

Market Monitor

South West of England and
South Wales Property Review

H1 2023

Property intelligence you can build on





2620 Aztec West, Bristol.

Market Monitor H1 2023 examines the occupational markets in 10 key centres in South West England and South Wales at the mid-year point.

Simon Price
Head of Agency
Alder King



SUMMARY

Commercial property activity in the first half of 2023 was subdued as pressures in the wider economy filtered through to the sector.

Concerns over inflation and rising interest rates impacted business decision-making whilst increased construction costs and yield shift made new development less viable. As a result, H1 office and industrial take-up in the locations featured in this report are significantly down on the same period last year.

All eyes are now focused on the second half of the year. The indicators are much more positive - inflation is falling, business investment is forecast to rise and the volume of active requirements, together with the

number of transactions already in solicitors' hands, are likely to translate into a much stronger second half.

In the investment market, the severity of the price correction in H2 2022 led to a significant mismatch between vendor/buyer expectations, resulting in lower transactional volumes in H1, but we expect to see improved activity levels in H2.

As in recent years, strongest occupier demand is for well-specified space that meets companies' ESG criteria. The shortage of quality supply remains an issue in most business locations and this has supported further rental growth this year in Bristol, Exeter and Gloucester.

H1 2023 Office and Industrial Take-Up and Supply (sq ft) Key South West and South Wales Centres

H1 2023	Office Take-up	Office Supply	Industrial Take-up	Industrial Supply
Bristol	234,000	915,000	902,000	2,600,000
Cardiff	148,000	853,000	295,000	453,000
Exeter	52,000	396,000	303,000	376,000
Gloucester	50,000	150,000	220,000	420,000
Bath	27,000	300,000	14,000	8,000
Bridgwater	5,000	60,000	120,000	750,000
Plymouth	25,000	404,000	201,000	399,000
Swindon	22,000	1,200,000	120,000	1,150,000
Taunton	30,000	175,000	40,000	170,000
Truro	43,000	115,000	50,000	275,000

The reduced level of new development because of the economic factors outlined above is likely to result in an increased shortage of top end supply in many locations from early 2024 onwards which, when coupled with the existing lack of good quality second hand available space, could continue to impact take-up.



H1 2023

Key Alder King Transactions

1



2

A selection of transactions completed by Alder King during H1 2023.

1. **Unit K Quedgeley West Business Park, Gloucester**
 Size 38,129 sq ft
 Investment disposal for Vision Profiles
2. **Former Travis Perkins Depot, Albert Road, Bristol**
 Size 23,367 sq ft
 Freehold disposal for Travis Perkins
3. **Plot 5, Weston Business Quarter, Weston-super-Mare**
 Size 2.3 acres
 Virtual freehold acquisition for KMW Developments
4. **Nibley Court, Westerleigh Business Park, Yate**
 Size 22,519 sq ft
 Investment disposal for Halbadier
5. **Phase 4 Paintworks, Bristol**
 Size 23,000 sq ft
 Sale and leasehold disposals for Verve Investments
6. **Unit 2, Newport Leisure Park, Newport**
 Size 19,616 sq ft
 Leasehold disposal for Monmouthshire County Council



3



4



5



6



H1 2023

Bristol

2620 Aztec West, Bristol.



Welcome Building under construction, Avon Street, Bristol.

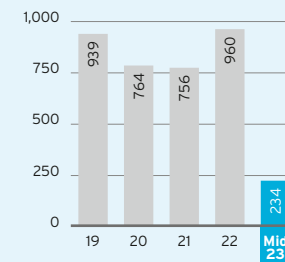
OFFICES

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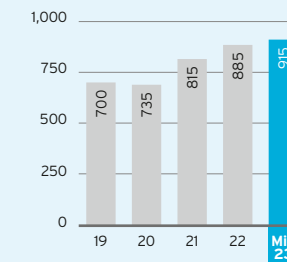
- H1 office take-up in Bristol was down against the five-year average, impacted by the wider economic issues evident during Q4 2022. Activity has however increased steadily throughout the year and a much better H2 performance is expected based on the level of active enquiries and deals already in solicitors' hands.
- Most occupier focus is now on new/newly refurbished space offering the best ESG credentials and occupier amenities. An increasing amount of take-up is likely to be of new Grade A space with over 27% of the new space currently under construction in the city centre already let or under offer.
- Major new city centre developments under construction include the 207,000 sq ft Welcome Building on Avon Street by Candour/Tristan Capital, which is due for PC in Q1 2024, together with EQ and Phase 2 Assembly. Out of town CEG is on site with 1000 Aztec West.
- As a result of build cost inflation and yield shift, other potential new build schemes have been delayed which is likely to impact top end supply levels in 2025/26.
- Key H1 city centre deals include HSBC taking 12,000 sq ft at EQ and Michelmores solicitors taking 11,000 sq ft at 10 Victoria Street.
- Top end rents have remained steady so far this year but further growth is anticipated in the city centre by the end of the year to circa £44 - £45 psf.
- There is an increasing level of occupier interest in CAT A+ space including larger requirements.

Market Factsheet

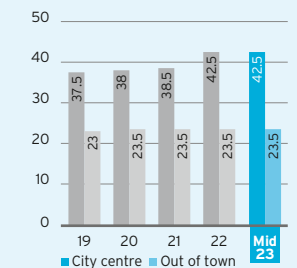
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



Most active sectors by take-up



New build under construction





H1 2023

Bristol

Former Travis Perkins, Albert Road, Bristol.



Artist's impression of Phase 2 Rockhaven, Avonmouth.

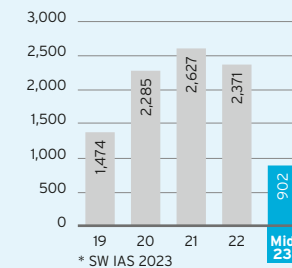
INDUSTRIAL & LOGISTICS

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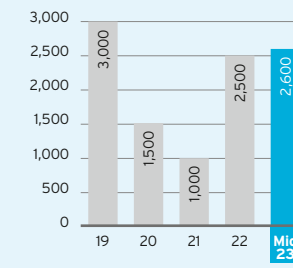
- Bristol's industrial and logistics H1 take-up was down by 37% on the same period in 2022, constrained by the lack of immediately available space and uncertainty following last year's Autumn Budget.
- Key H1 transactions include Gregory Distribution's acquisition of the 115,000 sq ft DC115 at Cabot Park and Biker's acquisition of LaSalle IM's 44,000 sq ft new industrial unit at Patchway Trading Estate.
- Demand is still driven by e-commerce and logistics providers and an increasing number of manufacturing requirements.
- Unlike previous market slowdowns, there is no overhang of supply. This has resulted in rentals and capital values being sustained, albeit there is some evidence of extended rent-free periods.
- Immediately available supply remains a concern with parties struggling to find modern space. This is limiting the availability of second-hand buildings. The situation is even worse when approximately 1.65 million sq ft of supply is accounted for in just three buildings.
- Much needed smaller format supply will come on stream following Cubex's acquisition of 2.5 acres at Horizon 38 in Filton and the start of construction on the 24 unit Rockhaven Business Centre at Cabot Park. In Brislington Glenmore is on site with a 35 small unit scheme.

Market Factsheet

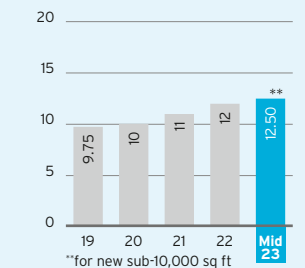
Take-up
000s sq ft*



Supply
000s sq ft



Headline rent
£psf



Half-year take-up by sector %



81%
Distribution



19%
Manufacturing

Under construction



1.37 million SQ FT



Lush, Cabot Circus.



