

Market Monitor



South West of England
and South Wales
Property Review

2024

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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



CGI of Phase 4 Paintworks, Bristol.

SUMMARY

The commercial property market delivered a subdued performance in 2023 as occupiers, investors and developers took a cautious approach to the ongoing economic and geopolitical conditions.

Overall office and industrial take-up in 2023 was lower than in recent years but there was encouraging evidence in the final quarter of the year that occupier enquiries and transaction levels were rallying, suggesting that the recent falls in inflation and interest rates were having a positive impact on corporate decision-making.

Notwithstanding possible inertia in the market in the lead up to a general election later this year, we expect both the occupational and investment markets to continue this bounce back in 2024, with improved transaction levels, more development, particularly led by pre-lets and pre-sales, and further growth in rents and capital values.

KEY FEATURES OF THE MARKET

Polarised markets
The office and industrial markets are increasingly polarised. There is robust demand for prime assets with strong ESG features but both sectors remain impacted by a lack of quality supply.

Conversely, there is little demand for much of the poorer quality secondary office space; much of this will be repurposed over the next 3-5 years for alternative uses, particularly offices to residential.

Industrial rental growth
The lack of quality supply and limited new development, coupled with robust demand, has driven above-inflation rental growth for the best industrial and logistics space in most key centres across the region. Further rental growth is expected in 2024 to support development viability.

Investment challenges
2023 was certainly challenging for investors, with a mismatch between vendor and purchaser pricing aspirations curtailing activity and leading to a fall in transaction volumes. Investor sentiment has already strengthened and pricing has begun to realign, suggesting a more positive outlook for the year ahead.

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
2023	1,346	4,110	4,142	5,990
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

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

Year	Office Take-Up	Office Supply	Industrial Take-Up	Industrial Supply
2023	277	1,105	451	572
2022	459	840	492	555
2021	241	797	756	915
2020	305	692	595	1,150
2019	398	1,012	1,184	1,378

Key Market Trends



Stroudwater 13, Stonehouse. Courtesy of Robert Hitchens.

OFFICES SUMMARY

Simon Price

T 0117 317 1084
E sprice@alderking.com

The regional office market witnessed reduced take-up during 2023 because of wider economic factors although some local markets such as Exeter and Taunton bucked the trend. Bristol city centre rebounded strongly at the end of the year with Q4 take-up accounting for 46% of the full year total.

The flight to quality and increasing occupier focus on new and newly refurbished space offering the best ESG credentials and occupier amenities continue to be the key trends in the market. As a result we expect to see a greater proportion of all office take-up focused on Grade A space.

Factors including increased build cost, planning delays and yield shift have resulted in several speculative new build and comprehensive refurbishment schemes being delayed. With less spec development likely, major new build schemes will once more be driven primarily by pre-lets.

As a result, supply of new top end space will become more restricted in 2024 and 2025 resulting in continued headline rental growth for the remaining more limited available space. We therefore expect Bristol city centre headline rents to move back to the top of the UK regional markets by the middle of 2024 based on deals currently in solicitors' hands.

Poorer quality secondhand buildings where refurbishment is unviable will continue to be lost to alternative uses, in particular residential.

INDUSTRIAL & LOGISTICS SUMMARY

Andrew Ridler

T 0117 317 1071
E aridler@alderking.com

The industrial and logistics market across the region was constrained by the lack of immediately available supply and a limited number of speculative starts.

Notwithstanding the wider economic uncertainty, business confidence in the sector remains robust, albeit investment decisions are more considered resulting in extended timelines for commitments.

Occupiers are increasingly influenced by the availability of labour and power, with location coming next. The logistics sector, particularly internet fulfilment, and manufacturers/added value engineering occupiers continue to drive demand.

Take-up in Bridgwater and Truro were up but impacted by several sizeable building acquisitions with a spike in demand in Bath, due to a number of second-hand buildings becoming available on multi-let schemes.

Supply in Bristol is of particular concern with seven buildings totalling circa 2.05m sq ft accounting for circa 80% of available space.

With limited supply, we anticipate increased demand for pre-lets and pre-sales with informed occupiers understanding the need to pay rents which support viability. Freehold owner occupier demand remains strong.

Affordability for some remains 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 2018/2019.

RETAIL & LEISURE SUMMARY

Sadie Cole

T 0117 317 1034
E scole@alderking.com

Overall transaction levels in the retail and leisure sector were at their highest level in 2023 since the end of the pandemic.

The food and beverage sector along with health and beauty were the top performers.

As inflation reduces together with the cost of borrowing, retailers are looking at 2024 with renewed confidence.

Consumers remain apprehensive around continued rises in cost of living and are carefully monitoring their spending.

Existing operators who have navigated challenges brought on by rising costs will remain successful. However the rise in the National Minimum Wage in April will further increase costs for retail businesses.

Retail parks will continue to outperform high street locations with an increase in food and beverage and discount operators looking to trade on retail parks.

INVESTMENT SUMMARY

Oli Stretton

T 0117 317 1121
E ostretton@alderking.com

2023 presented arguably the most challenging trading conditions for commercial property since the 2008 Global Financial Crisis. The controversial mini-budget of 2022, interest rate rises, cost of living crisis, global conflicts and inflation volatility all had an impact on the economy and therefore activity and pricing in the investment market.

The severity of commercial property re-pricing over the past 18 months resulted in a significant mismatch between buyer/seller pricing aspirations which stifled activity, resulting in very low trading volumes for 2023.

The outlook for 2024 is more positive, inflationary pressures have eased, gilt yields have already begun to fall and interest rates are expected to follow, with rate cuts now widely anticipated later in the year. Investor sentiment is already showing signs of strengthening with pricing now beginning to realign buyer and seller expectations, albeit significant challenges remain with sector variations.

We expect investors to continue to reshape their portfolios, targeting the industrial and living sectors in particular, with offices and high street retail being less favoured, reflecting the structural changes in those markets. There will be continued strong appetite for core assets across the sectors offering strong ESG credentials.

2024 will present an opportunity to buy at the very bottom of the cycle. Whilst the prospect of a general election may cause some investors to pause for thought, opportunistic buyers would be wise to take advantage of current subdued pricing and look to reposition assets.

Key Alder King Transactions

1

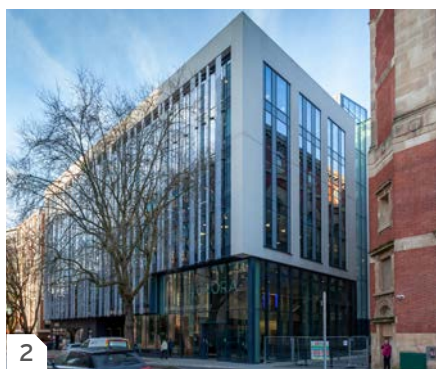
1. **Former Curver Premises, Redruth**
Size 228,500 sq ft
Freehold disposal for Tregay Properties
2. **Aurora, Bristol**
Size 8,282 sq ft
Leasehold disposal for Private Client
3. **Nibley Court, Westerleigh Business Park, Yate**
Size 22,519 sq ft
Investment disposal for Halbadier
4. **Phase 4 Paintworks, Bristol**
Size 23,000 sq ft
Sale and leasehold disposals for Verve Investments
5. **Unit 1 St. Modwen Park Gloucester**
Size 56,262 sq ft
Leasehold disposal for ProCook
6. **Unit K Quedgeley West Business Park, Gloucester**
Size 38,129 sq ft
Investment disposal for Vision Profiles
7. **Unit 24 Access 18, Avonmouth**
Size 54,000 sq ft
Leasehold disposal for St. Modwen
8. **Unit C2 Maylands, Hemel Hempstead**
Size 25,000 sq ft
Leasehold disposal for One
9. **Unit 2 Newport Leisure Park, Newport**
Size 19,616 sq ft
Leasehold disposal for Monmouthshire County Council
10. **Lysander House, Bristol**
Size 8,818 sq ft
Leasehold acquisition for Practice Plus Group

11

11. **Unit 100 Castlegate Business Park, Caldicot, Monmouthshire**
Size 28,441 sq ft
Leasehold disposal for Monmouthshire County Council
12. **Unit 2 Stroudwater 13, Stonehouse**
Size 53,000 sq ft
Freehold disposal for Robert Hitchens
13. **Unit 7C Madleaze Industrial Estate, Gloucester**
Size 20,038 sq ft
Leasehold disposal for Picton
14. **One Methuen Park, Chippenham**
Size 37,437 sq ft
Freehold acquisition for Ashville Industrial Investments
15. **Somerset Willow, Peninsula 23, Bridgwater**
Size 32,097 sq ft
Freehold sale for Roselea Properties

4

2



3



5



6

7



10



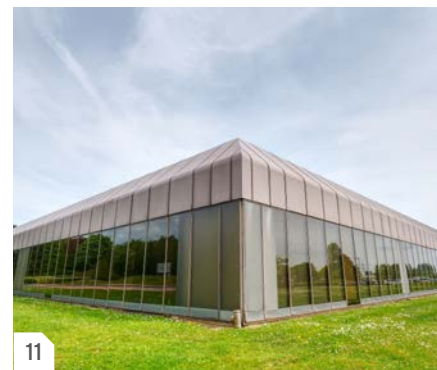
13



8



11



14



9



12



15



Bristol



CGI of Welcome Building, Bristol. Courtesy of Trammell Crow & Tristan Capital.



Unit 24 St. Modwen Park Access 18, Avonmouth.



Phase 2 Rockhaven, Cabot Park.

OFFICES

Simon Price

T 0117 317 1084
E sprice@alderking.com

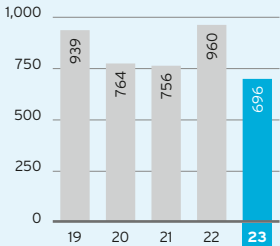
- The Bristol office market witnessed subdued take-up during 2023, impacted by macro-economic factors resulting in take-up falling below the five year average. Q4 city centre take-up however saw a very positive rebound, accounting for 46% of the full year total.
- Key city centre transactions included Dyson taking 66,000 sq ft at 1 George's Square, and the Government taking 28,500 sq ft at L&G's Neighbourhood North. Out of town Rheinmetal's purchase of 62,000 sq ft at 2630 Aztec West was the standout deal.
- Q1 2024 will see completion of major new schemes in the city centre at EQ and Building C Assembly together with the comprehensive refurbishment of 100 Victoria. 1000 Aztec West comprising circa 72,000 sq ft was the first comprehensive spec refurb to complete in north Bristol for a decade.
- 2024 will also see the completion of Trammell Crow and Tristan Capital's Welcome Building comprising 207,000 sq ft during Q2 which is already seeing strong interest as a result of the scheme's excellent ESG credentials and on-site amenities.
- The delayed start on several other proposed new build city centre schemes is likely to result in reduced availability during 2025 and H1 2026. However, several significant occupier requirements are currently active and likely to drive forward new development through pre-lets.
- Top headline rents in the city centre held steady at £42.50 psf but, based on deals in solicitors' hands, further increases are expected in H1 2024.

