



NEWSLETTER

WHAT'S INSIDE

ENGINE FOR GROWTH

Nick Sturge on an exciting platform for businesses in the city.



SPATIAL AWARENESS



James Durie on why more employment land is needed.

INNER CITY VISION

Richard Clarke on ambitious new plans for Bedminster Green.



GENERATING INTEREST



Paul Isaac on why he enjoys doing business in Bristol.

Supply strategy still causing concern

BRISTOL IS A CITY where people want to live and work, and I too have enjoyed doing so for most of my life. But the message of all of the sector reviews and interviews in this year's Newsletter is that, to meet demand, we urgently need a far more robust pipeline of homes and business space.

With just one new Grade A building under construction, office space availability in the city centre is just 3.2%. A major Government requirement of 200,000 sq ft is also waiting in the wings. The upside has been a new rental benchmark of £32.50, while Grade B rents are closer behind than they have ever been - all of which, we hope, will encourage developers to build speculatively in 2018.

Industrial rents too have risen sharply, with many occupiers unable to find the space they need to expand or upgrade their operations. More developments are on the way - but at the same time, business parks close to the city centre are coming under increasing pressure from alternative uses. The year also saw Amazon conclude the region's biggest ever distribution deal of 2.2 million sq ft.

After several years of house prices soaring well ahead of the national average, a lack of activity through Brexit concerns did keep rises down to around an average of 5%. But here too the city is not bringing forward sufficient new homes to meet our growing population. The housing crisis is now at a near desperate level and solutions must be found.

STIMULATING GROWTH

All of these trends will, of course, be important to anyone in the property sector. But their relevance to the regional economy goes well beyond that. In the words of one local business leader: "Stimulating growth is about enabling companies with potential to move forward, and property can either be an enabling function or a restraining function in this context. Currently it is a restraining function."

If we cannot accommodate growth, the risk remains of investors taking their business elsewhere. Bristol has a problem not shared

With the supply of homes and land for employment now affecting the local economy, it has been a year when the BPAA has worked hard to get its voice heard. By outgoing President John Sisman.



by its regional competitors. We do not have swathes of former industrial land conveniently close to our city centre which can readily be regenerated. However, increasingly, that's where people want to live and work; and, as a direct result, different uses are competing for the pockets of land that become available.

LAND ALLOCATION

Currently, homes are the number one priority for the Council; and, quite possibly, numbers two and three as well. If we are to continue to attract and nurture the businesses we want here, much more thought has to go into the allocation of employment land.

This means that making our voice heard has never been more important than now, as we are in a unique position to inform the debate on how the sub-region can square the circle of sustainable growth.

We have worked with Business West over the last couple of years to provide a rigorous analysis of why the sub-region's Joint Spatial Plan does not meet the needs of the city going forward. We are also playing an active role in other emerging planning policies which affect us all - including the proposed SPD on High Density Urban Living, as well as on-going debates around the housing crisis and delivery of affordable housing.

To that end, we have given specialist briefings to Council Members /cont. on page 2

Bristol wins BID to improve itself

2017 saw a large chunk of Bristol's city centre area earning the status of a "BID" (Business Improvement District) – releasing £6 million over the next five years to plough into enhancing its look, feel and safety.

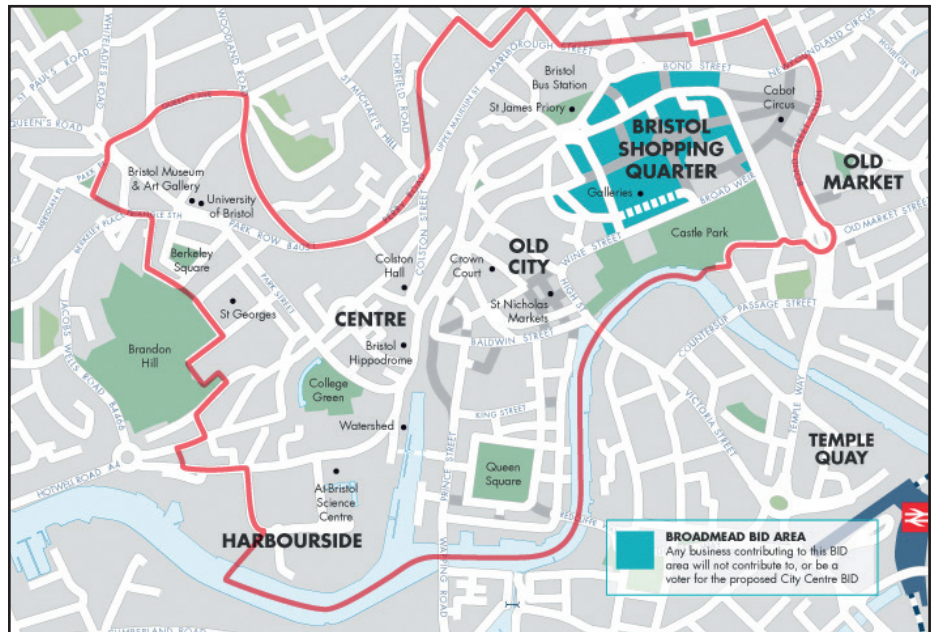
There are currently 280 BIDs operating around the country, each playing a key role in improving a local business environment and economy.

Bristol itself has been a leading exponent. In 2005 Broadmead blazed a trail by persuading local businesses to commit to a small increase in their business rates over a fixed time period in order to enhance the local environment. The success of that has led to two further Broadmead BIDs – each better supported than the last – and inspired further localities to follow in their footsteps: BIDs for Clifton Village, Cater Business Park, Bedminster and Gloucester Road are in various stages of development.

The City Centre BID is the biggest to date locally, embracing Harbourside, Park Street, Old City and St James Barton. Work officially started on 1st November 2017, and the money being raised – £1.2 million a year over the next five years – gives it a substantially larger budget than Broadmead although it is across a bigger area. In the words of Keith Rundle, the man leading the initiative, "The BID income from Bristol's city centre brings us closer to parity with the £2 million a year being spent in Leeds and the £1.5 million in Cardiff by their respective BIDs."