Wapping Wharf, Bristol. Courtesy of Jon Craig Photography.

H1 2023

Bristol

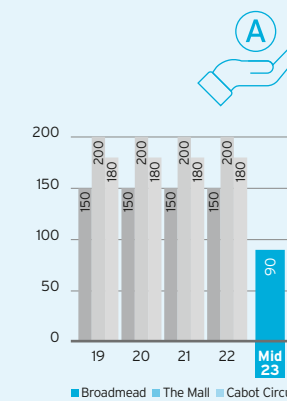
RETAIL & LEISURE

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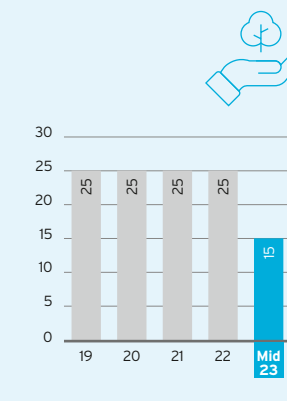
- Bristol continues to see good activity across the retail and leisure sectors with a number of deals completing during the first half of the year. Demand is higher than pre-2020, with the food and beverage, health and fitness and beauty sectors being the most active.
- In the city centre, Lush has relocated its Broadmead store to a larger unit at Cabot Circus, where Goldsmiths and H&M have recently completed re-fits of their stores. Further new lettings here include Rituals, Zebel Bespoke Suits and Pan-Asian restaurant Kaiseki. Occupiers at The Galleries continue to vacate units in preparation for the impending redevelopment of the shopping centre.
- Education charity Global Goals Centre has opened a new department store in the former M&S Store in Broadmead. 'Sparks' is a new arts and sustainability hub over two floors focusing on innovation and creativity. There are also rehearsal rooms available for the public and education sectors to book and make use of.
- Wapping Wharf continues to thrive with new arrivals from Swoon Gelato and Hue Hairdressing. There is strong demand for the vacant units here as well as other mixed-use schemes such as Finzels Reach and Redcliff Quarter, creating a positive outlook for these areas.
- The Mall at Cribbs Causeway has welcomed several new tenants including Mango and the shirt brand Charles Tyrwhitt.
- Rents across the city have dropped which in turn has made units more accessible to a wider variety of occupiers and smaller businesses, which is no bad thing.

Market Factsheet

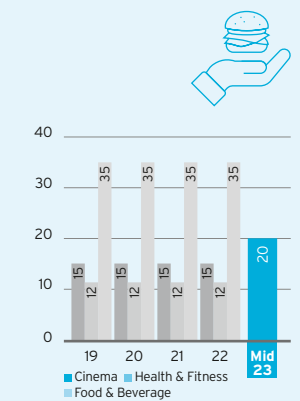
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf



■ Cinema ■ Health & Fitness
■ Food & Beverage



Hodge House, Cardiff.



1 Callaghan Square, Cardiff.

H1 2023

Cardiff

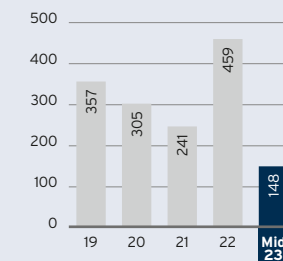
OFFICES

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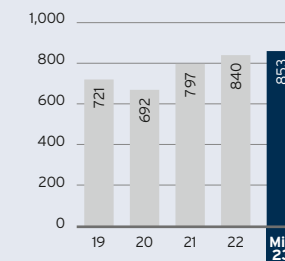
- First half activity was below par as occupiers continued to assess workspace requirements, catering for flexible working whilst also attempting to create environments to attract and retain staff.
- Demand is down compared to 2022 levels and heavily concentrated in the sub 5,000 sq ft bracket. Media sector transactions accounted for a quarter of take-up. Freehold sales are increasing, some because of rising re-finance costs and some which are suitable for alternative uses such as Knox Court and Lloyds' St William House.
- Office supply rose slightly with 10 buildings accounting for roughly 50% of the total. Over 50,000 sq ft remains in each of Hodge House and 1 Callaghan Square, both subject to recent refurbishments.
- The pipeline of new office supply is limited, with only JR Smart's 107,000 sq ft John Street development scheduled for delivery in 2024. Rightacres is due to commence construction of a 100,000 sq ft office development at Central Quay but this is heavily dependent on construction costs and the ability of the city centre to drive headline rents.
- Headline rents remain static but should increase once John Street begins to let. The limited supply pipeline should exert upwards rental pressure which is required for future viability.

Market Factsheet

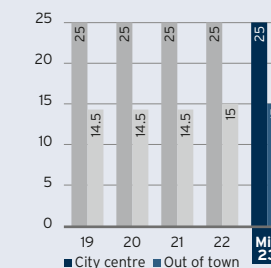
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



Take-up by sector %



Offices under construction



H1 2023

Cardiff



Argos, Pencoed Technology Park, Bridgend.
Courtesy of Deeside Regeneration.



1 Brindley Road, Cardiff.

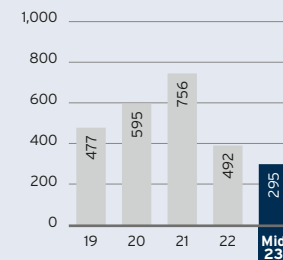
INDUSTRIAL & LOGISTICS

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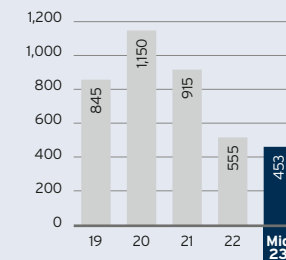
- It was a strong start to the year, with activity levels increasing yet again compared to the same period last year. Take-up grew by 58% and the number of deals reached 35.
- The largest deal of the year so far was the 81,906 sq ft letting of the former Bestway Wholesale unit at 1 Brindley Road to Eakin Healthcare at £4.75 psf per annum.
- Freehold stock is highly sought after and continues to attract very strong interest from owner occupiers and investors alike, the former likely to pay best price. This was evidenced by the sale of G4 Capital Business Park which generated strong interest from owner occupiers and achieved £78 psf.
- A shortage of quality buildings is proving an issue across the region with existing stock requiring expenditure to maintain minimum energy efficiency standards. New developments are just becoming viable, having previously relied on public sector assistance. An example is Sainsbury's taking 46,180 sq ft on a 10 year lease at the newly-built Pencoed Technology Park at £6.25 psf per annum with the aid of grant assistance.
- We predict further increases in headline rents towards the end of the year.

Market Factsheet

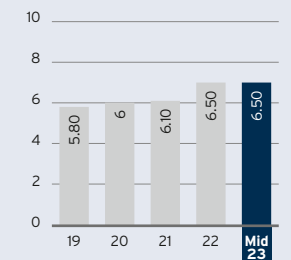
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



85%
Leasehold transactions



90%
Transactions below 15,000 sq ft

H1 2023

Cardiff



Popeyes, St John Street, Cardiff.



Gigging Squid, The Hayes, Cardiff.