Market Factsheet

Take-up 000s sq ft



27%

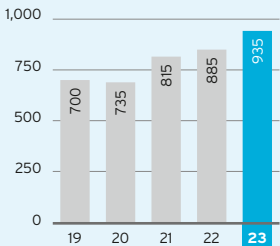


5 year average 823,000 sq ft

Supply 000s sq ft

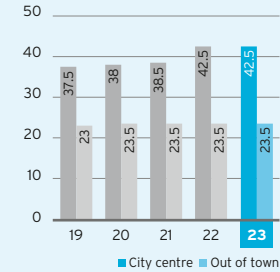


6%



5 year average 814,000 sq ft

Headline rent £psf



Most active sectors by take-up



Professional Services



Public Sector.



TMT/Creative services

New build under construction



501,300 SQ FT
of which circa 189,000 sq ft is let or under offer

INDUSTRIAL & LOGISTICS

Andrew Ridler

T 0117 317 1071
E aridler@alderking.com

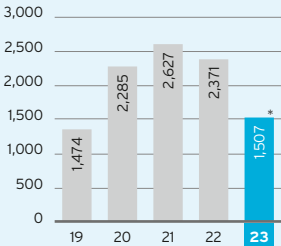
- Take-up was 1.507 million sq ft, down on the 2022 figure of 2.37 million sq ft. The market was constrained by the lack of immediately available space, fallout from the Autumn 2022 Budget and uncertainty surrounding the conflicts in the Ukraine and Israel/Gaza. Despite these external pressures, demand remains good but more considered.
- Key 2023 transactions included Gregory Distribution's acquisition of the 115,000 sq ft DC115 at Cabot Park, Biker's acquisition of LaSalle IM's 44,000 sq ft unit at Patchway Trading Estate and the letting of 55,000 sq ft at St. Modwen's Access 18 to L'Occitane.
- 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.
- Competitive interest is still commonplace on existing freehold space.
- Immediately available supply is estimated at 2.5 million sq ft, with parties struggling to find modern space which in turn is limiting the availability through relocation of second-hand buildings. The situation is even worse with circa 1.65 million sq ft of supply accounted for in three buildings comprising Panattoni Park and Mountpark 360, with a further 400,000 sq ft in four buildings.
- Much needed smaller format supply will come on stream following Cubex's acquisition of 2.5 acres at Horizon 38 in Filton, the start of construction on the 24 unit Rockhaven Business Centre at Cabot Park and in Brislington, Glenmore is on site with a 35 unit scheme. In Weston-super-Mare, KMW has started on the next phase of Beaufighter Court which will provide 12 new units.

Market Factsheet

Take-up 000s sq ft

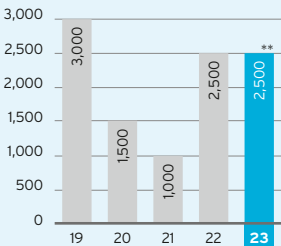


36%



5 year average 2.053m sq ft

Supply 000s sq ft

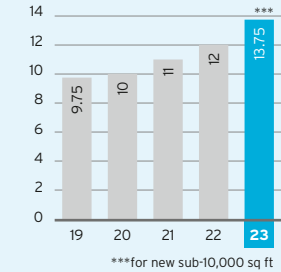


5 year average 2.1m sq ft

Headline rent £psf



14.5%



Take-up by sector %

2023



76%

Distribution



24%

Manufacturing

2022



74%

Distribution



26%

Manufacturing

Under construction



215,000 SQ FT

Bristol



Mowgli, Corn Street, Bristol.



Imperial Park, Bristol.



Temple Quay House, Bristol.

RETAIL & LEISURE

Sadie Cole

T 0117 317 1034
E scole@alderking.com

- Bristol's retail market remained resilient over the course of 2023.
- Retailer demand remained steady despite challenging economic conditions.
- We continue to see a good level of demand from independent businesses across the city. Food and beverage operators remain the most active. There is also an increase in the charity sector, fashion brands and health and beauty occupiers.
- Lingerie brand Victoria's Secret has opened a large new store at The Mall at Cribbs Causeway. The Mall has also seen the arrival of homeware and stationery store Mooch. Existing tenant Phase Eight will be moving into a new unit and Hobbs has also committed for a further five years.
- Bristol foodie favourites Bianchis Group, Little French, Pizza Rova and Nutmeg have all opened additional sites in the city. Indian restaurant Mowgli on Corn Street opened in December 2023 and Prime by Pasture is set to open in January at Redcliff Quarter.
- Out of town, Superdrug and Mountain Warehouse have both opened at Gallagher Retail Park in Longwell Green.
- Proposed redevelopment plans in the city centre include the former Debenhams blocks on The Horsefair, Broadmead and Merchant Street as well as the anticipated Galleries Shopping Centre. Additionally, there are development proposals for the former M&S store.

Market Factsheet

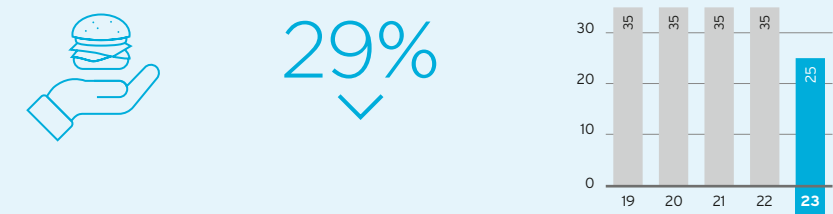
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



INVESTMENT

Oli Stretton

T 0117 317 1121
E ostretton@alderking.com

Significant transactions included:

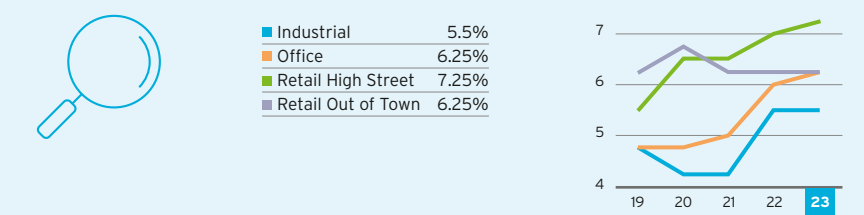
- Temple Quay House.** An overseas private investor purchased this city centre Government-let office building from Aberdeen for £49.5m, reflecting a net initial yield of 5.97%, rising to 6.96% in 2026. The building totals 154,000 sq ft and is let for a further 13 years.
- Co-operative Warehouse, Cabot Park.** ICG acquired this high bay distribution facility totalling 429,000 sq ft from AXA Real Estate for £43m, reflecting a net initial yield of 5.98%. The property is let to Co-operative Group Ltd for a further 8.5 years and is subject to a fixed uplift in 2027.
- Imperial Park.** The US-based Realty Income Corporation bought Imperial Park in Hartcliffe from Capreon. The retail and leisure park totals 350,000 sq ft and is anchored by B&Q, The Range, M&S, Next and Boots. This was part of a two property deal, including Fife Central Retail Park in Kirkcaldy, with a total combined value of £175m and an apportioned value on the Imperial Park of circa £100m.
- 90 Victoria Street.** RO Real Estate purchased this four-story city centre office building from Mayfair Capital for £7.75m reflecting a net initial yield of 7.8%. The fully let building totals circa 25,000 sq ft and tenants include Mazars LLP, Tetra Tech Group Ltd, Francis Clark LLP and BJSS Limited with a WAULT of just over 3 years.

Market Factsheet

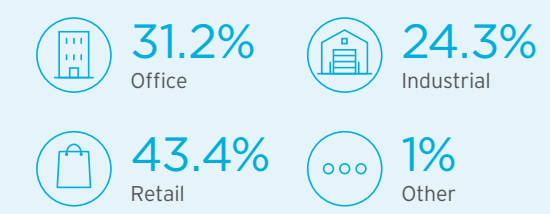
Volume of investment transactions £ms



Prime yields %



Investment by sector %





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

OFFICES

- Despite a challenging year, the market has been active as occupiers seek quality and efficiency with new development predicted to finally push on headline rents.
- Take-up is 32% down on the previous year and 23% down on the five year average of 362,000 sq ft. There was a notable increase in take-up in out of town locations, accounting for 38% of the total compared to 17% in 2022.
- 84% of transactions were sub-5,000 sq ft with only four companies taking more than 10,000 sq ft, the main reason for the overall drop in take-up.
- Availability increased 32% as some larger floorplate occupiers continue to reorganise against a backdrop of changing working practices. However, we expect this figure to decrease throughout 2024 with one or two high profile relocations forecasted (including PwC's 55,000 sq ft requirement) and at least three buildings in secondary locations having redevelopment plans for alternative uses.
- Ten buildings account for roughly 45% of the total availability and includes JR Smart's 107,000 sq ft John Street development, scheduled for delivery in 2024 and which will hopefully push on headline rents once lettings commence.
- Notable deals include Veezu taking 19,243 sq ft at Hodge House and Kocaer taking 16,292 sq ft at 3 Alexandra Gate.
- City centre headline rents remain static but are expected to increase in Q1 2024 to £26 psf as a result of transactions in Callaghan Square, evidencing strong demand for smaller Grade A accommodation.



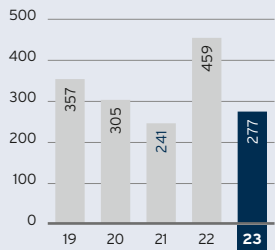
Hodge House, St Mary Street, Cardiff.

Market Factsheet

Take-up 000s sq ft



32%
↓

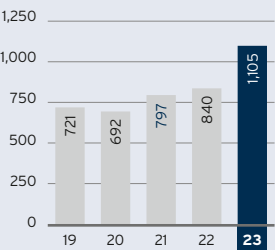


5 year average 362,000 sq ft

Supply (city centre) 000s sq ft

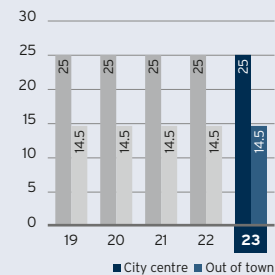


32%
↑



5 year average 752,000 sq ft

Headline rent £psf



Take-up by sector %



6%
Healthcare



9%
Telecoms/
Technology



9%
Education



8%
Finance

Under construction/
refurbishment



146,000 SQ FT



Ynys Fach, Tongwynlais, Cardiff.

