

Bradford city centre market activity report 2008

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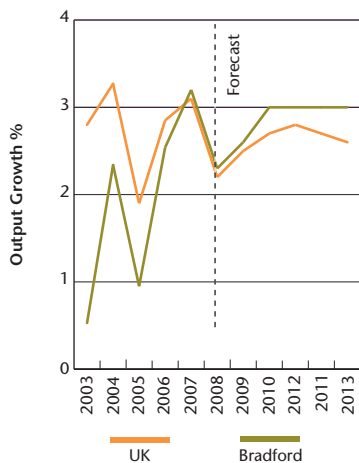


The Gatehaus, Little Germany

Executive summary

- In summer 2007, Bradford Metropolitan District Council released a consultation document on the City Centre Area Action Plan which clarifies and takes forward the £2bn vision set out in the Masterplan. With over £620m of investment already secured, the outlook for the city is positive with economic and employment growth projected at a stronger rate than that of the UK over the next five years.
- Westfield's recent commencement of preparatory site works for the new Broadway shopping centre is a clear indication of the regeneration underway in the city. The £340m development was recently boosted by the commitment of the Arcadia Group to the new centre. When it completes in 2010, it is expected to transform Bradford's retail offer.
- Currently Grade A office space is in critically short supply in the city centre. Encouragingly there are indications that activity will occur, with developers such as McAleer & Rushe, who have a proven track record for speculative office construction, investing in the city.
- Bradford city centre is experiencing an exciting phase of new residential development, with many schemes being based on heritage-led regeneration. The exceptional price growth and a significant number of homes now coming through the planning pipeline, indicates both developer and buyer confidence in the city's residential market.

Figure 1
Output trends and forecasts



Source: Experian Business Strategies

Economic overview

With a population of over 450,000, Bradford is a key metropolitan centre located between Leeds and Manchester at the midpoint of the M62. The city has a rich history, once the wool and textile capital of the world, but has experienced significant economic restructuring over the last two decades. Bradford is situated within the Leeds City Region of the Northern Way growth agenda, an ambitious economic strategy which aims to improve the economy of the North of England.

According to latest data from Experian Business Strategies, Bradford's economy grew by 3.2% in 2007, marginally stronger than that of the UK, at 3.1%. The outlook for the city's economy is also promising over the next five years, projected at 2.3% p.a., compared with 2.0% p.a. for the Yorkshire & Humber region as a whole and 2.1% p.a. for the UK. Bradford is also projected to experience a stronger rate of employment growth than the UK and the region. This is notable within the Financial and Business Services sector (FBS), an area of the economy in which Bradford has traditionally been poorly represented relative to the south of the country. The city is projected to experience FBS employment growth of 1.8% p.a. over the next five years compared with 1.1% p.a. across Yorkshire and Humber region and 1.2% p.a. in the UK.

Masterplan update

Significant progress has been made in cementing plans which will transform Bradford's city centre. The Masterplan, devised by Alsop in 2003, will guide over £2bn of investment into the centre over the next decade, and close to £620m of investment has already been secured since it was launched. In summer 2007, Bradford Metropolitan District Council released a consultation document setting out the key issues and options for the Bradford City Centre Area Action Plan. The Plan, to be formally adopted in two years, will clarify and take forward the Masterplan's vision together with the four Neighbourhood Development Frameworks (NDFs) for the Bowl, Channel, Market and Valley areas, drawn up in 2006.

In the **Bowl** area, the centrepiece for the Masterplan is the creation of a city centre park that will change people's perceptions of Bradford and differentiate it from other cities. At the park's centre will be a large, shallow pool of water which can be drained down to accommodate major events. Bradford Council, Bradford Centre Regeneration (BCR) and Yorkshire Forward remain resolutely committed to the realisation of the plan, despite its failure to secure lottery funding. Enclosing the pool will be the Business Forest, a new central business district which will provide much needed Grade A office supply to the city.