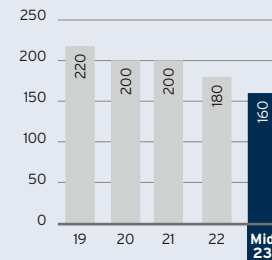
RETAIL & LEISURE

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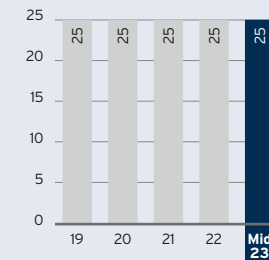
- During H1, the Welsh Retail Consortium reported continuing rises in retail footfall, although remaining well below pre-pandemic levels. Compared with the previous year, footfall increased by 9.1%, the second highest of any nation or region of the UK.
- As a result of flexible working, there are dips on Mondays and Fridays with resurgent weekend trade.
- Landsec has now secured full ownership of St David's Shopping Centre and acquired the adjacent vacant Debenhams store. Asset management plans include creating more open space and 30,000 sq ft of new F&B and leisure offerings.
- Following the UK trend, F&B and leisure dominate the news with new openings for Gigging Squid, Popeyes and a new Burger King at Southgate House at the entrance to Central Square. A Coppa Club has gained planning at the former Moss Bros on The Hayes and a variety of new offerings are opening and planning to open in the ever-improving Arcades.
- Other F&B openings include Temple Bar in the former Old Havana site on High Street, a restaurant and gin bar called the The Welsh House and small plates venue from Pasture called Parallel.

Market Factsheet

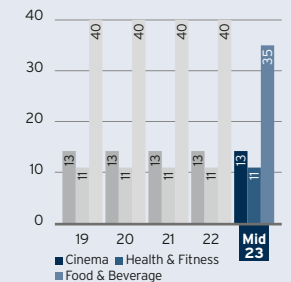
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf





H1 2023

Exeter

Emperor House, Pynes Hill, Exeter.



1 Tiger Moth Road, SkyPark.

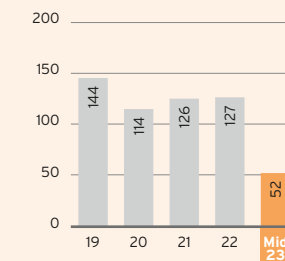
OFFICES

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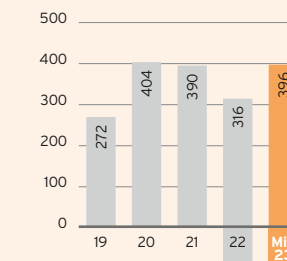
- 2023 has been a difficult year for Exeter's office market so far. The supply of space has increased to 2021 levels as more existing stock comes back to the market. This increase is driven by occupiers reassessing their property requirements and in many cases downsizing.
- There has been growth in the amount of space offered by tenants rather than landlords as those occupiers have put strategies in place for flexible working and downsizing but have been unable to exit leases.
- Take-up of space is down on 2022 levels with a lack of confidence impacting businesses' decision-making. 2023 is likely to see lower transaction levels than 2020 as market sentiment post-pandemic and the more immediate reaction to market uncertainty is felt.
- Rents on secondary space are being impacted as are capital values as demand decreases.
- Businesses continue to downsize but take higher quality space but in H1 2023 we saw fewer enquiries overall.
- Our expectation is that H2 will see an improved level of transactions but these will be focused on good quality space.

Market Factsheet

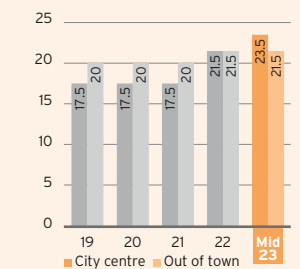
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



Grade A availability

60,000 SQ FT

Sub-2,000 sq ft space

63,000 SQ FT

H1 2023

Exeter



Unit K1 Matford Green Business Park, Exeter.



Unit D4 Centurion Mill, Sowton.

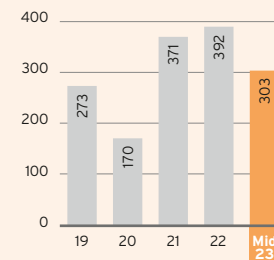
INDUSTRIAL & LOGISTICS

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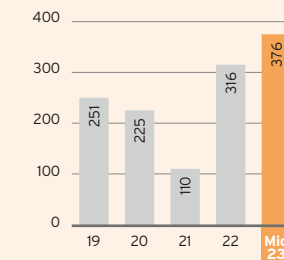
- The industrial market continues to be restrained by a lack of supply of new and, more importantly, existing space. Where we have seen development, for example at Matford Green Business Park, we have secured interest on market-leading terms.
- The lack of secondary stock is hitting transaction levels hard as many occupiers are constrained on price and can't stomach the double digit rents required. There is huge untapped demand for good quality secondary stock in the £7.00 - £9.00 psf territory.
- Overall enquiries are down on 2022 but this is masked by the completion of the 196,000 sq ft Stovax building at SkyPark. H2 will see more transactions as the final phase of development at Matford Green and Mercury Business Parks completes and those lettings and sales filter through.
- Larger development projects have been impacted by shifts in investment yields and the appetite from funders. This means we won't see new schemes coming out of the ground in late 2023. This change in investor sentiment will have a positive impact as the pressure on contractors will ease and pricing of new projects should reduce slightly.
- The demand for freehold stock remains high with very little supply. This supports capital values. Rents continue to be pushed by construction cost inflation and demand with £12.50 psf now being the high water mark.

Market Factsheet

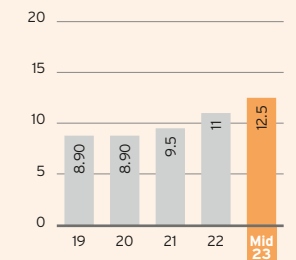
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



H1 2023

Exeter



Hotel Indigo, Exeter.



New Lidl store, Pinhoe.

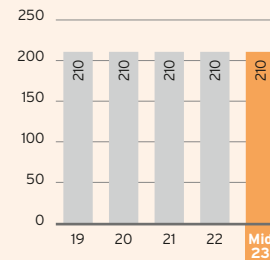
RETAIL & LEISURE

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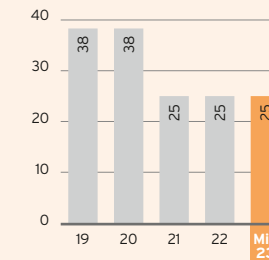
- Demand from traditional retail operators remains subdued both in town and out of town. To combat this, landlords are looking at alternate uses. Increasingly the medical and veterinary sector is taking space once considered out of reach in retail locations. This offers an interesting mix for landlords.
- There is demand from new entrants in the food and beverage sector with Taco Bell and Tim Hortons looking to make the move across the pond and open in major cities including Exeter.
- Demand for roadside property remains strong with drive-thru fast food and coffee locations still in demand from established brands as retailers work to maintain their profile in high footfall locations. With the growth of Exeter, many operators are happy to have multiple locations serving different areas of the city.
- As demand becomes polarized around high footfall/high traffic locations, there is a two tier market emerging with prime stock attracting strong demand and maintaining historic pricing. Secondary locations on the other hand are struggling, with demand coming from lower quality tenants and reducing rents. Incentives are also moving out to secure interest.

Market Factsheet

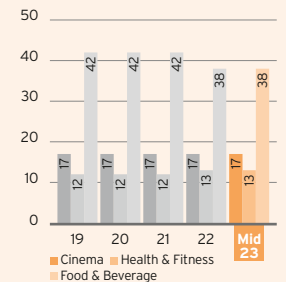
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf





Javelin House, Gloucester Business Park.



Regent Court, Gloucester Business Park.

