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PROPERTY CONSULTANTS

Market Monitor

South West of England and
South Wales Property Review

2023

Property intelligence
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Front cover: C106 Chippenham. Courtesy of St. Modwen.

Foreword

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

Simon Price
Head of Agency
Alder King



SUMMARY

The region's commercial property market delivered above average increases in take-up and rental growth last year as business space occupiers continued to adapt their occupational requirements to support growth and meet their ESG responsibilities. All 10 locations featured in this report confirm robust demand for commercial property despite the unsettled economic backdrop.

KEY FEATURES OF THE MARKET

Above Average Take-up

Total take-up in the South West office and industrial markets last year was up 6.7% and 11.3% respectively on the five year average. Cardiff's office market also delivered a healthy performance, with take-up 19% up on the same metric. This demonstrates a solid level of business confidence in the region.

Record Rental Growth

Headline rents for new business space increased more than once in the majority of locations. With quality supply tight



CGI of Welcome Building. Courtesy of Candour Group/Tristan Capital.

and a limited pipeline of speculative development, further rental growth is expected this year, albeit at a slower rate.

ESG takes centre stage

ESG is now the dominant topic for the property industry, with investors, developers and occupiers fully focused on sustainability goals, net zero targets and energy standards. It is the most significant decision-making factor for office occupiers and will become increasingly important for the industrial sector.

2023 Outlook

2023 may get off to an unsettled start in the investment market with an anticipated resetting of prices leading to renewed activity in the second half of the year. Our view is that the office and industrial occupational markets will remain buoyant, fuelled by a lack of supply in many locations and more limited development, especially in the office sector.

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
2022	1,830	3,541	5,738	5,579
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

Cardiff

Office and Industrial Take-Up and Supply (000 sq ft)

Year	Office Take-Up	Office Supply	Industrial Take-Up	Industrial Supply
2022	459	840	492	555
2021	241	797	756	915
2020	305	692	595	1,150
2019	398	1,012	1,184	1,378
2018	526	1,020	892	1,443

Key Market Trends

OFFICES SUMMARY

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The regional office market has continued its post-pandemic rally, with above average increases in take-up and top end headline rents in the majority of locations. Such is the strength of the Bristol city centre market that it now tops the UK regional office markets in terms of occupancy levels and headline rents.

Established hybrid working patterns have encouraged occupiers to focus on taking less space but of a higher quality. This has created a clear two-tier market between new/newly refurbished space with strong ESG credentials versus older un-refurbished space.

Whilst supply has increased in many markets, much of this is poorer quality un-refurbished space, much of which will attract alternative uses. In out of town markets, older business park buildings are also being lost to alternative uses including residential and, interestingly, industrial.

New Grade A developments are underway or recently completed in Bristol, Cardiff, Bath and Swindon. However, we expect to see fewer new speculative development starts this year due to the unsettled economic picture. This will restrict occupier choice and drive up headline rental levels on space already under construction.

Other key trends include:

- Shorter lease terms on less space
- High energy costs impacting occupation decisions, especially at the smaller end of the market
- An increasing level of healthcare and life science sector enquiries across a wide range of uses
- An increasing take-up of Cat A Plus/fitted space and deal sizes increasing

INDUSTRIAL & LOGISTICS SUMMARY

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The industrial and logistics market maintained its resilience and was again the strongest performing sector across the region, contributing to another significant year of UK take-up. Notably take-up was down in Bristol and Gloucester, primarily due to a lack of supply. Notwithstanding the economic uncertainty resulting from the Mini Budget and war in Ukraine, business confidence in the sector is robust but more considered.

Occupiers are increasingly influenced by the availability of labour and power, with location coming next. Demand remains driven by logistics, e-commerce businesses, government investment in infrastructure, supply chain safeguarding and some emerging signs of the repatriation of manufacturing.

The majority of centres are impacted by constrained supply with St. Modwen, Panattoni, Summerfield, Tristan Canmoor, KMW, Rockhaven and Burrington Estates active across the region.

The mid box market performed well in H1 2022 particularly in Bristol and Gloucester with there being a limited overhang in supply. This is leading to ongoing demand for pre-lets and pre-sales with the lack of supply leading to occupiers paying rents which support wider development viability. Freehold owner occupier demand remains strong.

Affordability will be an issue as the rental gap between new and good quality second-hand space has reduced significantly. We expect further upward pressure on rents, particularly for those facing their first rent reviews on space acquired in 2017/2018.



Festival Trade Park, Cheltenham. Courtesy of Northwood.

RETAIL & LEISURE SUMMARY

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Many local High Streets performed well in 2022 with smaller towns and suburbs becoming more vibrant, led by a mix of independent operators taking advantage of better located space previously unavailable to them and boosted by increasing home/hybrid working patterns.

Occupiers continue to face challenges brought on by rising energy costs, staff shortages and inflation. However, we are seeing more confidence from independents and start-ups who are able to adapt through initiatives such as flexible opening hours to overcome these obstacles.

Consumer confidence and footfall increased over 2022 and, despite cost of living rises, consumers are still spending on the high street, albeit with an increased focus on quality and value for money.

Empty retail space continues to be repurposed for alternative uses within the revised Use Class Order which offers more flexibility for uses such as offices and health sector.

New experience and activity-led leisure concepts continue to come into the market, building on the success of occupiers such as Flight Club and adding extra value to eating/drinking establishments.

Following the business rates revaluation, which will come into effect in April 2023, retail properties should see a decrease in Rateable Values. Largely driven by the increase in online sales and changes in traditional retail, this should present opportunities for occupiers previously put off by high business rates.

INVESTMENT SUMMARY

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2022 marked the end of a sustained period of capital growth for commercial real estate as economic headwinds destabilised capital markets. The UK economy has slowed in the face of geo-political events and rising inflation.

H2 saw weakening sentiment and pricing uncertainty reflected across all sectors. With the rising cost of debt finance, leveraged buyers are now unable to buy at anything like the same yields.

Market volatility and economic uncertainty has triggered many investors to adopt a "wait and see" approach, whilst those still acquisitive are finding a significant mismatch between buyer and seller expectations on pricing.

2023 is likely to be a challenging year for real estate but one which will also provide opportunities. By mid-2023 we expect to see inflation begin to fall, interest rates to stabilise and gilts to fall back due to increased investor confidence.

Sectors which are traditionally more inflation-proof such as operational markets and industrial and logistics will remain good long-term prospects, although development will be constrained by build cost inflation and yield softening. In the short term, performance will need to be driven by income return rather than capital growth.

The importance of ESG continues to build with sustainability having an increasing impact on value across all sectors. The "brown discount" for non-compliant buildings will increase, as will the "green premium" applied to the most sustainable buildings on the market.

Key Alder King Transactions



1. Ground Floor, Hermes House, Churchward, Swindon
Size 7,296 sq ft
Leasehold acquisition for MHA Monahans

2. Titan, Armstrong Way Business Park, Yate
Size 255,000 sq ft
Leasehold disposal for Mileway

3. Cascade 1 & 2, Aztec West, Bristol
Size 40,392 sq ft
Freehold disposal for private investor

4. Block 6, Westpark 26, Wellington
Size 15,200 sq ft
Design & build freehold sale for Summerfield Developments.

5. C106 Chippenham
Size 107,075 sq ft
Leasehold disposal for St. Modwen

6. Unit 10 St. Modwen Gloucester
Size 167,000 sq ft
Leasehold disposal for St. Modwen

7. Pivot & Mark, Baldwin Street, Bristol
Size 11,476 sq ft
Leasehold acquisition for private clients

8. 41 Corn Street, Bristol
Size 37,000 sq ft
Investment disposal for IV Real Estate

9. Withey Court & Dyffryn Court, Caerphilly
Size 277,000 sq ft
Investment disposal for Springfall Properties Ltd

10. Beaufort House, Exeter
Size 30,000 sq ft
Freehold disposal for One Serve

11. 4th Floor Redcliff Quay, Bristol
Size 11,903 sq ft
Leasehold disposal for L&G

12. Unit 21 Access 18, Avonmouth, Bristol
Size 24,000 sq ft
Leasehold disposal for St. Modwen

13. RS Components Building, Bristol
Size 13,500 sq ft
Freehold disposal for Bryan Property Holdings

14. 4th Floor Merchants House, Bristol
Size 8,153 sq ft
Leasehold acquisition for Opus Recruitment





6



7



8



9



10



11



12



13



14

Bristol



CGI of Welcome Building. Courtesy of Candour Group/Tristan Capital.

OFFICES

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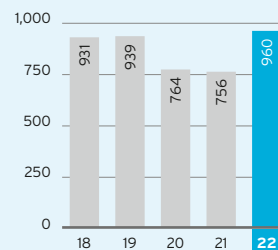
- The Bristol office market performed very strongly in 2022. Boosted by an excellent H1, the full year take-up was the highest since 2017 and ahead of the five year average in both the city centre and out of town markets.
- Key city centre transactions included Paymentsense taking 54,767 sq ft at CEG's EQ scheme and Deloitte taking 22,500 sq ft at Halo. Out of town, Boeing took 39,694 sq ft at 100 Bristol Business Park.
- The most active sectors during the year were the TMT, professional services and co-working/flex operators which between them accounted for over half of total take-up.
- A key feature of the market is the flight to quality with new developments at EQ, Assembly, Halo and 1 Portwall Square all securing lettings during construction. In addition Candour and Tristan Capital's Welcome Building which will deliver 207,000 sq ft in Q4 2023 is advancing rapidly.
- Comprehensive refurbishments are also underway at 100 Victoria Street and North Quay House. Out of town 1000 Aztec West will provide circa 80,000 sq ft of high quality space which will move headline rents on in that market during 2023.
- Top end lettings on prime new city centre space have taken Bristol headline rents ahead of other major regional cities including Birmingham and Manchester and currently stand at £42.50 psf with further growth likely during H1 2023.
- Occupier focus is now firmly on ESG credentials, wellness and building amenity with increasing headline rents often being driven by a reduction in size but increase in quality.

Market Factsheet

Take-up 000s sq ft



27%

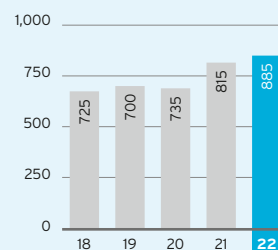


5 year average 870,000 sq ft

Supply 000s sq ft



8.5%

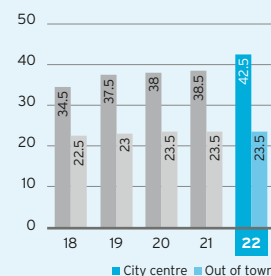


5 year average 772,000 sq ft

Headline rent £psf



10%
City centre



Most active sectors by take-up



Professional Services



Co-Working/
Flex Operators



TMT/Creative services

New build under construction



510,000 SQ FT

of which circa 118,000 sq ft already pre-let or under offer



Titan, Yate. Courtesy of Mileway.

