



	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▼	▲
56,822 sq ft Take-Up	▼	▼
£38.00 psf Prime rent	▲	▼

KEY INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
32.6 M UK Employment	▼	▼
4.5% UK Unemployment Rate	▲	▲
0.10% Interest rate	▼	■

Source: ONS

ECONOMY: Recovery underway but rate of growth uncertain

UK GDP rose by 2.1% month-on-month in August, which represented the fourth consecutive monthly increase. The economy is now well out of recession territory but the recovery has been slowing down, and expectations are for even flatter growth once September's data is released. However, the economy is slowly regaining the initial losses caused by lockdown; GDP for August was estimated to be 9% below its February level compared to 25% below in April.

It would now seem that the recovery will not be as sharp as had previously been thought, particularly given the likelihood of increasing local lockdowns as we move into the fourth quarter. However, the growth forecast for office-based jobs remains stronger than that for total jobs, with some sectors such as technology proving their counter-cyclical credentials.

OCCUPIER FOCUS: Demand remained subdued while supply remains tight

Occupier activity remained subdued in the third quarter, as was seen across the majority of the UK's office markets. Take-up totalled 56,822 sq ft, marginally higher than the previous quarter but still 63% below the five-year quarterly average. Restrictions related to the ongoing Covid-19 pandemic have continued to limit physical viewings, which we expect to continue until at least the end of the year. The largest transaction of the quarter was software company XLedger's acquisition of 10,719 sq ft at Tower Wharf.

Bristol availability remained relatively stable at 409,000 sq ft at the end of the third quarter. This is 12% below Q3 2019 and 52% below the 10-year average. The vacancy rate for new and refurbished rate remained particularly low at 0.3%, the lowest of any UK office market. The supply profile along with the limited development pipeline is likely to support prime headline rental values through the low-demand environment the market is likely to encounter in 2021. The prime rent remained at £38.00 per sq ft for the third consecutive quarter, the highest ever recorded in this market.

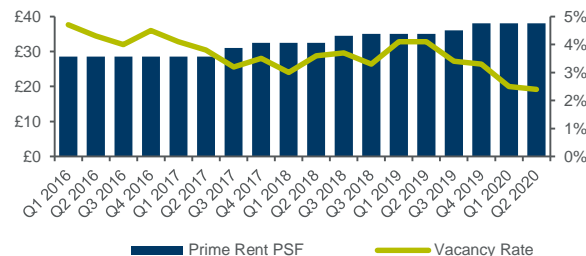
INVESTMENT FOCUS: Lack of supply continues to suppress sales volumes

There were no investment transactions in the Bristol market in the third quarter. The ongoing lack of stock continued to weigh on activity. Although investor demand remains strong, driven in part by the particularly tight occupier market, lack of speculative development and turnover will continue to be a reflection of stock availability. Pricing remained stable at 5.00%.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

BRISTOL	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	13,505,718	13,505,718	16,500,000	16,500,000	16,500,000	0.0%	22.2%
Take-up (Sq ft)	125,697	332,438	219,520	52,934	56,822	7.3%	-54.8%
Supply (Sq ft)	463,902	442,452	416,205	403,232	409,379	1.5%	-11.8%
Vacancy Rate	3.4%	3.3%	2.5%	2.4%	2.6%	-	-
Spec Construction (Sq ft)	198,044	128,679	198,679	198,679	198,679	0.0%	0.3%
Prime Rent (per sq ft)	£36.00	£38.00	£38.00	£38.00	£38.00	0.0%	8.6%
Investment Turnover (Millions)	£152.53	£81.01	-	£70.00	-	-	-
Prime Net Initial Yield	4.75%	4.75%	4.75%	5.00%	5.00%	-	-

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
Tower Wharf	Bristol	XLedger	10,719	Lease
Aurora	Bristol	Gleeds	7,026	Lease
48-52 Baldwin Street	Bristol	AWW	6,907	Lease

KEY DEVELOPMENTS Q3 2020

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
Glassfields Bristol	Bristol	RLAM	90,000	Q4 2020
Assembly Bristol	Bristol	Axa / BT	191,000	Q4 2020
Halo	Bristol	Cubex Land & Fiera / Osborne Clarke	116,000	Q2 2022

KEY SALES TRANSACTIONS LAST SIX MONTHS

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
Halo @ Finzels Reach	Bristol	Cubex & Fiera / Tesco PF	116,000	£69.4 m

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