H1 2023

Gloucester

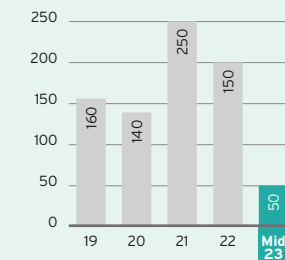
OFFICES

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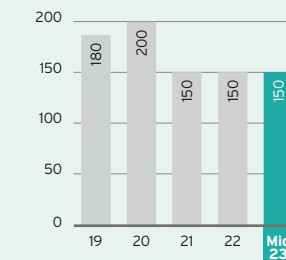
- For many occupiers the drive for quality over quantity has continued, with energy efficient space satisfying ESG requirements to the fore. High quality accommodation in attractive and accessible locations are very much in demand to improve the offer of the workspace.
- Supply of existing Grade A space remains low and, where stock is being returned to the market, providers of space are taking advantage of the opportunity to better position the space by undertaking works to enhance the specification.
- The development of Gloucester City Council's/ REEF's The Forum continues in the city centre. The scheme will include some 100,000 sq ft of new build office space to be completed in summer 2024.
- Newbridge's refurbishment of Elmbridge East is progressing well with completion anticipated for July this year. Some 50% of the scheme has been committed prior to completion of the works.
- Headline rents continued to rise through the first half of 2023, now hitting £24 psf for out of town space.

Market Factsheet

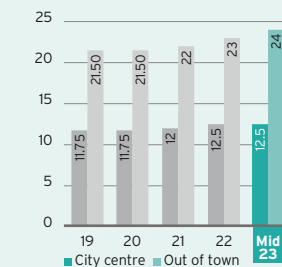
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



Key occupier by sector %



35%
Energy



10%
service

**Under construction/
refurbishment**



145,000 SQ FT



H1 2023

Gloucester

Phase 2 Vale Park South, Evesham



St Modwen Park Gloucester.

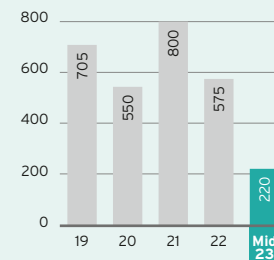
INDUSTRIAL & LOGISTICS

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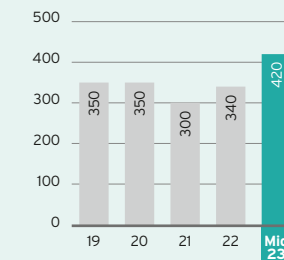
- Market activity remains good with a healthy level of active requirements. The H1 take-up of 220,000 sq ft has been calculated on contractual completions and reflects continued concerns over inflation and increased finance and energy costs.
- Development activity was curtailed due to the above factors as well as a significant increase in construction costs and a shift in investment yields. Despite rental growth, the viability of several development projects was affected. With build costs returning to more manageable levels, several projects for new building delivery are now progressing and set to deliver in H2 2023.
- The key drivers of demand remain, primarily the need for greater efficiency and shortening the supply change. The increased desire from occupiers, developers and funds to satisfy their ESG requirements is feeding into the demand for new or alternative space.
- Available stock remains low. However there has been an increase in a handful of buildings, notably the 125,000 sq ft Amazon warehouse at Barnwood which is available for short-term occupation.
- Copley Point Capital is close to completing the speculative development of three new industrial warehouse buildings at Vale Park South in Evesham. This will deliver two buildings of 52,500 sq ft and one building of 63,000 sq ft.
- Rental growth has continued in all sectors. Headline rents for Grade A space are now £8.75 psf.

Market Factsheet

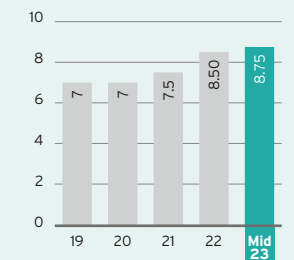
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf



Take-up by sector %



70%
Distribution



30%
Manufacturing

H1 2023

Gloucester



CGI of Downings Warehouse. Courtesy of Rokeby.



Gloucester Quays, Gloucester.

RETAIL & LEISURE

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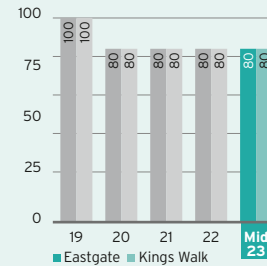
- Gloucester Quays remains the city's retail and leisure focus. It has attracted new fashion and lifestyle brands Timberland, Puma and Next in recent months. It has also reported an increase in an annual turnover of 8% over 2019 pre-Covid trading levels which provides a significant boost for the wider city centre area.
- Rokeby Developments has secured planning consent for its Downings Warehouse refurbishment which forms part of the Bakers Quay development. The scheme comprises the refurbishment and reconstruction of the

four original warehouse buildings dating from the mid-1880s and will provide 117 high quality residential apartments and importantly re-establish the link to Gloucester Quays. A new 10 storey tower and reconstructed warehouse of low-energy specification will create a new landmark feature for the city.

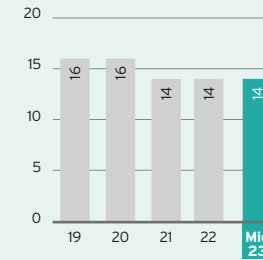
- Out of town demand remains focussed on food and leisure. Generally, the trend for alternative uses in the high streets has continued with many seeing a positive upswing in activity.

Market Factsheet

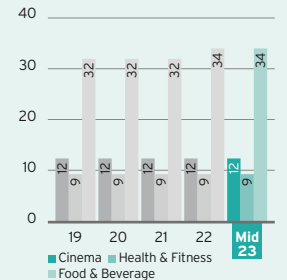
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf





H1 2023

Bath

Newark Works, Bath. Courtesy of TCN.

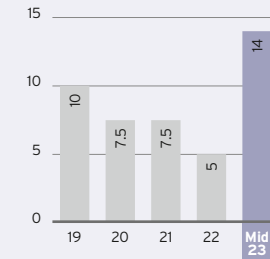
Emma Smith

INDUSTRIAL & LOGISTICS

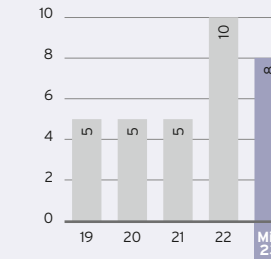
T 0117 317 1090 E esmith@alderking.com

- Demand for good quality space, particularly freehold, remains strong with several active requirements.
- Supply is extremely tight and restricted to second-hand stock at The Maltings and Brassmills Estates. With no speculative development expected, occupiers are forced to look outside the city towards east Bristol or around Chippenham.

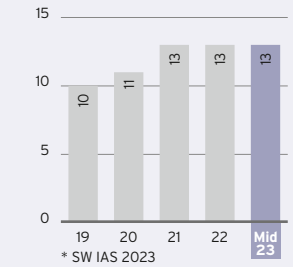
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf*

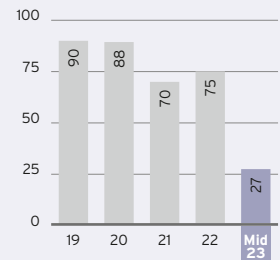


OFFICES

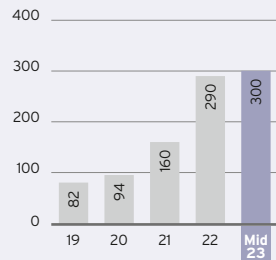
Tom Dugay T 0117 317 1094 E tdugay@alderking.com

- City centre Grade A supply is much healthier following the completion of the Bath Quays development and several comprehensive refurbishments, giving occupiers a choice which has been lacking in recent years.
- H1 take-up is comparable to the same period in 2022. As last year we expect to see a stronger H2.
- The most noticeable deals of H1 were at Newark Works and Trimbridge House. Readygo and Monahans Financial Services took 3,000 sq ft and 2,300 sq ft respectively at Newark Works. At Trimbridge House, Canned Wine Co and Gradwell Communications took 3,000 sq ft and 2,150 sq ft. Another key transaction was the 3,000 sq ft letting to Phenutest at Riverside South.

