwall. However it accounts for circa 32% of take-up with the remainder within the surrounding area/towns.
- Again, there has been no new build stock within Truro balanced against some limited new build within other mid-Cornwall towns.

RETAIL & LEISURE

- City centre vacancy rates increased with modest take-up levels.
- Zone A headline rents fell further and may fall further in order to achieve lettings. Following this readjustment, it is hoped some rent stability will be achieved as the demand and supply balance returns. By comparison, rent levels have held up for small units within stronger secondary locations.



Lemon Street, Truro.

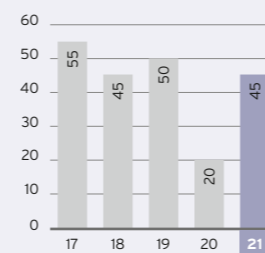
Market Factsheet

Take-up 000s sq ft



125%

10 year average 41,000 sq ft

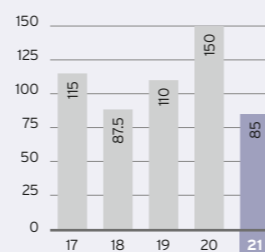


Supply 000s sq ft



43%

10 year average 130,000 sq ft



Headline rent £psf

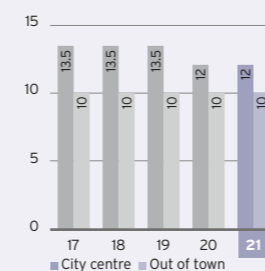


0%

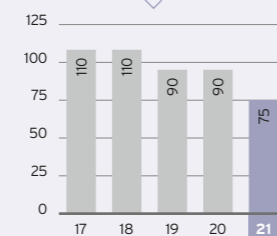
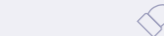
City centre

0%

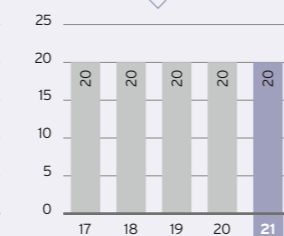
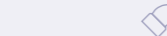
Out of town



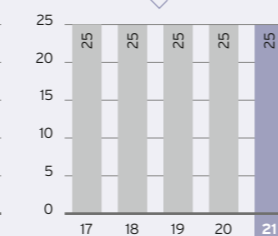
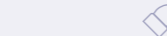
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



Former Hawkshead store, Town Quay, Truro.

INDUSTRIAL & LOGISTICS

- The industrial market has continued to strengthen over the last 12 months with a reduction in supply and increase in take-up. This is in part a catch up in the market following earlier Covid-19 restrictions.
- Demand continues to be focused along the A30 corridor and principal conurbations within Cornwall. The focus of the A30 corridor is expected to strengthen with the current dualling of the A30 between Carland Cross and Chiverton Cross.
- The backdrop of the current supply and demand situation has resulted in upward pressure on rents in most locations, particularly in respect of new/modern quality stock. Likewise applicants can have difficulty identifying suitable stock to meet their requirements, especially in respect of larger units.
- New development within the sector is generally not matching supply. Viability issues around new build with increasing build costs continue to be an issue for some.

INVESTMENT

Oli Stretton

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Significant transactions included:

- Treliske Industrial Estate.** London Metric purchased this retail warehouse property in May for £6.6m reflecting a net initial yield of 6.89%. This circa 37,000 sq ft unit is single let until June 2031 with an annual rent of £458,000 per annum.



CGI of new trade counter unit at Kerrier Way, Camborne, pre-let by Alder King.

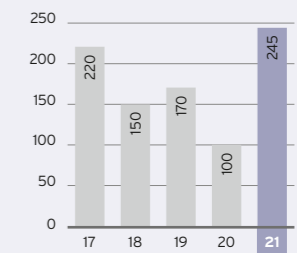
Market Factsheet

Take-up 000s sq ft



145%

10 year average 173,000 sq ft

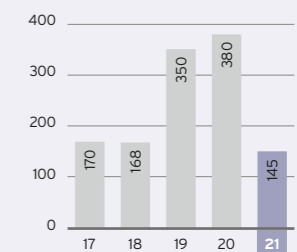


Supply 000s sq ft



62%

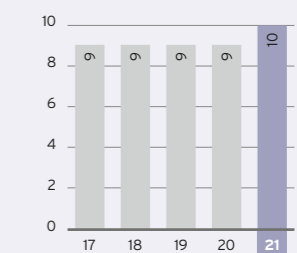
10 year average 311,000 sq ft



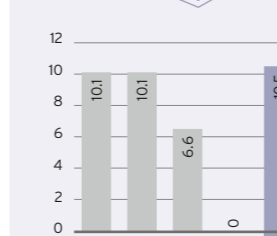
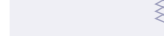
Headline rent £psf



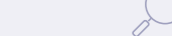
11%



Volume of investment transactions £ms



Prime yields %



North Somerset



Portishead Marina.



Unit 2D Marine View Office Park, Portishead.

