Research

Knight Frank

Bradford City Centre Market Activity Report

2007

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Centenary Square and City Hall

Executive summary

- In the last 12 months, significant progress has been made on plans which will guide the physical transformation of central Bradford over the next decade and beyond. Last year Bradford Council, in conjunction with Bradford Centre Regeneration, produced four Neighbourhood Development Frameworks which set out clearly the vision for central Bradford and build upon the original Masterplan produced by Alsop in 2003.
- There are a number of major schemes coming forward in central Bradford which will provide a significant boost to both the quality and quantity of office, retail and leisure space. There is a clear emphasis on mixed-use development which will enhance the vitality of the city centre. 3,550 residential units are in or about to enter the pipeline, indicating developer confidence in the strength of the city's residential market and expected population growth.
- Construction is expected to start on Westfield's £300m Broadway Centre later this year, while other prominent schemes coming forward include New Victoria Place, located on the former Odeon cinema site, the Channel Urban Village and the Business Forest.
- Investment activity in Bradford has increased dramatically with a total of £188m of transactions in 2006, three times the level witnessed in 2005.

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Artist's impression of City Park with Mirror Pool located in the Bowl neighbourhood

Economic overview

Bradford is situated in the heart of the Yorkshire and Humber region, located between Leeds and Manchester at the midpoint of the M62. The city has a population of over 450,000 which is set to expand significantly with a further population increase of 40,000 expected over the next decade. The city has a rich history, once the wool and textile capital of the world, but has experienced significant restructuring in the local economy over the last two decades, with growing employment in the professional services industries.

Bradford has below average employment in the financial and business services (FBS) sector, accounting for around 16% of total employment compared with 21% in the UK. However, the city has a greater proportion employed in banking and finance, which is a key sub-sector of FBS. Major employers within this sub-sector include Bradford & Bingley, the northern HQ of Abbey National and the Yorkshire Building Society, whose head office is located in the city.

Looking ahead over the next five years, data from Experian Business Strategies reveals that FBS employment is expected to increase at 1.0% p.a., double the rate of the region as a whole. Bradford's GDP output growth is expected to be 2.6% p.a. over the next five years, which represents a substantial improvement over the 1.7% forecast last year and also an outperformance of the Yorkshire and Humber region as whole, which is forecast to experience growth of 2.4% p.a. in the next five years.

Bradford Masterplan

"A major £2bn initiative will physically transform the city."

Bradford is subject to a major £2bn regeneration initiative which will physically transform the city centre and greatly enhance the quality of the public realm. In 2003, Bradford Centre Regeneration (BCR) commissioned Alsop to devise a masterplan which set out a vision for the development of the city centre as a leading city living market. Much progress has been made in the last 12 months, with the release of four Neighbourhood Development Frameworks (NDFs) which take forward the work set out in the Masterplan and clarify the planned renaissance of four parts of the city over the next 15 years. The four NDFs are set out below.

The Bowl

The Bowl area is centred around City Hall and will be defined by a significant pool of water, known as the mirror pool. This area will provide the focus for a new central business district and consists of a number strategic projects including Centenary Square, which is rapidly becoming a cultural focal point within the city centre, and the Business Forest, which will establish Bradford's central business district through the creation of a flexible business park in the heart of the city. Consultation is ongoing on proposals for the Bowl.

The Channel

Extending north from the Bowl, the Channel will be a major mixed-use area connecting the city centre with the Leeds & Liverpool Canal. The Channel comprises two prominent schemes: Broadway, a major retail and leisure destination with residential accommodation; and the Channel Urban Village, a £350m scheme which creates a new residential quarter consisting of 1,850 residential units, as well as 180,000 sq ft of offices, a 60,000 sq ft hotel and 125,000 sq ft of retail and leisure. The plans for the Channel Urban Village are expected to be approved in April of this year with a projected start on site in early 2008.