BUSINESS AGENDA

The BPAA was delighted to advise on and support the Bristol City Centre BID team in their efforts; and over the next five years, Keith and his team will be implementing measures to improve the welcome, "the look and feel" and the safety of the city



centre, as well as actively supporting a business-focussed agenda locally.

The team is also promising to address the problems of vacant premises and anti-social behaviour, as well as supporting cultural events. In the words of BPAA President John Sisman who has been invited to join the Advisory Board, "These initiatives will benefit us all in showing our city in the best lights - for residents, visitors and investors, both at home and abroad."

The required vote amongst local businesses demonstrated a strong appetite for the proposals. "Turnout was at higher end of what normally happens in these initial ballots," says Keith, "with the overwhelming majority approving the proposals. And we expect that when the time comes to renew the City Centre BID in a few years' time that it will be a higher turnout again, as that is the experience around the country, together with a higher approval percentage."

COLLECTIVE VOICE

Was it a hard sell? "Not really," he says. "Everyone has seen how well it has gone in Broadmead. There are benefits to all the businesses locally, not least in making it a more attractive place for employees to work and clients to visit.

"We are also exploring the potential of sourcing certain goods and services in bulk and allowing local businesses to take advantage of that.

"For instance, we are negotiating a collaborative commercial waste contract that everyone can buy into if they wish. Together with keener prices, this would make collections easier and more efficient as well as reduce traffic locally."

Another benefit to local businesses, he says, is "Feeling as though they can have a collective voice – giving them more influence in consultations or on issues that impact upon the city centre."

President's year end assessment cont. from p1

...and Officers, and met regularly with Invest in Bristol and Bath, Bristol City Council planners and other stakeholders. The BPAA and Business West, alongside BCC, are also redrafting the Planning Protocol which will play a role in speeding up development.

It has been a busy twelve months for everyone involved in the BPAA; and while concerns remain, the glass is most definitely half full. Looking ahead at 2018 the main risks must be a significant shift in the UK political outlook, a negative shift in the Brexit process, or some unforeseen global calamity.

Bristol has come a very long way over the last few years. We haven't merely maintained our position as the one major city outside London contributing to the nation's GDP. Alongside that we

have cemented our position as the number one regional choice as the place where talented people want to live and work.

To keep on moving forwards, we need to think imaginatively about the space we do have – and find new ways to maximise it... even if that means considering controversial options. Higher density, higher rise, mixed-use developments, which can create vibrant, sustainable communities, point one way forward.

We must also think imaginatively (but perhaps more realistically!) to solve the dire transport issues across the City Region. We are a city built on history. But the future will be a very different place from the past and we should not use our history as a reason not to do things differently.

Year of two halves for investment

2017 PROVED TO BE a year of two distinct halves for the Bristol market, with H1 city centre total investment volumes of £17.5 million over only one deal, while H2 saw £268 million worth of transactions.

With office availability at a 22-year low, and rents rising sharply across the board, the market fundamentals are perfect for investment in the city and the major institutions are showing a keen interest in Bristol.

With bond yields remaining historically low and many funds sitting on large cash piles, commercial property remains an attractive asset class. The overheated market in London has led to those funds looking for better value in the regions; and although Bristol has a smaller market than some other centres, the overriding balance of supply and demand in favour of landlords promises more deals going forward.

Neither have concerns around Brexit affected the market from an overseas perspective: the UK is still seen as a relatively safe haven and the weakened pound has also helped.

Overseas investors purchased the biggest lot of the year: the Topland Group sold the freehold interest in 10 Canons Way, Harbourside, Bristol for £95.5 million to a South Korean investor; the property is let to Scottish Widows Limited until November 2032.

Competition for the deals that have gone onto the market has seen yields come in – typically to between 5% and 5.5% for Grade A offices, close to the mark achieved before the recession. One Cathedral Square, occupied by Dyson and University of Bristol for the two highest rents in the city, was acquired by F&C Commercial Property Holdings for £33.5m from Castleforge Partners, with the deal representing a net initial yield of 5%.

M&G purchased both 1 Georges Square for £26.2m (at a 5.5% yield) and 66 Queen Square for £30.5 million at 5.25%.



Second hand properties, where rents are also rising sharply, are seeing yields going lower too. AEW Europe's purchase of Colston Tower for £17.5m reflected 6.6%. It was previously acquired by Resolution Property for £12.3 million during 2014.

OUT OF TOWN ON THE RISE

Out of town office purchases are also reflecting rising rents: £110 million was transacted over the year, including (pictured) Aviva's acquisition for c£30m of 100 Bristol Business Park in October, pre-let to Babcock, reflecting an initial yield of 5.25%.

With rents rising across industrial and distribution properties, yields are moving in here too. The BlackRock UK Long Lease Property Fund acquired DHL's 15-acre facility at Central Park for £28.12m, reflecting an initial yield of just 4.37%. Older schemes which offer the prospect of rent rises following refurbishment have seen transactions achieve yields not previously achieved in this sector: the multi-let International Trading Estate, Avonmouth, sold for an initial yield of 5.41%.

The only investment market not making progress is retail; otherwise, although the coming months may bring a few headwinds, the current sentiment is that there is no reason why 2018 should not prove another busy year for the Bristol investment market with yields continuing to come in across both office and industrial acquisitions.

BPAA student of the year

FOR SEVERAL YEARS now the BPAA has sought to support and encourage students participating in Real Estate courses at the University of the West of England – they are the future of our profession. We sponsor a prize for a final year student who has achieved academic excellence during their studies as well as demonstrating commitment and a passion for the property industry.

We are delighted to announce that this year's prize was awarded to James Nelson, who impressed the judging panel with his evident dedication - not only to the course but also

to his future career. Congratulations to James and the other shortlisted students, and we wish them all well with their future roles - several of which will be here in Bristol, James himself having recently joined the Graduate Programme at CBRE in Bristol.

CPD events during 2017

A SERIES OF highly informative lectures have been held over the year, (some jointly with RICS) covering a diverse range of topics - including Bristol University's expansion plans, the HCA and public private partnering, and an insightful economic briefing from RBS.



Residential market steadies

AFTER A FEW frantic years, the Bristol residential market had a far quieter, more stable twelve months.