OFFICES

Simon Price

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- The office market across North Somerset saw a steady level of take-up during 2021 but activity was generally restricted by a lack of supply of top quality modern accommodation in the three key centres of Weston-super-Mare, Clevedon and Portishead. With no new office space recently completed or under construction all activity was focused on secondhand space.
- In all three towns most active enquiries are currently in the 2 - 5,000 sq ft size range with occupiers generally seeking flexible short term leases or alternatively options available to purchase.
- As a result of the lack of new development over recent years, the level of supply in all three key towns is now very limited.

- Despite initial concerns immediately following the start of the pandemic, the level of occupier 'grey space' being released into the market remains very sustainable against current take-up and headline rents have as a consequence remained at pre-Covid levels in most locations.
- Headline rents for the best available space are in the £14.50 - £16.50 psf range depending on exact location. Due to its proximity to Bristol, Portishead continues to achieve the highest headline rents in North Somerset.
- Key occupier sectors are currently the flexible workspace operators, the TMT sector and the public sector.

Recently Completed Transactions

- Ground Floor Building 4 Rivermead Court, Clevedon**
Size 5,235 sq ft
Let to Glide Student & Residential Ltd
- Unit 2D Marine View Office Park, Portishead**
Size 1,735 sq ft
Let to Edenstone Homes
- Building 200 Worle Parkway, Weston-super-Mare**
Size 6,500 sq ft
Sold to Ascot Group

RETAIL & LEISURE

- North Somerset Council has ambitious plans to refocus and remodel the Sovereign Centre in Weston-super-Mare to increase footfall in the town centre. It intends to create a space with a wider range of uses including co-working space, cycle hub and event space.
- In Portishead, organic and ethical supermarket Earthfare opened on the High Street last summer. Several large gym operators are also keen to secure space in the town. The retailers and food operators within the marina development continue to trade well.
- There were a number of store closures across the regional high streets, which is creating opportunities for independent and start-up businesses to take up the vacant space.



Beaufighter Court, Weston-super-Mare. Courtesy of KMW.



Unit 3 Red Lodge Business Park, Weston-super-Mare.

INDUSTRIAL & LOGISTICS

Andrew Ridler

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- Take-up in North Somerset amounted to 133,000 sq ft, showing a 39% decrease on the 2020 figure of 214,400 sq ft.
- Supply is limited and primarily comprises secondhand space in the district's key centres of Weston-super-Mare, Clevedon, Portishead and Portbury.
- With the shortage of land in Greater Bristol, occupiers are increasingly considering opportunities further along the M5 with particular interest in Portishead, Portbury and Clevedon motorway junctions.
- The bulk of the immediately available land supply is in Weston-super-Mare. A number of new build speculative schemes are likely to commence at the Weston Business Quarter with KMW's next phase of Beaufighter Court comprising 14 units totalling 34,458 sq ft scheduled to start in Q2 2022.
- Historically there has been strong owner occupier demand for buildings in the size ranges up to 20,000 sq ft and, with the availability of labour and shortages of opportunities in Bristol, we consider there will be increased interest from larger format footloose occupiers.

Recently Completed Transactions

- Winterstoke Road, Weston-super-Mare**
Size 0.7 acres
Letting to Enterprise
- Unit 3 Red Lodge Business Park, Weston-super-Mare**
Size 11,453 sq ft
Letting to Victorian Sliders Ltd
- Unit 7a Westland Distribution Park, Weston-super-Mare**
Size 9,169 sq ft
Letting to Miers Construction Products Ltd

INVESTMENT

Oli Stretton

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Significant transactions included:

- 175 Kenn Road, Clevedon BS21 6LH.**
In January 2021, McCarthy & Stone purchased 175 Kenn Road for £2.79m. This is a circa 18,500 sq ft vacant industrial unit that McCarthy & Stone plans to develop into retirement housing of circa 62 units.
- A-Gas, First Avenue, Portbury, BS20 7XQ.** South Gloucestershire Council purchased this freehold industrial property for £6.2m in January 2021 which reflects a net initial yield of 5.73% NIY. This industrial unit totals circa 53,735 sq Fft

Residential Development Land



RESIDENTIAL LAND MARKET SUMMARY

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The residential development land market during 2021 continued to form a real world demonstration of the principles of demand and supply. Homeowner demand continued unabated, with the strong demand experienced after the initial shock of the pandemic continuing throughout 2021. House price increases have now become a sustained reality with many housebuilders reporting an inability to meet the rate of consumer demand, and forward order books stretching well into 2022.

Against this background of sustained demand, the expectation would be one of spiralling land values. However, for the first half of 2021, this was largely not the case. Land price increases were more muted due to exceptional increases in the cost of some building materials, further compounded by a shortage of labour. Supply chain issues initially caused by Brexit and exacerbated by the pandemic led to PLC housebuilders reporting build cost price increases of 20-40% over pre-pandemic levels. By the year end, supply chain challenges had begun to ease and whilst overall build costs remain higher, housebuilders are reporting more modest increases are being factored into land value appraisals.