INDUSTRIAL & LOGISTICS

- Cardiff's industrial sector continues to perform well with take-up similar to 2022.
- Rising rents and limited supply have encouraged new development in Newport, Bridgend and Cardiff. The developers behind Axis 32 at Longwood Drive and Cubex 67 at Newlands Road in Cardiff have focussed on ESG credentials, targeting BREEAM Excellent ratings for both schemes.
- Freehold demand remains strong, particularly for secure yards/compounds as evidenced by the recent acquisition of land and buildings at Ynys Fach, Tongwynlais. The investor, advised by Alder King, subsequently constructed secure compounds and was rewarded with a flurry of lettings and sales.
- The letting of the 81,906 sq ft former Bestway Wholesale unit at 1 Brindley Road to Eakin Healthcare for £4.75 psf per annum was the largest deal of 2023.
- Headline rents have increased to £6.90 psf per annum. We expect rents to rise again throughout 2024, especially for newly constructed and modern units. This has already occurred in Newport, at St. Modwen Park, where a new headline rent of £8.75 psf has been achieved for a 52,000 sq ft transaction.
- Occupiers and investors continue to navigate through economic uncertainty and rising energy costs, but we have witnessed growing confidence as interest rates and inflation stabilise.



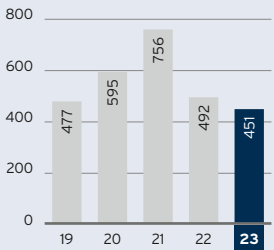
1 Brindley Road, Cardiff.

Market Factsheet

Take-up 000s sq ft



8.3%
↓

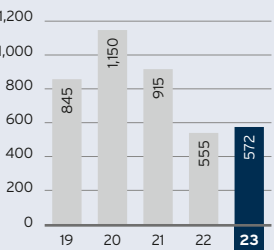


5 year average 554,000 sq ft

Supply 000s sq ft



3%
↑

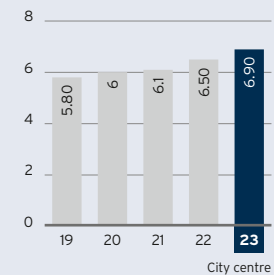


5 year average 807,000 sq ft

Headline rent £psf



6%
↑



12%
of transactions were
freehold or long
leasehold

Under construction/
refurbishment



104,000 SQ FT



Burger King, Wood Street.



The Welsh House & Temple Bar, High Street.



Hoddinott Concert Hall and Offices.



5 Callaghan Square, Cardiff.

RETAIL & LEISURE

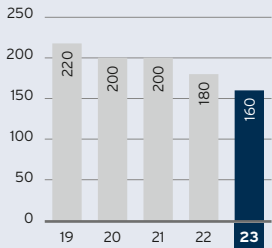
- The sector continues to evolve with several mergers and changes in consumer buying trends. Retailers are becoming more comfortable operating within the tough macro-economic conditions.
- The Welsh Retail Consortium noted a dip in Cardiff’s footfall in November and December, with retailers expecting the end of year surge to rally profits.
- Strategy continues to drive innovation and new store concepts as evidenced by Landsec’s plans to create more open space and 30,000 sq ft of new F&B and leisure offerings in place of the former Debenhams store, and Sports Direct’s proposed and surprising relocation from St David II Shopping Centre to Queen Street.
- Food and beverage accounts for most new openings in the city and includes Six by Nico, Pasture’s expansion, The Welsh House and Temple Bar on High Street, Giggling Squid, Coppa Club and Gaucho on The Hayes, and Black Sheep Coffee and Burger King on Wood Street.
- The Bus Interchange will officially open in 2024 providing roughly 8,000 sq ft of ground floor retail and food units. It will be interesting to see how quickly the units fill in such a good location with additional footfall provided by Legal & General’s new office, 318 apartments and 14 bus bays.
- Out of town retail remains strong with little or no availability.

Market Factsheet

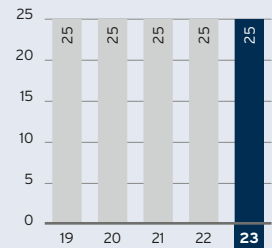
Zone A headline rent £psf



11%
↓



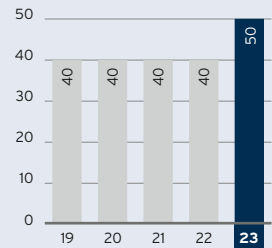
Out of town headline rent £psf



Leisure headline rent £psf



25%
↑



INVESTMENT

Oli Stretton

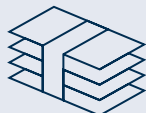
T 0117 317 1121
E ostretton@alderking.com

Significant transactions included:

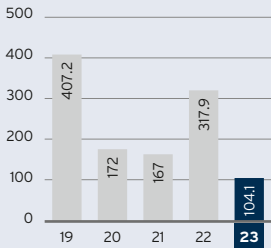
- **Tesco Extra, Culverhouse Cross.** LCN Capital Partners, a pan-European specialist in sale and leaseback transactions, acquired the 125,000 sq ft 2006 build Tesco Extra at Culverhouse Cross from M&G Real Estate for £35.6m reflecting a net initial yield of 6.83%. In the same deal, they also purchased another Tesco Extra in Wigan.
- **Hoddinott Hall.** Goldmoney acquired this landmark concert hall and offices from Aviva for £17.35m, reflecting a net initial yield of 8.95%. The property totals around 59,000 sq ft and is multi-let to the BBC, Wales Millennium Centre and The Arts Council of Wales with a WAULT of around 8.5 years.
- **Livin, Cardiff.** A UK Fund purchased this PBSA scheme in a prime city centre location for £13m reflecting a net initial yield of 5.98%. The property has 136 student bedrooms arranged as 134 studios and is 100% let for 2022/23 academic year.
- **5 Callaghan Square.** This multi-let office was sold by Credit Suisse to a private investor for £7.5m reflecting a NIY of 14%. The rent totals £1.15m per annum and the WAULT is 3.9 years to expiry and two years to break.

Market Factsheet

Volume of investment transactions £ms



67%
↓

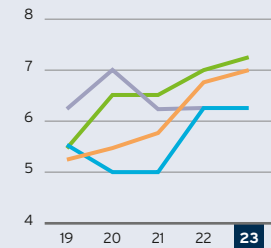


5 year average £172m

Prime yields %



Industrial	6.25%
Office	7%
Retail High Street	7.25%
Retail Out of Town	6.25%



Investment by sector %

27.5%
Office

23.4%
Industrial

49%
Retail

Exeter

Noel Stevens
T 01392 353093
E nstevens@alderking.com

OFFICES

- There were encouraging levels of office take-up in 2023, particularly in the second half of the year. There were more transactions out of town than in the city centre where there is greater availability on the business parks and better quality space as a result of recent refurbishments.
- Buildings such as Aperture on Pynes Hill saw multiple lettings in 2023, helping to support rents. It is no coincidence that Aperture is one of those buildings that has been refurbished. The letting to WSP at Longbrook House helped maintain rents at the top end of the market.
- Supply continues to grow as secondary space comes back to the market. Much of this is in smaller suites in buildings over 20 years old. Many of the small offices in the business parks are owned by individual/private investors who have limited resources to carry out refurbishments. Unfortunately, these poorer quality spaces are likely to remain vacant for some time.
- We are unlikely to see new build offices unless through a pre-let. Construction costs and a shift in yields mean that rents over £30 psf would be required to make development viable. With the best existing space available at a quoting rent of £25 psf, there is enough of a gap to make investors and developers cautious.
- Demand for freehold offices remains robust with Alder King selling Courtney House and putting Emblem House under offer in 2023. Values for out of town buildings have slipped from the pre-Covid £175 psf to nearer £150 psf.



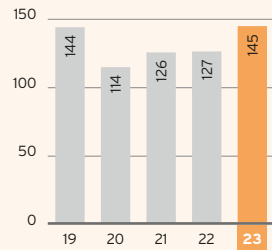
Stratus House, Exeter.

Market Factsheet

Take-up 000s sq ft



14%

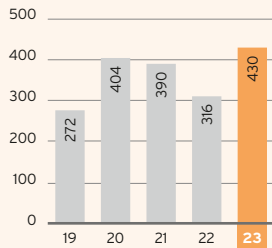


5 year average 131,000 sq ft

Supply 000s sq ft

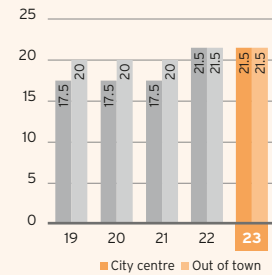


36%



5 year average 362,000 sq ft

Headline rent £psf



Tesla Centre, Matford Way, Exeter.

INDUSTRIAL & LOGISTICS

- Despite what the 2023 take-up figure suggests, 2023 was a much quieter market following several years of high demand. The completion of the 196,000 sq ft Stovax letting at Sky Park masked the downturn in sentiment.
- Where developments did take place there was demand, albeit at lower levels and, importantly, rental growth continued. This was driven mainly by rising construction costs rather than developers taking increased profits.
- The one sector where there has been construction is small unit industrial. There is continued demand for freehold and leasehold space sub-2,000 sq ft but the level of interest has come down from the very high levels seen in 2021 and 2022. This could be attributed to rising prices as well as economic uncertainty.
- Matford Green Business Park saw its final phase built out and let, rounding off a very successful 10 years where 26 acres has been developed for motor trade, trade counter and industrial uses. Saving the highest profile letting to last, Tesla opened its doors on a new dealership in late 2023.
- Construction of the final two buildings at Exeter Trade Park has completed with both units letting quickly. This development has transformed trade counter rental levels since the project started in 2019. Rents for trade units have risen from £12.50 to £18 psf. The trade market is very sensitive to location so these rents don't apply across Matford Green and Marsh Barton but they have helped bring up secondary rents from sub-£10 psf.



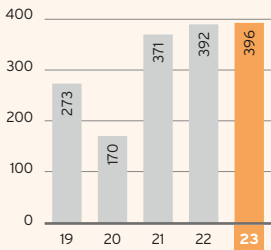
Exeter Trade Park, Marsh Barton Trading Estate, Exeter.

Market Factsheet

Take-up 000s sq ft



1%

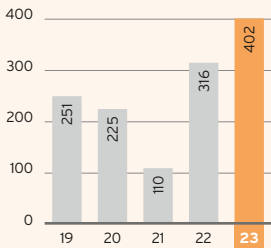


5 year average 320,000 sq ft

Supply 000s sq ft



27%

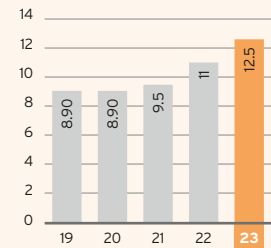


5 year average 260,000 sq ft

Headline rent £psf



13.5%



Exeter



CGI of Tesco Express, Tithe Barn Green Local Centre due for completion Q4 2024. Courtesy of Eagle One.



Former Fitness First unit, Tudor Street, Exeter.



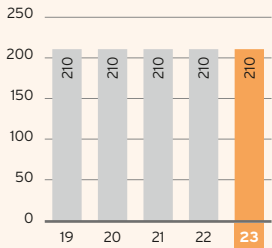
Unit 3 Spitfire Avenue, SkyPark.

