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BRISTOL PROPERTY AGENTS ASSOCIATION

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NEWSLETTER

WHAT'S INSIDE

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Bristol Property Agents Association

City adapts to new ways of working

THERE WERE SO MANY unusual aspects to the past year that it's hard to know quite where to start.

Perhaps the fact that – for only the second time in its history (and under very different circumstances) – a BPAA president was asked to extend their term of office into a second year demonstrates that it really was a period when the rule book was rewritten, with major implications all round for the property sector… and not all of them as negative as that statement implies!

As the market reports inside illustrate, Bristol actually fared well in most respects and further enhanced its status as a regional powerhouse.

A robust, mixed and modern economy, together with a supply side that still lags behind demand, meant that investors remain keen to have a stake in the city and pay a competitive price for it… always a reliable litmus test. In fact, it was a shortage of availability which was a major source of frustration, as investors saw little reason to relinquish assets with rents still strong.

The stand-out feature of the Bristol investment market has been that prime logistic developments – including some still on plan – are now as sought after as prime offices, encouraged by a significant hike in rental tone. The major upside of this activity has been the "go" button being pressed on a number of major speculative schemes, releasing occupiers to move into more suitable premises and creating welcome churn.

A FLEXIBLE FUTURE

Any concerns those of us in the office market may have had about changing working patterns radically reducing the overall need for space were also assuaged.

During the first lockdown we all recognized that, yes, many of us could indeed work more from home – and there were some major advantages in doing so. During the second lockdown, the question was asked: but do we really want to?

2020 proved a year like no other, with extended lockdowns putting large parts of the economy under pressure. But, says BPAA President Chris Grazier, as we learned to work, shop and spend our leisure time differently, there were plenty of positives to focus on.

The importance of a hub where we can collaborate and connect was increasingly highlighted, along with the negative wellbeing aspects of spending our working days in our spare rooms. The conclusion reached by many I have spoken to was that, while we may need less space into the future, we want it to be of better quality, and with amenities and facilities that enhance the work experience.

That's a real "win" to emerge from the last year: as well as encouraging a better quality of new build going forwards, the city's considerable stock of existing buildings will also begin to benefit from landlords bringing their investments into the 21st century with increasingly high spec refurbishments.

RESIDENTIAL SUPPLY STILL LAGS

The residential market, where again demand outguns supply, reported a curious year where 12 months' activity were crammed into seven. House price inflation followed the national trends of around 5%, while rents rose by a more modest 2%. But, with people still moving into the city, we continue to fall short on new starts. While other factors are at play, an under-resourced planning department has often struggled on this front.

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Charity fund raising continues into 2021

One of the Association's great achievements over past years has been to raise significant funds for charitable causes, and clearly this has been seriously impacted during my term in office.

However, I'm pleased to say that, as a consequence of the decision taken by the Committee in conjunction with the BPAA Past Presidents, my nominated charities, The Soil Association and Southmead Hospital, will be actively supported by our events through the 2021/22 Presidential Year.

THE SOIL ASSOCIATION

The Soil Association has been based in Bristol since 1946 and are leading educators and campaigners in the worlds of Food, Farming and Forestry. It is the UK's leading membership charity campaigning for healthy, humane and sustainable food, farming and land use: some 70% of organic food in the UK is certified by the Soil Association. In a world increasingly likely to be influenced by climate change, their work has become particularly important.

SOUTHMEAD HOSPITAL CHARITY

I chose to support the Southmead Hospital Charity to aid their Alzheimer's research work. Southmead Hospital Charity raises money to support the work of Southmead Hospital, Cossham Hospital and community health services in the Bristol, South Gloucestershire and North Somerset areas.

Over the past year their need greatly increased as they have launched numerous initiatives to support the NHS staff working at Southmead Hospital during the Covid-19 Pandemic.

Chris Grazier, President

President's year end assessment cont. from p1

Which brings us to the one sector which inevitably experienced the most significant upheaval. Retail saw the trend towards on-line sales turbo-boosted; and that, plus the fact that many outlets spent a large part of the year not even trading, simply accelerated a trend that has been obvious for some time now… we have too many shops.

Nonetheless, it was one of the busiest years my retail colleagues have experienced, as a market already well used to difficult trading took advantage of opportunities to consolidate holdings and repurpose surplus stock. This activity presents a huge opportunity for landlords to recoup their losses and for Bristol to revitalise parts of the city centre as well as our suburban High Streets.

NECESSITY THE MOTHER OF REINVENTION

That said, while the new Class E planning category opens up the opportunity to change their business use, the city needs to grab the opportunity to go the whole way and make mixed use – including residential – part of this reinvention process.

In its defence, Bristol City Council does have plenty on its plate at the moment, and I'm pleased to say we continue to have productive dialogue on a wide range of issues relevant to the property industry in the city. This year also saw a continuation of our closer liaison with South Gloucestershire and WECA, and we are working well with the other organisations whose decisions and influence impact our clients.

All of this will prove increasingly important at a time when the new Spatial Development Strategy is evolving, affording us the opportunity to press our case for (in particular): more employment land in locations other than Severnside; protection of our city centre, blue collar employment areas; environmental protection policies that don't force businesses out of the centre; a meaningful City region transport strategy; and a concerted effort to build more homes.

A frenetic year for residential

A BIZARRE "STOP-GO" YEAR saw many residential agents achieving record peaks in viewings and sales, with activity crammed into those months out of lockdown.

For long periods during 2020, many agents found themselves sitting on their hands. The rest of the time, with prospective purchasers spurred on by the stamp duty incentive and supply restricted, they were juggling multiple bids. The year in total has probably been closer to normal, although it has certainly affected many agents' cashflow, especially as it has coincided with the tenancy fee ban.