The Brexit vote appears to have taken out a lot of the residual heat, and with people delaying making a move, very little stock has been coming to the market.

Buy-to-let activity took a significant hit from the increases in stamp duty and tax, although – despite reduced returns – BTL is still attracting individuals looking to invest their pension pots in an asset that offers the possibility of capital growth as well as a steady income.

This has resulted in a minor price correction in the smaller apartment market as prices have to be more in tune with first time buyers' spending capacity, which has typically been below the cash investment buyer for a while now. The consequence is, as the government intended, a return of the first-time buyer.

With volumes down, prices in most parts of the city have steadied: where 2016 saw rises averaging around 11 to 12%, 2017 was closer to the 5% mark – although top quality product in prime locations such as Clifton and Harbourside often continue to defy expectations. With many of the best locations now accounted for, all of the new city centre schemes have sold well.

One of the outstanding developments underway is Acorn's scheme at Brandon Yard – which comprises the restoration of the historic Purifier House and Engine House, and marks the last piece in the jigsaw of the regeneration of this part of the city's floating harbour: it will comprise 56 one, two and three-bedroom apartments together with two, two-bedroom homes.

2018: "MORE OF THE SAME"

East Street Bedminster, meanwhile, is set for an interesting conversion of the former Wills Factory No.1 into a range of one, two and three-bedroom apartments. Work is also starting on the first phase of Redcliffe Village – a mixed-use scheme which will be home to 317 apartments together with 15,000 sq ft of offices, a hotel and a destination food hall.

There have also been hotspots in the inner city Victorian areas such as Montpelier, Easton and Bedminster, while newer locations such as Brislington, St George and Redfield are now coming onto the radar as buyers look further afield for better value.

Bristol as a city appears to be resilient to any major slip in prices – not least because it continues to attract people coming from London as well as retaining a high percentage of its students – although it is a possibility there may be a general correction of prices in 2018. Vendors are slowing picking up on this change in the market after years of relentless rising prices and are becoming increasingly realistic about their expectations.

The forecast for 2018 is "more of the same". Attractive, accurately priced properties will find buyers while those pitched slightly too high will struggle. While a number of schemes are coming forward, more new homes investment is crucial to the supply of affordable housing in the city, and more land needs to be freed up together with a sensible co-ordinated approach from the Council.

Demand continues to be strong for strategic land that will fuel development over the coming years. Brexit doesn't

appear to have negatively affected this sentiment and an increase in institutional funding for residential development – particularly high density urban schemes and built to rent (PRS) – is pushing up land values.

CHANGES HIT BTL LANDLORDS

Rental growth lagged behind previous years, and this – together with the changes in stamp duty and tax – meant that it was not such a good year for landlords. The PRS schemes now being brought forward are also starting to absorb some of the demand for city centre rented properties. Another issue for the buy-to-let market has been a reduced number of single bed apartments coming onto the market – which usually offer a better yield than two-bed units.

The care and retirement living markets continue to grow: more money is coming in from institutional investors, and a number of specialist developers are looking to increase their presence locally with a mix of products.

The market is taking a keen interest in how well several large new schemes fare – notably the Audley Redwood development (106 apartments and 20 cottages) and St Monica's Chocolate Quarter scheme (140 assisted living apartments and a 90-bed care home). In June, Southmead Police Station was sold to Care UK Partnerships, one of UK's largest independent care home providers, for a sum in excess of £2.3m.

There is clearly plenty of scope for this sector to continue to grow in the years ahead, although offering a wide choice of product will be key as people's aspirations, as well as their requirements, will vary in their retirement years.

New city living vision shapes up

Ambitious plans to create a new, sustainable community in Bedminster are moving forward. Will this be a template for future major schemes in the city?

Richard Clarke, Managing Director of Urbis Ltd, is a man with a vision: not just of building 1,700 homes across nine acres in an increasingly resurgent Bedminster, but of creating a resilient, sustainable community – complete with its own power generation.

While the latest masterplan knits together five different plots – each of which now has a developer's name against it - the project began life with just one piece of the jigsaw: St Catherine's Place.

Urbis's plans for a 15-storey residential block on the site of the unloved 60s shopping centre inevitably proved controversial – gaining consent against the advice of planning officers. After the site was sold to another developer, work never began. However, since then the vision has moved up a scale.

"Together with masterplanners Origin3, we looked at the potential sites in what we originally termed The Bedminster Triangle, and always had a hankering that this could be much more than a series of developments," he says.

"In 2013, we started putting down ideas and approached the Council as they owned 40% of the land. The focus was always on transport, energy and green space as much as delivering much-needed new homes to this part of the city. It's about creating a sustainable and self-contained community."

Since then the scope and scale of the project has grown considerably, and Bristol City Council eventually signed the CDA [Comprehensive Development Area] in September 2017.

REDUCING THE CARBON FOOTPRINT

"Every plot is now taken up... by ourselves, three other local developers - Rollo Homes, Firmstone Consortia 1 and Deeley Freed – and Isle of Man-based Dandara. We've also got a heads-of-terms for an 8,500 sq ft medical centre," he says.

"An energy centre is being built on Plot 3A by a new business that I started, South Bristol Energy. We've done a deal with Low Carbon who will generate electricity on the site through gas and deliver localised energy which radically reduces transmission losses, leading to a 40% reduction in carbon.

"Ultimately, we could even buy energy from the Council from the projected waste-to-heat facility, further reducing our footprint. Localised energy generation also increases resilience because you have a heat network, with two days' worth of energy stored in residual heat plus one day in the pipework itself."



Sustainability in today's terms also means having transport options that don't rely on the car. The location already has its own railway station, and a new frontage with improved access will incorporate a commercial building with 25,000 sq ft of commercial and retail space. There are also discussions underway to move the route of the Metro Bus closer to the site.

Richard's vision includes a cycle hub and developing what he describes as "a proper car hub" sharing various sizes of vehicles. "This would not just cover our plot but possibly the whole development. It's a concept that is long overdue to be tried out in Bristol. All of these measures would allow us to look at parking ratios of around 30%."

Another first for the city may well prove to be the heights and densities of the buildings. "Yes, that is proving controversial, but the pay-off is that we can deliver quality buildings and decent levels of affordable housing. That said, the sorts of densities we are looking at are still only average for many cities, and compared to some we are way behind."

