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BRISTOL PROPERTY AGENTS ASSOCIATION

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NEWSLETTER

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Bristol Property Agents ASSOCIATION

New benchmarks set as supply dwindles

While political uncertainty and a shortage of stock has dampened activity across the board, Bristol's strong and diverse economy meant that agents still had a busy year. By outgoing President Mark Leese.

IN HIS KEYNOTE article, last year's outgoing BPAA president stressed the urgent need for a "far more robust pipeline of homes and business space". 2018 did not see a great deal of new commercial stock entering the market – leading to record rents in both industrial and office space – but the taps do look like being turned on in 2019 with a number of speculative developments on the horizon.

For residential property sales - my own area of expertise! - a "difficult year" sums it up. Early optimism and stable prices carried us through the first half with sales steadily being agreed; then activity slowed significantly in the latter months as Brexit cast its shadow. While the Council's housing target has been exceeded, too many developments are still being held up in the planning system. If the City is serious about getting more homes out of the ground, more resources must go into reducing the delays and costs which will inevitably deter developers from entering the market.

As 2018 ended, house prices around the city were at, or even slightly below, where they began the year – a welcome slowdown perhaps in the above-inflation rises which have made it difficult for many first-time buyers in recent years, and a chance for the market to catch its breath rather than go through another boom/bust cycle. The early signs for 2019 are for more of the same: sensibly priced properties are selling and demand is still there.

One significant change has been the decline in buy-to-let. A policy change from the government, together with alterations in the tax regime and stamp duty, give the impression that the government want us to sell property to owner-occupiers rather than investors holding multiple properties. Those who prefer to rent, meanwhile, will be given more options in 2019 with the arrival of a number of major build-to-rent schemes.

A FLEXIBLE FUTURE

Bristol continues to act as a magnet for businesses across a wide range of sectors, drawn here by our exceptional talent pool and quality of life. Finding the right home for them all has proven problematic in recent times, but several new trends point towards new ways of working that will make our city even more attractive.

In particular, this year saw major players in co-working taking significant slices of business space, while CARGO Work at Wapping Wharf will introduce a neat solution for tomorrow's up-and-coming microbusinesses in the shape of cargo containers. Royal London is also pushing ahead speculatively with The Distillery development, which in 2020 will deliver some 92,000 sq ft divided into smaller units.

While there will always be a demand for large, single-use buildings from corporates and government departments, for many ambitious enterprises the future is flexible… and they need accommodation that can respond rapidly to their growth plans. Bristol – with its burgeoning creative and digital sectors - is determined to be at the vanguard of that trend.

Rents rising to record levels in the industrial market have spurred several developers to speculatively turn on the tap, relieving concerns about the number of companies locally unable to find suitable properties for expansion.

Yields for both office and industrial asset investments came in during the year – a strong endorsement of the strength of the Bristol market as well as a response to the relatively few opportunities coming to market.

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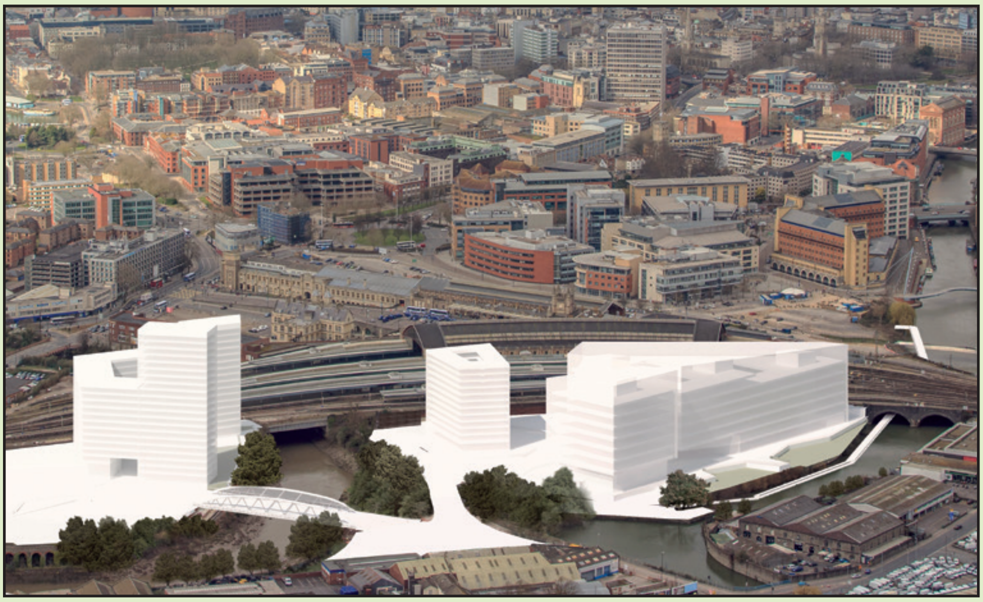
Bite-sized Bristol

By Colin Molton, Executive Director for Growth and Regeneration, Bristol City Council

THE OFFICER RESPONSIBLE FOR overseeing Bristol's future strategy on land use sets out his thoughts on why mixed-use development is the way forward, and how we need to accommodate the changing faces of work and retail.

Urban living is changing, and we have to enable that to happen through the way land for development is allocated in the city – including repurposing property which has served its useful life or moving activities which could be better located elsewhere.

For many in the property sector, a key concern is the way some areas which have traditionally contained a lot of employment – especially industrial – are facing pressures from residential development. St Philips is a good example of that as Temple Quarter (pictured) develops out and the city centre extends.



We're well aware of those concerns: people must be able to get to their places of work – whether that's by ensuring that they can live in close proximity to jobs, or by providing a first-class transport system to get them there. That's why we're looking carefully at previous levels of take-up for employment land as projects go forward and exploring land use in more granular detail.

Some service sector uses can be more footloose than others, while activities that take up a lot of land but don't deliver many jobs may also be better located elsewhere. As the city centre expands, we need to make more efficient use of the land within those areas: the Council itself owns land with uses that might be better be accommodated elsewhere.

We also need to recognise that "work" itself is changing. The sort of office space that people in agile industries now look for isn't necessarily the old-style HQs: the creative sector which is making such an impact on the city is a good example of that. We've gone past broad-brush "zoning" to look at the finer grain of an area and how a mix of uses can help sustain each other.