The merits of the Chancellor's stimulus are still not clear cut: while they certainly helped flush out perspective purchasers, the policy may well have given house price inflation further impetus. There is also concern about a potential cliff-edge when the incentive is withdrawn.

In common with most of the rest of the UK, and despite the abrupt slowdown in the economy, house prices advanced again: in Bristol, according to Land Registry data, there was a rise of around 9.5% across all properties, with those homes in the suburbs offering outdoor space coming to the fore. There is a question of whether that trend will become a more permanent feature post-Covid.

Rental lettings continued through the lockdown, courtesy of video tours – which look like becoming a powerful tool in the agents' armoury into the future. Rents edged slightly higher, by around 2% across the market,

The average sale period increased by around six to eight weeks, not helped by solicitors being very busy and coping with working from home; but at the other end of the sales spectrum, there was a better viewing-to-sale ratio with agents restricting viewings to those in a proceedable position. Video tours were also used more widely as initial viewings to refine the sales process.

SUPPLY RESTRICTIONS

The continuing influx of buyers from London again made a marked impression, ramping up pressure on a market where demand still comfortably exceeds supply. Despite its political commitment, the Council, hampered by budget cuts and a lack of planning capacity, is still finding it difficult to play a full part in delivering enough new homes: indeed, the year actually saw a drop in completions.

Research indicates that demand currently equates to 163% of average annual supply. Bearing in mind that these completion numbers now include student and retirement housing, and that a significant proportion of supply is being consumed by BTR, the relationship is probably even more acute than the numbers imply.

This pressure can only serve to compound affordability and drive house price and rental inflation.

Housing Associations are being quite assertive in the market place. Hopes that the City's affordable homes arm, Goram Homes, might start making a contribution to supply were put on hold after the Council withdrew a tranche of funding, but this has now been approved and the intention is to provide over 1500 homes.

BTR STARTS TO MAKE ITS MARK

Build to Rent is also taking up a swathe of new city centre starts, channelling increased demand into a narrowing supply channel. While Bristol is still well behind other regional cities in terms of numbers, there's no question that the march of the institutional landlord is now manifesting itself. Grainger's scheme at Finzel's Reach is up and running; L&G's Boxmaker's Yard is coming out of the ground at Temple Quay; and A2Dominion has completed a further phase of Redcliffe Quarter.

To date, buoyant rents at these developments have been rewarding investors with strong returns, and a new rental hierarchy is emerging within the competing schemes, depending upon the facilities and amenities available.

Looking to the short to medium term, residential development is struggling to compete on land values with some other uses, notably offices and student accommodation – particularly if there is an affordable element requirement.

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Residential commentary continued from page 3

In addition, Bristol's policy of excluding single bedroom units from their affordable equation is making it more difficult to get the sort of values developers are looking for.

LOOKING AHEAD

The headwinds that buffeted the buy-to-let market – notably stamp duty and tax relief changes – now appear to have been largely discounted, and yields of between 4 and 6% (plus capital growth) are bringing private investors with low levels of leverage back into the frame.

Another marked shift has been that, with younger professionals simply looking for a roof over their head, "affordable housing" has lost some if its stigma, opening up the potential for future developments in less fashionable parts of the city.

Retail's woes have presented an opportunity, and not just within Broadmead. There are lots of retail investment opportunities now on the market, making it inevitable – and desirable – that some redundant High Street shops will be repurposed, at least in part, for more residential.

If the planning system could be more supportive towards change-of-use applications and recognise that many units will never find takers, it could revitalise many of our faltering retail zones and herald another regeneration cycle for the city.

Bumper year for industrial and logistics

B2 and B8 were unquestionably the year's star property categories – with take up, rents and yields all exceeding expectations.

The ongoing problems of the High Street, fuelled by Covid, added zest to the logistics sector as millions of consumers shifted to home deliveries. As a result, many industrial agents registered their busiest ever year.

Take-up in 2020 amounted to 2,285,000 sq ft: a 55% hike on the 2019 figure of 1,474,000 sq ft and closing on the 10-year average of 2.5 million sq ft. This was despite the volume of transactions edging up only slightly from 154 in 2019 to 159. Sub-10,000 sq ft deals represented two thirds of disposals.

It was very much a year of two halves: H1 2020 take-up was 621,000 sq ft, with H2 significantly higher at 1.663 million sq ft and including the year's three biggest deals. These were: EDF taking 260,000 sq ft at Royal Portbury; Wincanton/EDF acquiring Logicor's WA 248 (248,000 sq ft) at Western Approach; and Bart Spices agreeing terms on 139,061 sq ft at Barwood Capital's appropriately named "Junction One" – although, controversially, the connection to the M49 remains incomplete. A further 220 acres of land were let or sold.

During the year, the city's available stock fell to approximately 1.5 million sq ft: the lowest level for three years and a tiny percentage of the city's built industrial stock of between 65 and 70 million sq ft. This has acted as a stimulus to developers and investors; and, as well as a number of completions and new starts during the year, plans were announced for a series of major speculative developments.

STARTERS AND FINISHERS

Trebor's 150,000 sq ft Portside scheme at Kings Weston Lane has now completed and Mountpark Logistics are on site at Central Park with a speculative 360,000 sq ft building, due for completion this July. St. Modwen has planning permission for its 220,000 sq ft five-unit Phase 6/7; and, in July 2020, submitted plans for a further 885,000 sq ft eighth phase, together with a 125-bed Premier Inn hotel and associated facilities. Tristan Capital is planning the next phase of More + at Central Park, which will provide 385,000 sq ft.

However, the concern for many occupiers is that the bulk of available space and development land is restricted to Severnside and Avonmouth, which does not help those businesses looking to expand, upgrade or move – particularly into central, north and east Bristol, Yate and Thornbury, where strong unsatisfied demand exists.

