

## Bristol – City Centre Office Market 1999 to 2018

### Summary



Over the 19 year period 1999 to 2018 there were 2,374 transactions in the Commercial Office Market<sup>1</sup> of Bristol City Centre, with an average area of 5,180 sq.ft.



Of the 2,374 transactions that occurred in the Commercial Office Market of Bristol City Centre between 1999 and 2018, only 1 in 35 were for spaces with areas greater than 25,000sq.ft. and only seven involved areas of 100,000 sq.ft or more.



The Bristol City Centre market for office spaces of less than 25,000 sq.ft. was adversely affected by the 2008 recession and poor economic conditions that followed. The average annual tally of transactions fell from 127 (2000-7) to 94 (2009-13).



After the period of poor economic conditions the annual tally of transactions recovered to pre-recession levels but has been decreasing at a definite<sup>2</sup> trend rate of 8.5 transactions per year since 2014.



The market for office spaces with areas of less than 5,000 sq.ft. in the City Centre of Bristol was adversely affected by the 2008 recession and poor economic conditions that followed. Said market recovered significantly between 2012 and 2015 but has performed less well since. It looks like the result of the 2016 EU referendum had an adverse effect.



The market for office spaces of less than 2,000 sq.ft in the City Centre of Bristol had been growing steadily, but was adversely affected by the poor economic conditions that followed the 2008 recession and has yet to recover.

<sup>1</sup> Data for transactions larger than 1,000sq.ft - supplied by Bristol Office Agents Society

<sup>2</sup> The quality of the trend ( $R^2$ ) was 0.8973 thus the trend is definite

# BRISTOL Economic Briefing

## Overview - 1999 to 2018

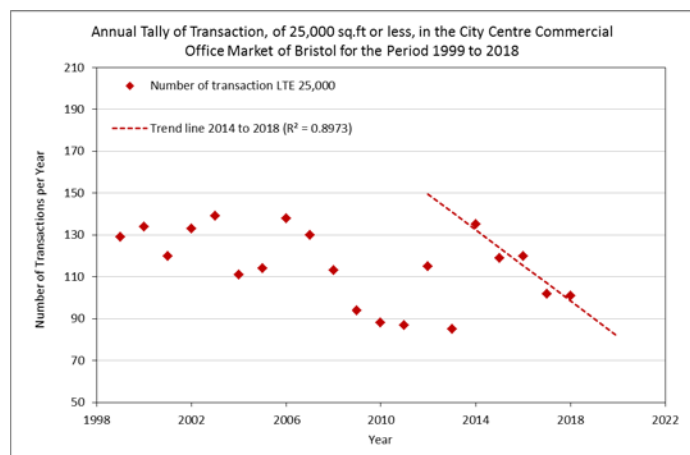
The Real Estate sector in Bristol was worth about £1,619 million<sup>3</sup> in 2017 and supported about 4,500 people in employment<sup>4</sup> and the City Centre Commercial Office market makes a significant contribution to the sector. In the nineteen years from 1999 to 2018 the market for commercial office space<sup>1</sup> in Bristol City Centre supported 2,374 transactions totaling 6,248,600sq.ft. Numbers and total transaction areas are given for various size ranges in the table opposite. Clearly transactions for spaces in excess of 25,000sq.ft are quite rare. Transactions in this size range number 67 (2.8% or 1 in 35) out of 2,374 over the 19 year period and account for 28.2% of the total area transacted. The numbers are so heavily weighted

Range of Areas <sup>7</sup>	Metrics for the Period 1999 to 2018			
	Total Area Transacted	% of Total	Number of Transactions	% of Total
GTE <sup>6</sup> 100,000sq.ft.	787,000	6.4	7	0.3
GT <sup>6</sup> 40,000sq.ft.	2,438,988	19.8	32	1.3
GT 25,000sq.ft.	3,494,016	28.4	67	2.8
LTE <sup>6</sup> 25,000sq.ft.	8,803,809	71.6	2,307	97.2
LTE 5,000sq.ft.	4,117,448	33.5	1,819	76.6
LTE 3,000sq.ft.	2,443,844	19.9	1,385	58.3
LTE 2,000sq.ft.	1,318,269	10.7	933	39.3
Totals	12,297,825	100.0	2,374	100

toward the smaller areas that transactions involving areas greater than 25,000sq.ft. are outside the “normal statistical<sup>5</sup> variations” of the market. These transactions will therefore not be considered further. Further activity around co-working spaces<sup>6</sup> is not included.

