

SWINDON OFFICE MARKET OVERVIEW – SPRING 2023

Bradley Forbes - Loveday

The effects of Brexit, Covid-19 and the ongoing war in Ukraine have combined to create very challenging conditions for the local office market to navigate. Although the new norm appears to be one of increasing uncertainty, is the picture all doom and gloom, or are there reasons for optimism in this sector of the local commercial property market? In truth, a valid argument could be made for both points of view.



1st Floor West Wing Trigonos Building, marketed by Loveday / BNP Paribas

01793 423344

Dammas House, Dammas Lane
Old Town, Swindon, Wiltshire SN1 3EF

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ANNUAL TAKE UP – A DIFFICULT FEW YEARS...

It is an undeniable fact that office market activity has been limited over the last few years which is borne out by our data. Annual take up (excluding sales of redundant office buildings for residential conversion) spanning the last 4 years is as follows:

2019

A total of 178,000 sq ft (16,536 sq m) of office space was disposed of in 35 transactions. It is important to note that 76,000 sq ft (7,000 sq m) was in a single transaction comprising the sale by Loveday of the vacant Trilogy building at Kembrey Park, to Nationwide. The second largest transaction comprised 18,000 sq ft at Newbridge Square in Swindon town centre.

2020

182,000 sq ft (16,900 sq m) of office space was transacted in 24 deals. Note that 96,000 sq ft (8,900 sq m) was pre let to Zurich in Swindon town centre and 2nd largest transaction comprised 18,000 sq ft (1,672 sq m) let by Loveday at Canberra House, Lydiard Fields.

2021

65,000 sq ft (6,000 sq m) was transacted in 24 office deals where the largest transaction comprised 6,500 sq ft (600 sq m) within the Stella building at Windmill Hill.

2022

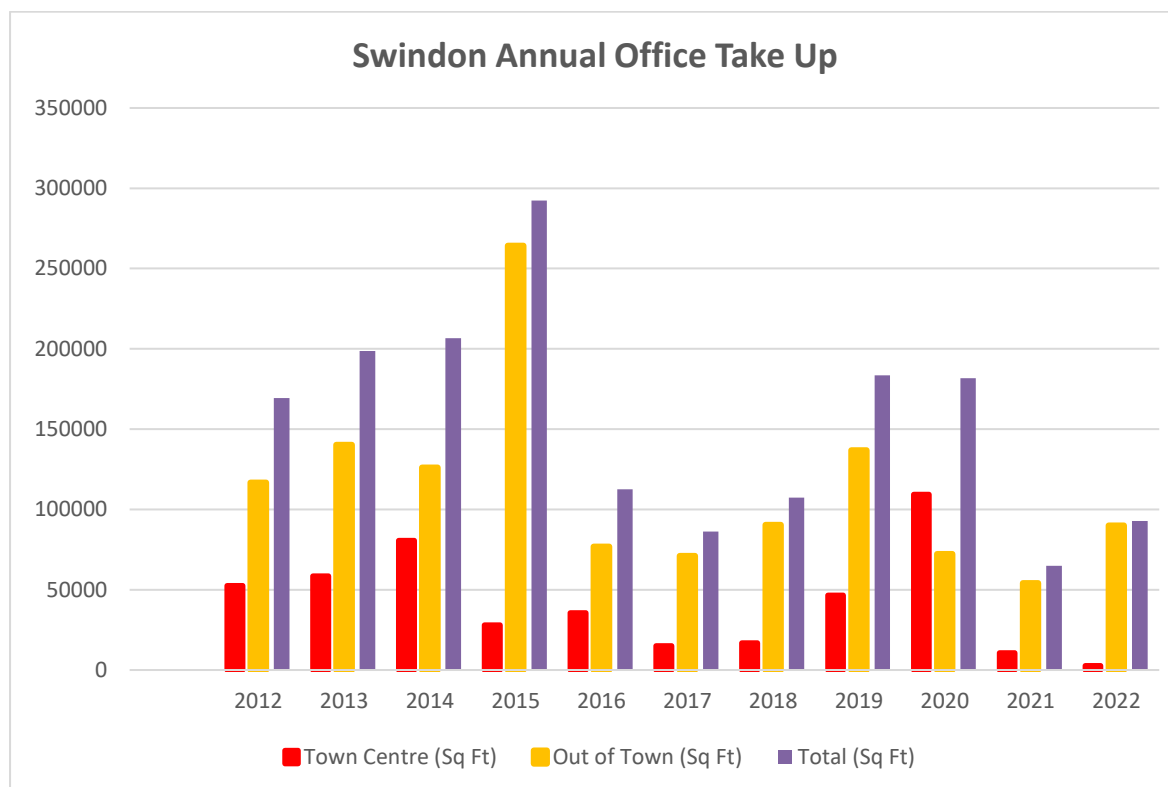
92,000 sq ft (8,540 sq m) in 25 transactions, where the largest transaction comprised 21,700 sq ft at Stirling House, South Marston Park.