RENTS ON THE RISE

The supply/demand dynamic drove rents sharply northwards during the year, typically by between 15 and 20%, bringing prime rents in Avonmouth up from £7 / £7.50 towards £8.50. Incentives came in and lease lengths firmed upwards. Investment in the sector has never been stronger, with both funds and private investors keen to secure a stake for their portfolios – driving yields markedly downwards and fuelling speculative development.

Notwithstanding, a number of occupiers experienced a difficult year, especially those linked to the leisure industry, and some companies are currently not paying their rent under Covid protection regulations. Landlords are generally taking an understanding approach, and asking tenants who are struggling to open a dialogue.

With Covid dominating the headlines, the potential impact of Brexit has taken a back seat, but businesses are very aware of the risks of disruptions to supplies – especially if they have raw materials coming from Europe. Some European businesses are opening up UK operations – and vice versa – to help overcome problems, in turn generating new property opportunities.

PRESSURES AND OPPORTUNITIES

The other pressing concern for many agents whose clients want to maintain or acquire a presence in central Bristol is that city centre brownfield sites are being lost to alternative uses. There is strong demand for last-mile logistics and deliveries into central Bristol but the stock is just not there.

St Phillips in particular continues to be under severe pressure, with land being snapped up for student and residential uses at prices well above industrial values. There are strong calls for at least some of this to be ring-fenced and protected.

Concerns continue around the Council's plans to restrict movements of certain vehicles within a large swathe of central Bristol in order to improve air quality, especially as restrictions are scheduled to be introduced over a relatively short time frame.

Many businesses are relocating to Avonmouth/Severnside due to land availability, the loss of redevelopment land and the imminent threat of congestion zones – but staff relying on this work cannot get there without a car. This further highlights the need for a proper public transport system connecting the city to Avonmouth/ Severnside.

One positive note is the nascent trend of "dark kitchens", with industrial units being fitted out to act as central hubs, preparing and delivering takeaway food for a variety of operators. Emblematic of the continuing shift towards everything coming from a warehouse rather than a High Street outlet, this heralds a further boost in the good fortunes of logistics.

"Concerns continue around the Council's plans to restrict movements of certain vehicles within a large swathe of central Bristol in order to improve air quality, especially as restrictions are scheduled to be introduced over a relatively short time frame."

Offices ride out uncertainties

WHILE MOST OFFICES in Bristol have been devoid of occupants at times over the last year, the market itself has remained resilient, aided by a minimal overhang of empty space and a relatively robust local economy.

Those underlying dynamics, in contrast with recessions in the past, mean we can be far more confident about Bristol's prospects over the next 12 months, and all of the evidence is that we are in a much better place than other regional centres.

Letting figures for the year slipped slightly from those for 2019, but not significantly; headline rents for both Grade A and B space held firm, albeit with an increase in incentives; and confidence from developers and their backers has been amply demonstrated by the start of several new speculative schemes, as well as a flurry of refurbishment projects. Investors still view the city very positively.

TAKE-UP FIGURES AND MAJOR DEALS

The year was characterised by a quiet six middle months book-ended by two strong quarters, bringing the total figures close to long-term averages.

The city centre saw a total of 506,293 sq ft transacted against 693,909 sq ft in 2019, which itself was above average. The year's biggest city centre deal was the Q1 letting of 73,991 sq ft to Osborne Clarke. All of the other major transactions came in Q4:

- 37,828 sq ft to DAS at 2 Trinity Quay
- 35,291 sq ft to Jacobs UK at One Glass Wharf
- Orega taking 22,734 sq ft at 33 Bristol.

The 8,567 sq ft prelet at One Portwall Square to AHMM Architects set a new bench market grade A rent of £38.00 psf pa. Top second-hand deals were also resilient at between £25.00 - £34.00 psf pa, although incentives moved out to typically around 12 months on five-year leases.

With the completion of RLAM's Distillery scheme on Avon Street, One Portwall Square is the only brand-new Grade A space due to complete during 2021. 2020 also saw the completion of a number of high-quality refurbishments, including 33 Bristol, Gilbert House, 41 Corn Street and 10 Wapping Road, three of which have already secured tenants.

Out of Town's 258,200 sq ft cache of deals topped 2020's total, with Babcock's acquisition of 100 Bristol Business Park accounting for around half of this total, but this still remained below the 10-year average.

The expectations earlier in the year that more city centre businesses might be attracted to North Bristol, along with relocations from London occupiers, failed to materialise. But the attractions of a less crowded (and significantly cheaper) working environment might well impact the year ahead. A number of London corporates are undertaking strategic cost reviews, while Government continues its review of relocating 22,000 staff out of London to the regions by 2030.

The rental gap between out of town and the city centre – now around £15 psf – has never been greater. Thirty years ago, they were on a par. What is probably required is exciting new stock to recalibrate rents, although a pre-let will almost certainly be required before a developer commits to building in the out of town market.

Nationally, as well as regionally, the out of town market is looking for a 21st century agenda: one that is less car borne, more sustainable and more in tune with what occupiers' work-forces are looking for. We are starting to see this with developers like CEG at Aztec 1000, who are bringing wellbeing features into the building and highlighting the enduring appeal of Aztec West's lakeside development plots.

NEW STARTS

With existing Grade A space down to record lows, developers have pressed the button on several speculative new schemes:

- Nord's One Portwall Square scheme (33,750 sq ft) comes into the market late 2021.
- CEG's former Aspire building (now rebadged "EQ") will deliver 200,000 sq ft in late 2022.
- Tristan Capital/Candor's Welcome Building, formerly 4 Glass Wharf (206,000 sq ft) is due to start on site Q2/3 2021.
- Construction is planned on Building C, Assembly (88,000 sq ft).