RETAIL & LEISURE

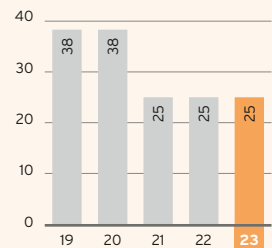
- The city centre had some good news in 2023 with retailers relocating to improve their locations and several new openings. Mountain Warehouse relocated a short distance into a more prominent store which was part of the former House of Fraser. Proof that demand for coffee shops remains strong was demonstrated by Caff  Nero opening a third city centre branch.
- There is demand from retailers for the best new out of town developments although construction cost increases and yield shifts are making new development difficult. Of the handful of proposed new retail developments, only Moor Exchange saw positive progress in 2023 with planning granted for the £40 million scheme.
- There was huge interest in the former Fitness First which closed in 2023. After a successful marketing campaign, Alder King put the unit under offer to a new gym operator which will open in early 2024. Demand came from local and national brands across a variety of leisure uses, illustrating continued demand for well-located sites, particularly those able to serve Exeter's student population.
- The convenience store market remains strong but is focused on good quality locations amongst housing developments. Given the scale of housing development around Exeter, we will see more openings with rents staying about £20 psf for the best sites.

Market Factsheet

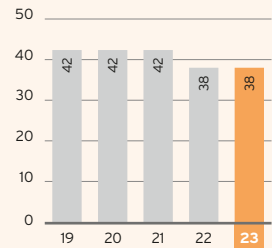
Zone A headline rent  psf



Out of town headline rent  psf



Leisure headline rent  psf



INVESTMENT

Oli Stretton

T 0117 317 1121
E ostretton@alderking.com

Significant transactions included:

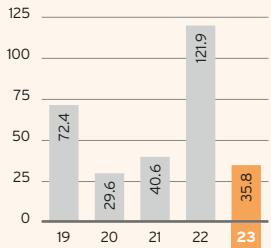
- **Unit 3 Spitfire Avenue, SkyPark.** This 205,000 sq ft single let industrial unit was purchased by ICG for £17.7m reflecting a NIY of 7.45%. The unit is pre-let to Stovax for 15 years with 5 yearly index-linked reviews (2-4%).
- **Exeter Logistics Park, Clyst Honiton.** The Eyre Estate are forward funding this 47,300 sq ft industrial asset from Stoford Developments Ltd for £8m reflecting a net initial yield of 5.5%. The property is pre-let to Sainsbury's for 15 years with index-linked uplifts.
- **190-191 High Street.** Yaron Spector Real Estate acquired this prime retail investment from Hampshire County Council for £3.25m reflecting a net initial yield of 7.22%. 76% of the income was secured to McDonalds until 2036.

Market Factsheet

Volume of investment transactions  ms



71%
V

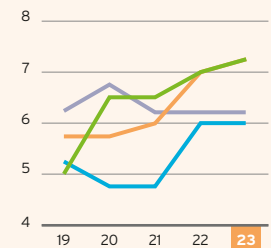


5 year average £60.05m

Prime yields %



Industrial	6%
Office	7.25%
Retail High Street	7.25%
Retail Out of Town	6.25%



Investment by sector %



6.4%
Office



76.7%
Industrial



13.8%
Retail



3.1%
Other



Adrian Rowley
T 01452 627133
E arowley@alderking.com

OFFICES

- Market activity increased throughout the calendar year and occupier focus remains predominantly on quality over quantity in the office sector. Wellness, energy efficiency and satisfying ESG requirements are driving this shift.
- Supply of out of town space remains low and rents have increased in respect of both prime and secondary space. Supply of out of town remains low at 80,000 sq ft sq ft. The total supply stands at 200,000 sq ft.
- New owners of Gloucester Business Park SRE are shortly to embark on the comprehensive refurbishment of the Grade A, 30,000 sq ft Building 5220 Valiant Court due for completion in Q2 2024. Early interest in this space will push rent levels to a new market high.
- Newbridge is due to complete the 45,000 sq ft Elmbridge East refurbishment scheme located between Gloucester and Cheltenham. This comprises a superb re-use of space with high green credentials. Their significant investment has been rewarded by achieving commitment to lettings on 60% of the floor space prior to practical completion of the works. The remaining suites provide space from 1,743 sq ft to 6,544 sq ft.
- The City Council and development partners REEF are progressing with The Forum which will provide some 100,000 sq ft of new build office space in the city centre and is due for completion in summer 2024. This is a major regeneration project for the city and the scheme will include a hotel, co-working and leisure space.



Valiant Court, Gloucester Business Park.



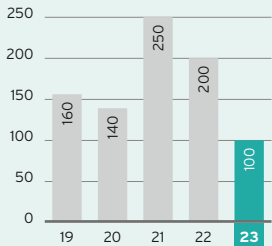
Low Carbon office, Elmbridge East, Gloucester.

Market Factsheet

Take-up 000s sq ft



50%
↓

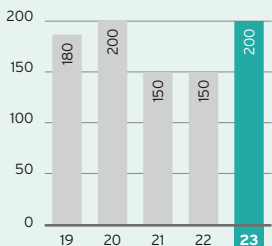


5 year average 170,000 sq ft

Supply 000s sq ft



33%
↑

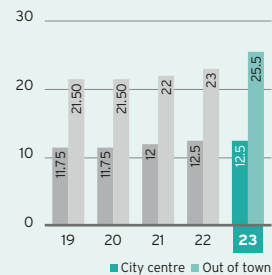


5 year average 176,000 sq ft

Headline rent £psf



11%
↑
Out of town



Key occupier by sector %



Greiner Building, Stroudwater 13.



Unit 7 (G43) St. Modwen Park Gloucester.

INDUSTRIAL & LOGISTICS

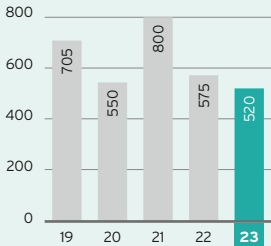
- Activity in the mid-box warehouse sector gained momentum through the year. Demand in the early part of 2023 had reflected the economic uncertainty with the backdrop of increased energy costs and rising interest costs. As the year progressed, demand and take-up improved.
- H2 2023 saw two significant mid box lettings complete. Cosentino Granite acquired the 43,000 sq ft Unit 7 St. Modwen Park Gloucester and Flostream acquired the 56,200 sq ft Unit 1 St Modwen Park Gloucester formerly occupied by ProCook.
- The result is that take-up for the year stands at a healthy 520,000 sq ft.
- Supply currently stands at 310,000 sq ft . Rents and capital values have continued to rise with headline rents now at £8.95 psf.
- Picton continues to benefit from its significant investment in Madleaze and Mill Place Estates. The 20,000 sq ft refurbished Unit 7C Madleaze Estate has been let to Corplex and the 23,500 sq ft Unit 9A has been let to Mekufa, both at £6.25 psf, demonstrating the demand for refurbished secondary space. These rent levels would have been close to prime Grade A headline rents only three years ago.
- Elsewhere, Ashville is close to completing its 22,400 sq ft carbon net zero building at Ashville Business Park, Staverton which is being constructed on a speculative basis to be made available to let.
- At Stroudwater 13, Stonehouse, Robert Hitchins has completed a 53,000 sq ft warehouse building on a freehold turnkey basis for Greiner Bio-One and has simultaneously completed a speculatively built 22,000 sq ft building which is available for sale or to let.
- At Vale Park South, Evesham Copley Point Capital has completed its speculative mid box buildings.

Market Factsheet

Take-up 000s sq ft



9.6%
↓

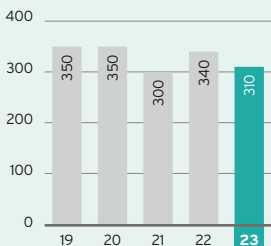


5 year average 630,000 sq ft

Supply 000s sq ft



9%
↓

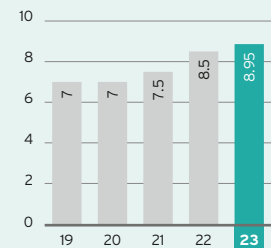


5 year average 330,000 sq ft

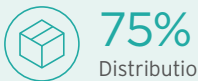
Headline rent £psf



5.3%
↑



Key occupier by sector %



Gloucester



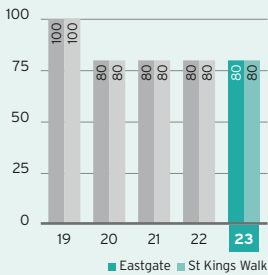
CGI of Cotswold Designer Outlet, Tewkesbury.
Courtesy of Robert Hitchins.

RETAIL & LEISURE

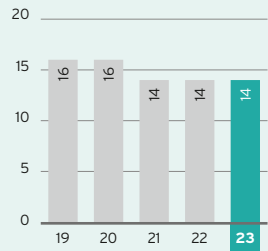
- Rokeby Developments anticipates a start on site with its Downings Warehouse residential-led scheme at Bakers Quay. This impressive development will provide a mix of reconstruction, refurbishment and new build of four iconic dockside warehouse buildings dating from the mid-1880s. The scheme will also finally link Bakers Quay with Gloucester Quays completing the major part of the historic docks.
- University of Gloucestershire is close to finishing the conversion and refurbishment of the former Debenhams department store in King Square to provide some 225,000 sq ft of teaching and ancillary space including the relocated public library. This will provide a major boost for the city centre with the program providing that the city campus will be open for new health and care courses in September 2025.
- REEF and the City Council have announced that IHG Hotels has signed up to take the hotel space within The Forum scheme and this is set to provide quality hotel and leisure accommodation within the city centre.
- The food and beverage and leisure sectors lead demand for out of town representation. In particular the drive-thru sector remains active and has seen significant rent increases pushed on partly by the increase in development costs.
- At Ashchurch, Tewkesbury, Robert Hitchins has made a start on site with the first phase of its major factory outlet scheme. The first phase extends to 136,000 sq ft and is due for completion in Spring 2025. The development also comprises a completed 74,000 sq ft Dobbies Garden Centre which has been open and trading since Q4 2022 and sits alongside Junction 9 of the M5 motorway. The second phase is set to provide a further 50,000 sq ft.

Market Factsheet

Zone A headline rent £psf



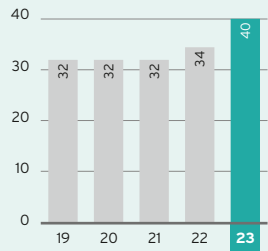
Out of town headline rent £psf



Leisure headline rent £psf



18%



Unit K Quedgeley West Business Park.