The **Channel** proposes to reintroduce the Bradford Canal to the city centre alongside which will be the Channel Waterside Village, a major waterside development which, in addition to offering 1,850 new apartments will provide 180,000 sq ft of office space, 120,000 sq ft of retail and leisure space and a hotel. Bradford Channel Ltd, fronted by local developer Magellan Properties, is the company responsible for delivery of this key scheme. The scheme is anticipated to go on site later this year and is expected to submit reserve matters shortly.

The **Market** promises to reinvigorate the traditional retail heart of the city, with two key projects underway. The World Mile project, centred around Ivegate and Westgate, will complement the new Broadway Centre with a distinctive international retail and leisure destination which celebrates the diversity and cosmopolitan nature of Bradford. The area has also benefited from £650,000 improvements to the public realm over the last 12 months, including repaving and enhanced streetscape at Darley Street and Kirkgate.

In the **Valley** area, to the west of the centre, BCR, Bradford's University and College, together with two private sector developers, appointed URBED to produce a delivery plan for the Bradford Learning Quarter (BLQ). The BLQ will be integral to the city centre and will help to reposition Bradford as a key centre for learning and innovation in the region. In addition to Langtree and Artisan's mixed-use scheme at New Victoria Place, a key project within the heart of the learning quarter is Mi7's Listerhills Student Village, a catalytic mixed-use regeneration project. The developer and the University recently doubled their plans for student accommodation, with 1,000 units now proposed. Significant progress has already been made in the last 12 months and the developer is due to submit a reserve matters application for the early phases of the five acre site.

“Bradford is to see faster employment growth than the UK or the wider region.”



Channel Waterside Village



Shire House, Shipley, Airedale Road

Offices

Bradford suffers from a lack of quality office space within its centre and is also lacking a clearly defined office core typical of other centres of its size. However, the city’s office market is set to be transformed over the next decade with close to one million sq ft in the pipeline, much of which forms part of prominent mixed-use schemes. The key to the transformation lies in the longer term, with the NDF for the Bowl area proposing the development of the Business Forest adjacent to the new park in the heart of the city.

The pattern of restricted Grade A supply in the city centre is reflected by the relatively poor level of take-up, at around 140,000 sq ft p.a. on average over the last five years. In 2007, the sole transaction comprising Grade A space was Drydens solicitors’ acquisition of 11,000 sq ft at Shire House. However, the largest transaction of 2007, totalling 80,000 sq ft, was for a building earmarked for redevelopment – the former Police Headquarters on Centenary Square. A TV company took a temporary lease from Yorkshire Forward, who will redevelop the site to make way for the Business Forest. Another notable transaction, occurring this year, is Westfield’s acquisition of 17,000 sq ft of office space at Vicar Lane, which further demonstrates their commitment to the city.

Of the estimated 290,000 sq ft of available office space in Bradford city centre, the majority is poorer quality, second-hand accommodation. Grade A space is in critically short supply with just over 20,500 sq ft available within two buildings, consisting of 10,000 sq ft at No 1 The Interchange and 10,500 sq ft at Shire House. Enquiries from prospective occupiers demonstrate that healthy pent-up demand exists, albeit for floorplates in excess of 10,000 sq ft and up to 50,000 sq ft. The concern is that, without large floorplates being made available on a speculative basis, demand is being realised elsewhere, such as nearby Leeds and Wakefield.

Prime rents in the city centre remain at £15.25 per sq ft, represented by Consulting Consortium’s 4,100 sq ft acquisition at No. 1 The Interchange in 2005. Following the anticipated completion of new developments in the pipeline, a new headline rent is sure to be set in the city centre, with prime rents in the order £18.00 per sq ft. Although just 8,700 sq ft of new office space will be delivered in 2008, with the completion of Eastbrook Hall, a 65,000 sq ft mixed use scheme by Aldersgate Estates, 40,000 sq ft of office space is already underway with Westfield initiating site preparation work for the new Broadway shopping centre.

