



MARKET OVERVIEW – SEPTEMBER 2009

JAYNE RIXON, PARTNER, BURSTON COOK

The last two years have been a testing time for all! The city centre supply of new offices has reached its peak at 500,000 sq ft of existing space and that under construction. This is against the total city centre stock of 15 million sq ft and vacant stock of 1.6 million sq ft. As companies continue to fold or make high levels of redundancies, the level of second hand space coming to the market could still increase significantly.

The take up of office accommodation in Bristol city centre for the first half of this year amounted to approximately 140,000 sq ft and out of this figure, only seven of those transactions were for in excess of 5,000 sq ft.

The out of town market totalled approximately 138,000 sq ft for the first quarter of this year with one deal of 60,000 sq ft being concluded and only four others over 5,000 sq ft!

Enquiry levels during the first half of this year have been down by approximately 30% on the previous year, although the general sentiment in the marketplace remains reasonably buoyant and enquiry levels for 5,000 to 10,000 sq ft in the city centre has improved over the last couple of months, as have enquiry levels for 10,000 to 20,000 sq ft out of town.

The significant change in the marketplace, however, over the last 12 to 18 months has been the attitude of landlords and developers, who have become increasingly flexible in their attitude to headline rentals, length of leases and rent free periods. The two tier system within the city centre comprises those offices under construction at quoting rentals in the order of £28.00 per sq ft and although some of the new schemes have dropped rents to £26.00 per sq ft, the significant change has been in the medium to poor quality refurbished accommodation where quoting rentals have dropped significantly. A number of schemes in the city centre which were quoting £15.00 per sq ft 12 to 18 months ago are now quoting £10.00 per sq ft to entice occupiers into buildings with the better quality refurbished accommodation retaining its quoting rental of £18.00 to £20.00 per sq ft,

What has been noticeable, however, is that the occupier focus has changed and returned to the fundamentals of cost, quality and location.

Transactions are happening, but they are taking much longer and clients are having to take a more patient approach and look at each enquiry on its own merit. The key at the moment being a flexible approach to ensure income over the next couple of years, which will no doubt continue to be difficult for all, however, there are certainly signs of some “green shoots” and the banks do appear to be lending again on slightly more favourable terms.

Against the odds, over the last six months, Burston Cook have been involved with the letting of 8,490 sq ft to Marie Stopes International at Zeta House in Almondsbury; 10,677 sq ft at Bridge House, Baldwin Street; the sale of Custom House, Queen Square to EF International Language School, comprising approximately 7,500 sq ft; and the acquisition of a £1.6m investment on Hill Street.

SUBJECT TO CONTRACT