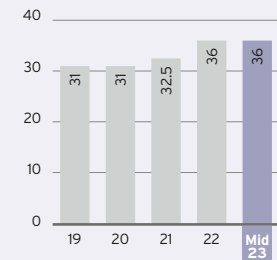
Take-up
000s sq ft



Supply
000s sq ft



Headline rent
£psf

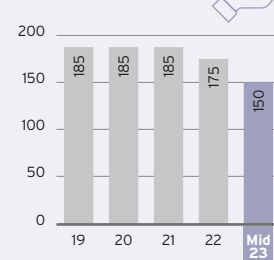


RETAIL & LEISURE

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

- Demand for centrally located units is strong and the number of deals completed across Bath is the highest it has been for several years. The drop in rents has helped with this, as well as landlords taking a more flexible view on occupiers and terms. Independent businesses are fairing better than the nationals here with several lettings to small café operators and specialist shops selling plants and vintage clothing. Retail stock is now quite limited with vacancy rates being much lower than the national average.

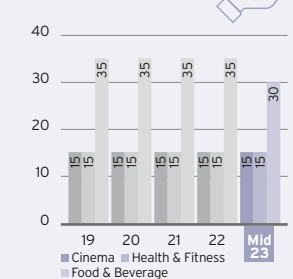
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf





3a Express Park.

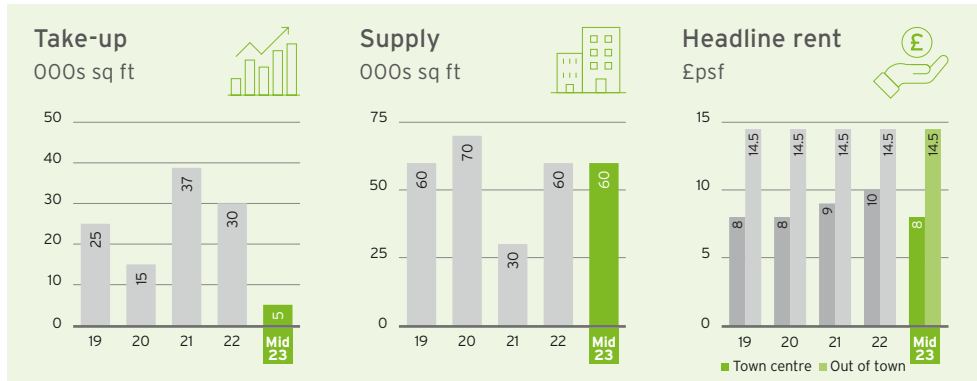
H1 2023

Bridgwater

OFFICES

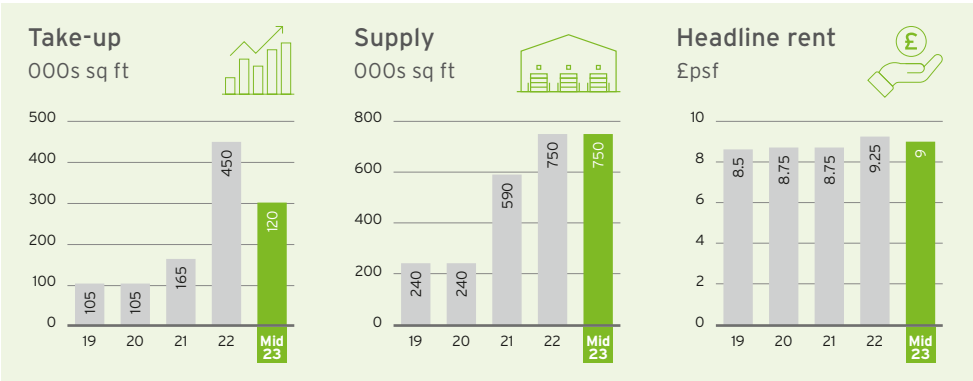
Andrew Maynard T 01823 444879 E amaynard@alderking.com

- Following a drop in the second half of 2022, take-up fell further in the first half of 2023. However, with little new accommodation coming to market, supply remains at a similar level. Enquiry levels also reduced in 2023, with the average requirement being under 2,000 sq ft.
- Rental levels remain steady, although the town centre headline rent has fallen back following gains in 2022.



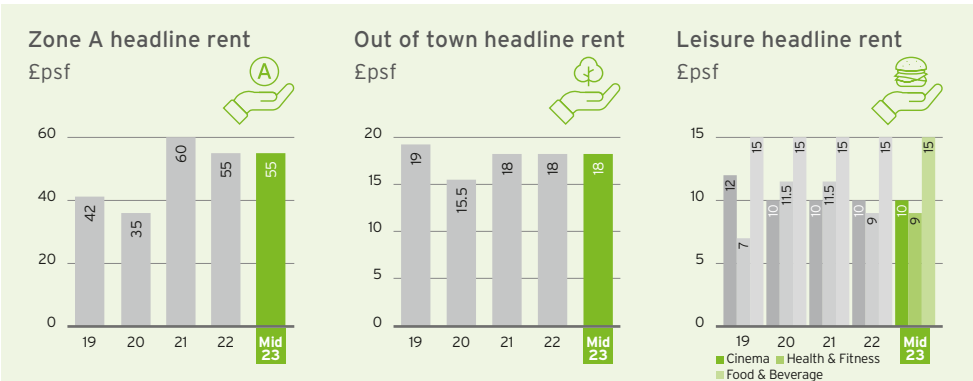
INDUSTRIAL & LOGISTICS

- Several deals at Bridgwater Trade Park and Bridgwater Gateway kept demand moving along in the first half of the year. The average requirement size was down, which is reflected in the lower overall take-up figure and the strong take-up in 2021.
- With reduced demand, rents have fallen back slightly. We expect a pick-up in demand during the second half of 2023.



RETAIL & LEISURE

- The North Yard leisure regeneration scheme completed in Q4 2022 with occupiers including the flagship Scott Cinema and Allstars ten pin bowling. The scheme, developed by Sedgemoor District Council, has also secured interest from Nando's and a tapas and cocktail bar which will open later in 2023.





H1 2023

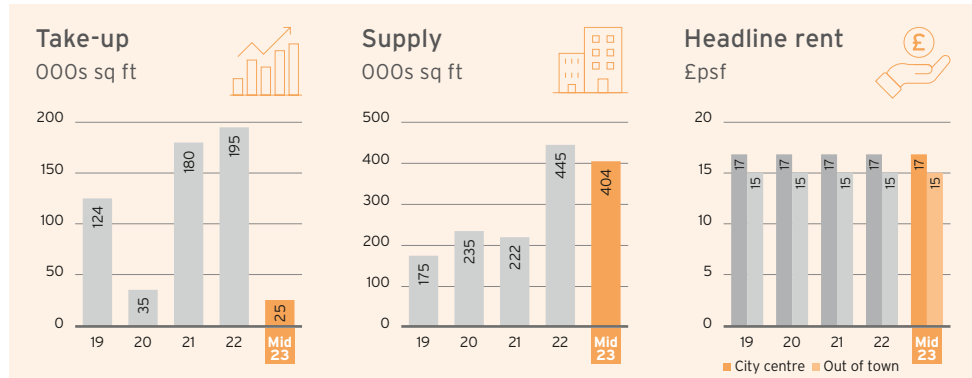
Plymouth

BLOCK, Royal William Yard, Plymouth.