INDUSTRIAL & LOGISTICS

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- Bristol's industrial and logistics take-up was 2.371m sq ft, down on the 2021 figure but constrained by the lack of immediately available space.
- Demand continues to be driven by e-commerce and the logistic providers seeking to improve and expand the efficiency of their networks.
- Key transactions included Gregory Distribution's acquisition of Hines' 160,000 sq ft Hercules Building at Cribbs Causeway and GPI's acquisition of Mileway's 255,000 sq ft Titan Building in Yate.
- Supply of immediately available mid-range space across the city is a continuing concern with construction price inflation and the softening of investment yields impacting the timing of delivery of new space.
- Competitive interest is still commonplace on existing freehold space and modern well-specified leasehold accommodation capable of occupation in a 2-3 month time frame.
- With restricted supply, rentals and capital values have increased. Despite the economic backdrop, demand is good but more considered.
- New build accommodation is concentrated on Severnside with limited opportunities on the east of the city. This situation is likely to change with the start of Glenmore's small unit scheme in Brislington.
- New development starts are underway on Severnside at St. Modwen's Access 18 where three buildings totalling 160,000 sq ft will be completed in May 2023 with 1.3 million sq ft in two buildings following Panatoni's recent acquisition of the former Mountpark XL site later in the year.

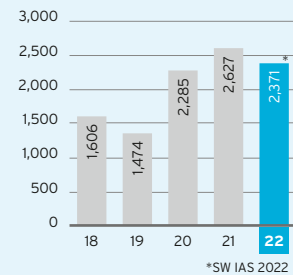
Market Factsheet

Take-up 000s sq ft



9.8%
↓

5 year average 2.148m sq ft

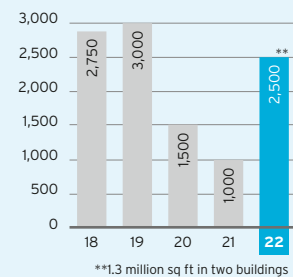


Supply 000s sq ft



150%
^

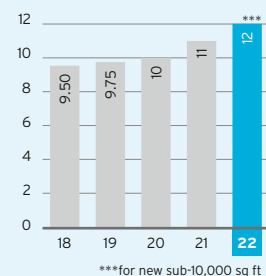
5 year average 1.85m sq ft



Headline rent £psf



9%
^



Take-up by sector %

2022



74%

Distribution



26%

Manufacturing

2021



75%

Distribution



25%

Manufacturing

Under construction/
planned for 2023
start



1.6 million SQ FT

Bristol



The Mall at Cribbs Causeway.

RETAIL & LEISURE

Sadie Cole

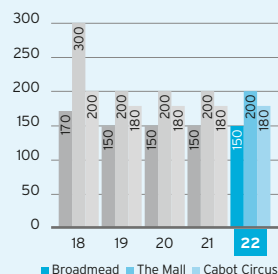
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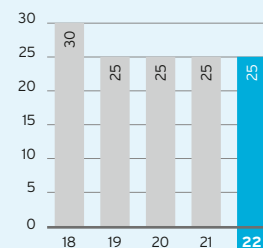
- The city's retail and leisure sector saw increased footfall and improving consumer confidence during 2022. Occupiers however continue to face challenges with rising energy costs, inflation and staff shortages affecting many operating decisions.
- The local markets remain attractive for independents and start-ups, creating a good mix of operators in the market.
- The Mall at Cribbs Causeway continues to attract leading retailers with five recent signings taking a combined space of 13,607 sq ft. The Entertainer, global fashion brand Mango, The Works, Suits Direct and luxury beauty specialists Rituals will join the wide range of occupiers at the shopping centre.
- The food and beverage sector remains active with a high level of enquiries and new lettings in the city centre and Clifton. New additions include Portuguese tart specialists Nata & Co and Taco Bell on Queens Road, Buenasado bringing Argentinian steaks to Whiteladies Road and Society Café and Afrikana opening on Baldwin Street. Finzels Reach remains an attractive destination for food and drink operators with the chocolate maker/café Ruby Hue opening on Hawkins Lane.
- Bristol welcomed another leisure destination at the end of last year. Par 59, the crazy golf theme bar co-owned by Wales football captain Gareth Bale, opened its second venue at the Harbourside.
- Boutique gym Luxe Fitness also opened its second site in the city centre's Beacon Tower.
- Rents remain stable with incentives increasing slightly.

Market Factsheet

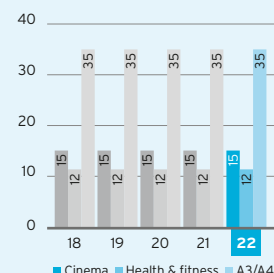
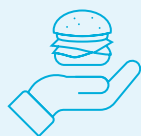
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf





37-41 Corn Street. Courtesy of IV Real Estate.



The Paragon, Victoria Street.

INVESTMENT

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Significant transactions included:

- 37-41 Corn Street.** IV Real Estate sold this city centre office building with ground floor leisure to La Française for £20.65m reflecting a net initial yield of 5.75%. The building totals circa 37,000 sq ft and is let to Huboo, Flight Club and The Cocktail Club with a WAULT of 12 years.
- The Paragon, Victoria Street.** Mayfair Capital bought the long leasehold interest in this city centre office building from Lothbury IM in June 2022 for £40m reflecting a net initial yield of 4.94% and a capital value of £530 psf. The building comprises circa 75,000 sq ft and is multi-let with a WAULT of 5.7 years.
- Gregory Distribution, Lysander Road.** Hines UK sold this building to Fortress Investment Group in March 2020 for £53m reflecting a net initial yield of 5%. The building had recently been let to Gregory Distribution.
- Boxpark, O&M Sheds, Welshback.** Cordwell Developments sold this prime waterfront site to AEW for £4.8m reflecting a net initial yield of 5.98%. The property comprises two former harbourside transit warehouses, which will be renovated to provide high quality food hall style restaurant units which are pre-let to Boxpark for 20 years.
- One Victoria Street.** M&G Real Estate sold its long leasehold interest in this city centre office building to Grosvenor in May 2022 for £18.95m reflecting a net initial yield of 5.45% and a capital value of £402 psf. The property comprises 47,031 sq ft and is multi-let with a WAULT of 2.7 years.

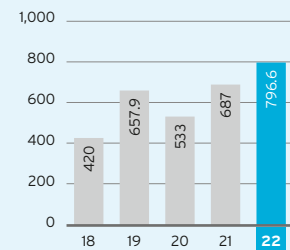
Market Factsheet

Volume of investment transactions £ms



15.9%

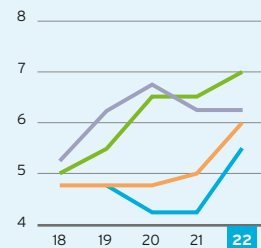
5 year average £582.28m



Prime yields %



Industrial	5.5%
Office	6%
Retail High Street	7%
Retail Out of Town	6.25%



Investment by sector %



23%
Office



22%
Industrial

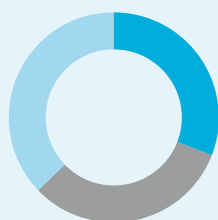


27%
Retail



29%
Other

Total sales by purchaser type %



Institutional / Pension Fund	31%
Property Company	32%
Other	37%

Cardiff

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OFFICES

- 2022 produced better than expected demand given recent economic turmoil and the settling trend of flexible working practices, with a noticeable pick-up in activity in Q3. Public sector staff are being encouraged back to the office, the success of which will have a bearing on future demand/supply.
- Take-up was 90% up when compared to the previous year and slightly above the five year average of 421,000 sq ft. As with previous years, a small number of larger transactions heavily influence the statistics. As an example the letting to BT of 3 Capital Quarter accounts for 16% of the total.
- Out of town take-up has suffered, decreasing to 17% of the total compared to 50% in 2021 with large floor plate availability at Cardiff Gate Business Park. Again, 50% of transactions were below 5,000 sq ft.
- Other notable deals include S&P Capital Investments taking 28,123 sq ft in Global Link at Celtic Gateway and Roku Europe taking 25,845 sq ft in Fusion Point One in the city.
- Availability continues to increase. Grade A space has risen to over 350,000 sq ft and a further 106,390 sq ft will be completed in 2023 at John Street by JR Smart. Furthermore, flexible floor plate buildings close to train stations, such as Southgate House, are offering competitive rents for refurbished space.
- Headline rents in the city are under pressure at £25 psf but we predict they will remain at this level throughout 2023.



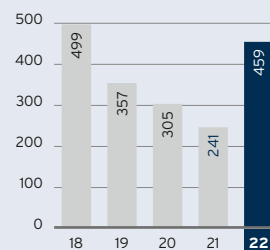
Southgate House, Cardiff.

Market Factsheet

Take-up 000s sq ft



90%

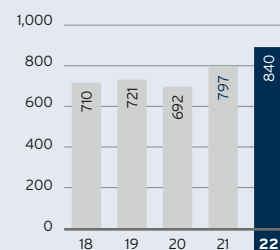


5 year average 372,200 sq ft

Supply (city centre) 000s sq ft

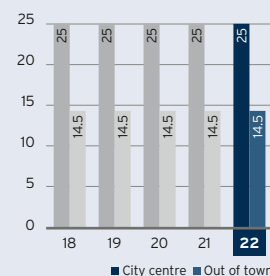


5%



5 year average 752,000 sq ft

Headline rent £psf



■ City centre ■ Out of town

Take-up by sector %



28%
Telecoms/
Technology



13%
Finance



8%
Education



7%
Healthcare

Under construction/ refurbishment



106,390 SQ FT



G4 Capital Business Park, Cardiff.



P-Shed, Port of Cardiff.

INDUSTRIAL & LOGISTICS

- Industrial continues to outperform other property classes with strong demand and limited supply. This is particularly evident for units under 5,000 sq ft benefitting from secure yards and high eaves. Over 62% of the number of deals were for space below 5,000 sq ft.
- Freehold take-up is circa 24% of the year's total, concentrated in the better quality and smaller size bracket. For example, Unit G4 Capital Business Park has attracted a high number of freehold enquiries.
- The inevitable effect of an uncertain economy together with rising interest rates and energy costs is beginning to be felt, with a noticeable decrease in activity in Q4. Energy costs have been particularly challenging for the manufacturing industry and this is likely to continue throughout 2023.
- Overall, take-up was 34% down on the previous year and 13% down on the five year average. We do not predict any major variances during 2023 due to a lack of large floorplate availability in the county. Notable deals in 2022 included the 95,207 sq ft letting of P Shed, Cold Stores Road, Port of Cardiff to Owens Road Services at £6.50 psf.
- We predict that headline rents will continue to increase in 2023 attracting developers such as Cubex and Fiera Real Estate who are looking to develop 67,500 sq ft in Wentloog.