Retail isn't just going through one of its cyclical changes: there are behavioural changes underway affecting the whole way we shop and enjoy our leisure time. That in itself may well lead to large amounts of redundant retail space in the city becoming available which can be positively repurposed.

The city centre needs to have more sustainable mixed-use schemes – it's certainly not just about creating more residential space, but vibrant areas that combine retail, leisure, work and homes.

Comparing Bristol with the other regional centres around the country, I think we're in a really good position to take advantage of the societal, economic and behavioural changes now taking place, and we're actively encouraging a dialogue to seek views on how best to make that happen so that Bristol can continue to grow and prosper.

President's year end assessment cont. from p1

P1 /**cont** Retail is the only strand of the property market which has really struggled during the year, but even here there was positive news in the shape of the swathe of new niche retail and food operators entering the market – including at some of our suburban retail centres.

Also heartening is the prospect of a series of exciting new mixed-use developments – several are described in detail on pages 8 and 9 – which will offer the vibrant mix of work, living and leisure uses that a modern city now demands.

BPAA ENGAGEMENT

Looking into the long term, as we reported last year, the BPAA continues to play a key role in providing guidance, opinion and leadership on issues affecting the city's future prosperity, as well as working to stimulate inward investment and promote a positive image of Bristol.

To that end, the BPAA has been informing the debate on how much land needs to be allocated to employment purposes. Over the last 12 months, in conjunction with Business West, we have been making our case that the statistical basis of the Joint Spatial Strategy is flawed – and what has now been amply demonstrated is that a far greater allocation is required in the next decade or so than the Plan is proposing.

An adequate supply of business space – of the right quality, in the right locations and supported by a first class transport system - is vital if the city region's economy is to be sustained. In the residential sector too, BPAA has provided guidance on the new Urban Living SPD and the Affordable Housing Guidance Note - both now being used to inform planning decisions throughout the city.

I would like to end with a personal "thank you" to all of those who have helped the BPAA raise approximately £20,000 to support the charity which I was delighted to nominate this year: Young Bristol. The BPAA has a very active social side too, and raising money for great causes as well as enjoying each other's company at our ever-growing number of events is a big part of that!

Yields down as vendors await events

CONSIDERING THE UNCERTAINTIES impacting all parts of the economy, and investment decisions in particular, 2018 proved a relatively good year for the Bristol market with yields coming in to reflect strong investor sentiment.

Investments in the Bristol market totalled £397m across 2018 - a significant drop from 2017 where £595m worth of deals were transacted. While there is strong confidence in the Bristol market, with yields in both office and industrial investments coming in significantly, the market has been deprived of opportunities. As well as a paucity of new product coming onto the market, few investors with property portfolios have been willing to sell.

The standout deal of the year was the sale of the newly-completed Aurora office asset (pictured above) – divested by Palmer Capital Development Fund IV to Royal London Asset Management for £62.1m. Cubex Land's 95,531 sq ft development in Finzels Reach was 85% full when the transaction occurred, having just achieved a record rent for the city of £35 psf. The deal represented a net initial yield of 4.75%.

Imperial Brands undertook a sale and leaseback over 20 years of its two office buildings In Winterstoke Road, at a net initial yield of 4.5% and valued at £67m. The buildings, which were completed between 2013 and 2014, total 94,000 sq ft and 50,000 sq ft respectively and serve as the company's HQ.

1 Rivergate, occupied by Ovo Energy, was sold for in excess of £27.5m by UK Commercial Property (UKCP) REIT, which is managed by Aberdeen Standard Investments. The purchase of the self-contained 69,754 sq ft Grade A building by clients of CBRE Global Investors reflected a net initial yield of over 5.75%.

Out of town, South Gloucestershire Council bought the Bristol & Bath Science Park, opened in 2011, in a joint £18m deal with the University of Bath. The university has been a partner in the park along with the universities of Bristol and the West of England (UWE). Now as co-owner, it says it will be able to take a more proactive role in steering growth on the 36-acre site, around half of which has so far been developed.

Saudi Arabia was Bristol's biggest foreign investor - including spending £32.2m on The Hub, a regional UK office for Atkins, at Aztec West Business Park. In total terms, overseas buyers were less active this year; however, councils – with Government funds available to purchase revenue-generating investments - are more than helping to take up the slack.

While retail investments continued to struggle, industrial units were the flavour of the month – with yields of newer properties now down to a record low of circa 5% in some instances and a number of occupiers acquiring their own premises; activity was restricted only by a lack of new stock coming onto the market. This will be rectified in 2019 with a series of new schemes coming on stream.

Investors are also taking a keen interest in the city's blossoming build-to-rent sector and this is set to provide an additional stream of activity in the future.

Prognostications for 2019 favour a quiet first quarter, with activity picking up once political certainty returns. Bristol – while relatively small compared to some regional centres - is still viewed very favourably by institutional investors because of its buoyant and diverse economy and because of the strong rentals being achieved in both new and second-hand properties across the office and industrial sectors.

No new office stock will be coming onto the market in 2019, although a number are expected to come on stream in 2020, and any pre-lets might spark investment activity ahead of practical completions. Conversely, a number of new industrial developments will be completed during the year, offering some welcome investment opportunities.

In March, Bristol was named for the first time as one of Europe's top 20 real estate investment hotspots as a magnet for international property finance. The city rose to 12th position in this year's European Cities of Influence index.

BPAA selects its student of the year

OVER RECENT YEARS the BPAA has sought to "invest in the future" by supporting and encouraging students participating in Real Estate courses at the University of the West of England. Each year we sponsor a prize for a final year student who has achieved both academic excellence during their studies as well as demonstrating commitment and a passion for the property industry.

Congratulations to Ben Cronan, this year's BPAA Student of the Year. Highly recommended by his lecturers, Ben also impressed us with his desire to gain experience within the industry throughout his studies. He completed a sandwich year at Colliers, who have subsequently employed him as a graduate surveyor in the Bristol office. He's also gained residential experience working for Savills' new homes team and spent a period post studies working for Leese & Nagle in the estate agency market.

Challenging market for residential

BRISTOL'S RESIDENTIAL market faced a number of challenges during 2018, not least a slowdown in the supply of new city centre schemes.