Average annual office take up in the Swindon market over the last 10 year period stands at 141,000 sq ft (13,100 sq m) and we expect this downward trend to continue in the short term, given the limited likelihood of any dramatic change in current market sentiment. It is worth noting that typically, between 60 - 80% of all office transactions in the local market take place in the sub 5,000 sq ft (464 sq m) category to SME's and office lettings in the 20,000 sq ft (1,858 sq m) plus corporate sector are generally limited to 1, or rarely 2 transactions per year.

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Swindon Office Market - Annual Office Take Up as at end 2022

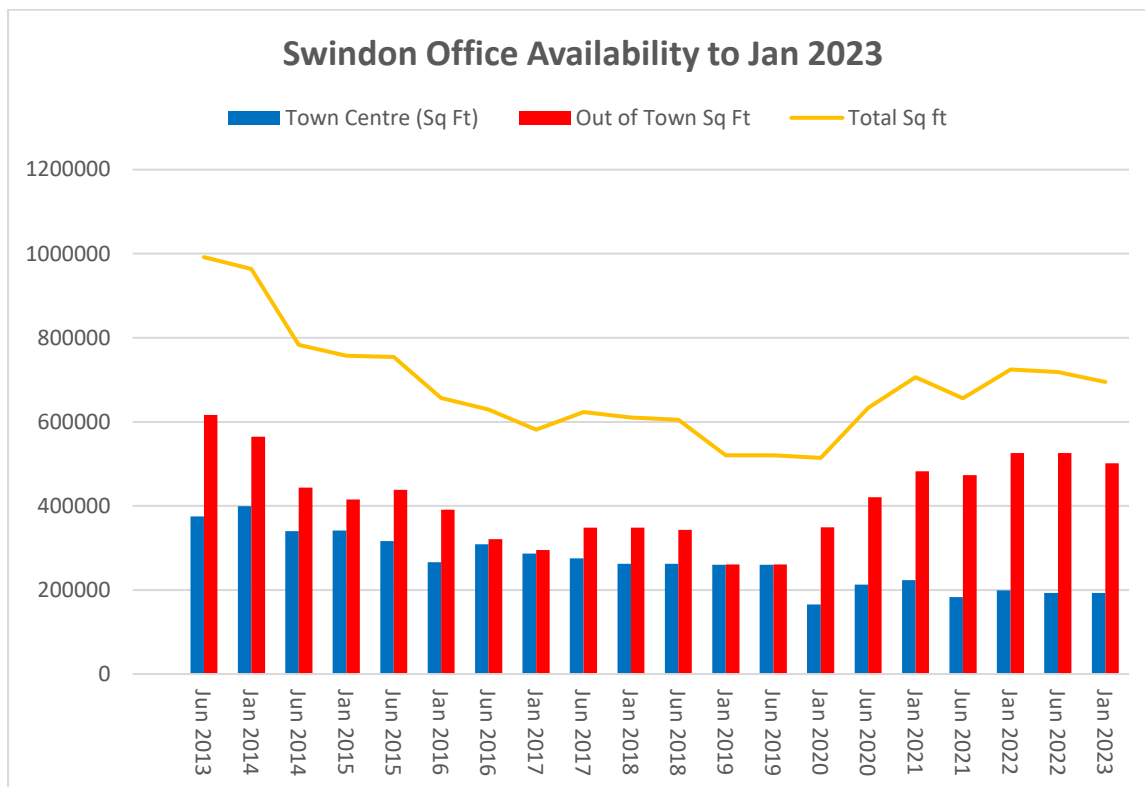
CURRENT AVAILABILITY – SOME ROOM FOR OPTIMISM...