Artist's impression of Channel Urban Village located in the Channel neighbourhood

The Market

The Market area will reinvigorate the traditional retail heart of Bradford with a renewed market facility consisting of speciality retailing and housing, and a network of new public spaces including a new setting for the Mosque.

The Valley

To the west of the centre is the Valley which will form a setting for the University and College and include the Goitside Urban Village. Two of the most prominent schemes now coming forward here are New Victoria Place on the former Odeon site and Listerhills Student Village.

Knight Frank's View

- There is evidence that healthy demand exists for Grade A office space in Bradford, but take-up has been constrained by a lack of supply of modern accommodation offering large floorplates. Speculative development will be required to kick-start the transformation of the city as an established business location.
- If the sizeable office pipeline is delivered and appropriately phased, the city's profile will be raised significantly in both a regional and national context. As office development comes forward over the next few years, we expect strong take-up with rental levels set to improve accordingly, as the quality of space improves and the wider reputation of Bradford as a significant business location is established.

Listerhills Tower will comprise 60,000 sq ft of office space as part of Mi7 Developments' Listerhills Student Village.

Offices

Take-up of office space in central Bradford has averaged around 125,000 sq ft p.a. over the last five years, although no significant deals have occurred during the last 12 months. The pattern of constrained take-up in Bradford has owed more to a restricted supply of good quality modern office space than to weak demand, as evidence has demonstrated that modern office accommodation has been taken up strongly when brought to the market. Over the coming years, however, the Bradford office market will be transformed with up to 750,000 sq ft of new office accommodation in the pipeline. Much of this will be within major mixed-use schemes with, for example, around 40,000 sq ft of office space proposed as part of the Broadway Shopping Centre development and 80,000 sq ft at New Victoria Place.

Currently, around 330,000 sq ft of office space is available in Bradford city centre, but the vast majority of this is poorer quality secondhand accommodation. In terms of prime new Grade A space just over 30,000 sq ft is currently available. At No 1 the Interchange on Hall Ings, a 60,500 sq ft development by Landmark Development Projects which completed in January 2005, only 10,000 sq ft remains and 20,500 sq ft is available at Shire House, adjacent to Little Germany. Shire House, developed by L&B Developments, is the first speculatively built office development in Bradford for over a decade, and completed in May 2006 at a cost of £3m. The available space is predominantly comprised of smaller floorplates whereas active requirements for the city are known to be seeking much larger floorplates. Headline rents in Bradford remain at £15.25 per sq ft, represented by the acquisition of 4,100 sq ft by the Consulting Consortium at No 1 the Interchange in 2005.

The only office space currently under construction in central Bradford is a modest 8,700 sq ft at Eastbrook Hall, a 65,300 sq ft mixed-use scheme developed by Aldersgate Estates, which should complete by the autumn of this year. However, planning permission exists for a number of schemes. For example, PPG Land have full planning permission to build 42,000 sq ft of offices at Cathedral Point on Bolton Road, while land adjacent to the former Sunwin House on Thornton Road has outline consent for a £20m mixed-use development which includes 50,000 sq ft of offices plus shops, leisure facilities and apartments. The site is cleared and currently under offer, with construction expected in 12 to 18 months.

In August 2006, a consortium comprising developers Langtree Group plc, Artisan and Carey Jones Architects was announced as the winner of an international design-developer competition for the Odeon site, located in the Valley area of the city centre. The £55m scheme, called New Victoria Place, will create a new landmark in the city and, in addition to 80,000 sq ft of premium office space, will consist of a hotel, 20,000 sq ft of space for Bradford College, 200 apartments and a three storey cafe and restaurant facing the new square and the Alhambra Theatre. Work is expected to start on site towards the end of this year and completion is scheduled for the end of 2009. A further 60,000 sq ft of commercial office space will also be included as part of the Listerhills Student Village scheme by Mi7 Developments. The development of Listerhills Tower, designed by Evo Architects, has already attracted interest from a number of potential occupiers.