By contrast, the situation with the supply of consented residential land has not eased. In fact the position worsened significantly during 2021. Local authorities remain

resource-constrained whilst the process of securing planning consent becomes ever more challenging. External complications, such as Natural England's requirement for planning authorities in Somerset to undertake a Habitats Regulations Assessment to ensure that phosphate levels in the watercourse are not increased has resulted in up to 11,000 plots across the region effectively being placed on hold. At the time of writing, no swift solution, deliverable at scale, has been identified whilst several local authorities within the region are unable to demonstrate a five year housing land supply.

The easing of build price increases and the continued throttle on land supply is now beginning to translate to some exceptional land prices. At the end of 2021, there was anecdotal evidence to suggest that terms are being agreed some considerable margin ahead of accepted market norms. Our expectation is that this will continue into 2022. Even with a recent change to the Bank of England base rate, consumer demand is expected to continue unaltered, resulting in 2022 being a potential bumper year for landowners with consented residential development land.

Recent Transactions

- **Bower Farm, Bridgwater.** Acting jointly on behalf of the landowners and Edward Ware Homes, Alder King sold land near Bridgwater to Countryside Homes for development of 260 houses. The land benefitted from a planning consent and Section 106 agreement negotiated by Alder King Planning Consultants. Alder King initially acted for the landowners in the appointment of Edward Ware Homes as promoter.
- **Sandpit and Hedway Farm, East Bridgwater Strategic Residential Extension.** Acting on behalf of Somerset County Council, Alder King has concluded a Promotion Agreement with EWH Ltd on a site of approximately 60 acres with a potential capacity of up to 700 new homes. Technical and planning is underway and an outline planning application is expected to be submitted later this year.
- **The Vassall Centre, Fishponds, Bristol.** Alder King acquired this circa three acre site on behalf of Bristol Charities. The redevelopment scheme includes 40 residential units for older people, over 40 affordable units, inter-generational housing, offices, nursery and medical centre.

Planning



STRATEGIC PLANNING SUMMARY

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WECA/North Somerset

2021 saw relatively limited progress with regard to regional planning. The West of England Combined Authority (WECA) is still preparing its Spatial Development Strategy, the blueprint for the region's future, which will include where new homes and jobs are needed. WECA is working with Bath & North East Somerset Council, Bristol City Council and South Gloucestershire Council to produce the strategy, which does not include North Somerset.

At the same time, North Somerset Council is working on its new Local Plan to 2038, which will replace the Core Strategy, Development Management Plan, and Site Allocations Plan. The Council's preferred spatial strategy was confirmed in April and the draft plan was due to be published for consultation before the end of the year but this did not materialise. 2022 should be far more exciting!

WECA's draft Spatial Development Strategy is due to be published in the spring for consultation, with the draft North Somerset Local Plan promised in March/April. These documents will inevitably generate much discussion about the likes of the region's housing requirements, the location of new housing and Green Belt boundaries.

Environment Act

Hot on the heels of COP26, November 2021 saw the long awaited Environment Act

becoming law. England's first Environment Act since 1995 follows the UK's departure from the European Union and enshrines the country's environmental governance in law.

Of major significance to the development industry, the Act establishes a lawful requirement for all new developments to achieve a minimum of 10% net gain in biodiversity. Although it will take until at least 2023 for the requirements to be formally incorporated into the Town and Country Planning Act, we can expect emerging development plan policies to fill the void in the meantime.

Use Classes

Following the introduction of the new wider Commercial, Business and Service Use Class (Use Class E) in late 2020 [<https://www.alderking.com/wp-content/uploads/2021/09/Alder-King-Planning-Use-Classes-Guide.pdf>], new permitted development rights came into effect in August 2021.

The most significant change has involved the introduction of the new Class MA Permitted Development Right which allows the change of use of Class E to residential of up to 1,500 sq m. The changes have primarily been made to support the high street revival. However, Class MA has come under a lot of resistance with Councils citing concerns over a loss of business space, harm to the town centre, and poor quality homes.

Recent Planning Permissions

1. **M2 City Link, Medway City Estate, Rochester, Kent.** Planning permission was secured for Location 3 Properties for B2/B8 occupation with potential for trade counters on unallocated land adjacent to ecologically sensitive sites. Overcoming traffic and environmental issues, permission was granted within the target three month window.
2. **Bristol Heart Institute Extension.** Full planning permission was secured for University Hospitals Bristol and Weston NHS Foundation Trust for an extension to the UK's leading cardiac surgery centre. The extension will provide additional in-patient bed spaces which will make a significant contribution to elective provision and assist the Trust in recovering the pre-pandemic position. Planning permission was secured in less than three months for a development which forms a key part of the Trust's strategic capital programme.
3. **Land off Wrington Road, Congresbury.** On behalf of Vistry Homes, we secured approval for reserved matters and associated discharge of conditions applications following outline permission in 2017. The detailed scheme is for 50 dwellings with 15 affordable units and a large area of public open space providing significant biodiversity enhancements.

Alder King

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