## Transactions Involving Areas of 25,000sq.ft. or Less - 1999 to 2018

The chart opposite shows clearly that the annual tally of transactions has varied significantly in the period 1999 to 2018. Prior to the 2008 recession (1999 to 2007) the annual tally of transactions involving areas of 25,000 sq.ft. or less ranged from 111 (2004) to 139 (2003) with an average of 128. Post recession, by 2010, the number of transactions had fallen by about a third (32.3%) to 88 and with the exception of 2012 remained below 90 until 2014. Thus for the period 2009 to 2013 (excluding 2012<sup>8</sup>) the average annual tally of transactions was 89, significantly lower than the pre-recession average. In the period 2009 to 2013 the average area transacted annually was about 340,000 sq.ft. compared to 472,000 sq.ft. pre-recession and 479,000 sq.ft. post 2013. Between 2013 and 2014 the number of transactions increased sharply (85 to 135) but has decreased more or less steadily since.



<sup>3</sup> Source: ONS regional Balanced GVA - Constant Volume Measure - UKK South West: 1998 to 2017

<sup>4</sup> Nomis: Business Register and Employment Survey - open access - employment

<sup>5</sup> Transactions with areas greater than 25,000sq.ft are outside the 95% confidence limits of the data set

<sup>6</sup> Once established these spaces operate independently of property agents

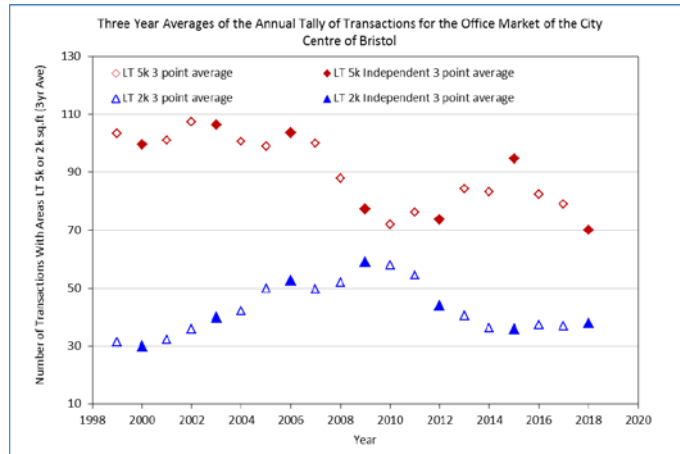
<sup>7</sup> GTE=Greater Than or Equal to and LTE=Less Than or Equal to. Note not all of the transactions are included & columns don't add up.

<sup>8</sup> The numbers for 2012 look anomalous. numbers increased from 87 in 2011 to 115 in 2012 and then decreased to 85 in 2013.

Between 2014 and 2018 the total number of transactions decreased at a definite trend<sup>9</sup> rate of 8.5 per year. The chart above shows the trend line. The data for the first half of 2019 suggest that the trend may continue.

### Transactions Involving Areas of Less than 5,000sq.ft. and 2,000sq.ft.

The annual tally of transactions of less than 5,000 sq.ft. ranges from 61 (in 2017) to 120 (in 2003). The statistics of numbers in this range of values is bound to be noisy. Normal statistics would result in 95% confidence limits of 20% with this value increasing as numbers get smaller. The problem can be alleviated by using the average over a number of years<sup>10</sup>. The chart opposite shows the three year averages for the annual tally of transactions that were less than (LT) 5,000 sq.ft, and 2,000 sq.ft. The three year average of the annual tally of transactions with areas less than 2,000 sq.ft. shows a clear increase between 2000 and 2009. In this period the number<sup>11</sup> of transactions increased by 97%, from 30 to 59. Initially



the market for small<sup>12</sup> office spaces was unaffected by the 2008 recession. However the adverse economic conditions that followed resulted in the annual tally of transactions decreasing by 39% (from 59 to 38) between 2009 and 2015. Thus the market for office spaces of less than 2,000 sq.ft. in the City Centre of Bristol that had been growing steadily was adversely affected by the poor economic conditions that followed the 2008 recession and has yet to recover.