A number of factors contributed to fewer transactions. Notably, the market slowed significantly after the Governor of the Bank of England's prediction in September of a major drop in house values in the event of a no-deal Brexit.

Many vendors have been responding to the uncertain economic situation by sitting on their hands. But the resilience of the local economy led to house prices and rental levels holding steady. The requirement for housing in Bristol – for sale and rent – continues undiminished against a background of a robust local economy and continuing "talent inward migration".

Overall, house prices ended the year close to where they started: after a number of years of well-above-inflation rises in values, this is generally viewed as a welcome correction as it will make the city's housing more affordable, especially to first-time buyers. In transaction terms the year represented a downturn of around 20% on 2017 against a national trend of closer to 25%.

The city centre market was not helped by a lack of new stock: the spate of PDR conversions has slowed while a number of schemes on the stocks are being stymied by hold-ups in the planning process. The requirement for higher levels of affordable housing has also played a part in stalling some more marginal schemes.

The buy-to-let sector nationally has been eviscerated following major changes to stamp duties and the tax regime, and Bristol has not been immune to this: agents are reporting a drop from 46% to 15% market share of new property sales within the city centre market. This has, though, encouraged more first-time buyers into the market, who were previously consistently being outbid on new stock coming forward.

Several major PRS schemes have also taken a significant amount of stock out of the equation – although the consensus is that this is a welcome new strand to the city's housing offer. These developments include Finzels Reach, where Grainger plc, the UK's largest listed residential landlord, have sold most of the Hawkins Lane Apartments and Georges Wharf Apartments. The 194-home build-to-rent scheme was developed by Cubex.

Other PRS schemes are in various stages of development, notably at Redcliffe Quarter. Here, the first elements of Phase 2 of the £250m regeneration scheme (a joint venture between Change Real Estate, Cannon Family Office and ICG Longbow) will comprise two residential blocks. A total of 118 apartments have been acquired by A2 Dominion and are being marketed under their Fabrica brand.

2019: "MORE OF THE SAME"

Progress at Bedminster Green, which is earmarked for 1,700 new homes across nine acres, has been slower than hoped for due (again) to planning issues, but it has started to deliver: St Catherine's Court has gone on the market – providing 54 homes at prices of up to 200k for two-bed apartments in this up-and-coming part of the city.

2019 will see a number of new schemes coming through the pipeline, including 256 new homes at Wapping Wharf (portrayed above) being built through a JV between developers Umberside and Muse.

Generator South West has consent to redevelop The Chocolate Factory at Greenbank into 140 new homes (96 apartments and 44 houses) together with circa 15,000 sq ft of flexible work space, a cafe/bar and a community hub. GSW will also start on site in 2019 at Redcliffe Wharf on a scheme comprising 35 apartments, retail and studio workspace.

Continuing the trend for work/living space developments, at The Old Brewery, Southville (described in more detail on page 8) a JV between Change Real Estate and Cannon Family Office has submitted plans for 94 new homes together with 20,000 sq ft of co-working and commercial space, which will make a major contribution to the continued renaissance of this part of Bristol.

In total terms, the city is still struggling to meet demand for homes to rent as well as to sell and the Council is keen to promote the change of use of underutilised retail space for both housing and business occupation. While the concept is still in its infancy, this could well make a contribution to the future housing stock in the city as well as revitalise secondary and tertiary parts of the city's retail offer.

Industrial: B1&2 thrive, rents rise

2018 WILL probably be seen in retrospect as a year of rebuilding within the industrial property market, with a number of major developments commencing to replenish badly depleted stock.

With 988,547 sq ft and 31.64 acres transacted across 78 deals, activity was well down on 2017 (2.9m sq ft / 71 acres). While 2017 was dominated by the massive 33.5 acres / 2.2 million sq ft Amazon deal at Central Park, the largest transaction in 2018 was for 115,000 sq ft at Horizon38, let to Apec Braking for its national distribution centre and HQ.

Located within the Filton Enterprise Area, Horizon38 combines 580,000 sq ft of speculatively-built industrial and distribution buildings with a further 25 acres fronting the A38 - much of which has already been taken up for a mix of uses, including the new Village Hotel and a car supermarket for Sytner. GKN is to build a new Global Technology Centre there, extending to approximately 100,000 sq ft and ready for 2020. Despite the popularity of North Bristol and the quality of the development, several units remained at the end of the year – a comment on the current caution of many larger occupiers ahead of the coming Brexit decision.

While smaller occupiers are more resilient and recognise they need to move if they are to expand or modernise their operations, larger nationals and multinationals with sites across the UK appear more inclined to "wait and see". That has led to a healthy level of activity among businesses less likely to be impacted by international supply lines. There remains strong demand too for freehold occupation from business owners keen to grow and also to control their costs.

The market has been helped by the sheer diversity of occupiers locally: while logistics (including short distance deliveries) continue to be active, there is a strong high tech and added value engineering sector together with a number of R&D spin-outs. The burgeoning B1 and B2 market helped plug the gap in distribution deals – accounting for significantly more than its traditional 20% share of the market.

The current supply level is between 4 and 5% compared to a 10-year average of 11%. The direct consequence is that, after years of industrial being the "Cinderella" of the property sector, occupiers are coming to terms with rising rents. Locations like South Liberty Lane have benefited enormously from the new link road, a restriction in new development in South Bristol and a landlord willing to invest in refurbishing old stock. Rents here have risen from £5.50 to £8psf over a couple of years.

Buildings of between 5,000 and 10,000 sq ft are achieving £8.50psf in Avonmouth and several deals for sub 5,000 sq ft second-hand buildings just fell short of £10psf. At 1385 Aztec West, Topaz Detailing – which specialises in valeting supercars and hypercars – took a 5,592 sq ft (519 sq m) industrial unit with offices at £11psf: a record for a warehouse/industrial unit in North Bristol.

Encouraged by the combination of low stock levels and rents still heading north, a spate of developers made the decision to start work on schemes which will come on stream from 2019 – including urgently needed new stock outside of Severnside: Chancerygate are developing 11 units totalling just over 100,000 sq ft at Vertex Park (pictured above), Emersons Green, and 15 units totalling 120,000 sq ft in Warmley.