In line with the times, a chunk of the new homes will be let, and while that too has led to concerns being voiced locally about the hazards of a "transient community", Clarke takes the opposite stance. "Renting your home doesn't stop you from being signed up to the local community, and there is plenty of evidence to suggest that PRS can deliver a well-managed environment."

Ultimately, believes Richard Clarke, Bedminster Green could act as a template for other lumps of land in the city, and he and his colleagues are already looking at another potential site locally. "In a city the size of Bristol, you don't have a swathe of nine acres like this very often, and certainly not in the city centre, so we can do things differently here.

"In many ways, we are just catching up with other cities. Bristol is so confined and the ability to reach our future housing targets means using higher densities. But ideally you don't just build homes. You create communities."

Global theme to BPAA drinks party

THIS YEAR, joining forces with The South West Branch of Women in Property, the BPAA organised an evening of international indulgence and networking whilst allowing the guests to "travel around the world" at the Bristol Harbour Hotel.

Set against the stunning backdrop of the Sansovian Hall, guests were invited to sample drinks and canapes from fish and chips and cider in the UK to wine and sliders from New Zealand, while a lively Mexico section offered Tequila cocktails and fajitas. Guests were also entertained by the Brunel Quartet and a talented magician. A big thank you goes to our sponsors, Burston Cook, ISG, Stride Treglown, The PG Group and Synergy.



Engine Shed's new platform for growth

IN JUST FOUR YEARS, Engine Shed has created over 700 jobs and delivered more than £8 million GVA to the city region. At the end of 2017, Bristol City Council's planning committee unanimously approved plans for Engine Shed 2. Director Nick Sturge talks about the success to date – and what lies ahead.

As the man driving the Engine Shed project since its inception in 2013, Nick Sturge is understandably delighted at the go-ahead for a second phase of what has proved to be an outstandingly successful project. The names that have emerged from its incubator space over the last four years are a roll call of some of the city's brightest new business hopes.

But despite its success to date, consent wasn't entirely a done deal. "While it was approved by the members, the officers recommended refusal because of some heritage concerns, so it went for approval to the Secretary of State," says Nick.

At 44,000 sq ft, the second hub will be nearly twice the size of the first, replacing the long-derelect George and Railway pub at Temple Circus, while the exterior of the building will be restored and a new six-storey extension built.

The collaborative project between the University of Bristol, Bristol City Council and the West of England Local Enterprise Partnership opened in 2013, and has since been the launchpad of scores of young start-up companies in the last four years. More of the same is promised with Engine Shed 2.

How does Nick explain the success to date?
"A confluence of a number of things –

firstly, location; secondly location... I'll give 'location' two because being on the station is just to die for. It's not only brilliantly located, but it's an iconic Brunel building, a recognised part of the Bristol landscape.

"And that helps with the third thing: our behaviour is that everything is an opportunity for collaboration and experimentation in order to make the city a better place.

"There's a tremendous trust between the city and the stakeholders – the owners, the Council and the University, the business community, the professional services community, schools, citizens. It's not an equal relationship with all of these, but we try to be a hub and connect across all those things."

What has Engine Shed contributed so far?

"We've played our part in raising the profile of the city, which then increases inward investment. We can't take all the credit, but hope that we've amplified what else is going on. We act as a focal point – people come here and see what's happening and that reinforces the image.

"It brings companies to the city, and it helps with recruitment. People come here and want to work here.

"As a case in point, the inward investment team started talking to Just Eat a couple of years ago and met them here. They loved it and then held a recruitment event here – and got a lot of interest. When they came to Bristol, we made space for them to reinforce that positive image.

"Between 50 and 100 enterprises have actually started here and since moved on. Somo Global, Ultrahaptics, Blue Wireless... some really good names across a range

of sectors. Not every company makes it obviously, but most do."

Why is Engine Shed 2 needed?

"15,000 sq ft will be commercial grow-on space. The rest will be meeting areas, incubation, a teaching facility and space for events. So it's not just about more accommodation to house promising new ventures, although we do need that. It's also about doing more of what we do at greater scale. We invest our surplus into projects that work for the long-term benefit of the city.

"That includes working with young people and schools. We've had 2,600 primary and secondary youngsters in the building, raising their aspirations. We've also done work around the angel investment market and gaps in the business eco system.

"With Engine Shed 2, we can generate more cash to pump into these sorts of projects, and we've got a higher profile... as well as more space to do things."

Where do your businesses go from here?

"One of the gaps we've identified in the business eco system in Bristol and Bath is the lack of space. And it's not as simple as how many square feet are available on the agents' books compared with demand. It's about location, price, quality, flexibility too.

"Companies don't really know how fast their growth will be. Do you find an office that you are confident will meet your needs for the next six months and run the risk of having to move fairly quickly? Or take space for the next five or ten years – which might be far too large for some time to come...or even too small sooner than expected?

"You're taking a gamble, because historically space is let on five or ten-year leases, and it's being made worse in the city because space is tight. An underpinning issue for a company is its culture – and companies invest a lot of money in that.

Take your team and put them in a location or space that is a compromise and you risk damaging that company.

"Everyone – landlords, developers, agents, investors – needs to look at the bigger picture and the potential benefits of supporting a higher risk scenario.

"From the city's perspective, do we want more law firms... or more fast growth businesses? One of the strengths of the city for the past 800 years has been its diversity of trades. Tech businesses are more likely to take on our current crop of youngsters in the future. We need to continue encouraging that diversity because it drives vibrancy of the culture, it drives prosperity."

BPAA are delighted to support Engine Shed and, as one of the Business Lounge Members, we encourage Full Members to make use of the excellent facilities.

Retail sector: steady as she goes

DESPITE concerns around consumer spending being squeezed over the last 12 months, both Broadmead and Cribbs Causeway continued to trade steadily.

There were a few exits and entrances at Cabot Circus and across Broadmead in general: The Galleries have worked very hard to fill their voids and The Arcade has all but filled.

Quakers Friars has been reshaped, improving its food offer significantly and helping to make Broadmead more of a mixed-use offer. This is another indicator of the direction that retail centres have been taking in recent years, with consumers turning shopping trips into a day out, and more happening outside of shopping hours.