123 High Street, Cheltenham.

INVESTMENT

Oli Stretton

T 0117 317 1121
E ostretton@alderking.com

Significant transactions included:

- **Unit K, Quedgeley West Business Park.** Threadneedle purchased this modern 37,110 sq ft industrial unit for £4.7m reflecting a net initial yield of 5.5%. The unit is let on a new 10 year FRI lease to Vision Profiles Ltd. Alder King acted for the vendor.
- **Units 1-4 Bamfurlong Industrial Estate, Gloucester.** This multi-let industrial estate totalling circa 40,000 sq ft was purchased by BCCIM, a joint venture between Barwood Capital and Caisson iO. The price was £5.15m reflecting a net initial yield of 7.40% NIY, rising to 9%.

Other transactions in the region included:

- **123 High Street, Cheltenham.** This prime high street retail unit sold on confidential terms for a price in the region of £20m, reflecting a net initial yield of around 8.25%. The property is let to John Lewis plc on a lease expiry in 2042.
- **Portland Street Car Park, Cheltenham.** The Guinness Partnership acquired this town centre surface-level car park for £7.2m, reflecting a net initial yield of 5.45%. The property is let to NCP on a 35 year lease expiring in 2055.

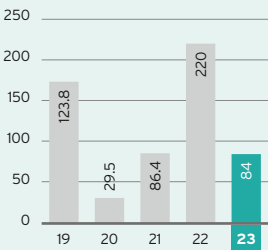
Market Factsheet

Volume of investment transactions £ms



62%

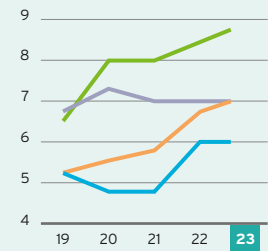
5 year average £114m



Prime yields %



Industrial	6%
Office	7%
Retail High Street	8.75%
Retail Out of Town	7%



Investment by sector %



0%

Office



42%

Industrial



57.1%

Retail



1%

Other

Bath



Newark Works, Bath.



The Maltings Industrial Estate, Bath.



Cambridge House, Bath.

OFFICES

Tom Dugay

T 0117 317 1094
E tdugay@alderking.com

- Total supply has risen to circa 345,000 sq ft, the highest level since 2012. This represents nearly four years' worth of take-up based on the five year average.
- Take-up in Bath in 2023 reached circa 55,000 sq ft, a low of recent years, with most of the activity in the sub-5,000 sq ft market.
- The most noticeable deal of 2023 was the sale of circa 14,000 sq ft at Plymouth House to Avon and Somerset Police. Other success was seen at Newark Works, where 13,000 sq ft was let to various tenants including L+C Mortgages which acquired circa 4,800 sq ft.
- Top headline rents in the city centre remain at £36.00 psf, as set at Royal Mead. There is expectation that this could increase during 2024 with deals anticipated at several of the city's most high-profile buildings.

Market Factsheet

Take-up 000s sq ft



40%

5 year average 75,700 sq ft

Supply 000s sq ft



20%

5 year average 194,200 sq ft

Headline rent £psf

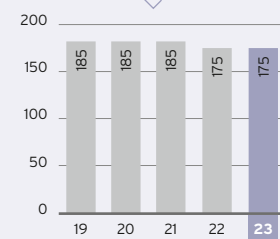
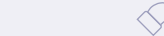


City centre

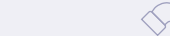
RETAIL & LEISURE

- Bath's retail market demonstrated remarkable resilience in 2023, marked by a surge in retail lettings and a notable number of units currently under offer.
- Most enquiries are centred around food and beverage establishments.
- Bath has also seen a resurgence in interest from major national brands with Monsoon, Mint Velvet and Zara all taking space in the city centre.

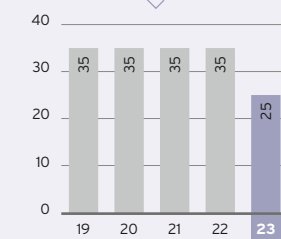
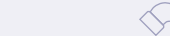
Zone A headline rent £psf



Out of town headline rent £psf



Leisure headline rent £psf



INDUSTRIAL & LOGISTICS

Andrew Ridler

T 0117 317 1071
E aridler@alderking.com

- Demand for good quality space, particularly freehold, remains strong.
- There are several active requirements, particularly in the trade and roadside sectors.
- Take-up was the highest for seven years with approximately 14,750 sq ft of space acquired.
- Notable lettings of 2023 included Moose's acquisition of 7,200 sq ft at Brassmill Lane Trading Estate.
- Supply is extremely tight and typically 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.

Market Factsheet

Take-up 000s sq ft



195%

5 year average 8,950 sq ft

Supply 000s sq ft



5 year average 7,000 sq ft

Headline rent £psf



15%

INVESTMENT

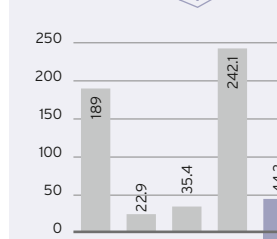
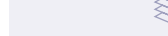
Oli Stretton

T 0117 317 1121 E ostretton@alderking.com

Significant transactions included:

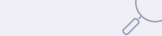
- Cambridge House, Henry Street.** AEW REIT purchased this freehold, mixed use asset in Bath city centre from Threadneedle for £11.5m reflecting a NIY of 8.00%. The property totals circa 50,000 sq ft and is multi-let to five office and retail tenants. It is located immediately adjacent to the Southgate Shopping Centre.

Volume of investment transactions £ms



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

Prime yields %



Bridgwater

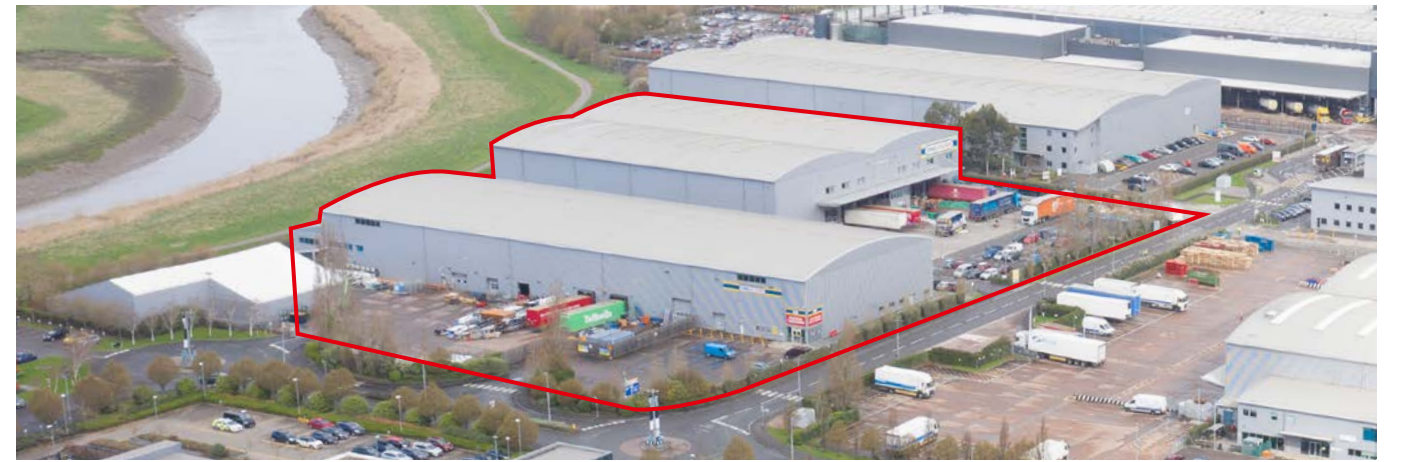
Andrew Maynard
T 01823 444879
E amaynard@alderking.com

OFFICES

- Various changes in Mallard Court have driven a majority of both the supply and demand figures in 2023, a situation which is likely to repeat itself in 2024.
- The office market remains polarized between the town centre and the out of town offering, with a substantial difference in terms of pricing and general quality of the accommodation available.
- There has been no new build in the town for a number of years.
- Out of town, rental levels remain stable, with The Exchange Building on Express Park leading the way with its flexible and quality offering.



Somerset Willow Headquarters, Peninsula 23.



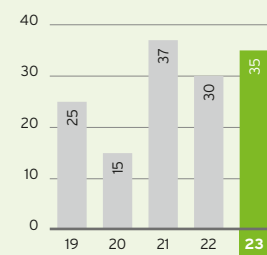
Toolstation, Units 2 & 3, Express Park.

Market Factsheet

Take-up 000s sq ft



16%

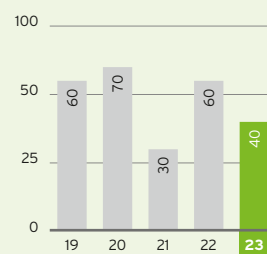


5 year average 28,400 sq ft

Supply 000s sq ft



33%



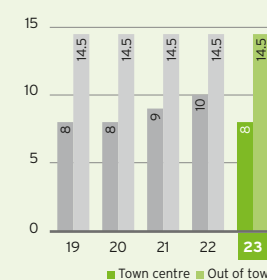
5 year average 52,000 sq ft

Headline rent £psf



20%

Town centre

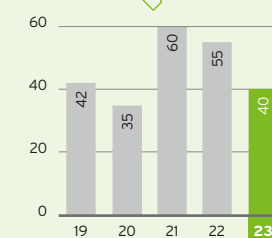


■ Town centre ■ Out of town

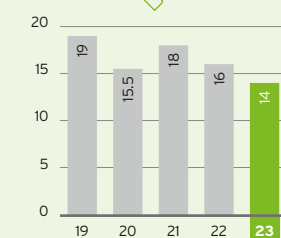
RETAIL & LEISURE

- Bridgwater's High Street void rate stands at 7.5%, well below the national average.
- Initiatives to promote and improve the town centre include grants for shop front improvements and an events programme organised by the Town Council and funded by the Bridgwater Town Deal.

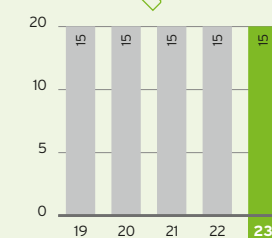
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf



INDUSTRIAL & LOGISTICS

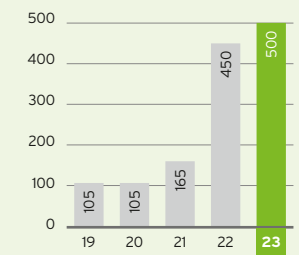
- The increased take-up for 2023 includes the letting of the 352,303 sq ft former Argos warehouse facility and the sale of Units 1 and 2 Huntsworth Business Park totalling 121,577 sq ft. Elsewhere demand remained strong throughout 2023, especially for the mid box market.
- Rental levels recovered last year, rising by 2.7% on 2022.
- Overall supply dipped by 28% in the year, although this was due in part to the HPC letting.
- There has been a general lack of new build activity in the town, with the completion of a new building on Peninsula 23 for Somerset Willow, comprising around 24,000 sq ft of warehouse, production and office space, being the standout deal of 2023. This provides a landmark building on the northern edge of the town and is the third building on this new business park off the A38.