Several notable schemes are expected to be brought forward over the next 18 months. For example, 80,000 sq ft of space at New Victoria Place, while developer Mi7’s Listerhills Student Village will also offer up to 80,000 sq ft, including 20,000 sq ft of managed workspace to suit fledgling businesses in the city, and the Channel Waterside Village will offer up to 180,000 sq ft. One key proposed development is Exchange Court at Exchange Square. The site is expected to be marketed in 2008 and a development partner will be sought. As well as offering up to 80,000 sq ft of space, it will house the new Magistrates’ Court. Significantly, the relocation of the Magistrates from their current premises will enhance the development prospects around Centenary Square, with the proposed Business Forest promising to provide a recognised central business district in the city centre. The first phase alone will provide up to 400,000 sq ft of new space.

Knight Frank’s view

- Key to stimulating development activity is the growing requirement from existing occupiers to relocate from poorer quality premises into more modern accommodation, and the shortage of high quality Grade A space makes it vital that speculative development comes forward to accommodate both indigenous businesses and potential inward investors.
- Encouragingly there are indications that activity will occur, with developers such as McAleer & Rushe, who have a proven track record for speculative office construction, investing in the city.



Proposed managed workspace at Listerhills Student Village

Table 1 – Key planned office schemes in the City Centre

Scheme Name	Developer	Size (sq ft)	Status	Estimated On site
Broadway Centre	Westfield Ltd	40,000	Full planning consent	On site
Channel Waterside Village	Bradford Channel Ltd	180,000	Outline consent	2008 (Office element 2009)
Southgate Site	McAleer & Rushe	c. 70,000	Application imminent	2008
Listerhills Student Village	Mi7 Developments	60,000	Outline consent	2008 (Office element 2009)
New Victoria Place	Artisan and Langtree	80,000	Pre-application	2009
Exchange Court	TO BE APPOINTED	80,000	Masterplan	2009
Cathedral Point	PPG Land	42,100	Full planning consent	Awaiting pre-let
Business Forest	TO BE APPOINTED	400,000	Masterplan	2012

Source: Bradford Centre Regeneration

Retail and leisure



Internal view of Westfield's Broadway Centre

Knight Frank's view

- Now that site preparation work has commenced on the Broadway Centre greater confidence will permeate through the retail sector in the city centre. Strong rental growth evident at Forster Retail Park over the last two years is an indication that healthy demand exists for new good quality retail space in the city. The Broadway Centre will address this shortfall of new supply and is certain to set a new headline rent for the city.



Westfield recently commenced on-site

In terms of its current retail offer, Bradford is significantly underprovided and lacks a cohesive retail core, being loosely spread between Broadway, the Kirkgate Centre and the Forster Retail Park. However, within the next few years the delivery of Westfield's £340m Broadway Centre will provide a retail offer befitting the city's population and catchment. Latest proposals reveal that the £340m scheme will comprise three themed malls trading over two levels, with around 110 retail units, anchored by a 110,000 sq ft Debenhams store and a 750-seat café-style food court, together with office space and residential apartments.

Encouragingly, in December 2007, Westfield began site preparatory work following a series of delays associated with the need to secure tenants prior to construction, and completion is now scheduled for 2010. Retailer confidence in the new centre has been boosted with the recent announcement that Arcadia Group will commit to the centre. In addition to the anchors of Debenhams and Marks & Spencer, this latest agreement will secure key national multiple retailers into the centre, comprising Burton and Dorothy Perkins, Topshop and Topman, Miss Selfridge, Evans and Wallis.

The Kirkgate Centre is currently the prime retail pitch in Bradford. The introduction of Primark in October 2006 has been credited with significantly boosting footfall, which increased by 20% in 2006 and a further 8% in 2007. Demand in the centre is strong, with units re-letting quickly when available. The most notable transaction in 2007 was the arrival of multiple fashion retailer Jane Norman to the centre. Prime headline rents remain at £140 per sq ft Zone A, represented by 3 Store's 2006 acquisition in the centre, although transactional evidence suggests a greater number of units are achieving rents close to this headline figure than previously, of around £130 per sq ft Zone A.

