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MORTONS MARKET MONITOR – H1 2026

Rents continue to head north as stocks shrink and employment rates hold steady

Headlines:

- City centre and out of town deal totals at long-term averages
- New Grade A rents broach £55 psf in city centre
- Stocks of new space continue to dwindle as viability deters new starts
- Employment concerns around AI not impacting take up… yet

After a strong 2025, there were questions as to whether the Bristol office market could sustain the pace – not least because of a sluggish national economy, international turmoil and growing concerns around the impact on AI on staffing levels.

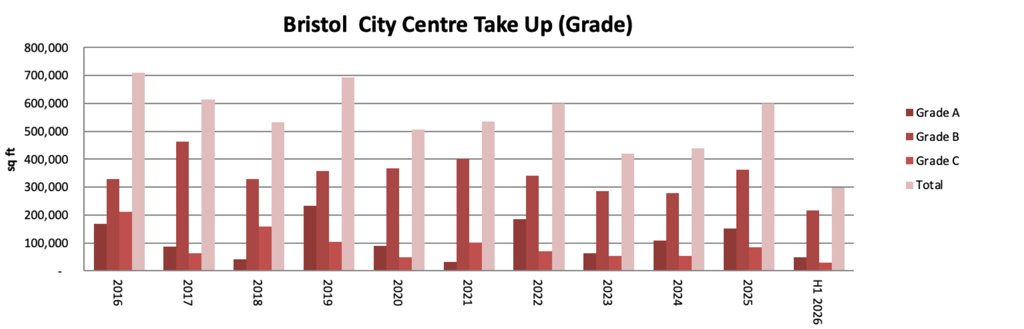
But while uptake in H1 might have fallen short of 2025, the trends in play continued.

Both the city centre and out of town markets saw deals reaching the five and ten-year average benchmarks. City centre rents, meanwhile, maintained their journey northwards – new Grade A in particular – driven by shrinking supply and the continuing flight to quality.

Despite this, further spikes in construction costs mean that developers are still waiting for more conducive conditions to prevail before pressing the start button on new schemes, leaving the door open for quality refurbishments.

City centre

The first quarter saw 160,364 sq ft transacted, with Q2 a little behind on 136,567 sq ft. That brought H1 deals to a total of 296,931 sq ft.



The stand-out letting of both Q1 and H1 was Graphcore taking 68,504 sq ft at 1 St George's Square. The second biggest deal of the first six months saw Gilbanks moving into 23,461 sq ft over three floors at Assembly C.

Skelton Group's recently-completed 100,000 sq ft Embarq Bristol on Redcliffe Quay achieved two more significant lettings during Q2: BDO taking 14,195 sq ft and Bevan Brittan 13,998 sq ft – adding to the 17,000 sq ft already agreed with anchor tenant, global engineering and design consultancy Stantec.

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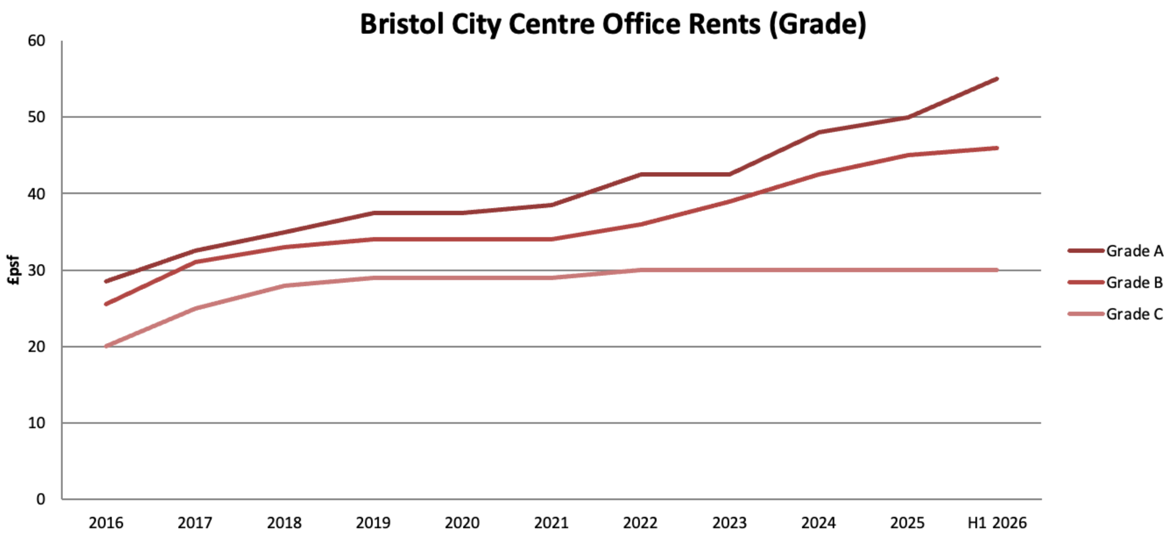
There were a further four 10,000 sq ft+ deals during the first half, including PKF Francis Clark agreeing terms on 12,960 sq ft at 90 Victoria Street.