Market Factsheet

Take-up 000s sq ft



11%

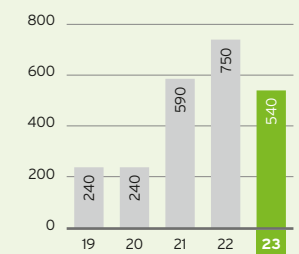


5 year average 265,000 sq ft

Supply 000s sq ft



28%

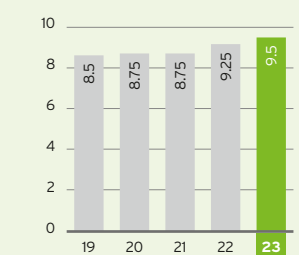


5 year average 472,000 sq ft

Headline rent £psf



2.7%



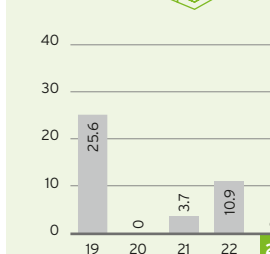
INVESTMENT

Oli Stretton

T 0117 317 1121 **E** ostretton@alderking.com

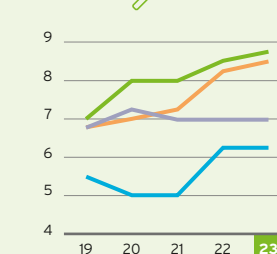
- There were no investment transactions over £500,000 in Bridgwater in 2023.

Volume of investment transactions
£ms



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

Prime yields
%



Plymouth

Noel Stevens
T 01392 353093
E nstevens@alderking.com

OFFICES

- The office market in Plymouth mirrored that of other South West markets with reduced demand and increased supply. There were larger lettings above 15,000 sq ft recorded at Salt Quay House and Mast House in the second half of the year which have bolstered the figures and show some resilience.
- Unfortunately, the flight to quality has not led to more interest in the top end of the market although take-up in 2023 doesn't reflect this. Early 2024 will see lettings taking place to reflect the true picture. BLOCK opened its new serviced office at Royal William Yard which helped reduce the vacancy levels and should serve as an incubator for companies to grow and remain in the city.
- Demand for smaller sub-2,000 sq ft suites remains but again at lower levels, with many occupiers price sensitive.
- Rents did not move on in 2023. Rather incentives and service charge caps have been required to secure occupiers. Capital value reductions have been seen and this trend will continue as smaller investors seek to exit the market.

RETAIL & LEISURE

- Out of town activity was dominated by the new Derriford District Centre which will open in 2024. M&S will anchor the scheme with a new food hall along with Aldi and Costa Coffee.
- Drake Circus saw a boost to its fashion line-up with Oliver Bonas opening a new store.



Drake Circus, Plymouth.

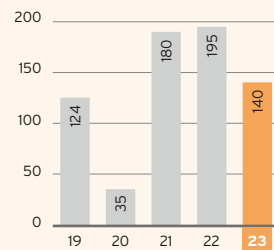
Market Factsheet

Take-up 000s sq ft



28%

5 year average 135,000 sq ft

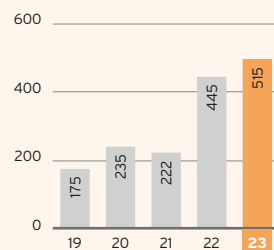


Supply 000s sq ft

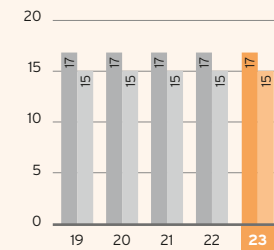


15.7%

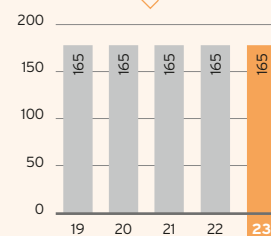
5 year average 318,000 sq ft



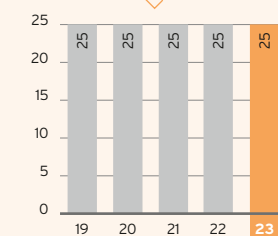
Headline rent £psf



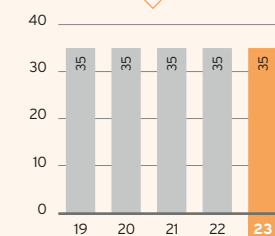
Zone A headline rent
£psf



Out of town headline rent
£psf



Leisure headline rent
£psf



INDUSTRIAL & LOGISTICS

- Plymouth's industrial market had a very strong first half to 2023 with over 200,000 sq ft transacted. The second half the year saw a slightly lower take-up but nonetheless the overall picture is a positive one with almost 400,000 sq ft transacted.
- The supply figure at just over 400,000 sq ft is the highest for the last five years but off-setting that against take-up shows a healthy market in our opinion. Plymouth continues to benefit from a large overall supply meaning that within any year there will be numerous buildings coming to market and letting or selling to balance out the figures.
- There has been some upward pressure on rents and capital values but in the main these have remained static. Second-hand stock around 10,000 sq ft is worth around £100 psf with small unit industrial attracting £175 psf.
- The relaxation of planning uses and in particular Class E helped unlock value in some units where more retail-type users are taking space and are willing to pay higher rents than traditional industrial occupiers.

INVESTMENT

Oli Stretton

T 0117 317 1121 **E** ostretton@alderking.com

Significant transactions included:

- SIG Distribution, 87 St Modwen Road.** This 35,781 sq ft industrial unit was purchased by Northtree Investment Management from Palace Capital for £3.225m.
- 282 Outland Road.** Fiera Capital purchased this 57,748 sq ft supermarket let to Morrisons for £18m.



Royal William Yard, Plymouth.

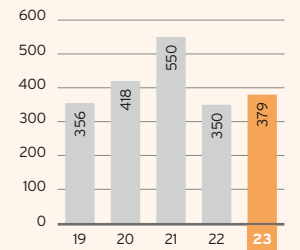
Market Factsheet

Take-up 000s sq ft



8%

5 year average 135,000 sq ft

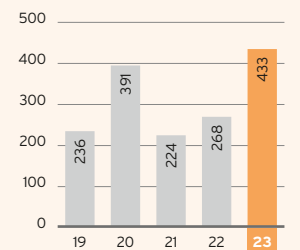


Supply 000s sq ft

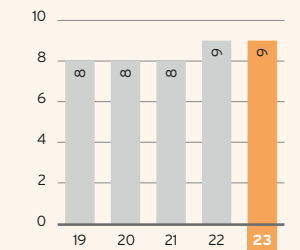


61%

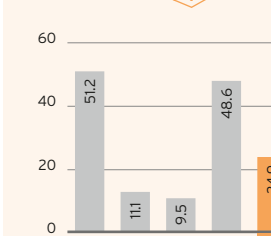
5 year average 310,000 sq ft



Headline rent £psf

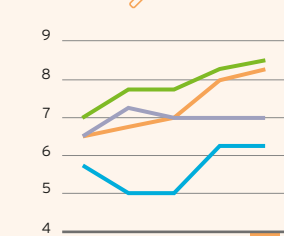


Volume of investment transactions
£ms



Industrial
Office
Retail High Street
Retail Out of Town

Prime yields
%





James Gregory
T 01793 428106
E jgregory@alderking.com

OFFICES

- Take-up during 2023 was lower than the previous year with no transactions above 6,000 sq ft in Swindon. The positives to take from this, however, are that whilst the transactions taking place are smaller, they are for better quality space and we are seeing a gradual return to the office environment in improved accommodation.
- This is demonstrated by lettings at Churchward to BLB Solicitors, at Dorcan to Colas Rail and Kembrey Park to Barnabas Aid. In addition, several deals of good quality refurbished space have taken place at Delta Office Park and also at 3 Newbridge Square in the Town Centre.
- FI Real Estate has completed a good quality refurbishment at One Newbridge Square bringing 100,000 sq ft of large format space to the market which adds to the brand new offices within Zurich's Headquarters Building.
- We can be hopeful that rents will rise for accommodation that represents excellent value for money compared to nearby major cities.

RETAIL & LEISURE

- The Bus Boulevard on Fleming Way is making good progress and will dramatically enhance the Town Centre's offer. Swindon has also scored another "first" with the opening of the country's first all electric Premier Inn Hotel.
- Home Bargains has rebuilt and now opened a large new store on the Great Western Way following the relocation of TK Maxx to Mannington Retail Park in the previous year.



Home Bargains, Great Western Way, Swindon.



32 Harris Road, Calne.



Apple 3, Kembrey Park, Swindon.

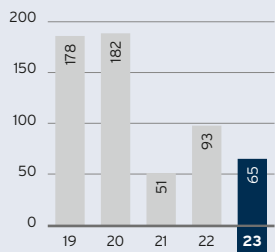
Market Factsheet

Take-up 000s sq ft



30%
↓

5 year average 114,000 sq ft

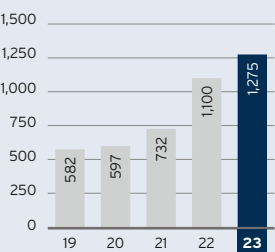


Supply 000s sq ft

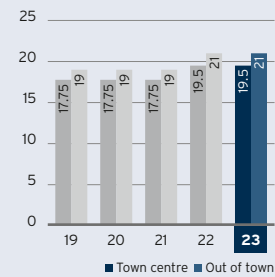


16%
↑

5 year average 857,000 sq ft



Headline rent £psf



INDUSTRIAL & LOGISTICS

- The take-up for 2023 is significantly below the average take-up for Swindon with only one transaction over 50,000 sq ft taking place at Cheney Manor to Cinch Self Storage.
- This does not offer a fair reflection of the demand in the mid market with several transactions in the 20-30,000 sq ft bracket taking place such as Gridserve at Westmead, Oxwash at South Marston, ACI Express at Dorcan, and Vestey Foods at Blackworth.
- The overall take-up also does not record the continued high level of demand at the smaller end of the market which continues apace for sub 5,000 sq ft units and in particular sub 3,000 sq ft. In many cases, there is frantic demand for small units and rents are continuing to rise.
- The level of supply has risen slightly as a result of two significant properties being brought to the market, namely the Spectrum Building at Rivermead and Wheatstone House at Dorcan.
- It is encouraging to witness new development at Swindon Trade Park and also the planned Panattoni Park on the old Honda site.