Enhancing the provision of leisure uses constitutes an important element of the Masterplan, adding to the liveability and vitality of the city centre. One leisure scheme, developed by Asda St James, is Centenary Square which is situated opposite the City Hall. The development has gone some way to addressing the lack of restaurant provision within the city centre with the four original occupiers trading well. However, the delays associated with the Broadway Centre may be having some effect, with one unit remaining available as potential occupiers await the Broadway Centre's completion. Bradford is also home to the Leisure Exchange, purchased by the L&G Leisure Fund in 2006. It is the tenth largest leisure scheme in the UK, with tenants including Cineworld, Gala Casino, a bowling alley, as well as a number of restaurants.

Bradford is well provided with retail warehousing, the majority of which is located close to the A6177 outer ring road just north of the city centre. Demand for units is strong at British Land's Forster Square Retail Park, Bradford's prime retail warehouse location adjacent to the city centre. Encouragingly, the leasehold acquisition to clothing retailer Peacocks in 2007 represented a new top rent at the park of £30.00 per sq ft, up from £27.50 per sq ft last year. Furthermore, Asda Living will also become a tenant in Spring 2009 at an agreed rent of £32.50 per sq ft, following PC World's relocation to Canal Road.

Significant progress has been made towards raising the quality and quantity of hotel accommodation, with national and international hotel operators showing strong interest in the city. In May 2008, budget hotel chain Etap will open its new 82 bed hotel on Canal Road, while an application is expected for a prominent mixed-use development incorporating a 200 bed hotel on Thornton Road, directly opposite the former Odeon. McAleer & Rushe, who recently acquired the prime 4.4 acre site, also propose 70,000 sq ft of office space and 70 apartments at the former Co-op site. There is a growing number of hotel schemes in the pipeline. Hotel accommodation will comprise an important element of the Channel Waterside Village scheme, while Mi7 propose to incorporate a hotel at Listerhills Student Village, one of the key mixed-use projects within the city centre which will begin on site later in the year.

Knight Frank's view

- Following a further period of yield correction, we expect the UK market to stabilise in the latter half of 2008. Factors such as lease terms and covenant strength are returning as key considerations in investment decisions.
- With a shortage of new stock currently evident in Bradford, the provision of much needed supply will attract investors to the city as prospective occupiers look for new space.
- The main impact of the slowdown will be on the investment market for poorer, quality secondary stock, particularly office stock in the city centre where the potential for re-letting following vacancy is limited.

Commercial investment

Following several years of continual inward yield shift, the latter half of 2007 marked the beginning of a clear downturn in the UK investment market. Yields on prime assets since have moved out by up to 100 basis points since the market's peak, while a greater softening of yields for secondary assets has occurred. Unsurprisingly, therefore, investment in commercial property in Bradford in 2007 was substantially less than that of 2006, which was something of an exceptional year for the city. In 2006, at the peak of the market, three sizeable transactions occurred, including Crownway Investment's purchase of the Kirkgate Centre for £83m.

Investment in commercial property totalled £32m in Bradford in 2007. Within the city centre, the most significant investment transaction was Dundas Commercial's purchase of Fieldhead Business Centre for £8.3m in May 2007, at an initial yield of 6.45%. Despite the general downturn, however, investor interest remains in the city, as evidenced by the recent purchase in 2008 of the Aldermanbury by a private investor. Morley FM's sale of the 70,000 sq ft office building, occupied by Thomas Cook, demonstrates how Bradford remains an attractive city for investors when good quality product is delivered to the market.

Residential development

After decades of trading on its historic background as a wool and textile manufacturing centre, Bradford is undergoing major changes. Since its inception in 2003 the Bradford Centre Regeneration company has been tasked with delivering sweeping changes to the centre of Bradford. Central to these development plans has been the creation of a new Bradford Masterplan by leading architects, Will Alsop. Redevelopment plans are being funded by a reported £2bn worth of private investment which is seeing the city centre regenerated and Bradford re-branding itself with a new focus on its own distinctive culture and heritage.