Looking further ahead, the Business Forest in the Bowl area is the most significant scheme planned and is expected to transform Bradford's central business district, creating a new city centre office community. This major mixed-use development will be built in three phases over the next 10 to 15 years. The first phase of this will feed into Centenary Square to form a frontage for the wider business park and will consist of at least 300,000 sq ft of Grade A office space. BCR are co-ordinating the site assembly and expect to be in a position to commence the marketing of this project in Autumn 2007 and anticipate delivery in approximately five years. Finally, 70,000 sq ft of offices is planned in the Channel Urban Village, developed by Bradford Channel Ltd, which is expected to gain planning permission in April 2007.

Westfield's £300m Broadway development

Retail and leisure

Considering the size of Bradford's population and catchment area, the city has traditionally been poorly represented by national multiples, with a below average volume and quality of retail provision. This is set to change dramatically in the next few years with the development of the eagerly awaited £300m Broadway Centre. Prime retail rents in the city centre remain unchanged at around £140 per sq ft Zone A in the current retail location situated along Kirkgate and Darley Street. However, the arrival of the Broadway Shopping Centre will create a new retail core when it completes.

Bradford city centre's retail offer has recently been improved following major refurbishment of the Kirkgate shopping centre, which provides around 300,000 sq ft of retail space. The introduction of Primark into the centre in October 2006, following an £11m refurbishment of the space formerly occupied by Littlewoods, has already increased footfall by an estimated 20%. A number of additional tenants signed leases in 2006, including 3G, The Fragrance Shop, Card Factory and Deichmann Shoes.

It is hoped that construction of Westfield's 670,000 sq ft Broadway Centre (comprising 588,000 sq ft of retail) will commence late this year, with site clearance and preparation having already completed last summer. It will be anchored by Debenhams and BHS, with 80 shop units, restaurants and 180 residential units. When completed, the Broadway Centre should draw out-of-town shoppers into the city centre and secure Bradford as one of the region's leading high quality retail destinations. Last November, Westfield showcased the Broadway Centre scheme at the BCSC conference and reportedly did much to attract potential tenants, which will be crucial in ensuring the development comes forward promptly.

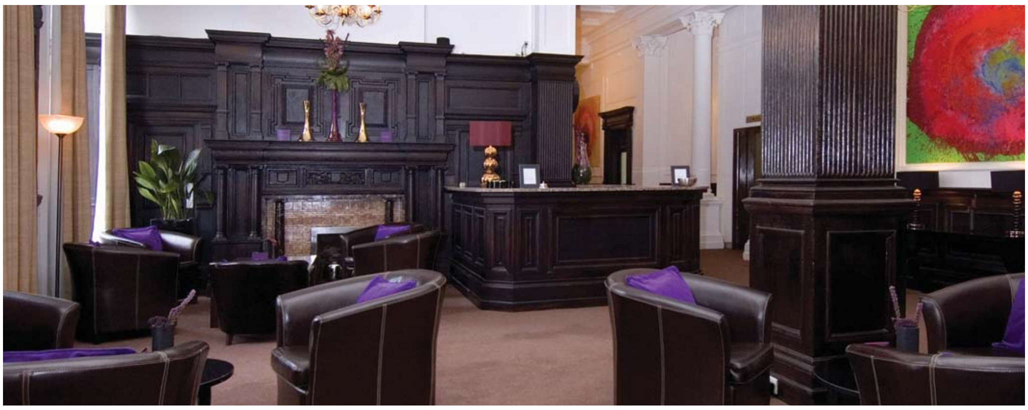
Turning to the leisure sector, Bradford has become increasingly successful in attracting people to the city centre thanks to the opening of a number of leisure-based schemes during the last few years. One notable development is the Centenary Square leisure scheme, which is directly opposite City Hall. It comprises five units, all but one of which have been let at rents of up to £21.00 per sq ft. The Leisure Exchange, originally developed by JJ Gallagher, comprises 205,000 sq ft and is the tenth largest leisure scheme in the UK. Its tenants include Cineworld, Gala Casino and a 24 Lane bowling alley, in addition to a number of restaurants.