Last year we reported on the planning application submitted by the Bristol Alliance for 102,480 sq m of mixed use retail, commercial, leisure and hospitality floorspace at Callowhill Court. In principle, there is support for this from the Council, but there are concerns that the car park proposed is on the other side of Bond Street, requiring some sort of high level link.

2016 also saw proposals for The Mall to add a £300 million wing which would include a new anchor store as well as more shops and restaurants, a hotel, events plaza and multi-storey car park. This is now with the Secretary of State for determination.

Both are unlikely to start construction without a strong pre-let, and with the traditional retail sector under pressure from online shopping, and no major requirements from the larger department stores which would anchor these schemes, questions remain around whether there is currently an appetite for such a large amount of additional space locally.

The city's food offer continues to grow and diversify, and the



success of Cargo – leading to the creation of Cargo 2 – as well as a number of new entrants into the market, illustrates how Bristol has followed the lead of London in becoming a home for a wealth of different cuisines. More of that type of offer should do well – but it will mean landlords taking more risks on the covenants that a new business can offer.

We reported in last year's newsletter that the long-hoped-for Bristol Arena had hit problems, with the main contractor pulling out. To date, a reported £9 million has been spent on the project which has been talked about for 14 years now.

As this edition goes to press, the possibility of a city centre location appears to be receding, although there are now hopes that an alternative can be found within the 350-metre long Brabazon Hanger, built in the 1940s, next to Filton Airfield. The airfield is owned by YTL, who say they are open to discussions with the Council on the project.

Image above of Cargo: Jon Craig

Arguments continue over where new housing will go

WHILE LOCAL AGENTS, through the BPAA, have been seeking to influence the allocation of employment land in the Joint Spatial Plan (JSP) (see pages 8 and 9), there is concern too over where the new homes will go in order to meet the needs of the sub region's rapidly growing population.

The stage we have currently reached is that a revised consultation draft from the four local councils has just been sent to The Secretary of State, who will next call an enquiry. Local agents have described some of the proposals in the draft as "alarming".

Rather than take what would seem to have been the logical step of creating significant urban extensions – at places like Ashton Vale, Hicks Gate and Mangotsfield – local planners have jumped over the Green Belt and proposed: a new 3,000 Garden Village at Buckover, Thornbury; a 3,300 home village to the south west of Nailsea; a 700 home village to the west of Backwell; a garden village of around 1,900 homes north of Banwell; and a garden village of around 2,800 homes to the north-west of Churchill and Langford.

The consultation draft also outlines a new junction of the M5 near Banwell, but doesn't answer the question of who will pay for the new road. These plans will not only inevitably draw protests from local people, but their allocation of homes errs towards the lowest possible number they can justify. The first thing the Inspector will have to do is to arbitrate on that number, which may well mean local councils returning to the

drawing board and finding additional sites.

Bristol is disadvantaged by the Government's new way of calculating number, and so will have to produce more housing than it had originally anticipated. That new calculation comes in on April 1st, 2018 and Bristol is trying to get its proposals approved before that calculation applies.

Bristol's problems are not helped by the continuing, seemingly insatiable demand for student accommodation right across the price range. There is a potential conflict here between our fast-growing Universities who want to house up to 10,000 additional places over the next five years and the planners and Cabinet Members – who feel that too many students in an area can detrimentally affect the environment and access of residents to local housing.

New parcels of land being earmarked within the city include the nine acres around Bedminster Green – dealt with in a separate article – while the arrival of the new University campus is expected to spark activity east of the station: the next swathe of land attracting the interest of developers includes industrial sites around Silverthorn Lane and The Feeder.

In the south of the city, there are hopes that the Whitchurch airport site will come forward in 2018: this is a priority for the Mayor, and the success of the Persimmon scheme at Imperial Park has encouraged thinking that new homes will sell here.

WEST OF ENGLAND CONSULTATION

JOINT SPATIAL PLAN AND TRANSPORT STUDY



JSP still short on employment land

LAST YEAR we reported on the West of England Joint Spatial Plan (JSP) – specifically on its allocation of employment land. A public consultation has just ended, and the BPAA has made its concerns clear. Here we speak to local development agents as well as two of the key players in the business community's response: Chris Cobbold, Director of Wessex Economics and James Durie, Chief Executive - Bristol Chamber of Commerce and Initiative & Executive Director at Business West.

For the last few years, the four West of England Councils – Bath and North East Somerset, Bristol City, North Somerset, and South Gloucestershire – have been working together to produce a JSP which, in their words, will “provide a strategic, overarching vision and framework to help deliver the number of new homes, land for employment purposes and the supporting infrastructure that we anticipate will be needed over the next 20 years”. “Something which the councils themselves have chosen to do,” says James Durie, “and which should be applauded.”

Consultation on the most recent iteration had just ended. The BPAA – in collaboration with Business West – commissioned Wessex Economics to make an independent assessment in order to inform its response... in particular, looking at how the JSP's allocation of employment land matches up with what business itself considers it will need. The gulf is considerable.

Tellingly, on its home page the JSP actually omits the words “employment land”, and that – say agents – bears out in the fuller document which is overly focused on meeting residential numbers at the expense of employment.

DIRECTION OF GROWTH

“One of the inevitable flaws in the JSP is that the data used are historical rather than looking forward,” says Chris Cobbold. “The information in the Economic Development Needs Assessment dates back to 2015, and a lot has changed in the economy since then – not least in the anticipated direction of growth.

“We are seeing big shifts in logistics, for instance: last mile deliveries will create demand at smaller industrial estates closer to the city centre rather than in locations like Severnside, and these are coming under pressure from competing uses.

“We're also witnessing a trend for the businesses now migrating to and evolving in Bristol to favour city centre

locations over out-of-town business parks. Yes, the JSP allocates employment land... but not necessarily where it is wanted. Employment uses are mixed together, but it's all about the nuance – fine grained planning and having choices in place as well as a sufficient total.

“Bristol city centre,” he says “is where talent in the fast growing creative and TMT sectors want to live and work, and for companies to compete for talent, they need to be there – not in a business park off the M5.”