A series of major refurbishments have commenced and are focussing on delivering flexible space, high quality working environments and good amenities – all designed to capitalise on the "flight to quality" evidenced by recent occupier take up. These include:

- The Fairfax (71,212 sq ft)
- 10 Victoria Street (47,858 sq ft)
- Pivot + Mark (30,870 sq ft)
- St Bartholemew's House (19,800 sq ft)
- Linear Park (16,636 sq ft).
- One The Square (12,855 sq ft)

The Daily Mail and General Trust's One Temple Way is another landmark building set for a bright new future: while the Press Hall has gone to student housing, with HMOs to the rear, the main building will add over 110,000 sq ft of recycled workspace to the Broad Plain area of the city. This, along with the delivery of First Base's Soapworks scheme, looks set to create a popular new location for the city's burgeoning Tech and Media sector.

COVID AND THE FUTURE OF FLEXIBLE WORKING

A big question mark now hanging over the office sector is: how much space will businesses really need going forward?

Covid has accelerated the trend for flexible and agile working, which has already seen requirements typically reduce… but by how much further will businesses seek to rationalise requirements? That calculation appeared to morph during the course of the year as recognition grew that the office has a critical place to play within an organisation's culture, as well as being a key factor in the wellbeing of its staff.

While there is every indication that employers will continue seeking to reduce their desk space allocation by perhaps a further 10 – 20%, a good proportion of this surplus space could be absorbed by occupiers' desire to deliver more collaborative and creative meeting areas. In tandem with this, it is expected that most will look for better quality space that provides more amenities for staff.

Now that businesses have developed secure and effective ways for personnel to spend at least part of their time working from home, the future will probably be more of a hybrid model. London-based corporates cutting back on head office costs, relocating more functions and introducing more "hub and satellite" models in the regions is also a possibility. If businesses are content to run part of their operations out of the city centre, there is an opportunity for suburban locations and satellite towns to benefit.

Feeding into this equation is the effect that the new E Class could have on High Streets, with the strong possibility that many smaller operations will look to work in vibrant locations which offer a mix of workspace, retail and leisure – along with an attractive food and beverage offering on their doorsteps.

LOOKING FORWARD

The start of 2021 was relatively quiet; but, as the country tentatively starts to move out of lockdown, there are some encouraging signs for the year ahead. There are several significant active requirements in the 30 – 80,000 sq ft size range, including BBC Studios who look likely to make a commitment to acquiring floor space. The professional and financial services, TMT and public sector remain the most active sectors in terms of both take-up and active enquiries.

With pent up demand, the prospect for significant occupier churn and a number of good enquiries in the system, the prospect of limited stock levels makes the prospects in the coming months look promising.

The Business West perspective

James Durie, Chief Executive of Bristol Chamber & Initiative at Business West, looks at how a variety of looming issues could impact the property sector as well as business.

A major part of our remit at Business West is encouraging and enabling sustainable economic growth; and, as BPAA members will know, we have worked closely together on a number of issues of mutual concern in recent years. So, it will be no surprise that, at the time of writing and as we start to unlock and recover from the very significant impacts of the pandemic but also look to de-carbonise how we live and work, we share concerns about the recently published details for Bristol's forthcoming Clean Air Zone (CAZ) which is due to commence in October 2021.

We certainly support the need to tackle air pollution: we recognise the link to significant health issues and that some form of CAZ is necessary to help address this; however, we are alarmed at the current inclusion of the Portway, Cumberland Bridge, upper part of Brunel Way and part of Winterstoke Road within the western edge of the proposed CAZ. As part of a vital North-South route for the city, its inclusion will negatively impact on thousands of vehicle journeys who do not visit or intend to visit the most polluted areas of central Bristol but just want to go around the fringes of the city. This is traffic that has no direct pollution impact on the central parts of the city currently breaching legal thresholds.

The impacts on our economy will include many moving people and goods to and from our airport, to Ashton Gate and those who live and work in South Bristol and beyond. So, within the tight confines of a court ruling, we are working with local MPs, businesses and North Somerset Council to try and get the final scheme amended at central government level; and, alongside this, ensure that the implementation of a CAZ by the Council is one that business can adjust to and transition.

October is now just around the corner and business and residents will want and need to find ways to continue to operate with a city centre CAZ but this must not unnecessarily damage people's lives and livelihoods.

PUBLIC TRANSPORT

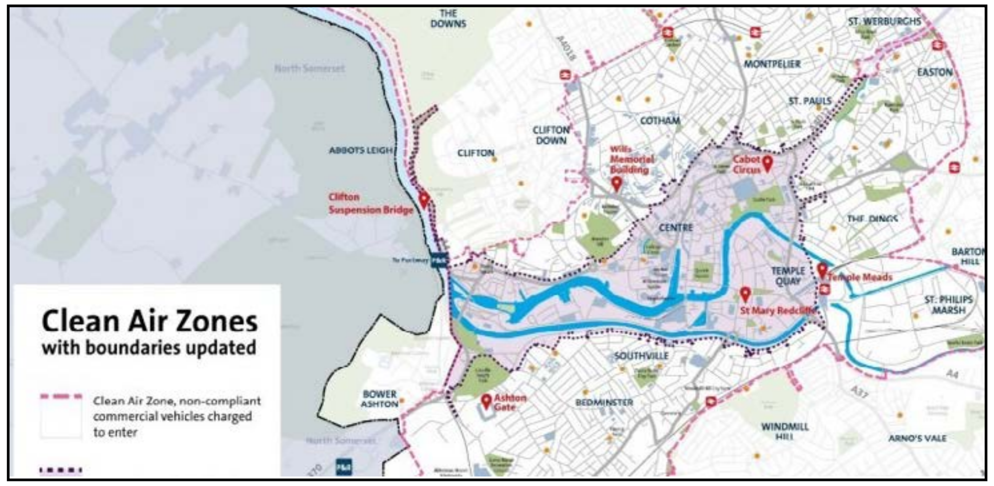
Given that only one in 11 people currently commutes by public transport, we know our region urgently needs to de-carbonise and take up sustainable alternatives.