Bradford has a healthy provision of retail warehousing, the bulk of which is situated close to the A6177 outer ring road on the northern edge of the city centre. The prime retail warehouse location is Forster Square Retail Park, which is close to the city centre. Following a recent acquisition by Clarks Shoes, prime rents here are currently £27.50 per sq ft, an increase from £25.00 per sq ft a year ago. This 230,000 sq ft development is host to a number of major multiples including Argos and Boots.

Raising the quality and quantity of hotel accommodation will play a key part in the planned regeneration of Bradford city centre. Hotels feature significantly in a number of the mixed-use schemes coming forward, including the Channel Urban Village, the former Odeon site and Listerhills Student Village. Indeed a number of operators are known to be looking at Bradford, as demand for hotel accommodation is likely to be greater in the future. The Tomahawk Hotel Group has already committed to Bradford, having recently restored the Great Victoria Hotel to its former glory. This four star boutique hotel is currently unique in Bradford and its popularity is indicative of how the city can explore this concept further.

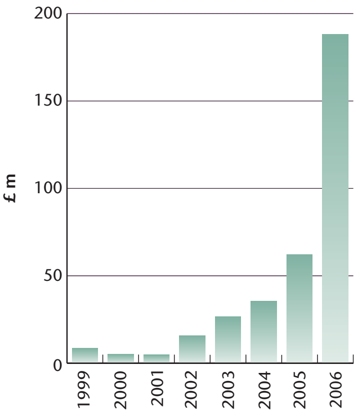
Knight Frank's View

- Despite significant improvement to Bradford's retail offer, such as the recent upgrading of Kirkgate, the delivery of Westfield's Broadway Centre will be key to securing Bradford's position as a high quality retail destination in the future. The scheme has the potential to shape a new prime retail core in the city centre and we expect rents to improve markedly when it completes. Significantly, with no further out-of-town retail development in the pipeline, the focus for retail development will remain in the city centre.
- Schemes such as Centenary Square and the Leisure Exchange have boosted Bradford's leisure offer to a level more in line with its population and catchment. The city centre remains underrepresented by restaurants, but this lack of supply should be addressed as the trend towards city centre living builds, thus underpinning demand.



Great Victoria Hotel

Figure 1
Bradford investment activity
1999 - 2006



Source: Knight Frank

Knight Frank's View

- Despite signs that there has been a cooling in the UK commercial property investment market generally, activity in Bradford has clearly gathered momentum. We expect healthy investment demand for Bradford's office sector to continue and prime yields to remain steady, provided that strong positive rental growth occurs with new product coming to the market.
- Strong levels of investment activity in Bradford will be sustained provided that the planned space is delivered. This new development will be key to ensuring that Bradford takes its position as one of the key commercial markets in the West Yorkshire region.

Commercial investment

Total investment activity in Bradford during 2006 totalled just over £188m, a dramatic three-fold increase compared with the £62m witnessed in 2005. Furthermore, this surge in activity followed several years of sustained growth in investment in Bradford's commercial property market. The nature of investment in Bradford is also changing, with a shift away from private purchases at auctions towards investment led by institutions and property companies.

Several large deals within the retail and leisure sector accounted for the majority of investment activity last year. By far the largest of these was the £83m purchase of the Kirkgate Centre by Dublin-based Crownway Investments in February 2006, at an initial yield of 5.65%. The Kirkgate Centre was sold to Crownway by the Mall Corporation and represents their first major asset holding in the UK. Crownway's investment will help to secure the position of Kirkgate in the existing retail core of the city centre.

Another key transaction was Leisure LP's £48.7m purchase of the Leisure Exchange, one of the largest leisure developments in the UK, at an initial yield of 5.45% in May 2006. The Exchange was sold by Rock Capital, who had themselves only purchased it in 2005 for £40.6m, at a much higher yield of 6.65%. Another significant deal during 2006 was the purchase of Centenary Court by Wichford plc for £25.25m at an initial yield of 5.47%, representing the largest investment deal for a pure office building for many years.

