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Commercial Property Market Review

June 2024



Commercial trends of 2024

Flexibility, sustainability and diversification are key trends in the commercial property market so far this year, according to PropertyWire.

Flexible workspaces are increasingly in demand, reflecting the shift to hybrid working since the pandemic. Co-working spaces, quality buildings and adaptable offices are more popular, as are those in prime locations.

Sustainability continues to be a priority, prompting landlords and developers to adopt eco-friendly practices. Eden, a new sustainable office space in Salford, is one of the developments leading the way; the 12-storey, 115,000 sq. ft building was designed to meet net zero targets. Features include air source heat pumps, a rainwater harvesting system and energy efficient lifts.

Logistics and distribution centres are in demand due to the upturn in e-commerce. As the online retail market grows, high street units are having to diversify their offering to become more than just shops; some are now incorporating experiences, entertainment and restaurants.

London lacking big deals

April was another quiet month for the City investment market, according to Savills.

At the end of April, the year-to-date turnover was £474.3m across 25 deals – 77% down on the previous year and 79% lower than the five-year average. Interestingly, the number of deals was only 18% less than the five-year average, indicating that fewer larger deals are bringing down the turnover volumes. In fact, the City has not had a deal above £100m so far this year.

With a muted market, Savills believes investors could use this opportunity to take advantage of reduced competition, commenting, *‘It seems the time is ripe for investors to act on big ticket deals in London. By making the most of the market dynamics, unlocking undervalued assets, and harnessing historical insights, investors can position themselves to take advantage of this ever-evolving market landscape.’*

Industrial and retail outperforming the office sector

CBRE’s Monthly Index for April highlights that there is a positive outlook for the retail and industrial sector, while the office market experiences some challenges.

The report found that, in April, retail capital values increased by 0.1%; standard shops were a key driver of this, recording 0.2% capital growth. Also, retail warehouse capital values rose by 0.1% and, for the first time since April 2023, shopping centre values did not decrease.

As for the industrial sector, capital values were up 0.3% in April, with the South East region performing particularly well compared to the rest of the UK.

The office sector did not fare so well, with total returns at -0.1%. Capital values of Outer London/M25 offices fell by 1.2%, causing a monthly decrease of 0.6% overall. However, office rental values did increase by 0.1%.

Jennet Siebrits, Head of UK Research at CBRE, reflected, *‘Industrial and retail performance is a source of optimism for UK real estate investors. Both sectors exhibit steady rental growth, particularly industrial and have reported positive total returns in every month so far in 2024.’*

Commercial property currently for sale in the UK

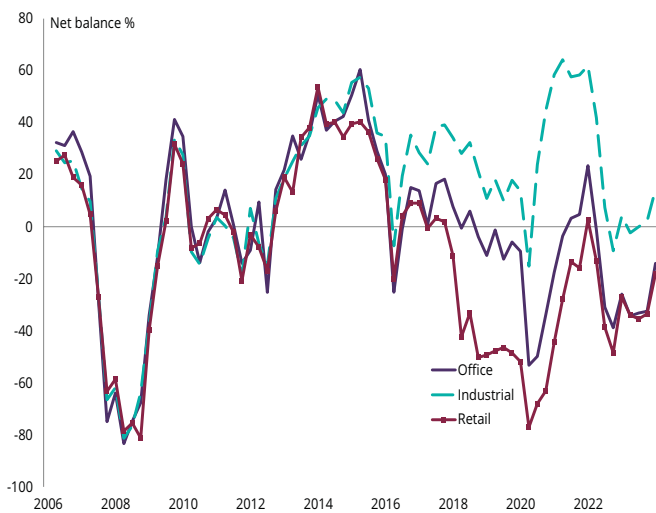
- **South West England** has the highest number of commercial properties for sale
- **Scotland** currently has **1,354** commercial properties for sale with an average asking price of **£356,418**
- There are currently **900** commercial properties for sale in **Wales**, the average asking price is **£455,932**.

Region	No. properties	Avg. asking price
London	1,861	£1,353,399
South East England	1,685	£663,111
East Midlands	893	£633,136
East of England	997	£648,686
North East England	838	£355,086
North West England	1,548	£567,147
South West England	1,911	£554,157
West Midlands	1,176	£517,459
Yorkshire and The Humber	1,224	£363,263
Isle of Man	35	£560,914
Scotland	1,354	£356,418
Wales	900	£455,932
Northern Ireland	3	£9,523

Source: Zoopla, data extracted 19 June 2024

Commercial property outlook

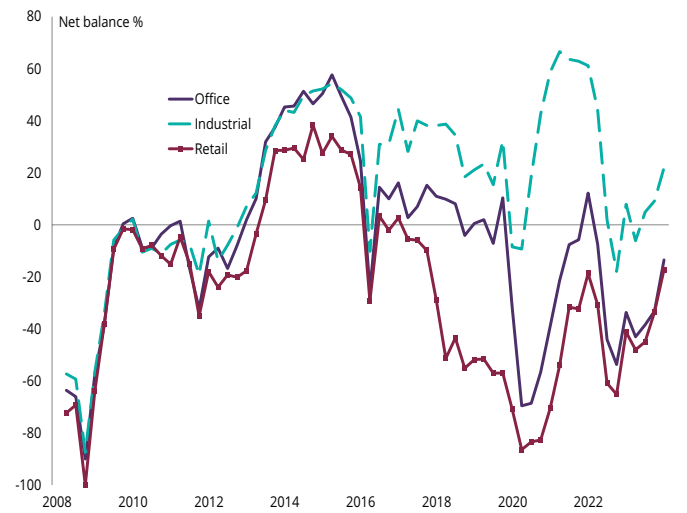
Investment enquiries – broken down by sector



- The headline net balance for investment enquiries in Q1 2024 was -4%, compared to a more negative reading of -19% in the previous quarter
- Only the industrial sector saw a rise in investment enquiries during Q1, evidenced by the net balance picking up to +14% from +2% in Q4 2023
- With respect to international investment demand, a flat to modestly negative trend was noticed across all mainstream sectors.

Source: RICS, UK Commercial Property Monitor, Q1 2024

Capital value expectations – broken down by sector



- The prime industrial sector displays positive expectations for the year to come, posting a net balance of +54% in Q1 2024
- Respondents foresee an uplift in prime office values (net balance +25%)
- Prime retail values are expected to hold relatively steady (net balance +5%).

All details are correct at the time of writing (19 June 2024)

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