Today Bradford's economy is characterized by an increasing number of rapidly growing employment sectors including hi-tech, scientific and computer based industries. Alongside the strong employment, the city also boasts an improving and maturing leisure and recreational provision. Despite some ill-placed misconceptions, it should be remembered that over half of Bradford District is open space – a fact that is supplemented by its proximity to the Pennines, the Yorkshire Dales, and the hills of the Peak District. These distinct features have all worked in Bradford's favour to help make it a clear choice for residents seeking to enhance their work-life balance.

Who lives in Bradford?

Bradford's population has grown steadily over recent years, driven in part by the city's positive economic outlook, and today stands at 450,000 residents. In terms of future need for houses (Table 2), the local population is projected to grow by 9.6% over the next ten years (compared to a regional rate of 6.3%, and a national rate of 4.6%). Whilst the strongest growth rate is seen amongst the over 50s – in line with national trends of an ageing UK population – a significant percentage change is anticipated for Bradford's younger residents (most notably 30 to 39 year olds), pointing to the fact that Bradford is fast becoming a location of choice for new residents seeking a range of employment opportunities within a vibrant city.

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.



Beehive Mills, Thornton Road



Eastbrook Hall will complete in 2008

Table 2 – Population forecasts 2007-2017

	Bradford		West Yorkshire		UK	
	Change (000s)	% change	Change (000s)	% change	Change (000s)	% change
0-19	9.2	6.6%	-2.3	-0.4%	-529.7	-3.6%
20-29	4.2	5.8%	24.1	7.7%	504.1	6.3%
30-39	10.3	14.9%	25.4	8.6%	-4.8	-0.1%
40-49	1.5	2.2%	-9.6	-3.1%	-575.6	-6.4%
50-59	8.6	15.4%	35.5	13.9%	1187.6	15.9%
60-69	7.7	18.6%	26.1	13.0%	716.4	11.5%
70+	6.3	12.5%	36.7	15.9%	1473.4	20.8%
TOTAL	47.8	9.6%	135.9	6.3%	2771.5	4.6%

Source: ONS & Government Actuary's Department

The housing market

Bradford's housing market has seen very strong growth in recent years as the demand for residential property has increased. Property prices in Bradford over the last five years have grown by an astonishing 112% (an average annual rate of 16%) against a national average of 67%. Specifically within the city centre, prices have performed strongly, also outperforming national growth in the last five years, recording a 90% increase.

Sales transactions in Bradford have fluctuated over the last five years in line with national trends, although the last two years has seen buyer activity rise by approximately 10%. Whilst popular commentary expects transaction volumes to fall as a result of uncertainty in the UK housing market, Bradford may buck this national trend by bringing to the market some of West Yorkshire's most exciting heritage-based development opportunities. An example of this is the luxurious 73 unit Eastbrook Hall scheme situated in the Little Germany conservation area. This development, based on its sympathetically restored listed façades, is expected to be completed later this year. The high quality displayed in some recent developments should see residential transaction levels being maintained, as illustrated by the substantial number of new homes being bought off plan.

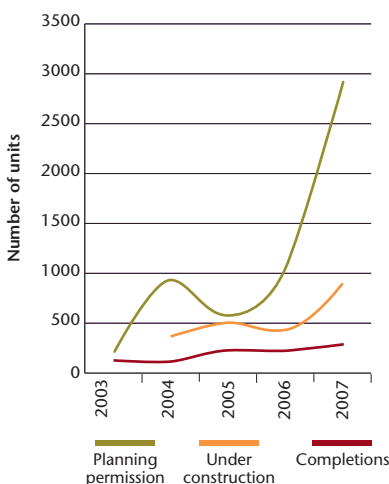
Moving Bradford forward

Continuing demand for residential property, particularly for high-quality new build homes, is indicative of a strong market place for future development. City centre completions have steadily increased over the last ten years, with the majority (an estimated 62%) occurring within the last three years. Since 1997 there have been a total of 1,190 homes completed in Bradford City Centre and there are a further 892 homes currently under construction. Development activity across the city centre has increased dramatically since the establishment of Bradford Centre Regeneration in 2003 and Figure 2 shows the sharp increase in the number of new homes being brought onto the market. The latest planning data states that there are an additional 7,725 homes in the development pipeline or awaiting planning permission and this highlights the significant transformation the city centre is likely to experience.