Part of this needs to be a sub-regional low carbon transport investment plan incorporating a mass public transport system. And with elections for the Bristol and WECA Mayors taking place in May, rest assured this is something we will be pushing hard for – together with serious investment in digital connectivity, walking, cycling and charging infrastructure for electric vehicles.

SPATIAL DEVELOPMENT

And that brings us to another area of shared concern: putting in place a Spatial Development Strategy that accommodates the region's fast evolving employment workspace needs.

Matt Griffith, in his article on Page 10, spells out our thinking, not least that allocating the lion's share of employment space in locations which are difficult to reach is not a "strategy". Alongside this, a fit-for-purpose transport approach for the whole region is fundamental – not only to our economic future but also to encompass those areas which have so far missed out.



Looking forward, the property sector has some further challenges but also opportunities that reflect our own.

It is plain from talking with many employers, that the way many of us will now be able (and want) to work has changed as a direct consequence of the lockdown. A greater degree of flexible and more agile working opens up plenty of new options, and a hybrid of more home working and higher quality workspace seems the most likely for many: places where – face to face and digitally –we can connect, communicate and collaborate.

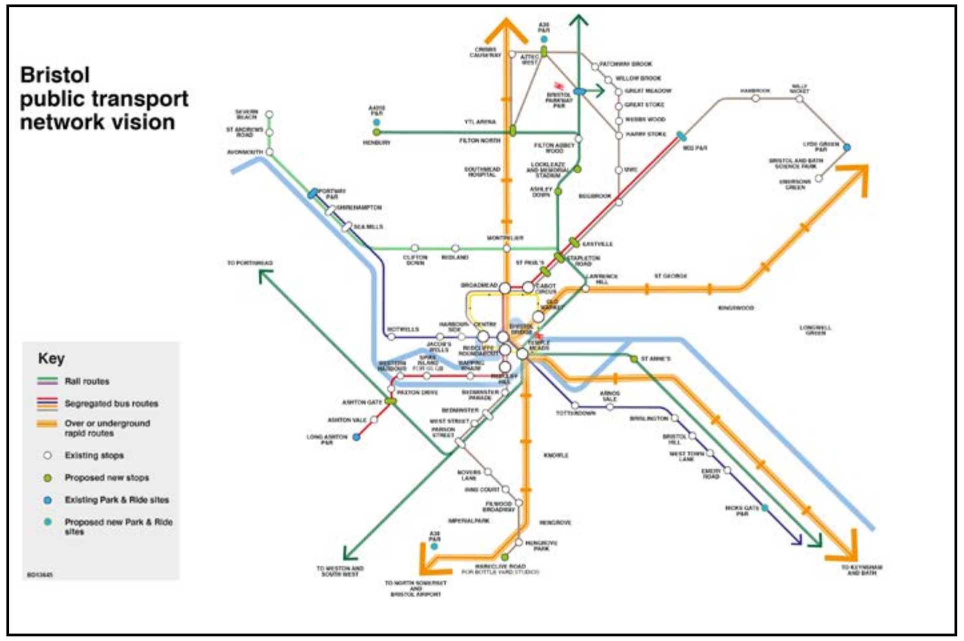
This will change the nature, demand for and possibly location of workspace and this is one challenge that the BPAA members will, I am sure, be helping business, developer and investors to navigate.

AND RELAX...

A large part of Bristol's success has been the development of its café culture, and the hospitality, leisure, visitor and cultural businesses which make this up have been so badly hit over this last year: so, getting people back to their workplaces and going about their everyday activities will be so key to its revival.

Moreover, for those people who will be moving into, out of and around the city centre and other locations to work, this will increasingly be enabled and incentivised by active and sustainable methods to do so, and hence we are helping encourage and pushing initiatives such as Bristol Cyclingworks business community campaign (www.bristol.cyclingworks.org).

Finally, on a related note, another concern we have is the growing digital divide – particularly amongst our young people. This has been highlighted by the lockdown and need for home schooling, and we know this is storing up serious problems into the future as far too many young people have had no access to the Internet and to learning during this time.



I know of at least one property company which has helped to supply laptops to schools by working through local Bristol charity Digilocal (www.digilocal.org.uk) and am very pleased to say that tackling this issue is now one of the three main Bristol One City partnership priorities for 2021 (www.bristolonecity.com). I also think it's one way in which the property sector can certainly play a direct role in protecting the quality of the city's future employment base.

It makes business sense to do this and so I encourage you all to take up this challenge!

"The way many of us will now be able (and want) to work has changed as a consequence of the lockdown."

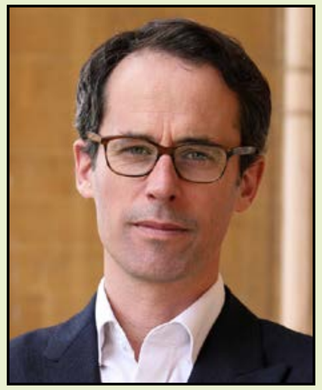
BPAA recognises talents of Bristol property students of the year

For several years, the BPAA has sought to support and encourage students participating in real estate courses at the University of the West of England and to forge stronger links with the University that has produced so many of our members.

To encourage academic excellence, and with an eye to retaining talent in the city, we have sponsored prizes for both a Final Year Undergraduate and for a student graduating from the Masters course.

We are delighted to announce that this year's award in the Undergraduate Award category goes to Annily Skye-Jeffries, who impressed the judging panel with her evident dedication – not only to the course, but also a future career in Bristol with the Valuation Office Agency.