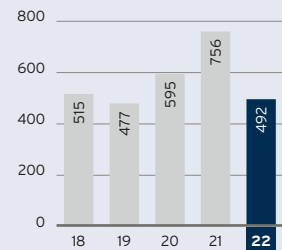
Market Factsheet

Take-up 000s sq ft



34%
↓

5 year average 567,000 sq ft

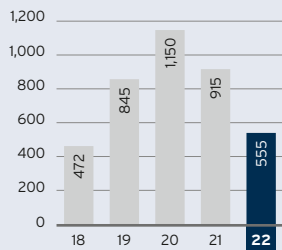


Supply 000s sq ft



39%
↓

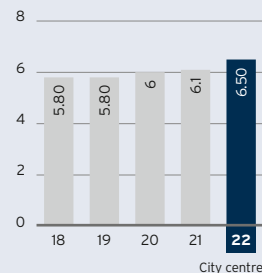
5 year average 787,400 sq ft



Headline rent £psf



6.5%
↑



25%
2022 take-up at
The Port of Cardiff



7.8%
2022 deals over
20,000 sq ft

Cardiff



The Ivy Asia, Cardiff.

RETAIL & LEISURE

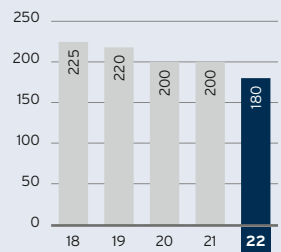
- Although there was a worrying decrease in footfall in Q4, the Welsh Retail Consortium confirmed footfall in Cardiff increased overall by 2.5% in 2022. Although this remains below pre-pandemic levels, the figures are positive.
- Retail vacancies are evident across the city which is why the recent announcement by Welsh Government to freeze the business rates multiplier for 2023-24 is welcome news. In addition, £140m will be set aside to support the retail, leisure and hospitality sectors with eligible ratepayers potentially receiving 75% relief for 2023-24.
- In contrast to high street retail, the city's food and leisure sector has been active with a number of openings and announcements including the new launched Ivy Asia, Flight Club, Par 59, The Cocktail Club and Proud Mary Pub on St Mary Street and probable expansions for Pasture and Marco Pierre White.
- Further interest has also been expressed in the newly expanded ground floor units at Southgate House on Wood Street following the letting to Black Sheep Coffee.
- The big positive news for Cardiff in 2022 was the granting of planning consent for Phase One of the multi-million-pound regeneration of Atlantic Wharf comprising a new 17,000-capacity arena and 150 bed hotel.

Market Factsheet

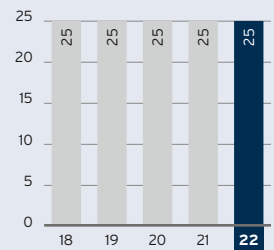
Zone A headline rent £psf



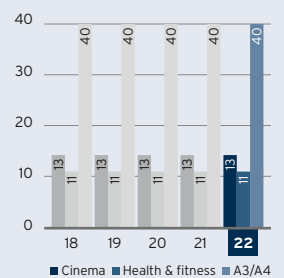
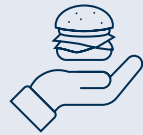
10%
↓



Out of town headline rent £psf



Leisure headline rent £psf



■ Cinema ■ Health & fitness ■ A3/A4



Central Quay.

INVESTMENT

Oli Stretton

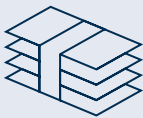
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Significant transactions included:

- Central Quay.** Legal & General acquired this 714 unit BTR development from Rightacres in September 2022 for £200m. The scheme will deliver a mix of studio one, two and three bedroom apartments.
- Seager Retail Park, Colchester Avenue.** Threadneedle bought this retail park from LondonMetric in May 2022 for £8.96m reflecting a net initial yield of 6.3%. The park totals circa 33,500 sq ft and is multi-let with a WAULT of 4.8 years.
- 6 Curran Road.** Overseas investor Catella CER III forward funded this 188 unit residential development from Urban Centric in March 2022 for £37.5m. The building is due for PC in Q2 2024.
- City Heights, 199 City Road.** 90 North Real Estate bought this 146 unit student block from Draycott Investments in May 2022 for £19.4m reflecting a net initial yield of 5.85%.

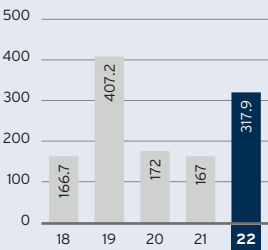
Market Factsheet

Volume of investment transactions £ms



90.4%

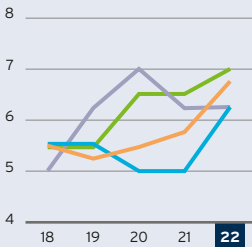
5 year average £246.16m



Prime yields %



Industrial	6.25%
Office	6.75%
Retail High Street	7%
Retail Out of Town	6.25%



Investment by sector %



11%
Office



0%
Industrial

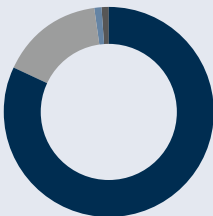


6%
Retail



83%
Other

Total sales by purchaser type %



Institutional / Pension Fund	82%
Property Company	16%
Private Investor	1%
Other	1%

Exeter



Stratus House, Exeter.

Noel Stevens

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OFFICES

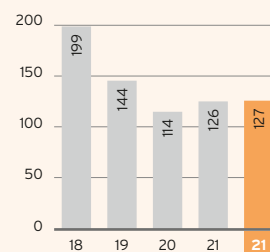
- There was a continued flight to quality in the city's office market throughout 2022. The larger transactions all related to Grade A or B space. Jurassic Fibre took 24,000 sq ft at Milford House in Q3 whilst Bertram Law took 13,000 sq ft in Q2. These lettings, both on Pynes Hill, showed demand from occupiers seeking quality space out of town.
- The highest value letting was the transaction at The Senate in Exeter city centre which achieved a rent of £23.50 psf. This included an element of parking which masks the true rent achieved.
- The out of town market continues to outperform the city centre although this is largely due to limited city centre stock. The 3rd floor at Longbrook House is under offer but at the time of writing nothing else has completed at the building. This letting will secure rents of £22.50 psf plus in the market.
- City centre stock has fallen as buildings are sold for alternate uses. Alder King sold the 30,000 sq ft Beaufort House in Q3 for redevelopment. Located between John Lewis and Longbrook House, the building's configuration wasn't suited to modern office requirements and has now been removed from the office supply.
- Demand slowed in Q4 although overall take-up was reasonably good - not quite at pre-pandemic levels, but very close. Supply has reduced slightly and some growth is expected during the coming year.

Market Factsheet

Take-up 000s sq ft



0.8%

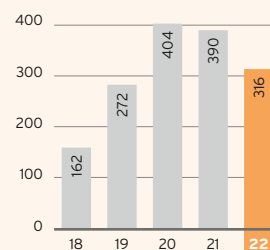


5 year average 142,000 sq ft

Supply 000s sq ft



19%



5 year average 308,800 sq ft

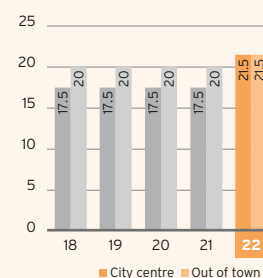
Headline rent £psf



23% 7.5%

City centre

Out of town



City centre Out of town



Centurion Mill, Sowton.



CGI of Unit K1, Matford Green Business Park, Exeter.

INDUSTRIAL & LOGISTICS

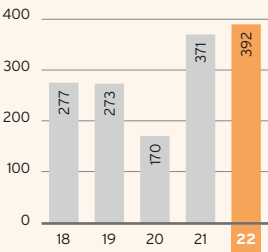
- The industrial market continued to show its strength with robust growth in rents and capital values. Increases were primarily driven by construction cost inflation. There was also a reduction in the incentives offered by landlords which is linked to the lack of supply and the demand from occupiers for the right space.
- Rather than a flight to quality, the market saw a flight to anything in the industrial sector. Although supply has increased due to the release of the vacated Stovax properties on Sowton, there remains a lack of suitable space for many occupiers. This is backed up by the demand for new build properties.
- Plot J at Matford Green Business Park completed in November with Hayley Group taking the larger 13,360 sq ft unit J1 and Hitachi's construction machinery arm taking 8,900 sq ft in Unit J2. Both transactions saw the double digit rents required to sustain new build in 2022. Construction also began on the final phase of Matford Green. Building K1 measuring 8,640 sq ft is available on a pre-let at £12.50 psf with delivery scheduled for June 2023. Contracts have been exchanged on the remainder of Plot K subject to planning. Completion of the car dealership will complete around the same time as K1 and bring the final phase of new build at Matford to a close.
- Small unit industrial performed very well in 2022 with a record rent of £14.50 psf achieved on a 1,000 sq ft unit at SkyPark. Capital values are now £200 psf with higher values expected for any future phases.

Market Factsheet

Take-up 000s sq ft



5.5%

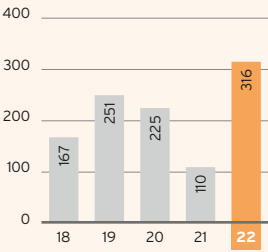


5 year average 296,600 sq ft

Supply 000s sq ft



187%

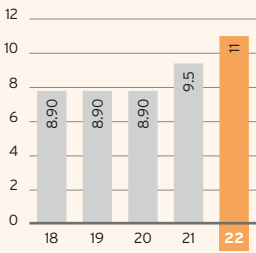


5 year average 213,800 sq ft

Headline rent £psf



16%



Exeter



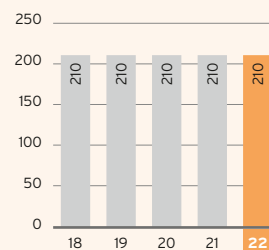
Next department store, Exeter High Street.