Headline rents continue to rise: while EQ achieved the top rent of £50 psf in 2025, the baton was passed in Q1 2026 to 1 George's Square with Graphcore paying £52 psf.

Hargreaves Lansdown then set a new mark of £55 psf for new Grade A space for their 25,952 sq ft at The Welcome Building.

		
£50 psf	£52 psf	£55 psf
EQ	1 George's Sq	The Welcome Blg

Meanwhile Cat B+ – refurbished office space with good end of journey and wellness facilities – is changing hands at £45 psf; and Cat B – reasonable quality refurbishments without the end of journey facilities and wellness features many companies now want for their staff – is commanding around £35 psf.



Economic drivers

The prevailing sentiment in the city remains “business as usual”. Most companies are ignoring the geopolitical uncertainties, but many are now starting to review what space they will need going forward in the light of AI and the potential offshoring implications.

Evolutionary shifts in technology have always created as well as eliminated jobs, and the jury is out on whether this might be the case with AI.

The fact that Graphcore was the biggest deal of H1 is a case in point. The company, founded in Bristol in 2016, designs specialized processors for artificial intelligence and their continued growth perhaps best illustrates why the debate around AI and employment is not a one-way street.

Will, for instance, the junior lawyers and accountants who could see many of their functions automated simply be moved to roles where they add more value for clients… begging the question of whether those companies that embrace the technology will steal a march on their rivals.

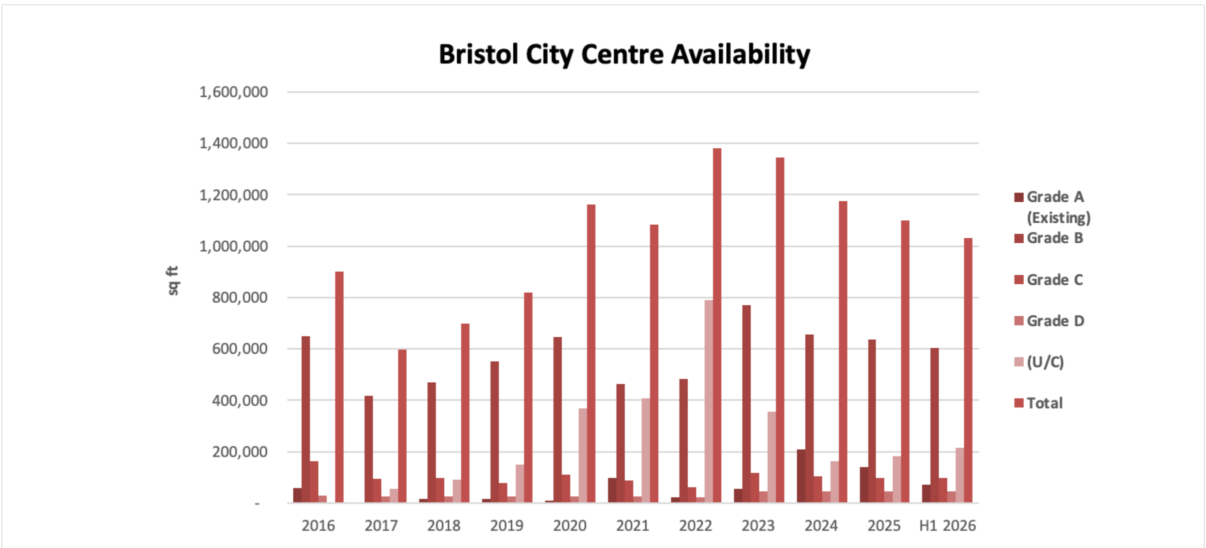
There is also the potential for AI to grow total economic activity. McKinsey has estimated an injection of $13 trillion into the global economy by 2030, adding about 1.2% to annual global GDP growth, while PwC projects a slightly higher impact of up to $15.7 trillion.