OFFICES

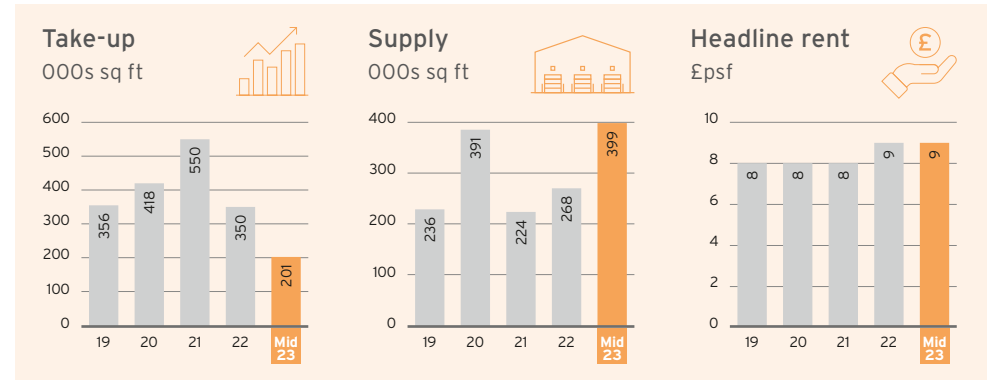
Noel Stevens T 01392 353093 E nstevens@alderking.com

- Demand in the office sector suffered in the first half of the year due to increased economic uncertainty and wider world events.
- Occupiers have been moving towards smaller, better specified space on increasingly flexible terms. To meet this demand BLOCK has opened at Royal William Yard offering award-winning spaces on flexible terms. The hope is that BLOCK can act as a catalyst for growth in the yard with occupiers becoming established and moving to traditional leases.
- Supply of space has increased as occupier lease events allow decisions to be made about the amount, quality and location of space required to meet the demands of their workforce and clients.



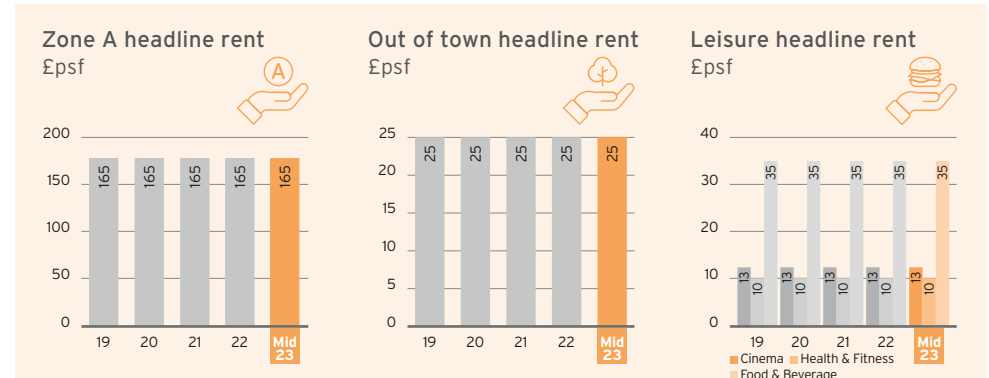
INDUSTRIAL & LOGISTICS

- Plymouth saw a very strong first half to 2023 with over 200,000 sq ft transacted. This bodes well for a solid full year performance, outpacing 2022 and getting back to the high points of 2020 and 2021.
- Unlike other towns and cities in the South West, Plymouth maintains a good supply of existing space across a range of sizes, up to 65,000 sq ft as offered at Quadra Park, and at various price points. This enables demand to translate into sales and lettings.



RETAIL & LEISURE

- Plymouth's retail sector has some welcome good news with construction starting on the new Derriford District Centre. M&S will anchor the scheme with a new food hall along with Aldi and Costa Coffee. Negotiations are underway to secure a gym. This reinforces the wider trend to high profile, high footfall locations where occupiers are keen to take occupation.
- The city centre, as with most locations, continues to see vacant shops but there are new stores opening. Edinburgh Woollen Mill reopened and Mila's Bakery and Kaspas Desserts have taken up residence in the first half of the year.





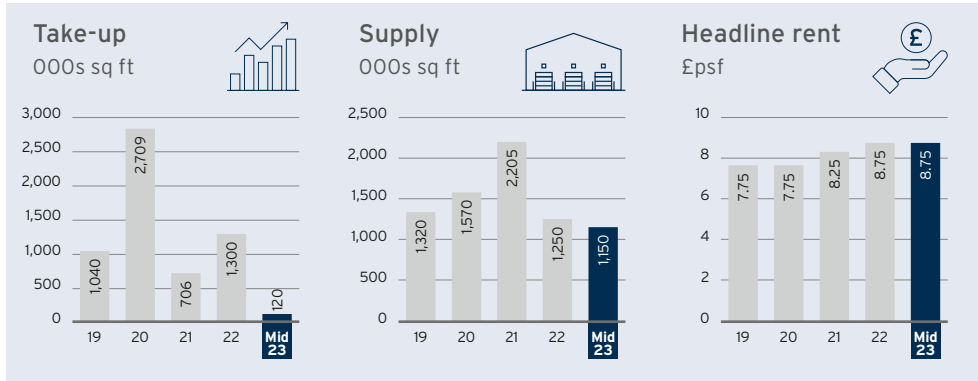
Churchward House, Swindon.

H1 2023

Swindon

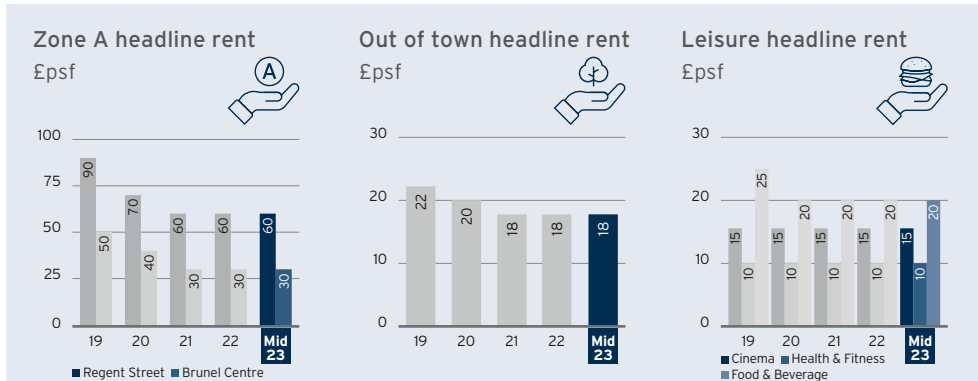
INDUSTRIAL & LOGISTICS

- Take-up has been subdued due to a lack of immediately available stock. The 26,000 sq ft last building at Ignition, Dorcan has now been let to ACI Express and the 56,000 sq ft old BG Automotive building on Cheney Manor has been sold to an owner occupier.
- The 100,000 sq ft Icon building at Gateway North is under construction and Panattoni has secured outline planning consent for the former Honda factory where speculative development is anticipated to commence later this year.
- Rents and prices are holding up due to a lack of supply, and demand for small units remains strong.



RETAIL & LEISURE

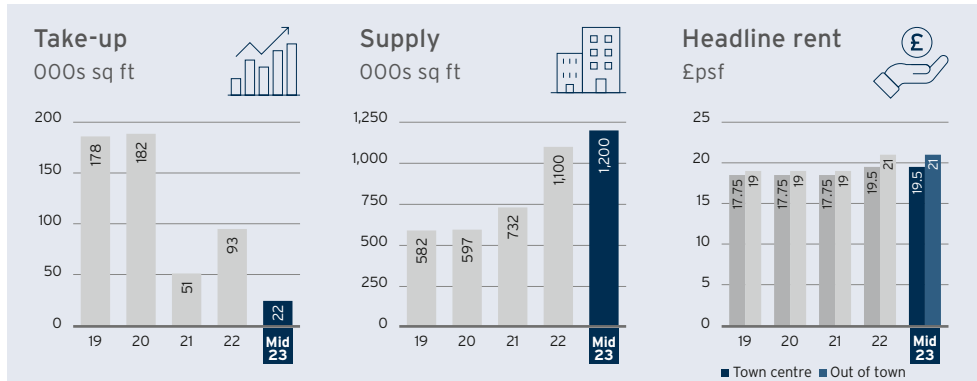
- Edge of town retail parks have very few vacancies. The last unit at Barnfield Road has been let to Sense. Home Bargains' new store on the Great Western Way is in the final throes of its fit-out following a complete rebuild and opens in August.
- Demand from small independent retailers in Old Town and the town centre remains positive and the Council's investment of £33m to create the Bus Boulevard on Fleming Way is having a positive effect on the town centre. F1 continues to invest in the Brunel Centre.