As with the national investment market as a whole, yields for investment grade property experienced a significant inward shift in Bradford during the last year. Indeed, Friends Provident Life Assurance's £8.1m purchase of 51/59 Kirkgate and 7/9 Queensgate (a high street retail block) from Standard Life equated to the lowest reported yield of any deal in 2006 at just 4.96%.

City living in Bradford

The concept of city centre living is still relatively new for many UK cities. Bradford was a late starter, with the 'city living' phenomenon only taking hold as recently as 2003. The city is experiencing changes to its central residential offer at a rapid pace, with both the private and public sectors embarking on an ambitious redevelopment programme. Recent developments, such as Eastbrook Hall in the Little Germany conservation area, are continuing the process of repositioning Bradford's residential market.

Testament to the new found interest in the city centre market is the commencement of the Gatehaus scheme. This development includes a landmark ten storey tower and is indicative of the ambitions of Bradford Centre Regeneration, the Council and local developers.

Who lives in Bradford city centre?

The answer to the above question is very clear – an increasing number of people. Our research indicates that city centre living is most popular amongst the 20 to 39 year age group. This group dominates the private rented and owner occupier sectors in central urban areas. As well as strong growth in the 20 to 29 year old sector, among the most economically active age range for city centre living, the 30 to 39 year olds, Bradford is projected to experience 15% growth in the number of residents from this age group by 2017, well above the projected changes for West Yorkshire and the UK, of 8.1% and -0.1% respectively.

Bradford is expected to experience the strongest rate of household growth in West Yorkshire over the next decade. A substantial proportion of the 25,000 additional households will comprise smaller family units and single people, potentially well suited to city centre living. As we have seen young, single person or small households are the key market for city centre housing, and these are precisely the types of households forecast to grow at above average rates in Bradford over the next ten years.

The Gatehaus will complete this year

Table 1 – Household forecasts 2006-2016

	2006	2016	Household growth	% change
Bradford	191,000	216,000	25,000	13.1%
Wakefield	139,000	153,000	14,000	10.1%
Kirklees	166,000	180,000	14,000	8.4%
Leeds	311,000	336,000	25,000	8.0%
Calderdale	84,000	90,000	6,000	7.1%
West Yorkshire	891,000	975,000	84,000	9.4%

Source: ONS & Government Actuary's Department

City centre residential market update

Demand for city centre living is partially reflected in recent price rises for property in central Bradford. The price of a typical property rose from £127,000 to £145,000 in the year to December 2006, an increase of 14%; well above the West Yorkshire average property price increase over the same period of just 8%.

Sales have also remained strong in the city, indicated by both transactions values and the substantial number of units bought off-plan at developments such as Eastbrook Hall and the Gatehaus, both of which are scheduled to complete in autumn 2007.

Where will the new households be accommodated?

Developers began to respond to city centre housing demand in a significant way from 2003. The average number of annual unit completions in the city centre since 2003 has been 164, compared to only 33 each year on average between 1997 and 2002.

The upward trend in city centre residential development volumes looks set to continue, with over 400 units currently under construction and over 1,700 planned. This growing pipeline is evidence of the transformation of central Bradford into a maturing city living market.

Table 2 – City centre building, past present and future, as at January 2007

City Centre completions[1]	City centre units under construction	City centre pipeline	City centre awaiting permissions
904	414	1712	3170

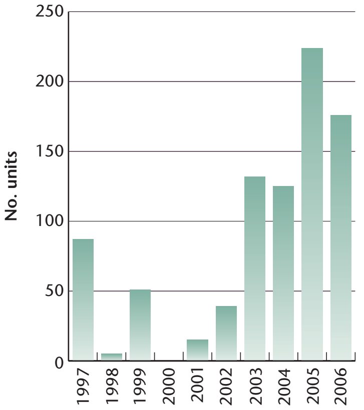
Source: CBMDC1

[1]Units completed to date, 1997 onwards

Figure 2

Bradford city centre completions

1997 - 2006



Source: ONS & Government Actuary's Department

To date most of Bradford's city living residential stock has been developed in Little Germany, an area of distinctive stone nineteenth century buildings which contains many listed properties. Current schemes include the 133 unit Gatehaus scheme and the 72 unit Eastbrook Hall development, both of which are contributing to the ongoing regeneration of this city quarter.