It is our view that demand for new residential property in Bradford will continue to perform well, particularly when considering the innovative and high profile schemes, such as The Gatehaus and Beehive Mills. Many residential proposals are now benefiting from the local authority's proactive approach to promote plans to convert some of the city's historic buildings while also preserving their distinctive architecture. This approach, coupled with an improving recreational and amenity offer, is likely to see Bradford place itself ahead of neighbouring rival towns and cities to become a location of choice for local workers, young couples and families.

“Activity has increased dramatically since 2003.”

Figure 2
City centre development activity



Source: CBMDC (2007)



Eastbrook interior view taken from show apartment

Residential development update

Since our last review of Bradford's city centre market activity in 2007, a great deal of progress has been made on key residential schemes. Most noticeably these have included:

The Gatehaus

The Gatehaus, now a completed development, is a complex of one, two and three bedroom apartments located in three buildings in central Bradford. Brought to the market in 2007, the development exemplifies the importance of creating iconic buildings. The scheme was sold by Asquith Properties who reported in February 2008 that the uptake from local occupiers and investors has resulted in nearly all homes being sold or reserved. In 2007 transacted prices ranged from £112,500 to £207,500.

The Channel

The Channel Waterside Village is a distinct development in comparison to other city centre schemes, bringing a range of stylish apartments, vibrant leisure and retail outlets to central Bradford. This £350m mixed-use scheme by Bradford Channel Ltd is due to submit reserved matters for the planning stages of Phase 1 (Block A and B) shortly and these first homes are scheduled to go on sale from September 2008.

Beehive Mills

Beehive Mills is a £65m city-centre housing complex that offers over 500 new homes, most of which are high specification one and two-bedroom apartments. This scheme, undertaken by Northern Ireland's McGinnis Developments, has seen a high level of interest from investors and Phase 1 is due to be launched on the open market in Summer 2008. Knight Frank anticipate a keen uptake from occupiers due to a combination of its innovative design, provision of public open space and high quality finishes.

The Empress

This new development comprising 45 one and two bedroom luxury homes built by Atlas Properties represents the very essence of "City Living", situated in the heart of Bradford, and overlooking the attractive Centenary Square. The scheme signifies a new era of mixed-use development in central Bradford, offering residents a range of local amenities including a newly opened Tesco Express. The presence of Tesco not only highlights the prime location of this new development but its extended opening hours are a big plus for Bradford's growing city centre population. Completed in late 2007, the remaining homes are on sale with prices starting at £129,950.



The Empress, Sunbridge Road

Knight Frank's view

This report highlights the tremendous house price growth in Bradford in recent years and reports how most new development has been focussed within the city centre. In terms of a market outlook for Bradford, we recognise:

- The city's determination to create a strong sense of place for both new and existing residents is likely to see the strength of the residential market continue to grow. Solid price performance (relative to the regional average) and a significant number of new homes entering the market is indicative of the confidence felt in Bradford's housing market, particular that within the city centre.
- Ongoing regeneration and innovative schemes across the city are expected to act as a catalyst for attracting new developers, investors and occupiers. In addition, Bradford has been tipped by the research group OMIS to be one of the top six cities in the UK best equipped for future growth, making it a key economic hub for new employment opportunities.
- A further 'pull' into Bradford, particularly for younger households, has been its relative levels of affordability in comparison to nearby towns and cities as development teams strive to ensure that new homes remain competitively priced.
- In short, through recent regeneration initiatives coupled with backing from the private sector, this city has seen a remarkable turnaround and is now attracting a wide range of new residents – a credit that can be attributed not only to its magnificent heritage and the provision of a contemporary public realm, but also to the high specification of its new build residential stock.

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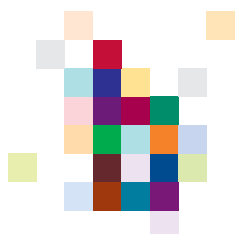
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BRADFORD
CENTRE REGENERATION
one landscape many views