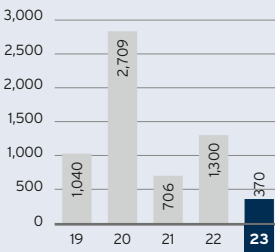
Market Factsheet

Take-up 000s sq ft



71%
↓

5 year average 1.225m sq ft

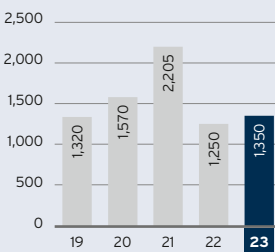


Supply 000s sq ft

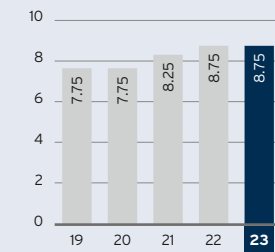


8%
↑

5 year average 1.539m sq ft



Headline rent £psf



INVESTMENT

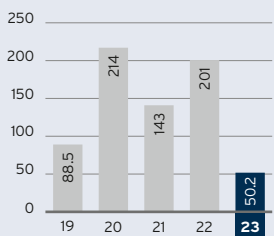
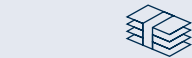
Oli Stretton

T 0117 317 1121 E ostretton@alderking.com

Significant transactions included:

- Mercedes Benz, Drakes Way.** This 31,358 sq ft purpose-built car showroom was sold by Savills IM to a private investor for £7.750m reflecting a net initial yield of 6.22% off the topped-up rent. The property is on a large site of 4 acres and occupies a prominent corner location opposite the Greenbridge Retail and Leisure Park.

Volume of investment transactions
£ms



Prime yields
%



Industrial 6.25%
Office 8.25%
Retail High Street 8.75%
Retail Out of Town 7%



Taunton

Andrew Maynard
T 01823 444879
E amaynard@alderking.com

OFFICES

- Improved office demand in the out of town market continued through the second half of 2023, with the average size of requirements on an upwards trajectory.
- There was a recovery in demand from traditional office users although the medical/healthcare sector continues to account for a large proportion of take-up in the out of town market.
- Supply fell by 29% during the year due to limited new accommodation entering the market and completed transactions.
- There is potential for substantially increased levels of supply in 2024 and 2025, driven largely by the public sector.

RETAIL & LEISURE

- Vacancy levels appear to be decreasing in the prime areas of Fore Street, North Street and East Street but beyond this, accommodation is more difficult to let with an increase in marketing periods and incentives.
- The opening of the County Classics Motor Museum in the former County Store on North Street has delivered a new leisure use for these historic premises which will hopefully drive more footfall into the town.



Ashford Court, Blackbrook Business Park, Taunton.

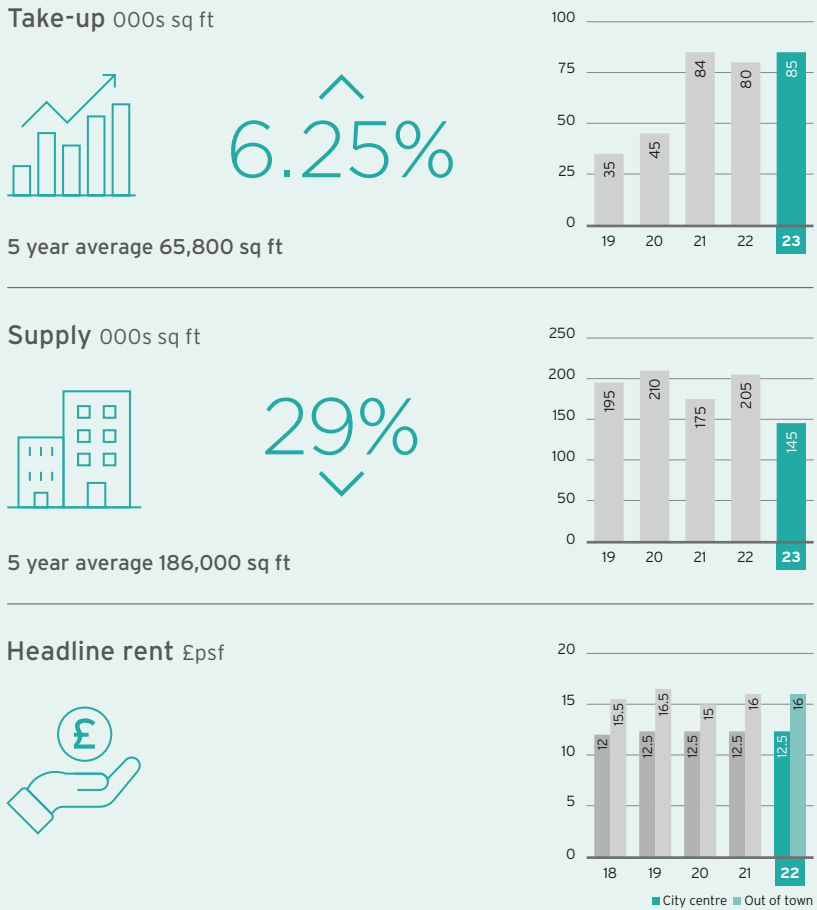


Portland House, Deane Gate Avenue, Taunton.



Travelodge, Hankridge Way, Taunton.

Market Factsheet



INDUSTRIAL & LOGISTICS

- The town's industrial market was more subdued in 2023, with demand noticeably lower and slower to progress than in 2022.
- Supply is marginally down on the 2022 figures, with a general reduction in new instructions coming to market throughout the year.
- Despite a less active market, rental levels remain stable and good quality modern accommodation continues to see rental increases, albeit more modest than over the previous two years.
- Whilst there is availability of refurbished space within the town, principally on the Crown Industrial Estate, no new buildings were started in 2023.
- In neighbouring Wellington, progress continued at Westpark 26 with further trade counter and drive-thru deals agreed for new build units on the business park. A further scheme of terrace units on the scheme is likely to start in 2024.

INVESTMENT

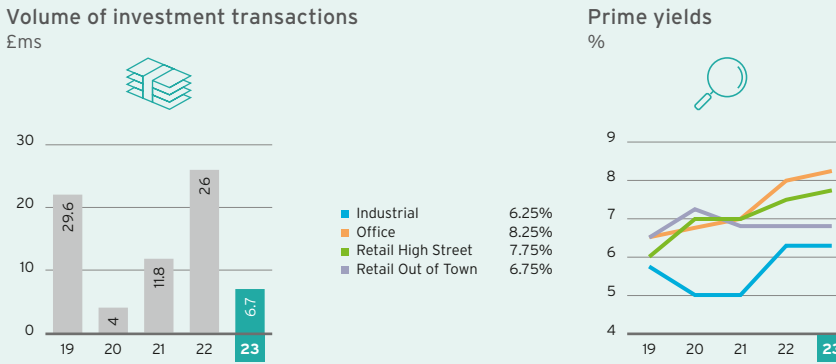
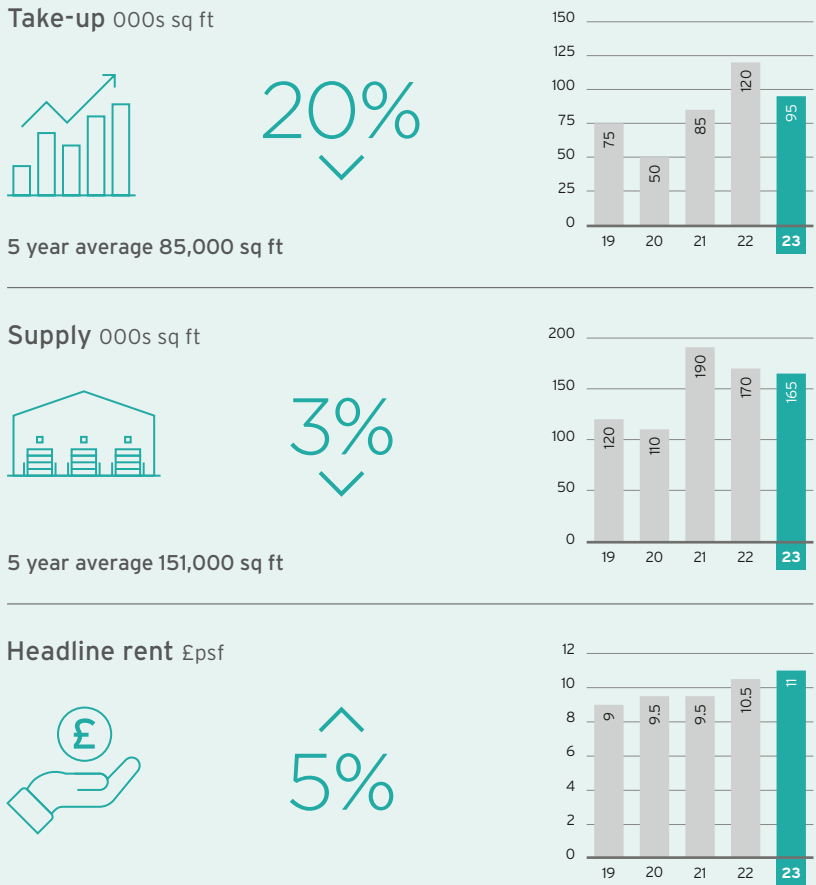
Oli Stretton

T 0117 317 1121 E ostretton@alderking.com

Significant transactions included:

- Travelodge, Hankridge Way.** This purpose-built 64 bedroom Travelodge hotel was purchased by a private individual from RO Real Estate for £3.9m, reflecting a NIY of 6.37%.

Market Factsheet



Truro

Ian Simpson
T 01872 227004
E isimpson@alderking.com

OFFICES

- The office market in Truro and surrounding area saw an increase in supply and a drop in take-up in 2023.
- The increase in supply is in part represented by several larger, poorer specification premises which ultimately may sell for alternative uses or redevelopment.
- Despite the increase in supply and the backdrop of changes in working practices since the pandemic, headline rents have remained stable. However the market is expected to continue to diverge, with better quality stock maintaining value more than lower quality stock.
- The majority of take-up continues to relate to smaller size units of circa 1,000 sq ft average for leasehold transactions.
- There continues to be a lack of new build. However some applicants continue to find difficulty in acquiring office premises which meet their requirements.

RETAIL & LEISURE

- There were several prime lettings last year, with headline rents being maintained following previous reductions. The loss of Wilko released another large footprint unit of 38,000 sq ft.
- Work is due to commence on Cornwall Council's Pydar development focussing on housing, workspace, education and food orientated space. Construction will be phased over 5 - 8 years.



Town Quay, Truro for sale/to let through Alder King.



Former Curver premises, Cardrew Industrial Estate, Redruth.



Calenick House, Truro Technology Park.

