Greater Bristol – Industrial Market Review H1 2020

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General Election & Covid-19 Reaction

Welcome to the H1 2020 RPC Greater Bristol Industrial Market Review.

If ever the saying "a game of two halves" was more apt. During **Q1 2020** the market was riding a "Boris Bounce" wave of confidence following the General Election, with a demand spike from December 2019 through to early March 2020. The IAS recorded a total of 36 deals, which mainly consisted of transactions in the smaller size range (sub 20,000sqft) with only a handful over 30,000sqft. The total take-up equated to **342,740sqft and 7.53 acres** of land sold or let, which was up **42%** compared to Q1 2019. Key transactions were the lettings of unit 1 More+ (41,827sqft), who secured Network Rail and unit 18 Access 18 (44,462sqft), who completed with Peugeot.

Q2 2020 presented a new world with many new working challenges – 23 March 2020 Lockdown, working from home, travel restrictions and Coronavirus Law preventing forfeiture of leases due to non-payment of rent - but the market managed to record **278,614sqft transacted across 27 deals**, which again mainly consisted of deals in the smaller size range. As expected, this was marginally down on Q2 2019. This takes **total take up for H2 2020 to 621,354 sq ft and 7.53 acres** of land sold or let across **63 transactions**.

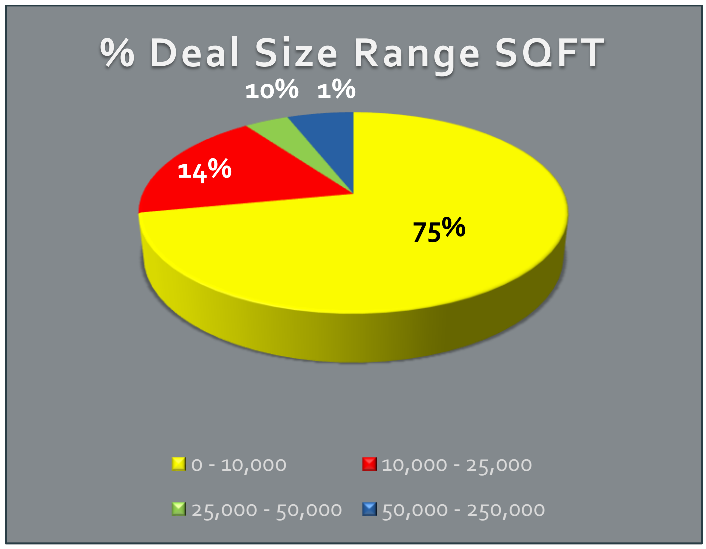
As a comparison, this is only **6% down** on take up for H1 2019, which given circumstance is much better than predicted. However, we are still significantly behind the Half Year 10-year average of approx. 1,250,000 sq ft due to the immediate shortage of transactions within the Big Box market. The largest letting during Q2 was 70,013sqft. More+ recorded another successful letting during Lockdown – unit 9 (31,617sqft) was leased to SIG Plc.

After the initial shock of Lockdown, it is clear the Greater Bristol industrial market continues to be relatively robust. Whilst general volume of demand has been marginally down, the actual conversion (enquiry to viewing/transaction) rate has improved, as only serious parties are searching, in turn removing the time-consuming speculators.

Multi-let estates continue to be in the greatest demand, but at the start of Lockdown there was a spike in +100,000sqft short term demand as retailers, grocery business etc. tried to manage overflow stock. Encouragingly, since Lockdown, demand in this larger size range has improved with increased transactional activity at Barwood Capital's Junction One (139,061sqft) and Logicor's WA248 (248127sqft) to be reported in H2 2020.

In our opinion, we are yet to see the full impact of Covid-19 on the occupational market due to the ongoing government support schemes artificially propping up many businesses. Consequently, the current vacancy rate across the Greater Bristol market remains stable at c. 6% against a total of existing standing stock of approximately 55 million sq ft. We expect this to increase during Q4 20/Q1 2021, but it is worth noting that the 10-year average market vacancy rate is 11% and even at these levels, we still see rental growth and strong lease terms. Currently, headline rents are being maintained, lease lengths are generally still at 10 year with a 5-year break. We have seen a slight softening of incentive packages, shifting from 4-6 months' rent free on a 5-year term certain to 6-8 months depending on the quality of property and covenant, but this is now coming back in as demand continues to outstrip supply.