RETAIL & LEISURE

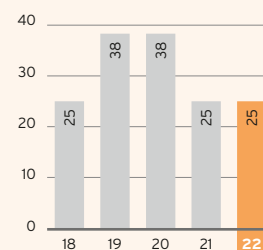
- There was more activity in the city's retail and leisure sector than the previous two years as consumers returned to shops and bars.
- Food retailers continue to expand with Iceland's new format store, The Food Warehouse taking the former Harvey's furniture store on Marsh Barton's Stone Retail Park. Lidl has also expanded with a new store in the final stages of construction in Pinhoe. This store sits next to an existing Aldi that has recently undergone a full refurbishment. Both are opposite an established Sainsbury's supermarket.
- Demand for secondary retail shows signs of improvement with four shop lettings along Sidwell Street in Q3 and a Taco Bell due to open shortly. This part of the city centre serves the large student population so is very popular with food takeaways.
- Trespass has acquired a new store in the city centre with fit-out underway. We also saw the closure of Mountain Warehouse in 2022, a similar type of store.
- Progress continues on the redevelopment of the former House of Fraser. Indigo Hotels is recruiting and will open in 2023. The retail element comprises five stores and is under offer. The former Debenhams store remains closed with plans mooted for conversion but no progress made on site.

Market Factsheet

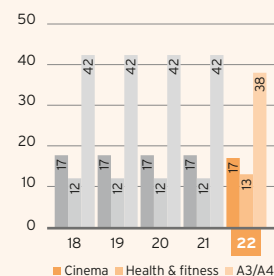
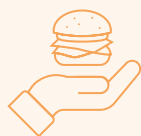
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



■ Cinema ■ Health & fitness ■ A3/A4



Guildhall Shopping Centre.



Wickes, Moor Lane.

INVESTMENT

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Significant transactions included:

- **Guildhall Shopping Centre.** Aviva Investors sold this city centre shopping centre to Exeter City Council in April 2022 for £41.5m reflecting a net initial yield of 6.75%. The centre which is multi-let totals circa 300,000 sq ft.
- **Wickes, Moor Lane.** The Eyre Estate bought this retail warehouse from Nationwide Pension Fund in March 2022 for £11.45m reflecting a net initial yield of 5.2%. The property totals circa 31,500 sq ft and is let to Wickes for a further 11 years.
- **Renslade House, Bonhay Road.** Brookfield Asset Management acquired this student block from Uavend in June 2022 for £34m. The building provided 268 units.
- **Sterling Court and Sterling House, Dix's Field.** Cervidae acquired these office buildings in March 2022 for £8.4m reflecting a net initial yield of 7.15%. The city centre office buildings totalling circa 28,600 sq ft were multi-let with a WAULT of around 3 years.
- **230 High Street.** Lothbury sold this high street retail unit to a private pension scheme in September 2022 for £2.2m reflecting a net initial yield of 11.41%. The building was let to The White Company for a further 2 years.

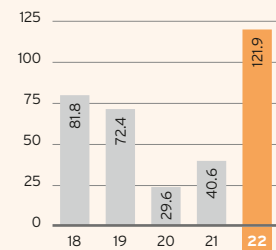
Market Factsheet

Volume of investment transactions £ms



145.7%

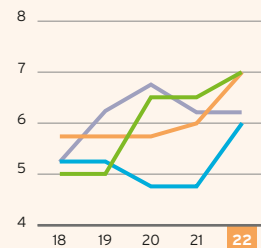
5 year average £69.26m



Prime yields %



Industrial	6%
Office	7%
Retail High Street	7%
Retail Out of Town	6.25%



Investment by sector %



7%
Office



5%
Industrial

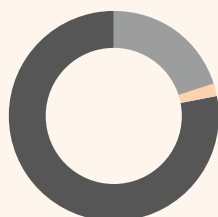


47%
Retail



41%
Other

Total sales by purchaser type %



Property Company	20%
Private Investor	2%
Other	78%

Gloucester

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OFFICES

- Supply of available office space remains at its lowest level for many years. As occupiers adjust to changes in working practice, the current evidence is that this will not result in a widescale increase in available second-hand stock.
- Notably, EDF has completed the letting of a total of some 90,000 sq ft at Gloucester Business Park comprising the 52,500 sq ft Javelin House plus six other buildings. The EDF operation through its predecessors including British Nuclear Fuels and British Energy have been present in Gloucester since the 1970s. The relocation of scientists, engineers and support staff from Barnwood and the retention of the operation in the locality is of key importance to the city.
- This also coincides with a change of ownership of Gloucester Business Park as Straits Real Estate has acquired the Park from original owners and developers Arlington. Gloucester Business Park is the region's most significant business park extending to some 220 acres and is home to many major office, manufacturing and distribution businesses.
- At Elmbridge East in Gloucester, Newbridge Real Estate is progressing the refurbishment of some 44,600 sq ft of office space to provide much needed contemporary space in suites from 2,200 sq ft upwards.
- In Gloucester city centre, Gloucester City Council and development partners REEF are on site constructing Buildings One and Two The Forum. This will provide approximately 100,000 sq ft of Grade A space for delivery in 2024.
- Headline rents have moved forward and currently sit at £23 psf for out of town space.



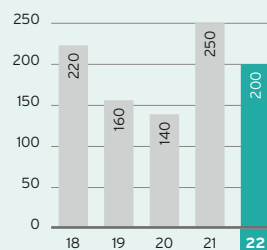
Ecclesiastical Insurance HQ, Gloucester Business Park.

Market Factsheet

Take-up 000s sq ft

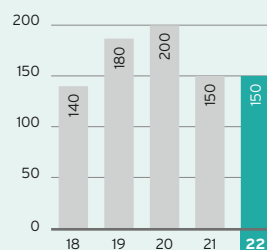


20%



5 year average 194,000 sq ft

Supply 000s sq ft



5 year average 164,000 sq ft

Headline rent £psf

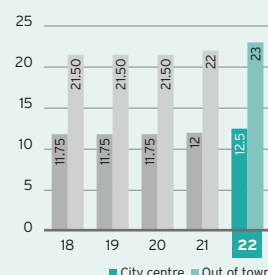


4%

City centre

4.5%

Out of town



Key occupier by sector %



35%

Energy



10%

Service

Under construction/ refurbishment



145,000 SQ FT



Unit G167 St. Modwen Park Gloucester, let to ProCook.

INDUSTRIAL & LOGISTICS

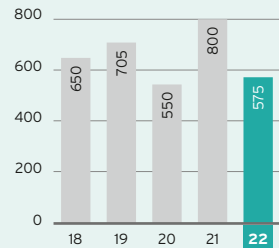
- Occupier demand in the industrial and logistics sector remained good throughout 2022 despite the contrasting backdrops to the two half year periods. Take-up for the year totalled 575,000 sq ft.
- 2022 was an incredible year for take-up at St Modwen Park Gloucester. In October ProCook took occupation of its new 167,000 sq ft warehouse facility and Radmat acquired the 36,785 sq ft Unit 6 on leasehold terms. Earlier in the year, a new 116,000 sq ft warehouse was delivered for Gardner Bros on a build to suit. Gardner also acquired the speculatively built 55,000 sq ft Unit 8. Presently just two buildings of the Phase 2 scheme remain available being 43,000 sq ft and 61,000 sq ft.
- At Quedgeley West, Dutypoint acquired the 96,700 sq ft Q1 Quedgeley West and at Gateway 12, Elmbridge Supplies took 34,000 sq ft on a new lease.
- Robert Hitchins has completed the Kingsway Business Park development with the construction of a new 20,000 sq ft building for MKM builders merchants on pre-let terms.
- Elsewhere, Northwood's Festival Trade Park in Cheltenham has reached practical completion with Selco taking some 39,000 sq ft and Fix UK acquiring 15,500 sq ft at record rents.
- In Stonehouse, Salmon has acquired the former SKF facility in Oldends Lane for a mid-box re-development scheme and at Stroudwater 13, Robert Hitchins are on site delivering a new 53,000 sq ft warehouse for a local occupier whilst speculatively building out the adjoining 22,000 sq ft building.
- Rent levels in both prime and secondary sectors increased through the year reflecting the ongoing shortage of available stock. Supply currently stands at 340,000 sq ft and headline rents have now passed £8.50 psf.

Market Factsheet

Take-up 000s sq ft



28%

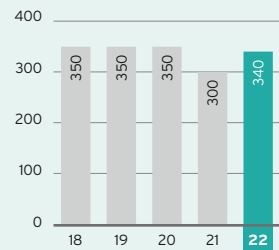


5 year average 656,000 sq ft

Supply 000s sq ft



13%

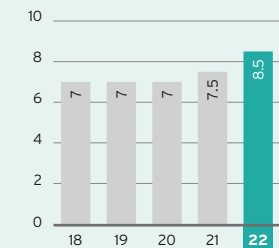


5 year average 338,000 sq ft

Headline rent £psf



13%



Key occupier by sector %



75%
Distribution



25%
Manufacturing

Gloucester



Bakers Quay. Courtesy of Rokeby.



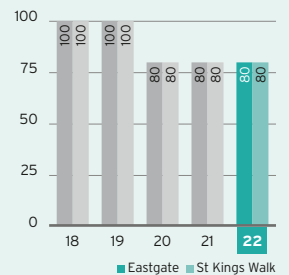
CGI of Dobbies Garden Centre, Ashchurch, Tewkesbury.

RETAIL & LEISURE

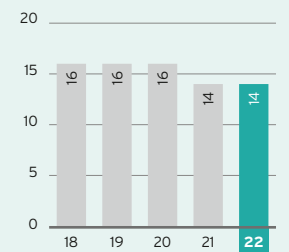
- Gloucester City Council and developer REEF have made a start on site with the construction of The Forum as part of the Kings Quarter redevelopment scheme. The Forum will include a new hotel, gym and other leisure space together with speculatively constructed office space.
- The University of Gloucestershire is continuing apace with the redevelopment of the former Debenhams department store in Kings Square. This will form its 215,000 sq ft City Campus which is due to open later this year. The facility will be an education facility for health and care courses and will have a huge positive benefit on the city centre.
- Gloucester Quays and Gloucester Docks continue as the mainstay of the city's leisure offer and Rokeby Development's Bakers Quay Phase 2 scheme continues to make progress through planning with a committee date early in 2023. The scheme is set to become a landmark for the city including the two historic Downings Warehouse buildings with a new build section, striking a balance between heritage and contemporary. It includes some 117 apartments, the technical design for which incorporates a low energy, low carbon approach providing the potential for a 50% reduction in electricity bills over comparable space.
- Elsewhere, Robert Hitchins has completed the first phase of its Ashchurch, Tewkesbury scheme, located adjacent to Junction 9 of the M5, with the opening of a 74,000 sq ft Dobbies Garden Centre. Also forming part of the 180 acre mixed use development will be the Cotswolds Designer Outlet which will extend to 180,000 sq ft and is expected to open in Autumn 2024.

Market Factsheet

Zone A headline rent £psf



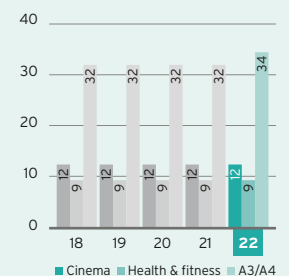
Out of town headline rent £psf



Leisure headline rent £psf



6%
A3/A4





Unit B Quedgeley West Business Park.