EXPANDING PIPELINE FOR AVONMOUTH

Severnside has been buoyed by Highways England's decision to construct a new junction on the M49 with direct access into Central Park: a JV between Curtis Hall and Richardson identified this opportunity early and constructed Western 105, currently the only immediately available new build of +100,000 sq ft.

Several other major new developments are now coming forward in the Severnside / Avonmouth area:

- Barwood Capital are about to press the button on a logistics warehouse totalling 130,000 sq ft, known as "The Junction";
- Richardson, in partnership with Barberry, has acquired a 40 acre site known as More+ to develop 550,000 sq ft comprising 11 buildings ranging between 13,200 sq ft and 105,000 sq ft. Phase I is due to complete in April 2019 with five units totalling approximately 180,000 sq ft and ranging from 13,200 sq ft to 55,200 sq ft.
- St Modwen's 151,330 sq ft warehouse / logistics / production facility at Access 18 is due to complete for occupation early in 2019.
- Investment company Barwood Capital and developer Trebor Developments will start work in Q1 2019 at Portside Park, Kings Weston Lane on a new industrial development close to the M5. Units will range in size from 12,500 sq ft up to 87,247 sq ft.

Agents are waiting to see the long-term impact of the removal of tolls on the two Severn crossings. Concerns have been raised over a potential increase in congestion at squeeze points along the M4, while larger occupiers at Avonmouth view it as an opportunity to recruit from South Wales, addressing a major concern.

The BPAA has continued to press its case with Bristol City Council for the future employment needs of the city to be recognised and to provide a greater choice of sites across the city than is currently available. The threat to employment is particularly acute in St Philips, where land values have spiralled following the University's decision to create a second campus at Temple Gate, with speculative investors and developers snapping up land (with and without consents) to meet future demand for student housing and further residential.

The jury is out on whether industrial rents will rise further in 2019 against the current economic uncertainty and the influx of new space. However, hopes are high that the new developments will help create churn in the mid-range market.

Squaring the circle on Bristol's housing

WE ASK Councillor Paul Smith, Cabinet Member with responsibility for Housing, for his assessment of the current housing situation in Bristol.

Bristol is not alone in struggling to provide the housing required for its rapidly expanding population. But the city has another problem too: rises in sale and rental prices have consistently ranked amongst the nation's highest in recent years: a dampener on consumer spending and a potential deterrent to the talent pool the city is seeking.

Twenty years ago, a home in Bristol would cost the average buyer three and a half times their annual salary. Today the figure is nine times that.

As well as acting as a brake on house sales, the lack of new homes impacts on those urgently requiring affordable housing: a report in the spring of 2018 cited a figure of 11,500 families on the social housing waiting list; only 20 properties were available to meet that demand.

City Mayor Marvin Rees put the issue right at the heart of his election manifesto, promising 2,000 new homes each year: a figure set to be exceeded in 2018. So, is that "mission accomplished"?

"Yes, we've met the target this year, but I'd always like to build more," maintains Paul Smith, the Cabinet Minister charged with making sure the Mayor's promises are fulfilled.

"We're seeing more housing coming through the system all over the city, and whilst affordable housing is rising, it's not happening as quickly as I'd like. Some schemes get lost or fall over – maybe in the planning system, perhaps the developer hits other problems..."

A lack of skills is often cited as holding up housing – is that a problem for Bristol?

"I haven't yet been told that labour is a problem," insists Paul Smith, "although a lot of the people on the sites are not from Bristol.

"We're doing our best to grow our own workforce. We've made a site available and the LEP has provided funding for the City of Bristol College to build a construction training centre at Hengrove – in the middle of our biggest housing development site.

"Some developers working in the city are setting up their own academies to support their apprenticeships. So, we are developing skills in Bristol – I'm not saying we've got enough yet and there's a lot of work still to be done to make the sector more attractive.

"On top of that we're looking at factory-built housing. While there's no evidence that it will necessarily reduce the price of housing, it does change the nature of the workforce required. Is the immediate future of housing modular? Looking at the current capacity nationally, the answer is 'no'. But capacity is likely to increase. We've talked to a number of providers looking at building factories in the West of England – which would be great."

How do you view the affordability of housing in the city?

"In terms of homes to buy or rent, the market is incredibly expensive compared to local salaries. Pressure is also coming from the fact that 80 people a week are moving here from London. Of course, people leave as well. However, Bristol people are moving to South Gloucestershire and South Wales to buy houses that they can afford. Chepstow is having a housing boom at the moment, which is destabilising their market.

"It's incumbent on us to swallow our own smoke in Greater Bristol to meet demand locally.

"We need more housing generally across the market, but we've got a focus on affordable because the market needs a strong foundation at the lower price range. Schemes are selling well off-plan, so I don't think we've reached a peak, and shared ownership is flying out the door.

"I've never seen any evidence that having affordable housing affects the sale of market housing. Barretts at Filwood Green is a market site on a council estate... but their order book is full – even for the units on at £300,000."

We're seeing a lot more PRS / build-to-rent in the city. Is that a good thing?

"It adds to the mix in terms of quality and competition for buy-to-let, and the longer leases help meet a specific need – notably that of professional people with children. It also encourages some to leave traditional rented accommodation and free that up.

"These developments can also build a community because tenants stay longer, moving between apartments as their needs change; and there are additional facilities available, while the operators - who don't want voids - benefit from longer leases."

Are the competing needs of employment and residential land balanced?

"We do need industrial land within the city, although we should also recognise that the nature of work is changing, and that Bristol is mainly an office and retail economy.

"But we must make sure the land we do have is being used to maximum effect – and that can mean mixing up uses in places... for instance, commercial below, residential above.

"The changing nature of retail in particular offers the opportunity for consolidation, especially in some secondary locations, by introducing more residential and office uses - revitalising the retail that remains.

"Could we build housing above some car parks... for instance like those at the SS Great Britain and the park-and-ride at Shirehampton?"

"Gentrification" divides opinion – is it always a good thing for the city?

"In some areas it raises and helps an area. In others, it excludes people – and that's bad. As an administration our top priority isn't numbers. It's achieving balanced communities within the city.

"So, we'd like to see gentrification in some areas – and encouraging market housing in places like Hartcliffe, Withywood, Lockleaze, Knowle West and Southmead would mean those locations benefitting from a level of gentrification.