OFFICES

James Gregory T 01793 428106 E jgregory@alderking.com

- The occupier trend for better quality space is clearly here to stay. BLB Solicitors has taken the 4,000 sq ft ground floor of Churchward House which has been comprehensively and sympathetically refurbished. Colas Rail has taken 5,500 sq ft at Edison Park and Bespoke Guardians have leased 3,000 sq ft at Delta Office Park, both of which were refurbished.
 - Several more transactions are in solicitors' hands both in and out of town which bodes well for the second half of the year.
- With occupiers expecting a higher standard of accommodation, F1 Real Estate has had the confidence to upgrade 100,000 sq ft at Newbridge Square in the town centre.





Ashford Court, Taunton.

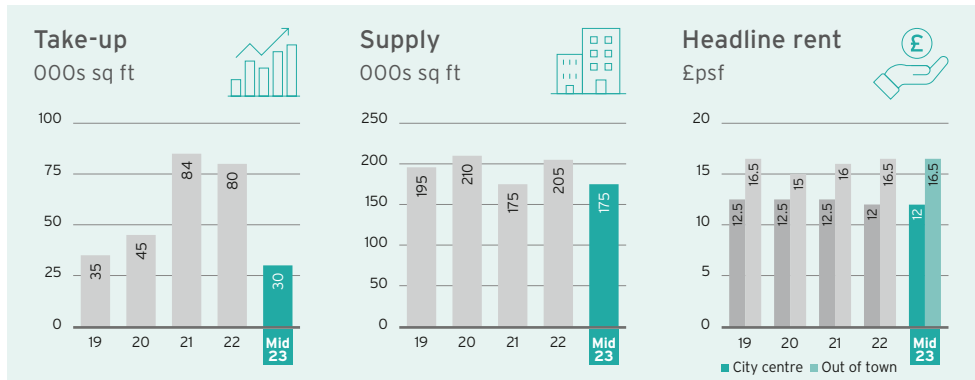
H1 2023

Taunton

OFFICES

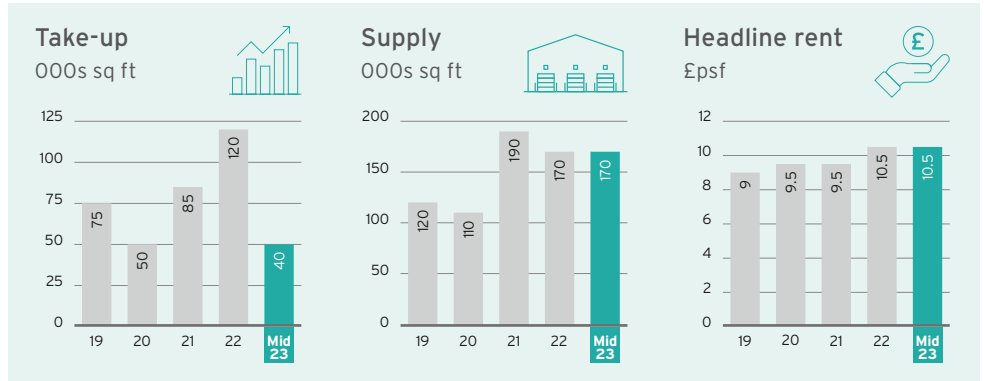
Andrew Maynard T 01823 444879 E amaynard@alderking.com

- The out of town market remained quiet in the first half of 2023, although enquiry levels did improve in Q2. Supply decreased slightly as a result of transactions completed in Q3 2022 and no significant new supply. However, we are expecting an increase in the supply figures in the second half of 2023 and into 2024.
- The average size of requirements has increased, due to several larger enquiries which are yet to be satisfied. Medical and healthcare-related users taking office accommodation continues to be a significant driver in the market.



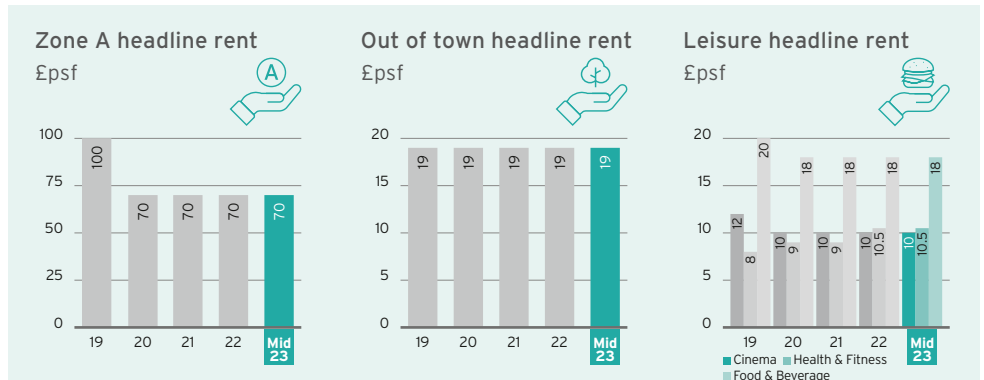
INDUSTRIAL & LOGISTICS

- It was a slow start to 2023, with take-up in all locations in the town down on 2022. Enquiry levels were also slower in the first half of the year.
- Whilst there has been a decrease in take-up so far in 2023 the supply figures have reduced slightly from 2022. New schemes are likely in Taunton and Wellington in 2023/24, with pricing likely to be up on 2022.
- Headline rents remain at the same level as 2022, whilst freehold values have increased, albeit at a slower rate than in 2022 in both the new building and secondary markets. This reflects the lack of stock and construction price increases.



RETAIL & LEISURE

- Traditional 'High Street' demand was down in 2022 with little evidence of improvements thus far in 2023. The number of vacant shops/accommodation increased as several larger shops became available. As in other town centres in the county, occupiers are relocating to improve the quality of their premises or location and resize accordingly to their optimum store size. This trend is likely to continue to be a particular feature of the market over the next few years.



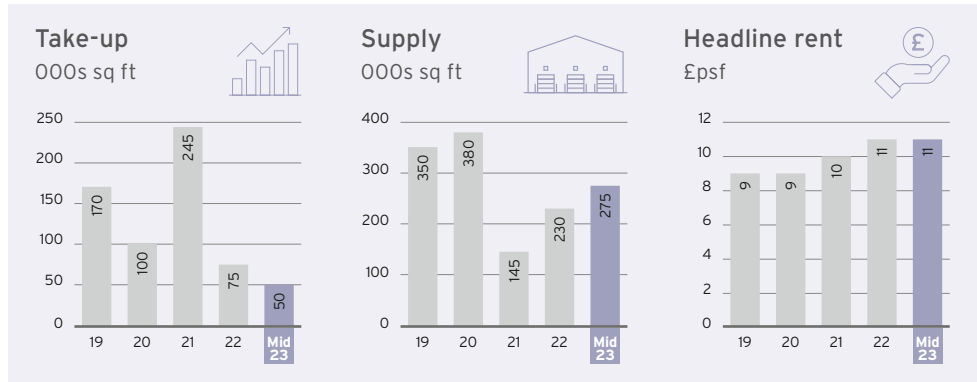


H1 2023
Truro

Town Quay, Truro, available to let through Alder King Truro.