Availability is currently running at a relatively low level. In fact, the lowest level on record was reached in January 2020 (just prior to the Covid pandemic) at approximately 450,000 sq ft (41,800 sq m) out of a standing stock of approximately 6.5M sq ft. Moving forward to the close of 2022, approximately 700,000 sq ft now stands vacant, which represents 10.7% of total built stock and an increase of c.4% since the record low of 7%. At the peak of the last recession, availability as a percentage reached 23%. This reduction is mainly due to 2 factors; the lack of any speculative development of offices and conversion of ageing stock to residential uses as highlighted above. Sadly, the last significant speculative office development in Swindon dates back to 2007 where several sub 2,000 sq ft office schemes were developed, situated on the eastern edge of the town. Our data shows that availability has not increased dramatically over the last few months, but we do expect this to increase over the next 12-18 months.

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Swindon Office Market - Availability as at Q1 2022

RESIDENTIAL CONVERSION SECTOR

A large percentage of activity over the last few years has been in the conversion of vacant offices into residential, via permitted development rights (PDR). We are still seeing strong demand for opportunities in this sector. It is worth noting that take up of office space for PDR comprised 58% of the total take up of office space in 2020 and 43% in 2021. In 2022 PDR comprised 64% of total office take up.

This has undoubtedly helped to reduce the availability of office space, which bottomed out at its lowest in December 2019. The quality of some residential conversions however leaves a lot to be desired. In my opinion conversion of good quality out of town office buildings into residential accommodation goes against the original intention of this 2013 relaxation in the planning regime; to revitalise large swathes of obsolete city centre office stock. Whether these two uses will co-exist successfully in the fullness of time very much remains to be seen.

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The Forum, 17,200 sq ft (1,600 sq m) sold by Loveday 2022

MARKET SENTIMENT...

Against this backdrop however, the majority of Landlords and tenants marketing space are maintaining a fairly robust stance in terms of quoting rents and incentives, essentially due to the fact that good quality options are still relatively limited. On smaller suites of 10,000 sq ft (930 sq m) and below headline rents have reached peaks of £20 - £21 psf pax at Windmill Hill within the Stella building. For larger buildings serving the corporate sector, headline rents are typically at the £17 - £18 psf mark, netting to around £14 - £15 psf pax after incentives, dependent on specification.

Whilst demand is currently limited, feedback we receive from potential occupiers seeking alternative space (generally to enable contraction) is that, as mentioned above, options of any quality are hard to find. This is good news for Landlords or Occupiers seeking to dispose of high-quality accommodation but also underlines the importance of refurbishing space to align with market expectations where required, as first impressions really do make the difference during the shortlisting phase of any company relocation. It is also evident that in order to attract employees back into the work place employers are increasingly having to offer a more engaging and vibrant working environment, where staff are attracted away from home working to enjoy the benefits of their work place.

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THE FUTURE...

We are hopeful that the effects of the pandemic have now started to wane, and occupiers are considering their next move as lease breaks and expiries come into play. This will at least generate some much needed “market churn”, creating opportunities for owners of good quality space to attract early interest as occupiers crystallise their longer-term property requirements in the post pandemic era.

We are monitoring the stance of occupiers in other more costly locations and whether they will more seriously consider the benefits of relocating to Swindon, where good quality space is available at lower rents than locations such as Reading and Bristol.

For further and more details information and background information on the local office market please contact Bradley Forbes of Loveday on 01793 438939 bradley@loveday.uk.com

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