"In some areas we desperately need more social and affordable housing. If an area becomes unaffordable except to those with large beards and large salaries – well, that's not great. Injecting some affordable housing into those areas... I think that's fine."

Do you see more high-rise development coming into the city?

"Increasing density does not necessarily mean raising the height. Bristol will stay low to medium-rise... four storeys going to six... with, perhaps, a few clusters of higher rise. But the general profile of the city is not about to change. Where it is high rise, it needs to be really thought through – quality construction plus access to good, affordable, reliable public transport.

"That's why the Mayor is looking at mass transit, including an element of underground, plus reopening stations along the existing rail network, such as those at St Anne's and Ashley Down, and we're in advanced talks about the Henbury loop being reopened.

Before we embark on any new infrastructure, we need to ask ourselves if we are making enough of the infrastructure that we already have."

Finally, is the new housing being built where it's needed?

"We are seeing development in a large number of areas.... but we need more housing across the whole of the city.

"After the war, the city centre was depopulated. Numbers fell by 100,000 at one stage. It's now back up to the level it was in the 70s. That trend will continue and the city centre will see more growth – especially in places like Temple Meads which are close to an important transport hub.

"Overall are we building enough? Not yet – but we're getting there..."

Retail looks to independents

WHILE THE woes of many big names on the High Street continue, several major lettings locally have buoyed Bristol agents and a far more positive story is bubbling underneath: the continued growth of independent retailers and food operators.

A mix of weak consumer confidence, changing shopping habits and tastes, together with (in places) poor management saw a string of well-known retailers either hit the buffers or pull in their horns during 2018 – leading to rents remaining stagnant, and pressure coming from occupiers for landlords to reduce rents in some locations.

That said, Bristol's main retail centres have experienced a reasonable year in terms of lettings overall, with The Mall and Cabot Circus currently having relatively few gaps to fill.

Notably, Broadmead has also seen the arrival of Metro Bank offering customers seven-day banking in their new 24,000 sq ft facility, while TK Maxx moved out of The Galleries to take 34,500 sq ft across two floors in Merchant Street. Bristol was home to the first UK TX Maxx store, which opened in 1994, and the new store was one of the largest TK Maxx openings in Europe in 2018.

Away from the main centres, a highly encouraging and evolving trend has been keeping many agents busy: the continued growth of smaller independents.

In locations like North Street, Gloucester Road, Park Street and Wapping Wharf, enterprising new names in clothes retailing and food are adding choice, vibrancy and footfall - whetting the appetite amongst a new generation of discerning, often younger consumers for novelty and individuality. The Arcade in Broadmead, a niche location targeting smaller independents, ended 2018 at full capacity for the first time in many years.

CARGO at Wapping Wharf is a good example of new operating names in food taking advantage of a lower cost, lower risk format in a thriving residential area as a stepping stone to trying their hand in more established locations elsewhere in the city... a path trodden in recent years by a number of operators in St Nicholas Market. Shoppers in Park Street can now take in a haircut plus a flat white - and even a lecture - while browsing for clothes, all within one store.

Some of the bigger retailers are taking on board more creative approaches to woo customers: Debenham's in Broadmead has applied for an alcohol licence to allow pop-up bars for evening events.

The government announced in the Autumn Budget 2018 that it will provide a business rates retail discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21 – a further fillip to smaller outlets (arguably at the expense of their larger counterparts).

Recognising the travails of the High Street, the Government is also championing the move for a change of use for empty units in secondary and tertiary locations to office and residential occupation.

Bristol City Council has also signalled its support for this in principle, as it has the potential to add footfall to the retail remaining. The increasing use of JIT for stock deliveries reduces the amount of storage space required by retailers, and some are now looking at the possibility of converting unused upper floors where this can be achieved without disruption to sales – creating a welcome additional revenue stream.

Major developments in the pipeline

2018 SAW A SERIES of major projects appearing on the horizon or making progress through the planning pipeline. Here are some of the most noteworthy.

TEMPLE QUARTER

The University of Bristol has secured a resolution to grant outline planning permission for its new £300m Temple Quarter Enterprise Campus – the first stage in a major regeneration of the area - and it's hoped that demolition work will commence on site in 2019, to be followed by construction of the new campus once reserved matters consent is granted.

Its showpiece campus will provide teaching, research and innovation space for 800 staff, external partners and 3,000 students, with accommodation for up to 1,500 undergraduates and postgraduates; the University foresees the first students arriving on the site in time for the 2021/22 academic year.

The principle academic building will create a gateway to Temple Meads station while the scheme as a whole is set to open up redevelopment of part of the neighbouring St Philips area – currently comprising mainly light industrial buildings.

University deputy vice-chancellor Prof Guy Orpen said: "Our vision is for an open and welcoming campus, with high-quality buildings and inspiring public spaces. We want citizens and visitors to spend time here, whether it's relaxing by the waterside, visiting a café, taking part in a workshop or working with the University to develop innovations for societal benefit."

The University's decision has already acted as a catalyst for the wider regeneration of this part of the city with developer Square Bay acquiring 11 acres of industrial accommodation on Silverthorne Lane for a mixed-use development including residential, student accommodation, employment and a new secondary school. A planning application is expected mid 2019.

Other speculators and developers are busily securing positions on other sites in the St Philips area for both student and residential development. It will be interesting to see the outcome of the Council's own Employment Land Study and the Masterplanning work being carried out on behalf of stakeholders Bristol City Council, Homes England and Network Rail - and what impact they will have on the shape of this part of the city.

ASHTON GATE

September 2018 saw Ashton Gate Ltd revealing comprehensive plans for a £100m development to extend the stadium footprint to encompass a new sports and entertainment quarter for the city.

The proposal (pictured above) includes additional housing, offices and a multi-storey car park along with two hotels, while the centrepiece will be a Sports & Convention Centre: a 4000-capacity venue which would provide a permanent home for Bristol Flyers basketball team as well as hosting a variety of sports, conference and entertainment events.

In addition, some 30,000 sq ft of A-Grade office space features in the plans, together with a 750-850 space multi-storey car park. The company is also seeking to build up to 750 homes across two sites: up to 250 units are proposed for the Ashton Gate site and up to 500 homes on land at Ashton Vale.

