

## Commercial Property Market Review

May 2023



### Spotlight on UK retail

The recently released shopping centre and high street spotlight from Savills for Q1 has highlighted that **although the UK retail investment market has faced challenges, the occupational market has remained buoyant.**

From a volume perspective, emphasising consumer cautiousness in the face of high inflation, retail sales declined 3.2% year on year in March, however a marginal 0.6% uptick was recorded in Q1, the first Q1 improvement since August 2021.

Value retailers spearheaded the sector outperformers. Primark is one such success story, registering a 19% uplift in its half-year figures to March 2023, and Pepco, owner of Poundland recorded Q1 revenue growth of 8.5% year-on-year. Value pharmacy chain Superdrug plans to open 25 new stores this year and value clothing retailer Peacocks looks set to take over 20 recently closed M&Co stores.

Looking forward at retail consumer and occupational trends, the report lays out a brighter outlook, as improving consumer confidence and *'marginal deflation'* indicate *'healthier times for retail are imminent.'*

### Stabilising L&I investment volumes

**One of the key findings from Cushman Wakefield's UK Logistics and Industrial (L&I) National Outlook for Q1 has highlighted that although investment volumes have remained subdued, with just 53 transactions recorded during the period (versus 73 transactions**

**in Q4 2022), sentiment has stabilised during Q1 with *'pockets of cautious optimism returning to the market amidst improvements in headline economic indicators.'***

Total investment volumes in the quarter fell to £1.2bn, the lowest quarterly value recorded since Q2 2020, a result of *'sustained price discovery'* in the sector, as the gap between purchaser and vendor aspirations narrows.

The repricing of UK L&I assets, following the economic turmoil of September's mini-budget and monetary policy tightening, is beginning to see results according to the report, and *'induce quiet optimism.'*

Ed Cornwell, International Partner, Logistics & Industrial Cap Markets commented on the current state of investment volumes in L&I, *"The sector's rapid repricing has begun to attract investors back to the market, resulting in a cautious improvement in sentiment. Pricing models continue to be subject to wider economic factors but changes to investment strategy and risk appetite are beginning to bed in as investors adjust."*

### Grade-A office space reduces in Scotland

**Data from property services firm JLL has shown an increase in lease renewals in Glasgow and Edinburgh because of a lack of what it calls *'flexible, sustainable office space.'***

In the capital, a combination of limited choice and economic uncertainty caused lease renewals to reach a record high of over 350,000 sq. ft last year, a trend continuing into 2023 with nearly 100,000 sq. ft of regears completing in Q1. And in Glasgow, a healthy Q1 take up of 60,000 sq. ft was accompanied by a further 35,000 sq. ft of lease renewals.

## Commercial property currently for sale in the UK

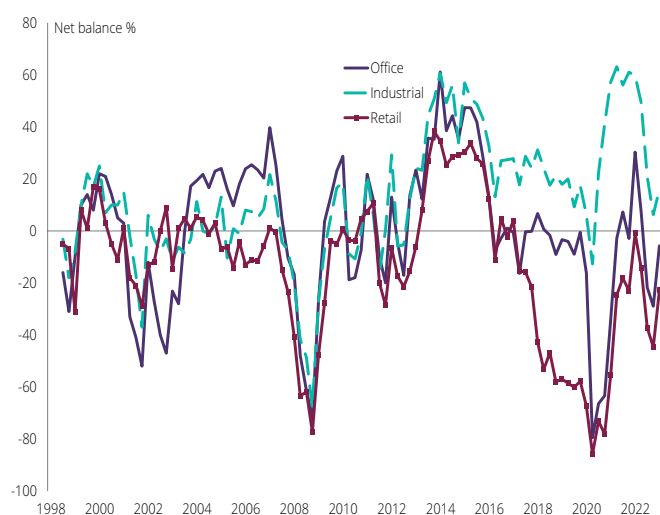
- **London** has the highest number of commercial properties for sale
- There are currently **1,784** commercial properties for sale in **London**, the average asking price is **£1,239,087**
- **Scotland** currently has **1,165** commercial properties for sale with an average asking price of **£315,045**.

Region	No. properties	Avg. asking price
London	1,784	£1,239,087
South East England	1,516	£704,694
East Midlands	807	£802,524
East of England	944	£590,218
North East England	860	£341,524
North West England	1,507	£425,812
South West England	1,780	£568,370
West Midlands	1,168	£540,072
Yorkshire and The Humber	1,218	£321,831
Isle of Man	49	£447,945
Scotland	1,165	£315,045
Wales	889	£429,830
Northern Ireland	3	£19,761

Source: Zoopla, data extracted 24 May 2023

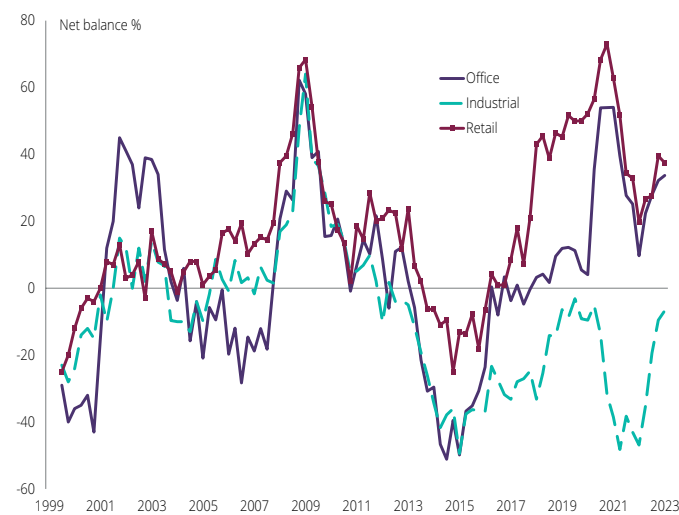
## Commercial property outlook

### Occupier demand – broken down by sector



- A headline net balance of -3% of contributors was reported for overall tenant demand over Q1
- This marks an improvement from a figure of -20% in the previous quarter
- Tenant demand in the industrial sector registered a net balance of +16% compared to +6% in Q4 2022.

### Availability – broken down by sector



- Both the office and retail sectors continue to see a rise in vacant leasable space in Q1
- Availability for industrial space dipped marginally
- Incentive packages on offer to tenants increased within the office and retail sector.

Source: RICS, UK Commercial Property Market Survey, Q1 2023

All details are correct at the time of writing (24 May 2023)

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