Both of the above developments contain a mix of one, two and three bedroom units. This continues a trend in Bradford of providing a wider range of larger units than usual. In other city centres the development offer has shifted towards many more one bedroom apartments and rarely are three bedroom units developed.

Residential redevelopment in central Bradford is moving beyond Little Germany and into several of the NDF areas. The most notable scheme in the pipeline is a considerable 500 unit scheme located at Beehive Mills, Tumbling Hill Street, which is now on site. This landmark scheme is indicative of the confidence developers have in the growing demand for city centre living.

A completed residential conversion in Little Germany

What does the future hold for Bradford city centre?

Of the four NDFs covering central Bradford, residential development is currently focused on two: the Valley and the Channel.

Residential developments – the Valley

Based at the tip of the former Gasworks site, Listergate has been identified as a landmark development opportunity. The site is included within the City Centre Design Guide's Tall Building Zone, and has the potential for a series of residential towers. Close to Listergate, Goitside Urban Village will involve the creation of a mixed-use urban community in the northern part of the Valley.

Listerhills Student Village is a mixed-use development promoted by North West-based developer Mi7 Developments. The development will be anchored by 500 units for student accommodation, a health centre, key worker housing, business start-up space, commercial office space, multi storey car parking and a hotel. The development obtained outline planning consent towards the end of 2006 and the developer is currently undertaking detailed design in conjunction with Bradford University, Bradford Council and Bradford Centre Regeneration.

Westholme Street, a site on Thornton Road, is due to be allocated for residential development in 2007 following a developer selection process. This development will form part of the wider redevelopment of Thornton Road and will be an important catalyst for regeneration in this part of the Valley.

Residential developments – the Channel

A significant development opportunity at Burnett Street car park is due to be allocated in 2007 through a developer selection process. This site occupies a key gateway into Little Germany, as well as offering views over the Cathedral and into the city centre.

"With over 3,500 units in the pipeline, the city living market is set to transform."

The Channel Urban Village is a major part of the development jigsaw in this area of central Bradford. The objective is to establish a new residential community around the terminus of the re-opened Bradford canal. The Channel also includes the development of the Cathedral Quarter, which is a very different opportunity to any other in the city centre. This development provides the opportunity for a predominantly town house based development, offering accommodation for those with young families within a central, city location.

Outside the Valley and the Channel other opportunities are ongoing, including plans for Markets Urban Village and further city edge schemes such as Urban Splash's much praised Lister Mills development.

In addition to the key interventions described above there are dozens more which involve both Bradford Centre Regeneration and the private sector. With ambitious planning and a successful track record to build on, an exciting future is open for Bradford's city centre residential market.

Example of the interior planned for the Gatehaus

Knight Frank's View

- The residential market in Bradford has enjoyed a buoyant few years, and this strength looks set to continue. Significant forecast increases in households, as well as a healthy demand pipeline, are indicative of the confidence in the central Bradford market on behalf of home owners, renters and developers.
- The new mixed-use schemes, either planned or underway, are the beginning of the transformation of central Bradford as outlined in the city's Neighbourhood Development Frameworks. This regeneration is expected to act as a catalyst and attract attention from developers across the UK who are looking to capitalise on the city's potential.
- In spite of above average price rises in the city, it remains affordable compared to other locations across West Yorkshire; a factor likely to attract many small and younger households to the expanding city centre community.

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BRADFORD
CENTRE REGENERATION
one landscape many views

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