OLD BREWERY, SOUTHVILLE

Nearby, the site of an old brewery on North Street in Southville – close to the Tobacco Factory - is set to be transformed into new homes, co-working space and retail units if planners give the go-ahead. Some 94 new apartments are planned, including an affordable allocation of 15%, together with 21,500 sq ft of co-working and commercial space.

Existing buildings on the site with historical interest will be retained, such as the Bristol Byzantine Weighbridge House, the Gatehouse and its stone gate piers. Some buildings such as the Brewery Manager's House will be rebuilt whilst new buildings will complement the existing heritage and design.

Located on the site of the old Ashton Gate Brewery and Thomas Baynton's Brewery, and most recently home to short-term and underutilised warehousing space, the new development is being proposed by The Old Brewery MCC LLP, a JV between Change Real Estate and Cannon Family Office.

FIRE STATION, FINZELS REACH

Bristol developer Cubex has drawn up plans to transform the former headquarters site of Avon Fire and Rescue in Bristol city centre into new homes and offices (pictured right) forming the next phase of the highly successful Finzels Reach quarter.

The £140m mixed-use scheme includes a 110,000 sq ft contemporary office building to be built speculatively and delivered alongside over 300 homes specially designed for the rental market – including an affordable homes allocation of 20%. Work is likely to start in summer 2019, subject to planning. Cubex started regeneration work at Finzels Reach just over five years ago and the first phase is now almost complete - and already home to apartments, office space and a 168-bedroom Premier Inn hotel, with a micro-brewery, further cafes and restaurant in the pipeline.

WAPPING WHARF

The next phase of Umberslade and Muse's Wapping Wharf scheme is now underway, creating innovative new workspace as well as more homes. Units of up to 22,000 sq ft will be available at "CARGO Work", a new building made up of approximately 90 converted shipping containers within the stone walls of the disused J S Fry warehouse – formerly part of the old Bristol Gaol. Built with a covered courtyard, there will be accommodation on five levels to house around 250 people.

This latest element of Wapping Wharf follows the huge success of CARGO, a collection of independent restaurants, food, leisure and retail outlets also housed in converted shipping containers within the quarter. The area is currently home to 40 independent businesses, more than 30 of which are based within CARGO 1 and 2, as well as 200 flats.

As part of the next phase of development and with £23.4m of funding from Homes England, 337 more homes will be built (256 are currently under construction) in addition to the 49 in shared ownership being provided through Sovereign. The historic former gaol gatehouse is being restored as the centrepiece of a new walkway.

ARENA

The latest update on the proposed Arena project at Filton is that the Arena team is currently in the process of appointing an architect and project manager for the scheme; they will start creating a detailed plan for the site once the sequential planning test has been passed. Subject to this, YTL plans to deliver a "world class venue for Bristol" with a circa 16,000 seater capacity which - it says - could rival London's O2 and Birmingham's NEC.

Bite-sized Bristol

Cubex Land is one of the principal developers driving the Bristol property market. Here, Director Gavin Bridge sets out his plans for the next few years – which include a speculative new office development and a major new regeneration scheme in the city centre – and explains why they find capital from overseas straightforward to access.

It's been a busy few years for us in Bristol - and we've had a lot of fun along the way! The next couple of years promise to be even busier as several more projects come to fruition.

Finzels Reach has proved highly successful, with just a few more pieces in the jigsaw left, including the redevelopment of the former Avon Fire Brigade HQ site on the other side of Counterslip. Here we have an application in to create 114,000 sq ft of offices in HQ style with 15,000 sq ft floors, complemented by 310 homes designed for the build-to-rent market. If all goes to plan, we'll be on site at the end of 2019.

We see a lot of potential for build-to-rent in the city: having sold Hawkins Lane and Georges Wharf to Grainger, they're reporting very strong sales off plan, and are intent on building a strong community there. As well as younger professionals, they envisage older downsizers moving in, keen to enjoy city living. A mix of ages can only make it a better place to live.

Our plans at The Generator to create co-working space chime with what the market now wants – and we have identified a specialist in this type of development to take it forward. I see future buildings in Bristol offering a blend of both HQ and co-working styles – enabling corporates to operate a core and flex arrangement and minimise their long-term space commitments.

We're also looking at another substantial regeneration scheme in the city centre: residential-led, this will probably be a ten-year project given its scale... and it may well prove to be the largest development we have yet undertaken.

We also see more opportunities repurposing redundant buildings – including retail centres and retail parks. Introducing more housing and business space into traditional retail areas generates a vibrant mix which helps all the uses.

We know that affordable allocations have been an issue for some developers in the city, but we're quite happy with providing 20%: we can make the sums work and it leads to a smoother planning process. Successful development depends upon minimising delays.

Developing out Finzels Reach led to us attracting investment from the US, Asia and the Middle East. And we're finding overseas investors keen to partner with us as we move into our next developments: they look to the regions because they offer more value than London, and Bristol is viewed very positively. Critically, they want to invest through a local partner who understands the market and has a track record.

We've always been very open about our plans and aspirations: we've found it makes it easier to attract the best opportunities. Looking forward, we're still keen to look at other possible options - both in Bristol and in other regional locations including Bath, Exeter and Cardiff.

Land allocation concerns remain

THE BPAA has been working alongside Business West to ensure that the West of England Joint Spatial Plan (JSP) adequately accounts for future requirements for employment land. What progress has been made in the last 12 months?

Observed from a distance, progress in the planning sector can sometimes appear glacial. That makes a long-term perspective on the bigger picture essential, as certainty and commitment to infrastructure are vital for the people putting their energy and money into them. And providing this perspective has been the backdrop to the JSP: the strategic, overarching vision and framework for the city region which will guide the delivery of new homes, land for employment purposes and supporting infrastructure that we anticipate will be needed over the next 20 years.

Since last year's report on these pages, there have been several significant steps forward... although it's fair to say that much remains to be done to allay some deeply-held concerns within the property sector. Critically, a new employment land study by the consultants Hardisty Jones and Lambert Smith Hampton has been released, reviewing the original 2016 EDNA (Economic Development Needs Assessment) which informed the thinking that has gone into the JSP to date.