Gloucester Business Park.

INVESTMENT

Oli Stretton

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Significant transactions included:

- Gloucester Business Park.** Acting for overseas investors Straits Real Estate, ARA Dunedin acquired Gloucester Business Park from Brookfield AM in December 2022 in what represents the most significant transaction in the city for many years. The park, which comprises circa 520,000 sq ft of prime office and industrial accommodation, as well as six plots of development land totalling 19 acres was sold for an undisclosed sum.
- Mill Place Industrial Estate.** Picton Property acquired this industrial estate from Robert Hitchins Ltd in January 2022 for £10.4m reflecting a net initial yield of 6.1%. The multi-let estate which totals circa 365,000 sq ft adjoins Madleaze Industrial Estate, which Picton acquired in 2021.
- Unit B Quedgeley West Business Park.** A private investor acquired the long leasehold interest in this industrial building from a private client of Alder King's in January 2022 for £1.64m reflecting a net initial yield of 4.56%. The building totals circa 12,900 sq ft and is single let to FMG Repair Services Ltd for a further 4.75 years.

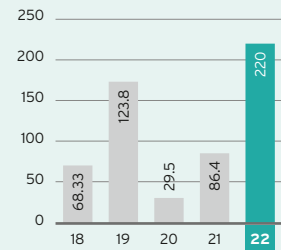
Market Factsheet

Volume of investment transactions £ms



154.6%

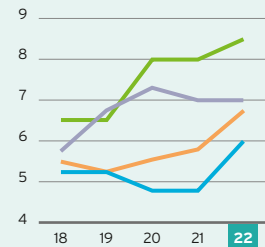
5 year average £105.61m



Prime yields %



Industrial	6%
Office	6.75%
Retail High Street	8.5%
Retail Out of Town	7%



Investment by sector %



61%
Office



18%
Industrial



14%
Retail



6%
Other

Total sales by purchaser type %



Institutional / Pension Fund	17%
Property Company	17%
Private Investor	1%
Other	65%

Bath



Royal Mead, Bath. Courtesy of CBRE Investment Management & Alchemy Asset Management.

OFFICES

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- Bath's office supply increased after a number of years of limited stock. This has also led to a much-needed improvement in the quality of available space. New accommodation at Bath Quays and a number of comprehensive refurbishments in the city centre now provide a range of high quality options.
- Take-up remained steady at 90,000 sq ft. The majority of activity was sub 5,000 sq ft, although significant lettings did take place at No.1 Bath Quays and Royal Mead, with Altus and Fidelius taking 9,445 sq ft and 5,822 sq ft respectively at Bath Quays and Smart Bear taking 6,842 sq ft at Royal Mead.
- Headline rents increased to £36 psf following the letting at Royal Mead and are expected to increase further throughout 2023 as more deals complete at No. 1 Bath Quays, Newark Works and Royal Mead.

RETAIL & LEISURE

- A strong recovery in the number of tourists visiting the city during 2022 led to an upturn in retail and leisure activity in Bath last year.
- Strong demand from F&B operators included Coppa Club opening in August in the former GAP store on Old Bond Street and the team behind The Beckford Bottle Shop set to open a sister restaurant, The Beckford Canteen, in November.

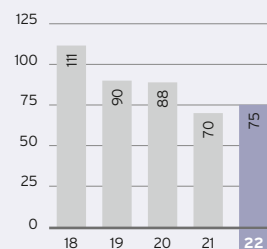
Market Factsheet

Take-up 000s sq ft



7.5%

5 year average 86,800 sq ft

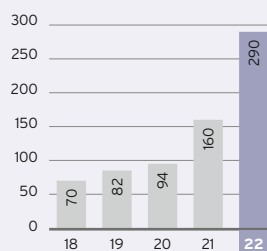


Supply 000s sq ft



81%

5 year average 139,200 sq ft

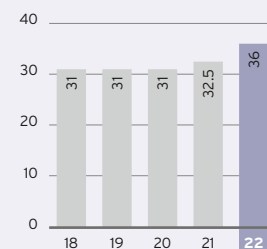


Headline rent £psf



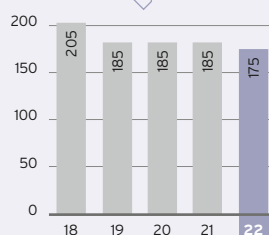
10.8%

City centre



City centre

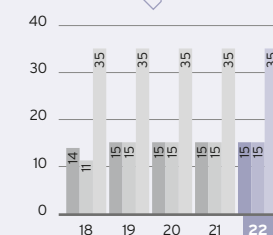
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf



■ Cinema ■ Health & fitness ■ A3/A4



6 Green Park House.



Bath Junction.

INDUSTRIAL & LOGISTICS

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- Demand for good quality space, particularly freehold, remains strong. There are a number of active requirements, particularly in the trade sector and as evidenced by Easy Bathrooms' acquisition at Pines Way Industrial Estate.
- Supply is extremely tight and restricted to second-hand stock at The Maltings and Brassmills Estates.
- The 10,000 sq ft identified on the supply graph is being split to provide 4,000 sq ft and 6,000 sq ft and is currently under offer.
- With no speculative development expected, occupiers are forced to look outside the city towards east Bristol or around Chippenham.

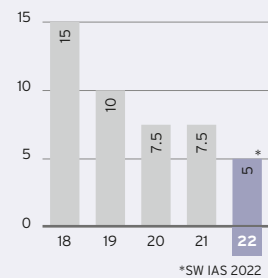
Market Factsheet

Take-up 000s sq ft



33%

5 year average 9,000 sq ft

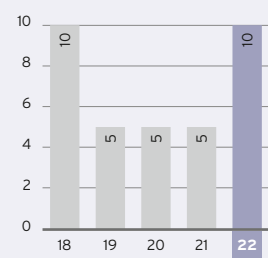


Supply 000s sq ft

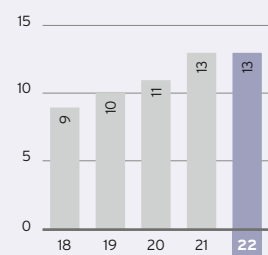


100%

5 year average 7,000 sq ft



Headline rent £psf



INVESTMENT

Oli Stretton

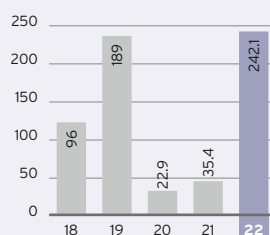
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Significant transactions included:

- **Bath Junction.** Overseas investors DWS forward funded this BTR scheme from Watkin Jones plc in September 2022 for £100m. The scheme will provide 316 units and is scheduled for completion in 2025.

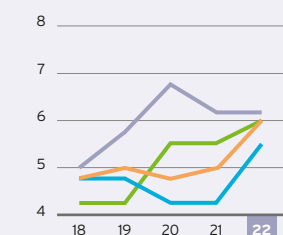
Volume of investment transactions
£ms



Prime yields
%



Industrial 5.5%
Office 6%
Retail High Street 6%
Retail Out of Town 6.25%



Bridgwater

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OFFICES

- Demand remains consistent in the out of town locations such as Express Park and Woodlands Court Business Park, with some key deals also showing rental growth in the town centre. However, overall demand dipped in the second half of the year with the overall figure for 2022 down 19% on 2021.
- The average occupier requirement remains under 3,000 sq ft, due in part to the success of the serviced offer in the town which expanded to meet the growing demand from companies involved in the construction of Hinkley Point C.
- Supply is up on 2021 as several larger buildings came to market last year, with over 70% offered on a leasehold basis.



CGI of new design/build unit, Peninsula 23.

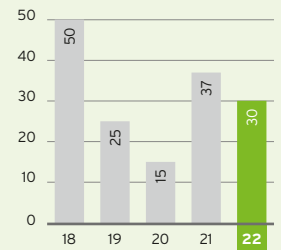
Market Factsheet

Take-up 000s sq ft



19%
↓

5 year average 31,400 sq ft

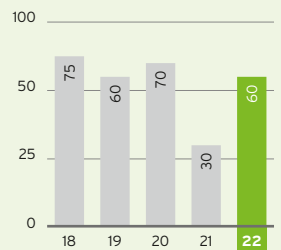


Supply 000s sq ft



100%
↑

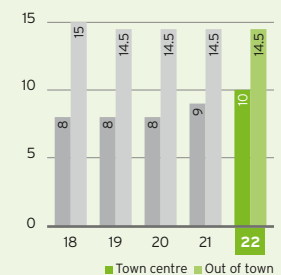
5 year average 59,000 sq ft



Headline rent £psf



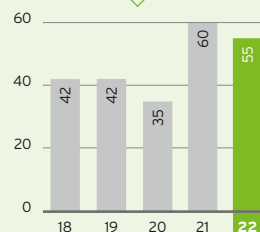
10%
↑
Town centre



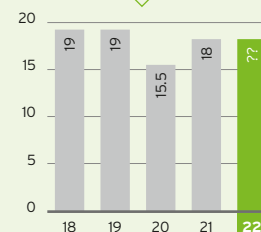
RETAIL & LEISURE

- The £16m North Yard leisure regeneration scheme completed in Q4 2022 with occupiers including the flagship Scott Cinema and an Allstars ten pin bowling venue which will open early in 2023. The scheme, developed by Sedgemoor District Council, will include food and beverage offerings, a parkland and wetland area.

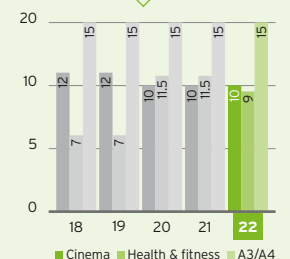
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf





Unit O-PP Wylds Road.



Units G6-8 Beech Business Park, Bridgwater.

INDUSTRIAL & LOGISTICS

- The big jump in the 2022 take-up figure reflects the sale of the 353,303 sq ft BigBox 24, the former Argos regional distribution centre which was sold during the year. Excluding this deal, the average deal size was under 10,000 sq ft, although there are several design and build transactions being progressed for larger manufacturing and warehousing buildings which will complete in 2023.
- Headline rents improved marginally, whilst secondary building rent levels increased at a higher rate over the past one to two years.
- There were limited freehold transactions in 2022. The ongoing lack of freehold stock in the market is fuelling the design and build market.
- There has been very limited speculative new build targeting the small unit market in the town for a number of years. Bridgwater Gateway has enjoyed further success with its latest speculative five unit scheme totalling 46,877 sq ft with several deals agreed prior to completion.