The Bristol City Centre market for office space of 5,000 sq.ft. or less was stable prior to the 2008 recession. In the years 2000, 2003 and 2006 the numbers (100, 106 and 104 respectively) of transactions barely changed. It is clear from the chart (above) that the 2008 recession and the poor economic conditions that followed had an adverse effect on the market for office space in this size range. Numbers of transactions fell by 25% (from 104 in 2006 to 77 in 2009) and remained low (74) until 2012. Between 2012 and 2015 the numbers of transaction recovered somewhat (95 in 2015) but the fell back to recession levels (70) in 2018. Thus the market for office spaces with areas of less than 5,000 sq.ft. in the City Centre of Bristol was adversely affected by the 2008 recession and poor economic conditions that followed. Said market had recovered significantly between 2012 and 2015 but numbers of transactions fell by 26% (from 95 in 2015 to 70 in 2018). The consensus in the market<sup>13</sup> is that the fall in activity is due to a lack of supply.

Questions about the contents of this briefing should be addressed to:

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<sup>9</sup> The quality of the trends for annual tally of transactions had a value of 0.8973 making the trend definite.

<sup>10</sup> See Appendix 1

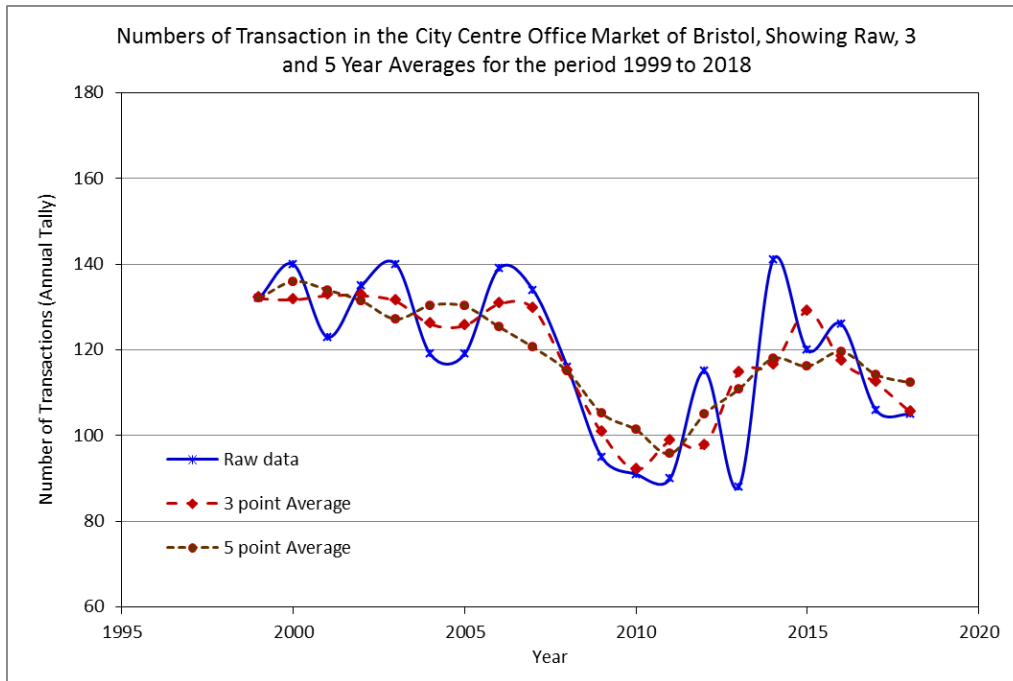
<sup>11</sup> 3 year average - solid points on the chart

<sup>12</sup> less than 2,000 sq.ft.

<sup>13</sup> CBRE Market review Snapshot: Bristol Office Q1 2019

## Appendix 1

The chart below shows raw and annual averages for the total number of transactions in the City Centre Office market of Bristol. Clearly the raw data weaves above and below the averages. Further the averaging process can produce year on year changes that are opposite to those for the raw data. Between 2012 and 2013 the raw data has a 24%



decrease in the number of transaction whilst the 3 and 5 year averages both have increases of 17.4% and 5.5% respectively. Thus care must be used when interpreting the data of annual averages. Comparisons between years that have overlaps between the subset used for the average should be avoided completely.