In the Masters Award category, we selected Kate Robertson, who demonstrated a real passion for the property industry and – through exceptionally hard work – achieved a high level of academic success. We have no doubt that she will go on to make a significant contribution to the property market.



Mapping out the region's future

We ask Matt Griffith, Director of Policy at Business West, whether a new overarching vision has a better chance of success, whether employment land will get the attention it deserves, and how the changes in retail's fortunes will impact the city.

In 2019, the West of England Joint Spatial Plan (JSP) was found lacking and shelved. In its place, a Spatial Development Strategy is now being developed by The West of England Combined Authority (WECA) and its constituent authorities, along with North Somerset Council, to address the region's strategic housing, planning and infrastructure needs.

The JSP had came in for a lot of criticism – not just from stakeholders like ourselves and the BPAA, but also from the Inspectors. Everyone acknowledged that the JSP had some really significant flaws, primarily around where development was going to be located and how that could be sustainable.

While it's disappointing that several years have been lost, it provides an opportunity for the four LAs (Local Authorities) to return to the drawing board and reset their thinking. Considering how much the external context has changed, particularly around the LAs' and WECA's commitment on net zero, it allows us to rethink planning priorities and come up with a more robust plan for the 21st century.

AT WHAT STAGE IS THE NEW STRATEGY?

It's early days, but it's fair to say that North Somerset, which of course is not part of WECA, is currently slightly ahead: it's preparing its own local plan and has finished the second round of consultation. We were very encouraged by it and thought it was honest and upfront in the way it acknowledged some of the options for the area; that growth is going to happen and therefore requires proactive help make it sustainable; and that they need a sensible relationship with the Bristol urban area.

The challenge will be for North Somerset to coordinate with WECA, which has a slightly different timetable. And it has to be borne in mind that they are currently only looking at their own housing and employment needs. At some point that means a dialogue with WECA, and particularly Bristol, about unmet needs.

HAVE THE GOALPOSTS BEEN MOVED?

It looks like housing numbers are going up – partly because of the lag in what has been achieved since the first figures were generated, but also because the Government, under pressure from its own MPs, wants city regions to take more of the strain. The Government has also changed the way it calculates housing requirements and the LAs will have to lift their numbers to meet the new standard methodology.

Because Bristol has natural constraints, meeting that demand is inevitably going to involve the wider region. Overall, the challenge remains that there is still not enough being done to meet that underlying, decades-long demand for housing and for employment space.

DOES BRISTOL HAVE A MEANINGFUL STRATEGY TO MEET DEMAND?

There is strong political commitment from the current Mayor on housing; and, if he isn't re-elected, delivering more housing is a major cross-party commitment.

However, clearly there are challenges, not least because the previous draft plan was looking to switch a lot of industrial brownfield into residential – and Bristol already has significant pressures on its existing employment land. If you are going to strike anything like a sensible balance, it has to be done in a very smart way… especially to protect blue collar jobs.

Our big worry is that Bristol still hasn't set out a sufficient level of policy detail and strong guidance to the development industry about how they will protect employment. The market will have seen the signals given with the local plan two years ago, indicating that they were going to release a lot of employment land, and has been buying land on the basis that it will be 100% residential – and paying land prices accordingly.

That's hard to row back from.

There has been a vacuum in policy from Bristol since the publication of the draft local plan, and our stance is that the Council needs to get that guidance out there quickly. Otherwise the market is going to plough on and reduce wiggle room to retain employment land going forward. That creates risks for the city… but also for developers.

WHERE SHOULD EMPLOYMENT LAND BE PROTECTED AND PROMOTED?

WECA are currently conducting an employment land study with Atkins, looking at granular detail – different sectors, use classes and so on. So far it looks a stronger piece of work than the previous JSP evidence base.

We have made representations on a number of points, including the risks of over-concentrating new employment allocations in Avonmouth. Whilst this is an important site for certain types of activity, particularly logistics, it faces big problems with regards to connectivity to Bristol's labour market – particularly those areas that are historically deprived.

Neither is Avonmouth enough by itself: you need a wide variety of sites – including South Bristol, which is often overlooked.

HOW DO YOU SEE THE SHIFTS IN FORTUNES OF RETAIL IMPACTING THE CITY?

If we continue longer term with fewer people working in the city centre, that means less footfall for its retail and leisure outlets… an existential challenge to almost every city centre. When things return to normal, a lot of retail space will be left empty and not be reoccupied.

The challenge is: how do you manage that change? Having more residential in the city centre will partly answer that, but will there be the same level of demand there post-Covid? How the city centre and secondary shopping areas are managed is going to be critical for its future health.

We need to create attractive, well-designed places that retain the function of being the heart of the city, and make it a place where people want to come and visit, and which generate the kind of economic dynamism that we previously relied upon. Bristol needs to add energy in their efforts to get developers together and create a vision to transform the city centre…

Repurposing, reinventing retail

THE TRIBULATIONS that beset the retail and leisure sector from March 2020 onwards are well documented, but there are signs that some operators and landlords are looking very positively at opportunities now presenting themselves.

While the pandemic has been a storm affecting everybody, not everyone has been in the same boat. Closures have left gaps in the High Streets and major centres as a welter of national brands either shut up shop, moved online or pared back their portfolios. Nationally, an estimated 17,532 chain store outlets shut their doors for the last time in 2020; and, with just 7,655 chain stores opening in that time, there was a net loss of 9,877 stores – although these figures exclude independent retail outlets.

Operators with a strong online presence blossomed, with some converting entirely to a digital presence. Supermarkets, other food retailers and DIY outlets also fared well. In between lockdowns, while out-of-town centres and larger stores have undoubtedly suffered, ample car parking and enhanced social distancing helped them to weather the storms.