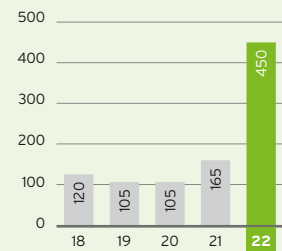
Market Factsheet

Take-up 000s sq ft



17.3%

5 year average 189,000 sq ft

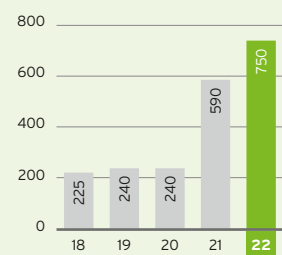


Supply 000s sq ft



27%

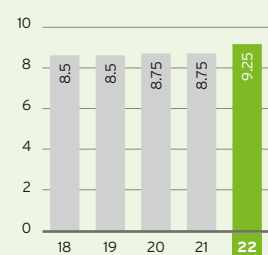
5 year average 409,000 sq ft



Headline rent £psf



5.7%



INVESTMENT

Oli Stretton

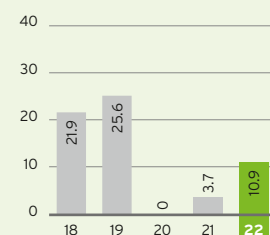
T 0117 317 1121 E ostretton@alderking.com

Significant transactions included:

- Unit O-PP Wylds Road.** Maybrook acquired this industrial unit from Harran Pandoylan Ltd in September 2022 for £3.05m reflecting a net initial yield of 6.47%. The unit totalled circa 33,000 sq ft and is single let to James Tobias for a further 1.75 years.

Volume of investment transactions

£ms

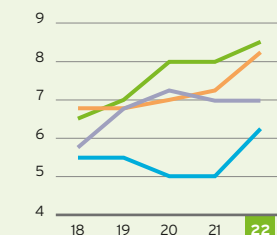


Industrial
Office
Retail High Street
Retail Out of Town

6.25%
8.25%
8.5%
7%

Prime yields

%



Plymouth

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OFFICES

- 2022 saw a real flight to quality in the Plymouth office sector with interest in both city centre and business park locations. Employers made it clear that their aim was to improve the quality of space to attract staff back to the office. In many cases the amount of space taken was reduced to account for flexible working practices.
- There were several large lettings above 15,000 sq ft including the 17,416 sq ft letting of The Mast House and a 24,086 sq ft letting at Elsie Margaret House. Attached to The Range HQ, Elsie Margaret House was completed in 2019 and represents some of the most modern space available. There were also a number of lettings at The Merchant which offers high quality refurbished space.
- As ever the majority of deals were done in the sub 5,000 sq ft bracket but with an average of one office deal done a week in 2022, the reality of the market is stronger than most people would assume.

RETAIL & LEISURE

- The city centre continues to struggle with voids. However it is hoped this will improve as works to Armada Way are completed. 2022 did see new store openings for Superdrug, The Works and Boom Battle Bar and The Barcode at Drake Circus provided some welcome good news.



Royal William Yard, Plymouth. Courtesy of Urban Splash.

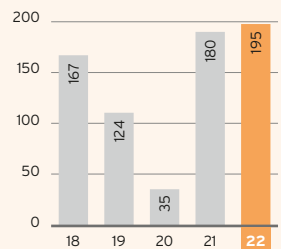
Market Factsheet

Take-up 000s sq ft



8%

5 year average 140,200 sq ft

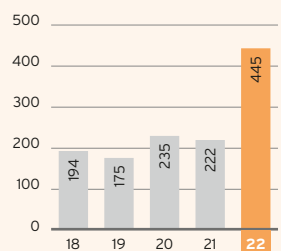


Supply 000s sq ft

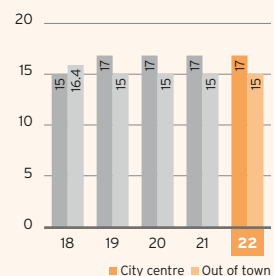


100%

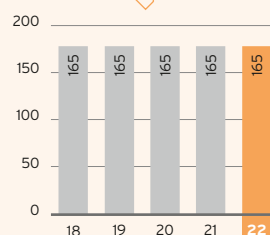
5 year average 254,200 sq ft



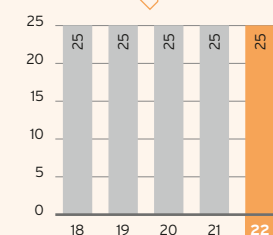
Headline rent £psf



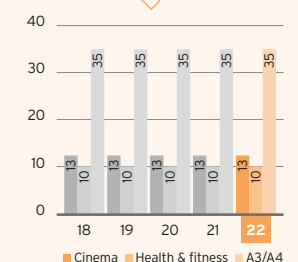
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf





Endurance House, Plymouth.



Old Tree Court.

INDUSTRIAL & LOGISTICS

- The industrial market continued to perform well with major transactions including the 66,157 sq ft letting of H1 St. Modwen Road.
- As ever there were a large number of sales and lettings on smaller units sub 5,000 sq ft. The small industrial market remains very strong in Plymouth and wider region. There were also a handful of larger transactions of 20,000 sq ft and above, showing the spread of demand.
- Overall transaction levels were below 2021 but this is in no small part due to a lack of suitable options to meet all the requirements.
- Supply levels are considerably down as well with a continuing imbalance between supply and demand. Supply has increased, helped by availability at the Ship where 55,000 sq ft is available.
- Construction cost inflation helped increases in pricing but demand accounted for much of the uplift, with competition for units reducing incentives in some cases.

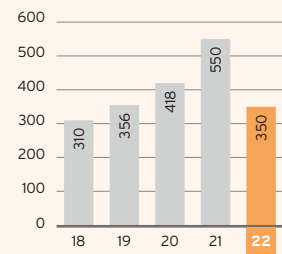
Market Factsheet

Take-up 000s sq ft



36%

5 year average 596,800 sq ft

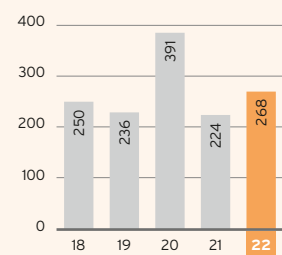


Supply 000s sq ft



19%

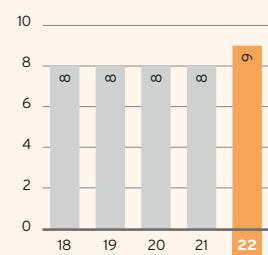
5 year average 273,800 sq ft



Headline rent £psf



12.5%



INVESTMENT

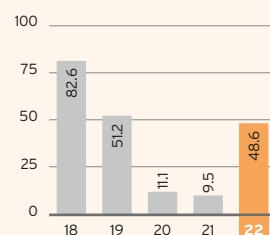
Oli Stretton

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Significant transactions included:

- Old Tree Court.** North Star acquired this office building from Redefine Properties Ltd in July 2022 for £7.67m. The building totals circa 62,000 sq ft was majority government-let. North Star commented that the recent announcement of freeport status for Plymouth gave them confidence in the future of the city and this building.

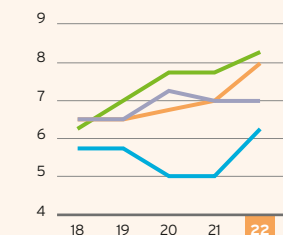
Volume of investment transactions £ms



Industrial
Office
Retail High Street
Retail Out of Town

6.25%
8%
8.25%
7%

Prime yields %



Swindon

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OFFICES

- There was a marked improvement in take-up during 2022. The largest transaction was at Stirling House, South Marston where Outsource took 21,678 sq ft. Other significant lettings included Cartus taking 11,029 sq ft at Arclite House, Monahans acquiring 7,296 sq ft at Churchward and Develop Training leasing 5,500 sq ft at Edison Park.
- The level of rent has generally remained stable across the town but in some instances increased where occupiers are willing to pay for better quality accommodation to provide staff with an improved working environment.
- Supply has increased as parties have sought to offload surplus space when they have the opportunity to do so by way of lease expiry or break clause. Some landlords are seeking to take advantage of this scenario by upgrading their space ready to be re-offered to the marketplace. This is improving the overall stock on offer. For the first time in many years, Swindon has some brand new Grade A space to offer at 2 Unity Place.



2 Unity Place, Swindon.

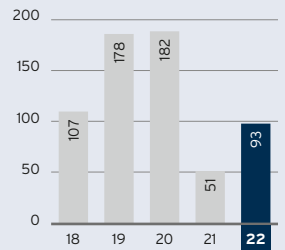
Market Factsheet

Take-up 000s sq ft



82%

5 year average 122,200 sq ft

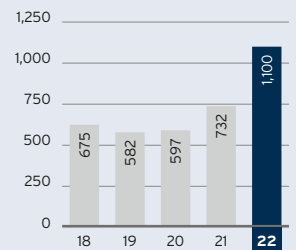


Supply 000s sq ft



50%

5 year average 737,200 sq ft



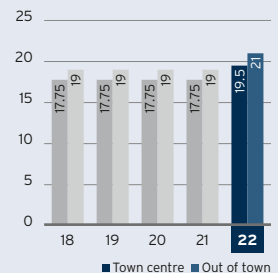
Headline rent £psf



10% 10.5%

Town centre

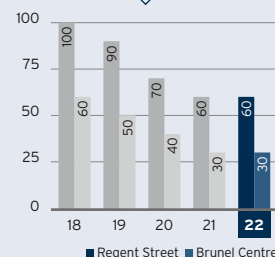
Out of town



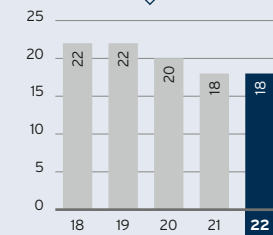
RETAIL & LEISURE

- Some significant relocations have taken place around the town with Go Outdoors taking the old Toys R Us store, TK Maxx moving to Mannington Retail Park and redevelopment now well advanced at the old TK Maxx store on Great Western Way to make way for Home Bargains.
- The Volvo car dealership at Blagrove is nearing completion of its significant enhancement.

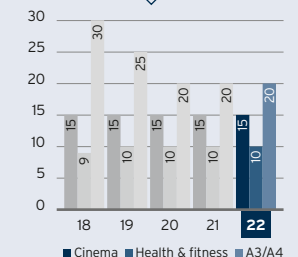
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf





Iceland, Symmetry Park.



Volvo car dealership, Blagrove.