Wessex's assessment also picks up on the JSP's failure to address the issue of employment space being lost within the system to other uses. Extra business space may have been allocated, but over the last few years the city centre has lost over one million square feet to PDR – and this hasn't been accounted for in the net amount available.

So how are we to address the issue of “urban tendency”, where we increasingly look to live and work in the city centres?

“The specific problem we have in the Bristol city centre area,” said one agent, “is not just competition between different uses. Neither do we have large tracts of brownfield land readily available as in the other major regional cities. One way forward is more mixed-use development where residential and offices can both take a slice – the plans for the Fire Station are a good example.

“We need a more flexible approach in the city centre, where residential, offices and retail/leisure uses can combine to deliver a vibrant 16-hours-a-day city centre.”

THE SCALE-UP PROBLEM

While Business West agrees on all of these issues, having taken the pulse of local businesses it expresses one other major concern: the shortage of scale-up space for the sub region's burgeoning TMT sector.

“Stimulating growth is about enabling and supporting companies with potential to move forward,” says James Durie. “And property can either be an enabling function or a restraining function in this context. In the past couple of years property has increasingly become a restraining function.

“Bristol has a good track record for attracting and growing professional and financial services, and the market generally knows what sort of space they want – albeit we currently don't have enough of it readily available.

“But the city is fast evolving into a major centre for the

creative, tech, media and software sectors and they have different needs. Exciting new businesses are spinning out of our universities, and talent is being drawn here from London and many other places. Because it's such a great place for its quality of life and work, talented people want to be here – and we're seeing a virtuous circle as companies realise they can recruit the people they want.

"There's a spirit and feel that people are drawn to, which has been reinforced by accolade after accolade that the city has accumulated in recent years." Alongside that, he points out, "We've invested in start-up space, pulling people into our region with the attraction of interesting developments like Engine Shed, Unit DX, Desk Lodge and Future Space on flexible terms.

"That's worked really well. But the real job generator for the city will be the next stage: the delivery of scale-up space – and that's currently missing from the business eco-system. We're talking about people who want agile space in the city centre. People are coming out of incubator space and not having anywhere to move to that really suit their needs.

"At a strategic level, the balance isn't right. The building blocks for the future aren't in place."

PRIORITISING EMPLOYMENT

It's not just the availability of space that concerns Business West, but also the problems around lease arrangements which simply don't take account of a fast-growing business's future requirements. "That reflects the strength of landlords' position at present, not something that the JSP or local plans can fix in the short term, but longer-term flexibility will depend upon having enough

of the right sort of space in the system."

Business West has been pressing a case with the new Metro Mayor to make this a priority, so far without success. "Housing remains the dominating issue," James says. "We've been trying to wave the flag with the local authorities for a couple of years, but they have not yet responded. I think officers recognise what we're saying but they still haven't made any changes.

"Neither is it a dominating issue for members, as only a handful represent core business districts. The lobbying they hear won't tend to be from local businesses."

The implications of getting it wrong could, say all those concerned, seriously impact upon the economic future of the sub region. "The equation is quite simple," maintains Chris Cobbold. "If you don't have the right employment space in the right places, you run the risk of missing out on job creation and inward investments.

"Bristol City Region is currently doing fairly well, but facing significant competition from other locations. Looking ahead, Birmingham will soon not only have HS2 but a complete urban regeneration zone offering a major cost advantage to occupiers... a city centre location and a lower cost of living for the people they want to employ.

"Bristol cannot rest on its laurels."

Concludes James: "That's why we've partnered with the BPAA on this. Business leaders and property experts locally are the people best placed to know what is needed - it's their future raw material after all - and together we are best able to inform plan makers where the businesses of today and tomorrow want to be, in what sort of space and in what sort of quantities."



Bite-sized Bristol

By Paul Isaacs,
Managing Director
of Generator South
West

There is no doubt that property in Bristol is in high demand. The South West has the highest rate of internal migration across the

whole of the UK according to the ONS and population growth is outstripping housing supply.

Rightmove also announced Bristol was Britain's top property hot spot in 2017, with the city being the most searched for place outside of London. The reasons behind this are positive – scoring highly on job opportunities, culture and entertainment. We know Bristol is a great place to live and that people want to move here, so more needs to be done to redress the undersupply of homes.

New housing is a clearly defined priority for government, both on a local and national level. But achieving the targets is no easy task. Planning is one of the biggest barriers to increasing this supply. The planning system in Bristol is highly professional; however, they face many challenges. We look forward to working with the Council in their plans to deliver quality new housing schemes across the city.

There is a large stock of redundant, brownfield land in and around the city centre that is predominantly council-owned. Redeveloping this land into mixed-use schemes will bring economic benefit to the region as a whole, but requires the

expertise of experienced developers, familiar with the workings of the city and its administration, to unlock the sites' potential.

The public sector needs to openly engage and collaborate with developers and industry gatekeepers. In particular, companies like Generator South West that have already demonstrated their financial strength and an ability to deliver in this region, will be key to bringing more sites forward through the planning system and into construction quickly.

Our development pipeline in Bristol is steadily growing and now includes approved plans for 135 new homes at the former Elizabeth Shaw Chocolate Factory in Greenbank that will transform the area and bring much-needed housing and public realm improvements.

The plans will also create a new community hub and 20,000 sq ft of commercial space. We are looking forward to being able to start work on this much-anticipated regeneration, while also bringing new jobs to the area with our South West division.

Our newly approved planning application to transform the last piece of derelict land along Bristol's Floating Harbour will also create a number of homes and commercial space.

We have also recently completed Huller & Cheese, a warehouse conversion development of 50 apartments and c.3,000 sq ft of riverside office space created from two former industrial buildings set directly on the Floating Harbour. Rescued from the Buildings at Risk Register, these were two of the last waterside buildings to be restored and incorporate many original features.

They have sold well, achieving some of the highest values for apartments in the city, with only a few penthouses remaining for sale. Whilst we are in legal due diligence on two new opportunities in the region, we are now proactively seeking further development opportunities either for outright purchase or joint venture delivery across the region.

To further evidence our commitment to the region, we have recently recruited Mark Peace BSc, MRICS as Development Director South West, who will run and expand our activities in and around Bristol.