Other positives? Some big names have taken the opportunity to move into Bristol: The Samsung Experience Store, German restaurant/bar Klosterhaus and Lego, for example, have acquired space at Cabot Circus, along with Oh La La Ice Cream & Desserts. But perhaps the biggest winners have been smaller independent regional food and beverage operators, with speciality shops springing up in many suburban centres. The trend towards shopping more locally has blossomed during Covid and there is every reason to believe that this will not entirely revert after the pandemic is over.

Agents are also really encouraged by the number of enquiries currently being received with over 30 independent operators who have adapted to a dark or home kitchen / workshop now looking for physical space.

REPOSITIONING ASSETS

Many retail and leisure agents are busy repositioning and repurposing their clients' assets, helped by the introduction of Class E in September 2020, which is seeing some empty units converted to other business uses. Occupiers are increasingly looking to be in bustling, mixed use schemes making fuller use of upper floors.

Landlords, meanwhile, many of whom have been badly affected by closures and rent holidays, are now recognising that greater flexibility – having a mix of tenants across the floors, shorter leases and affordable rents – can work to their advantage. There is also a growing appreciation that independents can adapt and diversify: they aren't going to suddenly close a raft of units and they're going to work hard to make the business work because it's theirs.

With department stores struggling, the move is on to make fuller use of larger units with a vibrant mix of residential, leisure and workspace as well as retail and speciality food and beverage occupiers. Curation will be the key: making sure everything is part of a creative, thriving, bustling, self-contained community which people buy into.

With a significant reduction in secondary and tertiary shopping areas, the imperative will be to retain the coherence of the retail offering: it would be preferable to concentrate lost space at each end of a High Street or shopping area, and supplement the remaining retail with other uses on the ground floor and residential above.

Whilst the repurposing of under-occupied retail centres and introducing more residential, leisure and workspace promises to revitalise our town centres, make them safer and encourage more leisure and hospitality operators, the political will to do so will be essential. The aspiration for Broadmead, for instance, is to do this in the short term, but the politics and planning probably makes it still a medium-term play, despite everyone recognising the potential benefits.

While PDR on its own might offer a massive opportunity to redress our housing shortage, Class E increases daytime footfall in our retail centres. A mix of the two would seem to be the ideal solution.

LEISURE

While most leisure and hospitality operators have fared badly during Covid, some are looking ahead and there are still a lot of bigger box requirements. The Mall, Baylis Estates' leisure complex, is making good progress, with Planet Ice Rink (above) due to open in Spring 2021. Harbourside is set to welcome two new operators into the city: an application lodged on two 15,000 sq ft leisure units will create a combined bowling and miniature golf offering that could finally help fulfil Harbourside's potential as a leisure destination.

The end of lockdown is also likely to coincide with some imaginative uses of people's time and disposable incomes from operators now looking to open in the city – including a darts bar, trampolining and… axe throwing.

Looking forward to the rest of the year, retail agents will continue having to work that much harder and more imaginatively for their clients, but the market is quietly optimistic about the opportunities that this presents.

Beds, sheds and long income provide a positive feel

After a confident start to 2020, the investment market juddered to a halt apart from deals just about to cross the line. The loosening of lockdown then saw a hugely busy period before the market slowed once again.

So, although total investment levels were not that much down on 2019, it was, in general, a frustrating year – but one that still had some very positive highlights, with long income most in demand along with "Beds and Sheds". Together with logistics, that includes certain parts of the health sector, BTR (Build to Rent) and student accommodation.

Turbulence in the economy invariably sparks a flight to quality – not just in the buildings themselves, but the quality of income stream – and that was definitely the case during a tumultuous year. Investors are mirroring the assumption that employers will probably seek to reduce their overall requirements, but be prepared to pay more for the best space with more amenities, wellbeing features and greater sustainability in order to attract top talent.

Investors appear to be increasingly relaxed about shorter leases, not least because it has always been the norm in Europe and US markets; but they are also attuned to flexibility giving them a premium on the rent.

With favourable returns compared with other assets, especially bonds, an enormous amount of capital is waiting on the side lines. One feature of the year was the relative lack of appetite from UK institutions, with the majority of deals emanating from overseas using UK platforms as asset managers. Increasingly, many of these larger transactions require advisors with international reach and the ability to deliver high quality data analytics.

STOCK IN SHORT SUPPLY

2020 could have been busier had more stock been available and that concern continues. While developers will be selling on in order to reinvest, why would investors release assets when there's nothing new to buy? Already a lot of the speculative logistics stock coming out of the ground has been presold, including some still on plan.

There were also some sales of retail assets: the one sector with a question mark over it as we head into a world where a large number of big names have shut up shop and the High Street is likely to become a far more diverse location. Will some retail investments going forwards be judged on their repurposing potential?

Another significant feature of the market is that yields of different classes are now so close to each other. A year or so ago, prime office yields in Bristol were probably sub 5%. Now they are hovering between 5 – 5.25%, as are direct let student accommodation schemes; however both prime logistics and BTR assets are potentially a full point or more below.

LOOKING FORWARD

With the sector still seeing demand outstripping supply, Logistics will continue to be heavily sought after, and we are already seeing very aggressive money chasing any quality stock coming to the market.

Student accommodation investments will continue to be popular in Bristol because of the growth in the University of Bristol student numbers, while BTR will also remain in demand: only a handful of investors have managed to secure a foothold in the city so far, and strong rents are being achieved.

Another sector to watch going forward is Healthcare. While care homes have their difficulties, retirement living and Life Sciences (research laboratories rather than science parks) are now being recognised as highly promising alternative investments. The focus on these is around locations with core universities and major hospitals – and Bristol is in that mix.

Bristol, despite being smaller than both Manchester and Birmingham in scale, has the occupational dynamics and attraction as a place to live, to provide stronger investor dynamics than its peers.