INDUSTRIAL & LOGISTICS

- Take-up in 2022 was up significantly on 2021 as a result of some significant transactions in Swindon. These included the 205,182 sq ft letting of the majority of the former TS Tech complex at Blackworth Industrial Estate to Neptune, the 224,465 sq ft letting of 224 Keypoint to Panther Logistics, the 98,643 sq ft disposal of 103 Cheney Manor and the 53,708 sq ft letting of 110 Faraday Park, Dorcan to OPX Logistics.
- Rents have risen across all size ranges as a result of limited supply and a continued demand for units. The prices for freehold transactions where stock is available have risen sharply as, in many cases, disposals are leading to best bid scenarios.
- Supply has fallen markedly as take-up has improved and any new stock is hampered by the lack of opportunity and very high build costs.
- Chippenham has had an excellent year with two occupiers now in situ at St. Modwen Park, namely Furniture Box which took 89,153 sq ft and Huboo taking 106,075 sq ft. 18 of the 20 new small units at Ashville Court have identified occupiers.

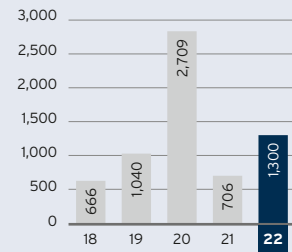
Market Factsheet

Take-up 000s sq ft



84%

5 year average 1.284m sq ft

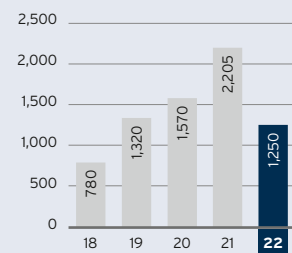


Supply 000s sq ft



46%

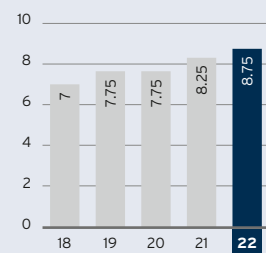
5 year average 1.425m sq ft



Headline rent £psf



6%



INVESTMENT

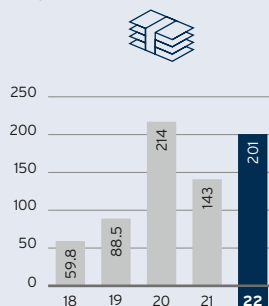
Oli Stretton

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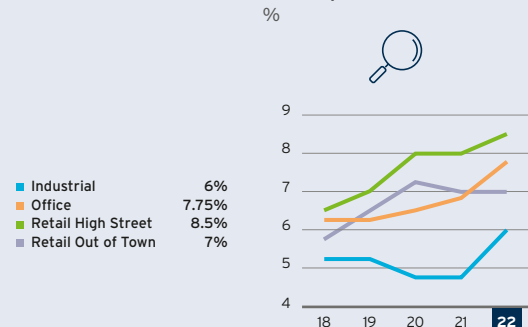
Significant transactions included:

- Iceland, Symmetry Park.** CBRE Investment Management acquired the Iceland distribution unit from Delancey in September 2022 for £31.19m reflecting a net initial yield of 4.65%. The building totals circa 220,000 sq ft.

Volume of investment transactions £ms



Prime yields %



Taunton



Harrison House, Blackbrook Business Park. Courtesy of Summerfield Developments.

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OFFICES

- The out of town market was quieter than in 2021, although the headline rent has returned to its pre-Covid level. Supply increased across the town, although there was a continued reduction in available space on Blackbrook Business Park. Enquiry levels were consistent throughout the year, with the average requirement size in the first half of the year continuing the trend from the previous two years at less than 2,000 sq ft. The second half of the year saw the reverse.
- 70% of accommodation on the market is available on a leasehold basis, although in the out of town market leasehold stock is approaching 100% of available properties.
- A significant trend of the past 12 months was the emergence of medical and healthcare related users taking office accommodation.
- We anticipate some activity in 2023 from existing occupiers looking to adjust their office requirements to create spaces more suited to agile working with improved facilities for both clients and staff.

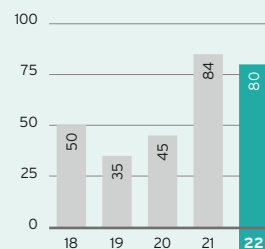
Market Factsheet

Take-up 000s sq ft



4.8%

5 year average 58,800 sq ft

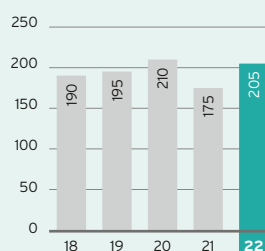


Supply 000s sq ft



17%

5 year average 195,000 sq ft



Headline rent £psf

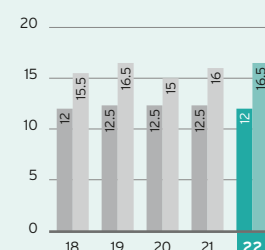


4%

City centre

3%

Out of town

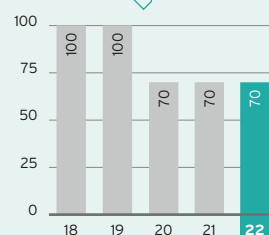


■ City centre ■ Out of town

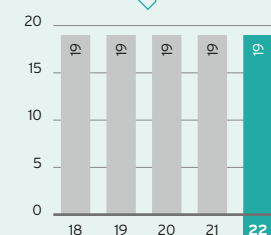
RETAIL & LEISURE

- Demand on the traditional High Street weakened in 2022, with an increase in both the number of vacant units and the aggregate vacant space, due to several large units becoming vacant.
- The Council's Coal Orchard regeneration scheme was completed in Q4 2022 providing retail, leisure and restaurant opportunities alongside residential apartments.

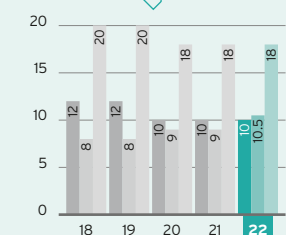
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



■ Cinema ■ Health & fitness ■ A3/A4



Deane Retail Park.



23 The Crescent.

INDUSTRIAL & LOGISTICS

- Take-up has increased over the past three years, with IPIF's most recent scheme at Block M on Crown Industrial Estate being well-received.
- Westpark 26 in neighbouring Wellington also enjoyed another successful year with lettings to Screwfix, Toolstation, Service Graphics and Riverford Organic Farmers within a speculative trade counter scheme, with a further D&B storage building sale to Fox Group and continuation of the successful roadside zone of the development.
- As a result of the increased take-up, supply figures reduced by 10% in 2022. New small unit schemes are likely in both Taunton and Wellington in 2023/2024, following a number of years with limited supply for this segment of the market.
- Headline rents have moved on steadily and now stand at £10.50 psf. Freehold values have also increased in both the new building and secondary markets, reflecting the lack of stock and construction price increases.

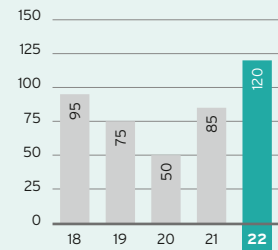
Market Factsheet

Take-up 000s sq ft



41%

5 year average 85,000 sq ft

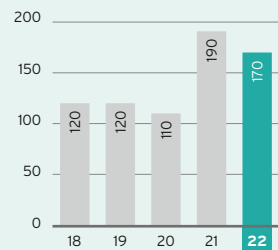


Supply 000s sq ft



10%

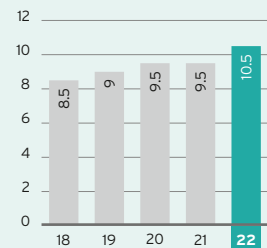
5 year average 142,000 sq ft



Headline rent £psf



10.5%



INVESTMENT

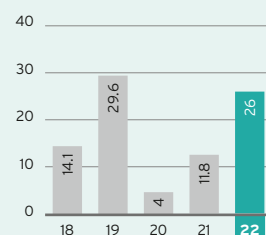
Oli Stretton

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Significant transactions included:

- Deane Retail Park.** Blue Coast Capital acquired this retail park from Blackrock in February 2022 for £11.15m. The park comprises circa 35,000 sq ft and is multi-let.

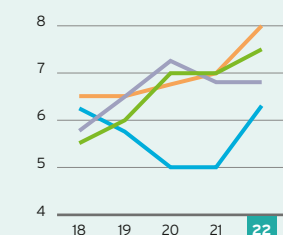
Volume of investment transactions £ms



Prime yields %



Industrial 6.25%
Office 8%
Retail High Street 7.5%
Retail Out of Town 6.75%



Truro



High Water House, Truro. Marketed by Alder King.

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OFFICES

- The office market in Truro and surrounding area saw an encouraging increase in take-up in 2022, with only a modest increase in supply. There remains a mismatch between applicant requirements and available stock in some cases.
- Demand ran across the sectors to include admin/sales, tech and parts of the public sector. There was some re-purposing of office space with SpaMedica for example taking 7,027 sq ft at High Water House.
- The majority of take-up related to 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. Increasing construction costs relative to values limit speculative development.
- Occupational rents and incentives were maintained throughout the year with pockets of rental/price growth.

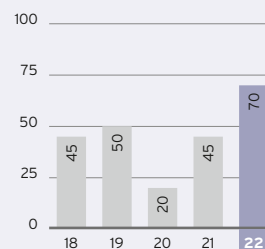
Market Factsheet

Take-up 000s sq ft



55%

5 year average 46,000 sq ft

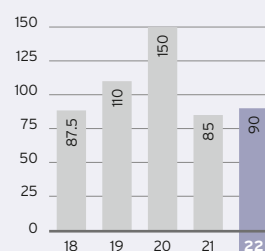


Supply 000s sq ft

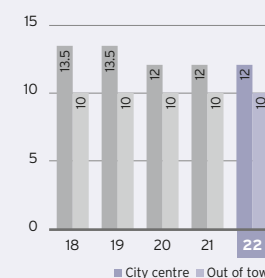


6%

5 year average 104,500 sq ft



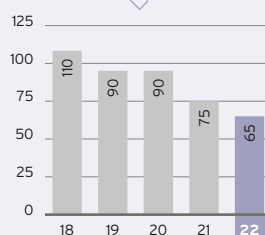
Headline rent £psf



RETAIL & LEISURE

- Despite subdued demand for larger units in prime locations, lettings were agreed on Pydar Street and King Street to Shoe Zone and Grape Tree, but at reduced headline rents.
- Cornwall Council has undertaken demolition works in readiness for Pydar, an 11 acre £170m mixed use development on the edge of the city.

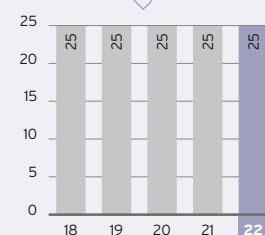
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



■ A3/A4



The Dart Portfolio.

New build MKM trade counter unit, South Crofty Business Park, Camborne.
Pre-let by Alder King.