Matt Griffith, Director of Policy at Business West, has been playing a key role in championing the business perspective on the JSP. "The report definitely takes us forward," he says, "but weaknesses remain.

REVISING THE FIGURES

"In particular, the study accepts that the original 2016 EDNA was wrong in several substantial ways – not least in not taking into account stock taken out of the system (notably through PDR) when arriving at the net figure for the future supply needed: something we have been pointing out since 2016.

"Take that out of the equation and the supply of office land needs to be more than doubled, and the supply of industrial land to increase eight to 10-fold. There is also an unexplained discovery of additional office land in the Temple Quarter Enterprise Zone – up from the 186,000 sq m identified in the 2016 EDNA to circa 260,000 sq m. This may be down to new policy guidance or assumptions such as higher levels of density, an expansion of the Enterprise Zone or the inclusion of St Philips. Another concern is that they are still using Oxford Economics 2016 data for their jobs projections figures. However, this is substantially less than the Oxford Economics 2017 data – which would change the total assumption of supply required."

LOCATION, LOCATION...

An ongoing frustration for agents has been the skewed allocation of employment land. Is this now being adequately addressed?

"There's not a lot of comfort in this report in that regard," says Matt. "There continues to be a heavy reliance (80%) on Avonmouth and Severnside for future industrial land supply, which does not square with many employers' concerns around transport and other infrastructure, or the distance from these two locations to the city's significant labour markets - particularly those in South and East Bristol.

"Bearing in mind that one of the city's key employment areas – St Philips – is also currently under huge pressure from housing and student accommodation, then we have to see the current JSP as a work still in progress rather than a blueprint for the sub region's sustainable economic growth over the next decade or so. Business West has worked closely with BPAA and together we have found significant concerns with the list of sites proposed by the WoE as future supply in office and industrial land. Not least, a large number of them have already been developed or have planning permission for non-B uses. That points to the JSP remaining unsound in regard to employment land.

"The report does represent some progress - importantly it admits the 2016 EDNA was flawed. That, hopefully, may suggest to the Inspector that other parts of the JSP evidence base also deserve better scrutiny... and may alert local authorities to the fact that the concerns which the BPAA and Business West have been raising for so long have weight and still need to be recognised."

BPAA events raise funds for Young Bristol

2018 saw a huge range of members' events, which together raised approximately £20,000 for our charity of the year, Young Bristol - now in its 90th year of providing valuable and sometimes life-changing opportunities and experiences for the city's young people. In addition to the sporting activities reported on page 12, BPAA members have been highly active socially too!

Cocktail Party

The Sansovion Hall at the Bristol Harbour Hotel, the erstwhile banking hall of Lloyds Bank, provided a spectacular backdrop for our autumn drinks party, this year attended by 350 guests, and where we joined forces with the South West Branch of Women in Property. Guests were invited to pick their favourite time of the year and sample associated drinks and canapes. Each of the sponsors really embraced their chosen season and themed their area appropriately, with Synergy providing a chocolate fountain to celebrate spring and Kubiak bringing summer to the room with an Hawaiian beach party vibe. Atkins embraced autumn with a circus theme (complete with photo booth) while the PG Group managed to engineer an early visit from Father Christmas and his elf. Guests were also entertained by a talented magician and a silhouette artist.

Quest

August saw teams connected to the property world facing a series of challenges in a variety of venues around the Clifton area. The event was kindly hosted by JLL with the proceeds shared between JLL's & the BPAA's nominated charities. This year's victors were Hoare Lea, with DAC Beachcroft coming in second and a joint team of Alder King and Hartnell Taylor Cook claiming third spot. Over £4,500 was raised on the night.

Quiz

The BPAA quiz was held in the very impressive BGS theatre in October, which provided a superb space for what turned out to be a fun evening, well supported by 20 teams. The event was kindly sponsored once again by Cubex, for which we are very grateful. A light supper was served before battle commenced. In what proved to be a tight tussle at the top, DAC Beachcrofts eventually claimed victory, closely followed by the MAC lads and - in third - our president's Leese and Nagle team. Thanks go to Paul Baker, Alex Riddell and Hannah Eshelby for their assistance both leading up to and on the evening itself.

Co-working kicks off development

THE MAIN FEATURES of the Bristol office market in 2018 were a continuation of a lack of supply, leading to record rents in both the city centre and North Bristol. Work began on one major new development – with hopes for at least one further start in 2019. Significant take up by co-working operators also points to a major shift in working patterns.

First, the stats: office take up in 2018 totalled 532,085 sq ft in the city centre and 400,501 sq ft out of town. This compares with 614,028 sq ft and 425,292 sq ft respectively in 2017.

Apart from Aurora, no new stock came forward, with the year ending on an historic low point for availability: around 600,000 sq ft in total – of which just 15,000 sq ft is Grade A. That lack of new supply led to a record rent of £35psf being set at Aurora. Second hand and refurbished office rents continued to rise in tandem: higher quality Grade B space is now being quoted at £33.50psf.

With demand strong from several key sectors, a number of major lease expiries due between 2021 and 2023, and with at least one major occupier considering relocation or refurbishment, developers are vying to fill the void – spurred on by the new rental benchmark. AXA / Bellhammer announced that they will start speculatively developing Building 1, Assembly - a grade A building of 200,000 sq ft - with archaeology just commencing. Cubex and Palmer Capital have applied to create 110,000 sq ft at the Fire Station in HQ style with 15,000 sq ft floors.

AGILE SPACE

As well as indigenous growth, new companies are continuing to come into the city. This, together with the continuing wave of new start-ups in the city (encouraged by initiatives such as Engine Shed) is providing impetus for flexible and often quirky space.

All eyes are now on Royal London's Distillery development at Glassfields: work has already started on 92,000 sq ft of offices which will be available in smaller suites on 10-year leases with five-year breaks. This is to meet not only the urgent need for grow-on space for rapidly growing start-up companies and SMEs, but also to cater for the increasing trend for corporates to take flexible space on top of core requirements.

Bristol was successful in winning part of Channel 4's relocation during 2018, and the city will act as a creative hub for them, which will help to generate additional contracts locally.