With both offices and sheds low on supply and demand brisk, the local commercial real estate investment market is in a good place. As investors continue to chase quality stock, refurbished as well as new, the message for developers is that if you put your shovel in the ground or upgrade your investment, you should be rewarded.

"A significant feature of the market is that yields of different classes are now so close to each other."

Bristol investment deals of the year

Probably the most notable deal of the year was not an office project but a speculative logistics scheme: joint venture developer Richardson Barberry completed the sale of More+ Central Park, a prime warehouse/logistics park, totalling 559,228 sq. ft in a £78 million off-market deal. It was acquired by CCP 5, a fund advised by Tristan Capital Partners. The prime mid-box logistics park includes five completed units totalling 176,393 sq ft with six further units totalling 382,825 sq ft to be built out by Richardson Barberry under the terms of the deal.

OTHER MAJOR DEALS

21 St Thomas Street
357-bed PBSA (Purpose Built Student Accommodation) scheme in central Bristol leased to the University of Bristol on a 15-year lease.
Price/Yield: £57m / 4.35% NIY.
Developer: F3G.
Purchaser: DWS.
PC due August 2021

Millwrights Place, Finzel's Reach
231 BTR units
Price/Yield: £60M / c4% NIY
Developer: Cubex Land/ Fiera
Purchaser: Grainger
PC late 2022

Halo, Finzel's Reach
116,000 sq ft prime grade A office funding
74,000 sq ft pre-let to Osborne Clarke LLP on 12-year lease, 42,000 sq ft spec
Price/Yield: c£70M / 5.58% NIY blended
Developer: Cubex/Fiera RE
Purchaser: Tesco Pension Fund
PC due in early 2022

Bart Spices, Junction One
139,061 sq ft of logistics space
15-year lease with indexation
Price/Yield: £22.50M / 4.25% NIY / £161 psf
Developer: Barwood Capital
Purchaser: ASI

Public sector engagement

By Chris Grazier

Each year a great effort has been put in to engage with our various Local Authority teams across the City region, and I have been keen to ensure that this has continued over the last year, and that the Association is involved in the important decisions being taken.

To those not involved it is often not immediately apparent that this public sector engagement work is being undertaken, so I would like to extend my thanks to those members kind enough to lend us their expertise and time in attending the many online forums and meetings that have taken place.

We are ensuring that we remain connected to the various teams coordinating activity in the City region, and I'm happy to assist members with specific questions. We are also building on our strong relationship with Business West to ensure that our voice is heard in all relevant areas.

WEST OF ENGLAND COMBINED AUTHORITY

Paul Baker and I were both invited to take part in the WECA Economic Recovery Taskforce formed during the early stages of the first lockdown. This was co-ordinated by our guest speakers at the BPAA and WIP Seminar held earlier in the autumn which outlined the findings of the Economic Taskforce and the strategy that it has recommended. Those findings are here:
www.westofengland-ca.gov.uk/west-of-england-regional-recovery-taskforce-our-recovery-plan/

WECA's importance as the regional authority is increasing and we have made strides this year in our general engagement with them. We have secured input into various policy groups that they have formed, including the liaison undertaken by members active in the Retail, Office and Industrial sectors with the WECA Inward Investment teams. The longstanding Planning Liaison Committee work that we have undertaken with Bristol City Council has been extended to South Gloucestershire and is proposed with WECA.

This work will be increasingly important over the coming years as emerging Local Plan Policies develop. WECA have appointed Atkins to prepare the Employment Land Spatial Needs Assessment, and the BPAA has been asked to contribute to their study as a primary contributor with sub-groups to be arranged focusing on the specific employment sectors affected.

I will be in contact with individual members in respect of this, but welcome any thoughts you may have and would like us to relay to the team involved.

BRISTOL CITY COUNCIL

Over the year, the BPAA has worked closely with the teams at Bristol City Council involved in City Recovery, whilst still maintaining a high level of presence on Advisory Boards. I have been hosting a series of monthly Zoom calls with key members of the Property, Planning and City Divisions of the Council, with each call focusing on different sectors of the property market.

The feedback we have had from the City Council has been extremely positive, and the wide ranging and often challenging calls have clearly affected wider policy decisions. Paul Baker has represented the Association on both the One City and Western Harbour Boards – making significant contributions on behalf of Bristol's property industry.

There are a number of further policy areas developing which we are closely monitoring and becoming involved with where appropriate.

These include the following:

- Retail Study: Bristol City Council has commissioned a retail study for the city centre and the Association will be providing expert input into this through our membership.
- Transport and Road Closures: significant changes have been introduced in the city centre and we are working with Business West to monitor the impact and make representations where necessary.
- Local Employment Land Study: Bristol City Council have commissioned, but not released, their Employment Land Study; we are pushing them to do so and will make representations once published if required.
- Bristol Avon Flood Strategy: the planning liaison group has received a presentation on the proposed flood strategy for the city which will have far reaching implications for many of the waterside locations in the city centre.

SOUTH GLOUCESTERSHIRE COUNCIL

As Paul correctly identified during his Presidential year, we have perhaps overlooked our engagement with South Gloucestershire County Council in the past and I have been keen to build on the steps that Paul implemented last year.

Whilst many of their activities were paused during the first lockdown period, these are now coming back to life, and we have held a Planning Liaison Committee during which we agreed to hold a more general market update with Officers to capture some of the activity undertaken in their area during the preceding 12 months.

South Gloucestershire Council has also commissioned Atkins to develop their Employment Land Study, and the Association is being consulted as part of that process alongside Business West, with whom we have submitted joint representations.

BPAA Council
2020/22

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Total BPAA membership is approximately 300. Of these, almost 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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Bristol Property Agents
ASSOCIATION

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