AI aside, while companies aren't hiring or firing in significant numbers, and showing restraint on their future property strategies, the issue of candidate shortage for some key skills is still driving occupiers towards better quality space with wellbeing amenities.

Neither have any major occupiers shed significant slices of space or moved their operations out of the city. Bristol is still very much seen as an important city with a high skills base and the gateway to the southwest, which only points towards continuing strong rental growth.

Supply

A prevailing concern over the last few years in the Bristol office market has been supply – specifically the pipeline of new Grade A space.



Despite the further constriction on supply and the upwards tilt in rents, H1 2026 saw no spades in the ground – developers are still concerned that the sums don't add up.

Significant refurbishments remain the only show in town: work is almost complete at The Friary (59,352 sq ft); and 151,387 sq ft at Portwall Place is scheduled to complete by the end of 2027.

Among the six "oven ready" projects in the city is Kinsale's Canon's Wharf, and there are rumours that they may be next out of the blocks as they say they don't need a pre-let to go ahead and they are marketing themselves energetically.

	
The Friary	Portwall Place
PC Q3 2026	PC Q4 2027

However, construction costs continue to stymie decision making – the Iran War not helping the situation, and with no signs of interest rates going down in the short term.

Pre-lets are often the way logjams like this are broken, but developers are now looking for substantial ones – or a clutch of smaller ones – to assuage their concerns. The alternative is for a developer reliant on their own money taking a contrarian view and building speculatively to take advantage of rising rents and steady demand.

Recent speculatively refurbished buildings such as 3 Rivergate, Embarq, the Crescent, and 100 Victoria Street have all proved very successful, while anyone looking for 20 – 30,000 sq ft on a single or consecutive floors now only have less than half a dozen buildings to choose from: 12 months ago, they would have had twice that number to consider.

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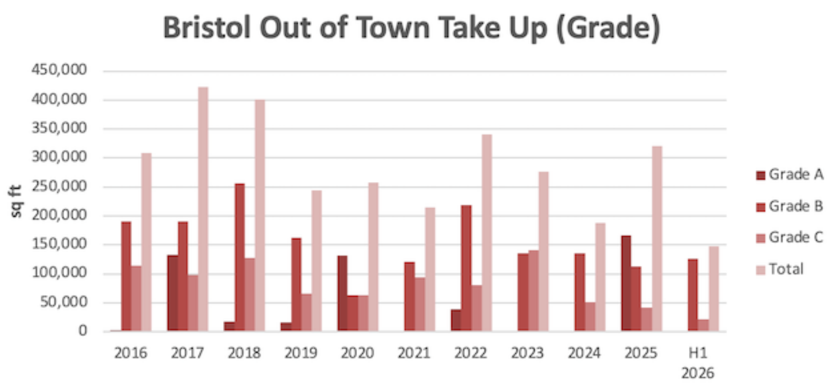
Out of town market

H1 take up outside of the city centre was 147,413 square feet (in line with the five- and ten-year averages) and buoyed by Diligenta taking 68,023 sq ft at Lake View (formerly known as The Aviva Centre) in Stoke Gifford.



While there was a flurry of smaller deals, only one other transaction, Black & White Bridging agreeing terms on 10,031 sq ft at York House, breached the 10,000 sq ft mark.

Headline rents continue to lag significantly behind the city centre at between £19 and 24 psf, which is dampening the prospects of further major refurbishments such as Aztec 1000, or any new builds.

That said, could sentiment, along with rental tone, be shifted by what is probably the biggest speculative new start in North Bristol for some years: The Interchange at Brabazon?

The Interchange

PC Q3 2027

YTL is showing their faith in the market by building 80,500 sq ft of Grade A space over seven floors above the new transport interchange, believing that its accessibility and landscaped location will help them attract tenants at rental levels bridging the current city centre and out of town benchmarks.

Looking forward…

With occupiers still prepared to invest in space that will help them recruit and retain the best talent, a tight supply market and a local economy that continues to outpace other regional centres, there is no reason to assume that H2 will be anything but quietly positive for the Bristol office market.

There is also every reason for rents to continue on their current trajectory.

Many occupiers with lease events coming up in the next year or two are (wisely) starting to look at their options. And this level of pre-planning might (in an ideal world) lead to the pre-lets needed to kickstart at least one of the developments currently on the starting grid.

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