The chart below shows the continued dominance of deals sub-10,000 sq ft in H1 2020.



The table below highlights statistics for 2019 v H1 2020..

The highlights of 2019 v H1 2020

Item	2019	H1 2020
Leasehold Demand	81%	89%
Average Deal Size	10,918 sq ft	9,862 sq ft
Number of Deals	154	63
Use Class B8	64%	83%
Use Class B1	20%	12%
Use Class B2	16%	5%

(Source: IAS Western Branch)

Speculative Development Update

Numerous speculative schemes have progressed over the past 12 months. A snapshot of these schemes is below.

- **Barberry/Richardson More+** at **Central Park**. Phase 1 totaling c176,000sqft with unit 2 (56,225sqft) & 10 (32,962sqft) remaining. Recent lettings include Network Rail and SIG. Phase 2 offering D&B options.
- **Supercharger –** owned by Tristan Capital at Western Approach**.** 106,890sqft with use class B2/B8 and up to 2.5MVA of power. Immediately available leasehold.
- **Horizon 38** in Filton, developed by **St Francis Group and iSec**. Phase A & B completed totaling c324,000sqft. Units G6 (42,000sqft) and G7 (63,000sqft) remaining.
- **Vertex Park** at Emersons Green developed by **Chancerygate** providing 11 units from 5,382sqft - 34,008sqft. Only 3 units remaining – lettings to Screwfix, Toolstation, Halo.
- **Warmley Business Park** developed by **Chancerygate** have PC 15 units 3,738-31,883sqft to let/sale and only 2 units remaining.
- **Access 18** Avonmouth developed by **St Modwen** comprising 15 units totaling 266,745sqft
- **Barwood Capital and Trebor Developments** have PC on 6 units at Portside Park in Avonmouth, providing units from 15,284 - 88,300sqft.
- **Trebor and Hillwood Capital** have secured planning on their 14.50 acres located at Central Approach.

Why Russell Property Consultants?

H1 2020 has seen our market share in Bristol maintained from 2019 to 2020 at **26%.** Thank you to all our clients for their ongoing support.

- Rob and Chris have over 50 years' combined experience
- We are the only niche industrial agency practice in Bristol
- We have excellent market knowledge
- You do not get a junior surveyor doing the legwork
- Chris or Rob handle all the marketing
- Increased market share in 2017, 2018 & 2019
- The Insider Industrial Agency Team of the Year 2017 & 2018
- Shortlisted for The Insider Agency Team of the Year 2019 & 2020 (awaiting results!)

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The Investment Market

The market has been quiet by normal standards for obvious reasons, but H1 2020 saw Orpen Park in Bradley Stoke sold by Longmead Capital to Mileway, for a price believed to be approx. £10m, reflecting a yield of 5.25%.

Change in Planning Use Class Order

You may be aware of the long overdue overhaul of the Use Classes Order (UCO), which takes effect on 1 September 2020.

In summary:

- Classes A and D of the UCO are entirely revoked (puts an end to Use Classes A1, A2, A3, A4 and A5, and Classes D1 and D2)
- These are replaced by a new Use Class E 'Commercial, Business and Service'
- Class B1a/b/c is abolished and subsumed within new Use Class E
- New Class F.1 'Learning and non-residential institutions' (effectively certain uses of current Class D1 - schools, non-residential education and training centers, museums, public libraries, public halls, exhibition halls, places of worship, law courts)
- New Use Class F.2 'Local community uses' (a mix of some uses from Class D2 such as community hall/meeting place; indoor or outdoor swimming baths, skating rinks, and outdoor sports or recreations, and small shops (A1) subject to criteria)
- Several uses previously within specified Use Classes are added to the list of sui generis uses (such as public house, wine bar, or drinking establishment [formerly A4]; hot food takeaway [formerly A5]; cinema, concert hall, bingo hall, dance hall [all former D2]
- No changes to Class B2, B8 or Class C1-C4.