INDUSTRIAL & LOGISTICS

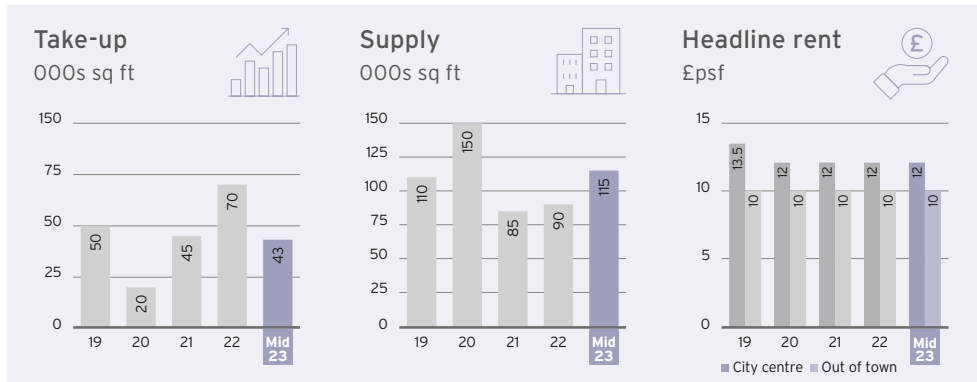
- Applicants continue to report difficulty in acquiring space that meets their requirements, even with a growth in supply. This change in supply has caused the market to level in terms of rents and prices, but the picture is not entirely consistent across the county. Demand appears biased toward purchase.
- Demand continues to be focused along the A30 corridor and principal conurbations within Cornwall. The focus of the A30 corridor is expected to strengthen with the current dualling of the A30 between Carland Cross and Chiverton Cross.
- Increases in build costs typically restrict new build development.



OFFICES

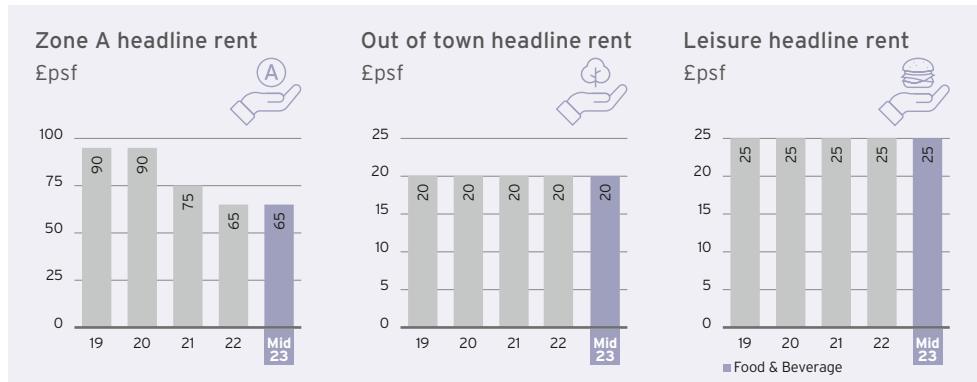
Ian Simpson T 01872 227004 E isimpson@alderking.com

- Office supply increased over H1, particularly in respect of space to lease. There is no immediate evidence of rents and prices falling, with an increase in take-up compared with H1 2022. Despite this, some applicants continue to find difficulty identifying suitable office space given the mixed quality of stock.
- Whilst Truro continues to dominate as the main office/administration hub within the county, other locations outside Truro and in particular the A30 corridor have seen take-up.
- Applicants seeking alternative uses continue to seek office space to convert.
- Increases in build costs typically restrict new build development.



RETAIL & LEISURE

- The first half of 2023 witnessed continued vacancies within Truro city centre with mixed take-up levels. Availability is most marked in respect of medium to larger footprint units and some secondary locations. This said, we continue to see some retailer demand, as evidenced with the recent letting of 4/5 King Street to Clarendon Galleries adding a quality retailer to the city centre.
- Headline rents continue to show some inconsistency and, while reduced, some stability is emerging for better located small to mid-size units.
- There has been limited activity within the out of town sector in the city due to limited availability.





H1 2023

Investment

Dalby Avenue, Bedminster, Bristol.



Vision Profiles, Quedgeley West, Gloucester.

Oliver Stretton T 0117 317 1121 E ostretton@alderking.com

ECONOMIC OUTLOOK

- High inflation and rising interest rates continue to dominate the economic outlook. CPI inflation remains stubbornly high at 8.7% and the Bank Rate has risen to 5.0%, with further increases now widely expected.
- High-profile bank failures in the US have raised concerns over broader economic implications. Central banks are having to take a measured approach to tackling inflation to maintain financial stability.
- The ongoing cost-of-living crisis and subdued economic outlook have impacted consumer confidence.
- Employment however, remains robust, with unemployment currently at a near-record low of 3.8%.
- Economists had raised their growth forecasts for 2023, but given the sharper than expected interest rate rises, we could see forecasts being downgraded again. The overall picture remains one of subdued economic performance.

UK INVESTMENT SUMMARY

- Investment in UK commercial property for the year-to-date (Jan-June) totalled £10.77bn, according to MSCI, representing a YOY drop of -63%. Offices accounted for approximately 38%, retail 34% and industrial 29% of the total.
- Low transactional volumes in H1 presented a challenging period of price discovery following one of the fastest periods of repricing on record in H2 2022.
- All property capital values peaked in June 2022, and then fell sharply by 21.1% to February 2023, according to MSCI.
- The rapid correction in values has caused a significant mismatch between vendor aspirations and buyer expectations, resulting in a period of market inertia.
- The market is characterised by a dearth of the quality supply across the sectors. High build costs, supply chain challenges and economic uncertainty will continue to constrain supply, which should support prime rental levels.

KEY TRANSACTIONS

OFFICE

Halo, Finzels Reach, Bristol. Circa 116,000 sq ft prime city centre office purchased by CBRE IM, from Tesco Pension Fund for £73.00m, 5.61% NIY in Q1.

90 Victoria Street, Bristol. Circa 17,500 sq ft city centre office purchased by RO Real Estate from Mayfair Capital for £7.75m, 7.82% NIY in Q2.

Queen Square, Bristol. Two separate city centre offices on Queen Square, numbers 10 and 31-32 totaling circa 30,500 sq ft, both acquired in Q1 by Robert Hitchens Ltd, for £5.30m, 7.50% NIY and £4.35m, 6.96% NIY respectively.

INDUSTRIAL

Withey and Dyffryn Court, Caerphilly. Two industrial estates totalling circa 275,000 sq ft, sold by Springfall Properties to MVJ Capital for £10.00m, 7.75% NIY in Q1.

Unit K, Quedgeley West Business Park, Gloucester. Prime industrial unit totalling 37,110 sq ft, single-let for 10 years, sold by Vision Profiles to Columbia Threadneedle for £4.70m, NIY 5.5% in Q2.

RETAIL, LEISURE & STUDENT

V Shed and South Building, Bristol Harbourside. Prime leisure investment in Bristol Harbourside, circa 78,000 sq ft let to 4 tenants, sold to Padmanor Investments from CBRE IM for £10.30m, 7.73% in Q1.

Nuffield Fitness Centre, Bristol. Purpose-built health club circa 42,000 sq ft, sold by Abrdn in Q1 for £6.75m, 6.75% NIY with imminent reversion to 7.63% in October 2023.

Dalby Avenue, Bedminster, Bristol. Forward sale of a new 819-unit student scheme let on a 15 year lease to the University of Bristol. Watkin Jones sold to KKR in Q2 for a price in the region of £100-110m reflecting a NIY of circa 5%.



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