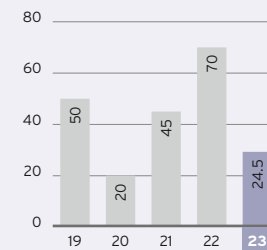
Market Factsheet

Take-up 000s sq ft



65%

5 year average 42,000 sq ft

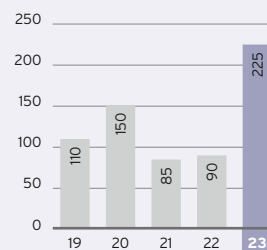


Supply 000s sq ft

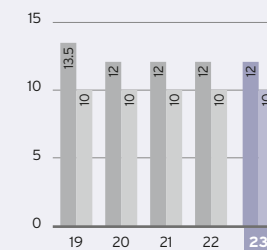


150%

5 year average 132,000 sq ft



Headline rent £psf



■ City centre ■ Out of town

INDUSTRIAL & LOGISTICS

- The industrial and logistics market witnessed an increase in take-up and supply in 2023. However many applicants continue to find there is limited availability and choice within various locations around the county, particularly on a freehold basis.
- 2023 witnessed a substantial increase in take-up, which in part was a result of one single large transaction of a 228,500 sq ft unit at Cardrew Industrial Estate in Redruth. This was one of the largest transactions in the county for many years indicating demand for larger footprint second-hand stock, with new build typically being cost prohibitive.
- Given the wider demand and supply backdrop, rents and sales prices have been maintained, albeit the picture is not entirely consistent with some increases in freehold prices in the strongest locations. There continues to be limited new build.
- The focus of the A30 corridor is expected to strengthen with the current dualling of the A30 between Carland Cross and Chiverton Cross due to complete in 2024.

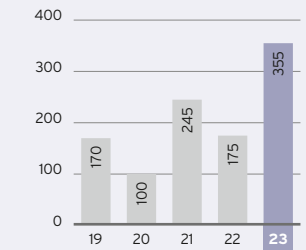
Market Factsheet

Take-up 000s sq ft



103%

5 year average 209,000 sq ft

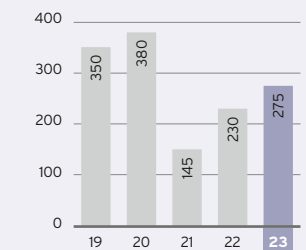


Supply 000s sq ft

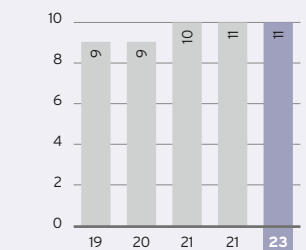


20%

5 year average 276,000 sq ft



Headline rent £psf



INVESTMENT

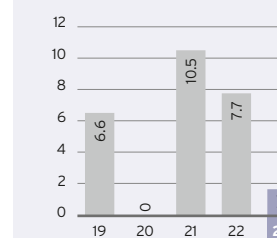
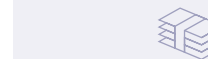
Oli Stretton

T 0117 317 1121 **E** ostretton@alderking.com

Significant transactions included:

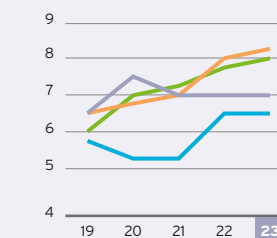
- Calenick House, Truro Technology Park, Heron Way.** A private investor purchased this 4,698 sq ft office across two floors and let to Kernovation Ltd. The office has a prominent location overlooking Calenick Creek. The purchase price was £700,000 reflecting a net initial yield of 7.62%.

Volume of investment transactions £ms



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

Prime yields %



Planning



TOWN PLANNING SUMMARY

Sarah Hawkins

T 0117 317 1170
E shawkins@alderking.com

Local Plan Progress in the West of England (WoE) Area

2023 was a busy year for local authorities in the West of England area. Following the abandonment of the West of England Combined Authority (WECA) Spatial Development Strategy (SDS) in 2022, Councils within the WECA area have been progressing their own separate new Local Plans:

- Bristol City Council consulted on its Pre-Submission (Regulation 19) version of its Local Plan between November 2023 and January 2024 with the intention to submit to the Planning Inspectorate in Spring 2024.
- South Gloucestershire Council issued its Draft New Local Plan (Regulation 18) version for consultation between December 2023 and January 2024. The Council intends to issue its Publication version of the plan in May 2024 with the submission of the plan to the Inspectorate in August 2024.
- Bath & North East Somerset (B&NES) is a little behind the other three Councils with its Draft Local Plan (Regulation 18) version due to be published for consultation between January and February 2024.

North Somerset Council, which is located outside the WECA area, but within the WoE sub-region, also consulted on its Pre-Submission (Regulation 19) version of its Local Plan between November 2023 and January 2024. The timetable for the submission of the plan to the Planning Inspector is March/April 2024.

The delivery of housing, a key strategic matter, is now to be addressed and delivered through the four Local Plans. In October 2023, Bristol City Council wrote to the other authorities in the West of England area, setting out its inability to meet its housing needs. The letter requested that the three authorities explore through their local plan processes whether they could accommodate a proportion of Bristol's unmet locally derived housing need.

Neither South Gloucestershire nor North Somerset local plans currently intend to accommodate any of Bristol's unmet housing need. South Gloucestershire Council has confirmed that its priority is to meet its own housing needs. B&NES' position on this matter is likely to be clearer following the publication of its Draft Local Plan which, at the time of writing, is due imminently. It is currently unclear how the housing requirements for the WoE region will be met with the four authorities taking individual approaches.

BNG Update

In England, biodiversity net gain (BNG) is becoming mandatory under inserted Schedule 7A of the Town & Country Planning Act 1990. The mandatory requirement is to deliver a BNG of 10%. This requirement is to come into force on 12 February 2024 for major developments and April 2024 for minor developments. Despite the looming date for BNG coming into force, further details are still awaited from the Government.



Courtesy of AWW.



CASE STUDIES

1. Vassall Centre, Bristol.

In May 2023, we secured planning permission for Bristol Charities' application to redevelop the Vassall Centre in the Fishponds area of Bristol.

The Vassall Centre was originally built in 1945 as a base for American soldiers and had reached the end of its practical lifespan. Bristol City Council's planning committee unanimously approved the application, which will see 40 new affordable apartments built for older people, the creation of supported housing for adults with learning difficulties and an increase in community facilities for the area including a new 'landscaped heart' at the centre of the development.

The vision is to create a vibrant, mixed-use new neighbourhood centre for intersectoral and multi-generational living, along with high quality 'barrier-free workspace' with enhanced office and meeting spaces for voluntary and third-sector organisations. The development also incorporates a community space in which Bristol Charities can host groups, classes and events run by and for local people, as well as a significantly enhanced community café.

2. Three Lane Ends, Wakefield.

We secured planning permission and listed building consent for the proposed conversion of the Three Lane Ends Business Centre, Wakefield back to its original use as a school.

A 20th Century listed building of national importance, it was designed in the late 1930s as an infants' school and was Grade II listed in 1980. Following its closure, in 1996 it re-opened as a Business Centre until being vacated a few years ago.

The acknowledged significant heritage interest of the building formed a key part of the planning strategy. Stakeholders, such as Historic England and the Twentieth Century Society, had a very keen interest in the future of the building. We also had to ensure that the views of immediate neighbours were addressed as far as possible, given the change in nature of use of the site (notwithstanding its previous education use)

The proposals have brought back into long term beneficial use, with associated local employment opportunities, a longstanding vacant listed building which would otherwise have likely remained unoccupied with its physical condition deteriorating further. The new use also helps meet an identified and urgent need for specialist education facilities in this accessible location.

3. Solar Installation, Cardiff Airport Holiday Inn Express.

We acted for sustainability specialists SaveMoneyCutCarbon (SMCC) at the Holiday Inn Express, Cardiff Airport in obtaining planning permission for a rooftop solar installation. The proximity of the hotel to the airport meant that the Welsh Government's permitted development rights for rooftop installations were not available for the development.

Balancing the safety concerns of Cardiff Airport (through the submission of a glint and glare study) and the environmental objectives of the planning policies, we were able to secure planning permission for the development, enabling the hotel owner, Eclipse Hotels Group (another Alder King client), to benefit from SMCC's renewable energy installation.

We are assisting SMCC in the rollout of commercial renewable energy schemes across the UK, helping their clients to reduce their carbon footprint. Their schemes respond to the English, Welsh and Scottish Governments' increasing recognition that renewable energy schemes at all scales make a significant contribution to addressing the climate challenge.

Residential Development Land



RESIDENTIAL LAND MARKET SUMMARY

Simon Smith

Hannah Eshelby

T 0117 317 1069
E ssmith@alderking.com

T 0117 317 1044
E heshelby@alderking.com

2023 was characterised by a growing list of challenges facing the market, including rising inflation, interest rates, build costs and delivery requirements, alongside ongoing policy uncertainty and a climate crisis to name just a few. This led the market into a subdued state, keenly anticipating some form of assurance that a new normal had been reached and the wave of challenges had finally subsided.

In particular, the market continues to weather the consequences of increased interest rates following the infamous Mini-Budget of September 2022, despite the more recent stability of the bank base rate.

The economic tension around the peak in inflation saw mortgage products continue their upward trajectory in summer of 2023 and this has continued to be a significant hindrance to market productivity as a cautious attitude took hold.

The 2023 downturn in activity was part of a more risk adverse environment, with deals being delayed or renegotiated. This in turn led to real avenues of opportunity in the land market for well-funded operators who are less reliant on debt. This will continue throughout 2024.

Cautious optimism

2023 saw housing sales rates considerably more subdued than in 2022. This pushed housebuilders to reduce asking prices and offer an increased range of incentive packages to encourage activity with PLCs reporting fractions of their former sales rates. This in turn is bolstering consumer demand and buyer confidence.

The same challenges that faced the land market in 2023 continue to be significant for 2024, with little having been resolved in the last year.

Local Planning Authorities remain under-resourced despite financial support promises from central government, all whilst trying to grapple with evolving policy challenges such as the adoption of Biodiversity Net Gain, the Levelling Up and Regeneration Bill and the Housing Secretary shifting housing targets. The affordable housing market, which has been an isolated constant in its consistency over the past few years, has reportedly reduced its planned spending for 2024 albeit delivery is expected to continue at pace.

Focus on viability and deliverability

More positively, build costs have stabilised but not significantly corrected themselves, providing a small but welcome relief from the past two years of upwards pressure. In context of the list of challenges faced by the market going into 2024, the bottleneck of issues will continue to focus the attention of the market on viability and deliverability of sites as developers find a way through

the many hurdles to deliver much needed housing across the region whilst their profits continue to be squeezed. We expect to see further diversification of deal structures across the land market to enable delivery.

The South West has continued to prove its resilience in these challenging market conditions and it will need to do so again throughout 2024 with an impending general election coming into play by the end of the year. This extended period of uncertainty is set to again challenge the mettle of the land market although we predict the strength of demand for land in the South West to remain highly competitive for the highest quality sites that are suitable for residential and living use classes.

The ongoing stabilisation of interest rates has seen some renewed positivity and there is genuine reason to look forward to the knock-on effect in the land market of improved affordability for house buyers. More importantly this fresh confidence in a market that is particularly short on land supply will rapidly flow through into activity, competitive land values and transaction volume as parties look to not miss out on the best opportunities, in turn enabling the market to re-establish a positive momentum through the next twelve months.



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Research & press contact

Simon Price
sprice@alderking.com

Sarah King
sking@alderking.com
0117 317 1000

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