Cubex and Palmer Capital are also behind the refurbishment of The Generator Building (above right) to develop 30,611 sq ft of offices over six floors for Bristol's burgeoning tech, creative and media sectors. Overlooking the Floating Harbour, its striking red brick and stone façade make The Generator Building one of the city's most iconic former industrial buildings.

The developers believe there is a gap in the market for more co-working space set in an unconventional working environment: interior finishes including exposed feature brickwork to complement the fabric of the building. In early January 2019, Cubex Land and Palmer Capital sold the building to an unnamed private equity fund manager which plans to use it for its serviced office brand. Cubex is also progressing with the refurbishment of the nearby Fermentation Buildings, which will include 16,000 sq ft of character office space, due to be finished in summer 2019.

Several other major deals also highlighted the continuing shift towards agile space and co-working: Runway East opened its first hub aimed at microbusinesses outside of the capital at 1 Victoria Street, while DeskLodge acquired space at Unum House. Both deals were of approximately 30,000 sq ft, and there are enquiries in the market for a further potential 80,000 sq ft.

Other major deals in the city centre include the letting of Eagle House (34,612 sq ft) to Immediate Media, and Parmenian Capital taking 31,233 sq ft at Aurora.

NORTH BRISTOL

North Bristol is experiencing strong rental growth - again reflecting a continuing lack of supply against a healthy level of demand - although the gap between rents here and the city centre are currently at their highest ever. Agents report some city centre tenants considering out-of-town for their requirements, where traditionally these have been two very separate markets.

The recently-refurbished 140 Aztec West set a new benchmark rent across two deals: £22.50 psf on five-year leases for suites of 6,006 sq ft (let to global logistics company Agility); and 5,982 sq ft (acquired by housebuilder Keepmoat Homes).

Other key deals included the sale of HP3 and HP4, Stoke Gifford, to UWE (77,673 sq ft) and two deals totalling 62,677 sq ft to Edvance SAS and the MOD at 800 Aztec West.

The purchase of the Bristol & Bath Science Park by the University of Bath and South Gloucestershire Council will see the development of a new £60m facility by the University which will be a global centre of excellence, delivering transformational research and innovation for the automotive sector. Further development on site is likely to be stimulated by this investment - including potentially further grow on space to accommodate successful businesses on the Park looking to expand.

Other out-of-town locations also fared well, and with little development in places such as Portishead and Weston-super-Mare, there was even rental growth for the first time in five years. IVC took a further 16,931 sq ft at The Chocolate Factory, Keynsham.

CHANGE OF USE

While PDR conversions have slowed – not least because business space values are now so competitive – there is speculation (backed by strong Council support) that the next wave of change of use in the city will be from retail to offices, as underused secondary and tertiary locations consolidate.

While 2019 promises to be tight for space, so potentially dimming activity, we might see another record rent achieved if there is competition for the final Grade A space at Aurora or a significant pre-let.

BPAA sports events round-up

Golf

A great day was had by all at another sold-out BPAA golf day at Henbury Golf Club. The winner of the individual Stableford competition was Gary Fisher of Gleeds, while Tom Morris of CBRE won the nearest-the-pin competition (sponsored by McFeggan Brown) and Richard Milliner of Zoopla was the victor in the longest drive, sponsored by Company Interiors.

The Carter Jonas team of Colin Scragg, Tom Lowe, Tim Brooksbank and John Birtles were winners of the team yellow ball competition, sponsored by Zoopla. A big thank you to our main sponsor Chris Goodenough of Iesis Urban Spaces (who both sponsored the event and provided Under Armour shirts for the raffle) as well as numerous other businesses who sponsored holes and donated raffle prizes. As a result of their generosity, the event raised over £2,800 for Young Bristol.

Tennis

The 2018 BPAA Tennis Tournament was held in September with eight pairs battling it out.

Following a number of round robin games (some evenly matched, others less so), the competition progressed through to the final where Ashley Davies and Ross Van De Velde of Ashfords met Ross Wigley and Sam Bolton of JLL. Ashfords took an early lead in the final which they never relinquished, powering through to a decisive scoreline of 6-2. Congratulations to them both.

Cycling Sportive

Somerdale Pavilion at Keynsham was once again the venue for our annual Sportive, which took place in September with some 280 riders participating – encouraged by others providing vocal support and directions around the course as well as sustenance at a series of feed stations.

Riders had a choice of three courses of 160km, 100km or 70km through the Cotswolds, Chew Valley and the Mendips; and, despite the inclement weather (think cold, wet and windy) the event passed off well and no injuries were sustained. After making their way back to Keynsham, riders and supporters enjoyed a BBQ and awards ceremony. Over £9,000 was raised for Young Bristol, and our thanks go to Bikefest for running the event so smoothly and to all our sponsors who made the stunning amount raised possible.

Boules

This year, 48 teams competed for the opportunity to win the coveted BPAA Boules Cup or Silver Plate. The top team from each of the eight groups went into the Cup competition with the runner-up qualifying for the Plate competition.

The games started slowly with teams happy to bask in the sun and the glorious surroundings of Goldney Hall. In the Cup Competition, solid performances by Interaction, GVA, White Young Green & Kubiak saw all the four teams secure a place in the semi-final.

In the final, Kubiak took an impressive early lead, only for Interaction to add points to their tally in four rounds. Unfortunately for Interaction, Kubiak could not be contained as they confidently threw the winning boule in the fifth round, securing a 7–2 victory. The Plate Competition saw an all-agent final: BNP took an early lead with Hartnell Taylor Cook fighting back to secure a 7–5 victory.

Rowing

In June, seven teams went head-to-head in the first ever BPAA Rowing Regatta in aid of Young Bristol. The teams competed in time trials along Bristol's Floating Harbour, with the top two teams going through to the final. Cushman & Wakefield sailed through both their time trials to face Workman LLP in the final. It was a great battle with the two teams fighting their way past the SS Great Britain towards the Grain Barge - resulting in a victory for the Workman team. Winners of the best-dressed team on the day went to 21CBS for their fetching Hawaiian shirts. A big thanks to everyone at Young Bristol and Clifton Pilot Gig Club for their help on the day and for making sure everyone made it back onto dry land in one piece!

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The BPAA membership is just over 300. Of these, some two thirds are Full Members and the remainder are Affiliate, Student or Honorary Members.

Application for Membership should be made via the portal on our website www.bpaa.net

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