INDUSTRIAL & LOGISTICS

- There was an increase in supply and a reduction in industrial take-up in 2022. This was in part a readjustment following the impact of pandemic restrictions.
- Despite this backdrop, there continues to be limited availability, especially on a freehold basis, in many locations around the county. Demand remains 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.
- 2022 witnessed an increase in development in the sector. Rising build costs continue to present a viability issue for many developments. MKM has taken occupation of 19,000 sq ft of purpose-built warehouse and secure yard at South Crofty Business Park.
- As a consequence rents and sale prices were maintained or increased depending on location, especially for good quality stock.

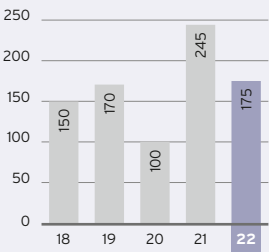
Market Factsheet

Take-up 000s sq ft



29%
↓

5 year average 168,000 sq ft

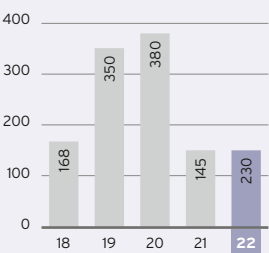


Supply 000s sq ft



58%
↑

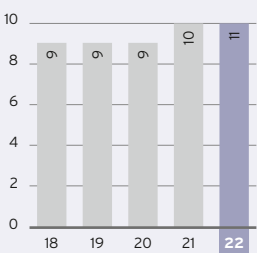
5 year average 254,600 sq ft



Headline rent £psf



10%
↑



INVESTMENT

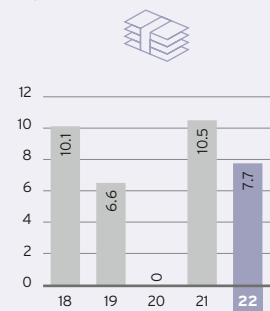
Oli Stretton

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Significant transactions included:

- **The Dart Portfolio.** M7 acquired this portfolio of four industrial assets in Cornwall and Devon from Mileway in April 2022 for £21.1m reflecting a net initial yield of 5.72%. The largest asset was Treiske Industrial Estate in Truro, a multi-let estate totalling circa 49,000 sq ft with a WAULT of around 3.25 years.

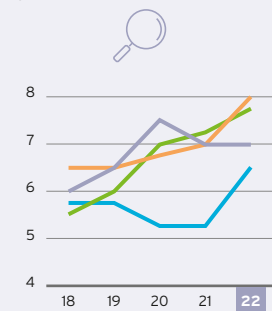
Volume of investment transactions £ms



Industrial
Office
Retail High Street
Retail Out of Town

6.5%
8%
7.75%
7%

Prime yields %



Planning



CGI of Elective Centre, Southmead Hospital, Bristol.
Image courtesy of BDP Architects

TOWN PLANNING SUMMARY

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Strategic Planning (or not)

This time last year we advised that WECA was working with Bath & North East Somerset Council, Bristol City Council and South Gloucestershire Council to produce a Spatial Development Strategy (SDS), the draft of which was to be published in Spring 2022. How wrong we turned out to be!

In May 2022 it was confirmed that work on the SDS had been halted and it was no longer being progressed, following the Metro Mayor writing to the Department for Levelling Up, Housing and Communities to explain that he had asked officers to stop work on it as unanimous agreement on the plan by the councils had not been reached. The new Local Plans for Bath & North East Somerset, Bristol and South Gloucestershire will now provide the strategic planning framework for the West of England Combined Authority area. At the same time, North Somerset Council is still working on its new Local Plan to 2038, with the Executive resolving in October 2022 to, inter alia, proceed with developing a revised Local Plan that recognises the constrained nature of North Somerset, and which identifies an appropriate scale and location of development to offer greater protection to the Green Belt and other sensitive sites.

The thorny issue of housing need will now have to be addressed through the individual Local Plans but it has been indicated that the Councils will continue with joint working, and co-operate with each other and with other key bodies on strategic, cross-boundary matters as they prepare their plans. Experience indicates that reaching agreement on housing requirements (both in terms of numbers and locations) across all of the authorities is likely to prove challenging, even before factoring in the current uncertainty regarding central government's position on meeting housing needs.

During 2023, we should see the proposed submission of Local Plans for Bristol, North Somerset and South Gloucestershire. However, the draft plan for Bath & North East Somerset Council is not expected until 2024. We thought 2022 would be exciting in strategic planning terms. It was, but not in the way we anticipated at the start of the year. 2023 certainly looks like being a crucial year in determining the future planning strategy for the region and, in particular, how many new homes are to be provided and where they are to be located.

Hot Topics

There are two planning 'hot topics' which are important for developers and land promoters to be aware of:

1. Biodiversity Net Gain

Under the Environment Act 2021, all planning permissions granted in England (with a few exemptions) will have to deliver at least 10% biodiversity net gain from an as yet, unconfirmed date, expected to be in November 2023. The concept seeks measurable improvements for biodiversity by creating or enhancing habitats in association with development. BNG is measured using Defra's biodiversity metric and habitats will need to be secured for at least 30 years.

Habitats can be delivered on-site, off-site or via statutory biodiversity credits. As part of a planning application submission, applicants will need to quantify the existing and proposed biodiversity values of their site and demonstrate that the intended gain exceeds the loss of the development project by at least 10%.



Somerset Levels wetlands.

2. Nutrient Neutrality

Earlier this year, Natural England issued a letter to a further 42 Local Planning Authorities (LPAs), as well as the existing 32 LPAs, bringing the total number of LPA's affected by nutrient neutrality requirements to 74. For a number of planning authorities, including South Somerset, Mendip and Somerset West and Taunton, there has effectively been a moratorium on the grant of planning permissions which could result in phosphate increases until the local authorities had equipped themselves with the necessary tools and expertise to predict phosphate increase levels and mitigation methods. Since then, methods have been developed to calculate the likely levels of phosphates and nitrates that are likely to be introduced into wetland areas as a result of a development which means we are now entering a phase where, provided the planning policies can be followed, development can resume.

Developers in areas where there is a protected site within the same catchment area will need to be aware of their obligations relating to nitrates and phosphates and take advice at an early stage of the development process. A Habitats Regulation Assessment (HRA) to satisfy the requirements set out by Natural England by ensuring developments do not contribute to increased nutrient levels will be required. Mitigation can either be provided on-site, or the applicant can find somewhere else within the same catchment, or purchase credits from a trading platform.

A recent amendment to the Levelling Up and Regeneration Bill is now placing a new statutory duty on water companies in England to upgrade wastewater treatment works to the highest technically achievable levels for nutrient removal in designated catchments by 1st April 2030. These upgrades will then be considered as certain for HRA's, meaning lower levels of mitigation will be required from development and reducing costs for developers.

RECENT PROJECTS

1. Elective Centre, Southmead Hospital, Bristol.

We secured planning permission on behalf of North Bristol NHS Trust for a new Elective Centre at Southmead Hospital. The NHS has been allocated funds over the next five years to grow the amount of planned surgery year-on-year, in order to reduce waiting lists. This new Elective Centre will help recover the backlog to a manageable level and provide capacity to match growing demand. It will also allow for waiting list patients with a greater range of clinical complexity to be treated. Notwithstanding the current resource pressures on LPAs, planning permission for this major development was secured in less than four months.

Planning



3. CGI of new Sainsbury's store, Yatton.
Image courtesy of Hadfield Cawkwell Davidson

TOWN PLANNING SUMMARY

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RECENT PROJECTS

2. Digital Advertising.

The days of the paper and paste billboard are numbered. Since 2015, the UK has seen over 10,000 billboards removed from our streets, buildings and roadsides as digital screens take their place. Capable of displaying multiple advertisements on rotation, the paper-realistic screens, or D-Posters, are driving a reduction in the total number of advertising sites as

one D-Poster does the job of multiple billboards. On behalf of the Wildstone Group, an outdoor media infrastructure business, we have submitted over 120 applications for advertisement consent for D-Posters in the past year alone. Locations range from city centres to conservation areas across England, Scotland and Wales.

3. New Sainsbury's Store, Yatton.

We have submitted an application for planning permission for a new store format for Sainsbury's in Yatton, North Somerset. The store is the latest version of a new generation of stores being developed by Sainsbury's called a 'neighbourhood hub'. The hub store is focussed on meeting weekly food shopping needs, delivering a great value, high quality food offer with community and enhanced product choice at its heart. The application is supported by technical information prepared by Alder King relating to the retail impact, the sequential test and employment land supply.



2. Digital advertising screen.
Image courtesy of Wildstone Group.

Residential Development Land



RESIDENTIAL LAND MARKET SUMMARY

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The first half of 2022 saw the market for residential land outperform expectations with values for consented land continuing to accelerate despite the unprecedented pressure on build costs. The uplift in values was largely driven by the continued supply and demand imbalance, with strong demand for housing stock at all levels in the market.

The PLC housebuilders performed strongly both in sales and the acquisition of consented land. Supply of consented land remains constrained and there is strong competition across the region from the ever-increasing number of SME housebuilders.

Post-Covid, local authority planning departments are under-resourced, causing a significant bottleneck in bringing forward land for development.

The situation is further exacerbated by the expansion of the area within the South West affected by nutrient neutrality issues. Some tentative progress is being made in the provision of offset solutions which will allow development to be brought forward.

Political and economic instability over the summer, culminating in the short-lived Truss administration and mini-budget of September 2022, gave rise to a significant hiatus in market activity. The resultant rise in interest rates led to a marked slowdown in sales rates, with evidence emerging in the latter stages of 2022 of downward pressure on housing values. Transactional activity in the land market faltered, with many deals experiencing delays or price adjustments.

Looking ahead to 2023, against a backdrop of an economic recession, it will come as no surprise that market conditions look uncertain. However, the supply and demand imbalance remains unresolved and in spite of the economic shock of the autumn, houses are still selling albeit at a reduced rate.

It is entirely feasible that this may translate to a more favourable land market in 2023 than might otherwise be expected, as values are underpinned by an unrelenting need for housing stock. This may be further assisted by early signs that the rises in build costs may be beginning to settle.

RECENT TRANSACTIONS

- **Mill Farm, Tytherington, South Gloucestershire.** Acting on behalf of private landowners, Alder King has concluded a Promotion Agreement with Richborough Estates on a site of approximately 9 acres with a potential capacity of up to 80 new homes. Technical and planning is underway with an outline planning application expected to be submitted early summer 2023.
- **Houlgate Way, Axbridge, Somerset.** Acting jointly on behalf of the landowners and Hannick Homes, Alder King sold land in Axbridge to Bellway for the development of 53 new dwellings. The land benefited from outline planning permission and a signed Section 106 agreement. Alder King initially acted for the landowners in negotiating the terms of the Promotion Agreement, which converted an Option Agreement where a value could not be agreed between the parties.

Alder King

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