Industrial supply coming forward

At 2.9 MILLION SQ FT and 71 acres, industrial and distribution take up for the year was down on what was a bumper 2016, but back on track with the ten-year average.

The sector's dominating deal was Amazon's purchase for £13.4 million of 33.5 acres at Central Park, Avonmouth, in order to build a new 2.2m sq ft logistics centre. This will be the single biggest distribution building in the South West and marks a strategic departure for Amazon, which usually leases its warehouses rather than buying land and developing its own.

Although new space remains at Horizon 38, this can, at least in part, be put down to the continuing lack of new product in the market. Normally middle range deals account for a large percentage of take up. But with few options available, occupiers thinking of moving into new premises are staying put; and with lower cost, more affordable space not becoming available as a result, this has dampened the usual levels of churn in the middle market.

Another dynamic at play is the continuing strength of owner-occupier demand: with no need to build in a profit margin, well-funded businesses have been prepared to outbid developers on the sites that do become available.

As a result, rents have continued to rise sharply, particularly on multi-let sites in locations in North Bristol such as Aztec West, but also in Avonmouth. A rumoured £9.50psf has been achieved on a 25-year-old building at Aztec West, a good £2psf over what would have been expected two years ago; in Avonmouth, properties available two years ago for £5.75psf are quoting high sevens.

REFURBISHING ON THE RISE

This has spurred some asset managers to become far more proactive, refurbishing space as leases end and increasing the rent. Going into 2018, enquiry levels are reported to be strong, and this together with the rise in achievable rents has encouraged a number of developers to bring forward speculative schemes which will help to balance the supply side.

Richardson Barberry has purchased a consented 40-acre site at Central Park; this will complete the industrial phase of the

highly successful 350-acre park which is already home to The Range, DHL, Amazon, Lidl, Farmfoods, Davies Turner and CHEP. Their plans are for approximately 10 buildings ranging in size from 30,000 sq ft to 105,000 sq ft. Construction of phase one is set to commence in Q1 2018.

MOTORWAY JUNCTION HOPES

As ever, many occupiers are looking for space away from Severnside, and a number of schemes are coming forward, notably at Emerson's Green where Chancerygate has acquired a 4.8-acre site for a 110,000 sq ft multi-unit scheme for warehouse and industrial use. But there remains an under-allocation of traditional employment land in Bristol, particularly in the ring road corridor.

There are concerns too around the future of some industrial locations closer to the city centre which are coming under pressure from other uses – notably residential. Some of the locations that local authorities have sought to protect in suburban areas are at the end of their useful life, especially if there are access problems. The saving grace for some of these locations may well be last mile delivery requirements.

Looking forward, the proposed new M4 junction could open up new opportunities – including north of the M4 – if development land is allocated: the two main locations for the junction being considered are one close to Pucklechurch and another near the new Lyde Green Estate. A decision is expected in 2018, but work would not start for some time after that. A much closer horizon is expected for the new M49 junction which will add significantly to Severnside's attractions as a distribution hub.

This will be a timely boost for the location, with agents undecided on the full implications of the ending of tolls on the Severn Crossings. On the one hand, lower rents and wages in South Wales may prove attractive for some footloose occupiers; however, Severnside's highly strategic location enables it to serve a large hinterland. Bristol will always have a stronger heartland, and the knock-on effects can go both ways – it may raise rents in Wales too.

Over £20,000 raised for this year's charities

This year has seen a huge range of members' events, featured on pages 5 and 12, which together have raised over £20,000 for our two charities for the year. A very big thank you to all our supporters and sponsors and also those who have attended and made these events such a wonderful success.

This year, Children's Hospice South West and Off the Record (Bristol) will each receive a substantial donation to help them with their wonderful work to support some of our City's young people in most need.

As well as the generous sponsorship of the organisations below, we have also been grateful for the support throughout the year from Business West, Bristol City Council and RICS.

Children's Hospice South West is the only local charity to provide hospice care

to life-limited children and their families. The local hospice, Charlton Farm in Bristol, is a haven for the families affected. They currently support over 200 life-limited children and rely almost entirely on voluntary donations.

Off the Record (Bristol) is a young person's mental health charity operating in Bristol and South Gloucestershire. Having been operating in Bristol since 1965, OTR are well placed to offer a variety of different treatments, in addition to the training and campaigning they also provide. All of their services are free.

This year's sponsors

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Office shortage drives record rents

WHILE THE BRISTOL office market has not seen big city centre lettings to compare with 2016, there has been plenty of activity in the 10,000 sq ft plus range, pushing overall take-up above the five-year average.

City centre deals totalled 614,028 sq ft against the 2016 figure of 782,000 sq ft and 565,000 sq ft five-year average. Out of town totalled 425,292 sq ft against 308,374 sq ft in 2016 and the five-year average of 338,205 sq ft.

The big issue going forward remains supply - not least because over 1.25 million sq ft of second hand offices has been lost to PDR over the last few years while very little new space has come onto the market.

Existing availability in the city centre at the turn of 2018 was just 3.2%. This places the city at a disadvantage with other regional cities when it comes to both attracting inward investors and meeting the needs of indigenous companies.



DEVELOPER DECISIONS

The one building under construction, Aurora (pictured), has seen over half of the 95,531 sq ft either pre-let or in serious negotiations, and it may be fully let by practical completion in June 2018 - a great message for the developer community. There have also been several very successful refurbishment schemes: at One Brunswick Square, just one floor remains.

There remains a big Government requirement for 200,000 sq ft with four options shortlisted - including remaining where they are; their decision will obviously have a big say in what is built next. Of the consented schemes in the system, the two expected to start first are Glassfields and Assembly. Several of the larger schemes, notably Aspire, are still awaiting a pre-let.

Developer concerns remain around Brexit: any start now would complete in 2019, which is when we are due to come out of the EU. With consented buildings in the pipeline totalling 1.5 million sq ft, the question is being asked whether all of these schemes will remain in the system, or will any be lost to residential use. Office agents, anxious about the longer term, are pushing for a degree of protection of key city centre development sites.

RENTS AND REFURBISHMENTS

The inevitable consequence of the supply shortage is rising rents: the highest rent achieved in 2016 was £28.50, but late in 2017 Aurora set a new prime Grade A rent of £32.50 psf.

Bristol has finally caught up Birmingham, although Manchester still remains slightly ahead. With Aurora guiding £35 psf, it is likely Bristol will be leading the way in 2018. Against that, build costs continue to increase - exacerbated locally by the construction of Hinkley.

The lack of supply is putting pressure on second-hand space where rents have again risen steeply, and this is encouraging the refurbishment of buildings which had been tilted towards residential conversion. The former Pithay building has been rebadged "Programme" and is being given the Shoreditch treatment with screeded floors and exposed services. The quoting rent there is £26psf, and of the 140,000 sq ft available, 50,000 sq ft has recently been refurbished with a letting imminent.

Temple Point, 70,000 sq ft of offices formerly occupied by Orange, is being refurbished and expected to come on the market in the Spring at a guide rent of £30psf.

NORTH BRISTOL

With city centre supply so tight, north Bristol is showing signs of improvement in take up and rents are stable at circa £21.50 psf. While no new build developments are underway, encouraged by rental growth 800 Aztec West and 600 Aztec West are both being refurbished. It is an interesting illustration of how the markets have diverged in recent years as there was a time when the top rents in north Bristol and city centre were very close together. There remains a big opportunity for rental growth out of town - and that may well come in 2018.

A new out-of-town market has opened up at Keynsham's Chocolate Factory where 100,000 sq ft of flexible accommodation is being developed as part of a mixed-use scheme equidistant between Bristol and Bath. Over half of the trendily fitted-out space has already been pre-let prior to practical completion.

SHIFTING OCCUPIER DYNAMIC

Particularly encouraging for the Bristol city centre market has been the continuing trend of tech and creative companies taking space, reducing the city's reliance on professional and financial services. Dyson located here rather than Malmesbury because of the availability of software talent, and Ecotricity have also opened a software development arm here.

The potential for our two Universities to spawn exciting new businesses, not least through the Engine Shed and Future Space incubators, is becoming increasingly significant for Bristol, but the challenge of finding suitable grow-on space is a growing concern, dealt with in more detail in pages 8 and 9.

Quarter by quarter, Bristol is seeing demand ratcheting up from the TMT sector - not just from young businesses looking for start-up space but also those seeking to scale up operations too. Companies like Ultrahaptics, for instance, which began life in the Engine Shed, have since moved on to taking 7,000 sq ft in Glass Wharf, since followed by a further 7,000 sq ft. Graphcore is another company which began life in Engine Shed and within a year moved out to 15,000 sq ft - and are now looking for more grow-on space. Predicting how much space is required for businesses like this is almost impossible, and there are few incentives for landlords at present to offer the sort of flexibility they look for.

If, as hoped, Glassfields will be prepared to provide smaller space for young companies which need flexible leases, it will help meet an urgent need in the market.

Sports & Social round up

Golf

A fantastic day was had by all in the sunshine at Henbury Golf Club, with 80 attending the annual BPAA golf day. The winner of the individual Stableford competition was Nick Dixon on 38 points; in second place by countback with 37 points was Nick Allan. The winners of the team yellow ball competition, sponsored by Colliers, were Nick Thurston, Nick Allan, Josh Roberts and Olly Payne. Warren Reid won the nearest-the-pin competition sponsored by Zoopla while Richard Kidd won the longest drive sponsored by Iesis. A big thank you to Iesis Ltd, who not only sponsored the whole event but provided a sleeve of balls for every player.

Tennis

Ten pairs battled out the 2017 BPAA Tennis Tournament. After a series of round robin games, Kevin Bressington and Jim Wilson of Watts progressed through to meet last year's champions, Dan St Quintin (Beach Baker) and James Marsh (Cushman & Wakefield). In a final featuring very high-quality tennis, albeit with some questionable techniques and fortunate net cords, Kevin and Jim forced the match into a tie-break in which they ultimately prevailed.

Congratulations also to Jack Bonnick and Will Botsford of Hartnell Taylor Cook who conquered in the plate competition, and many thanks to our new sponsors 21st Century Building Services.

Cycling Sportive

Just over 300 members and guests supported our annual South West Property Cycle Sportive. Riders set off from Fry Club at staged times on three courses ranging from 30 through to 100 miles, taking in varied scenery from the Cotswolds down through the Chew Valley and into The Mendip Hills and Somerset levels. The weather was perfect and all riders made it back to refreshments and a BBQ without major mishap.

Awards were presented to best dressed team, smartest bike and various other non-serious categories like comedy moment of the day. Special thanks go to our event sponsors, feed station and registration



helpers, and an extra special thanks to Mike & Paul from Bikefest for running the event so professionally and with such enthusiasm.

Boules

Great weather helped towards an excellent turnout this year, and 48 teams competed.

In the Cup, Gleeds made easy work of Alec French in the semis, and Zest Design put in a similar performance against Children's Hospice at the same stage. The final was fiercely contested by both teams but ultimately Zest Design overcame the very sporting Gleeds with a great comeback and narrow win (complete with a cameo super-sub appearance from The President).

In the Plate Competition, the semi-finals were closely fought between PG Lettings, Womble Bond Dickinson, Hartnell Taylor Cook and TLT, with HTC and PG reaching the finals. PG Lettings made short work of HTC and were crowned winners. The sponsors Beach Baker awarded the raffle prizes which included items kindly donated by Averys.

Quiz

30 teams from across the Bristol property scene took part in the annual BPAA Quiz at Bordeaux Quay. In a competitive but fun evening the scores were close with only a single point separating the top two teams. This year's winners were Cubex (who also kindly sponsored the event) with MAC Club (which included BPAA president John Sisman) coming in as runner-up. Many thanks to Cubex for their very kind sponsorship of the event which again made a significant contribution to the President's charities.

Quest

Those participating took on a pub-crawl style challenge around the pubs and parks of Clifton. First-time winners were Index Property Information and all proceeds from the evening went to our two charities.

Thanks to the JLL team for their excellent organization and hospitality, but who were also unfortunately rewarded with a last place finish!

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The BPAA membership is currently around 370. Of these, approximately 60% 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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