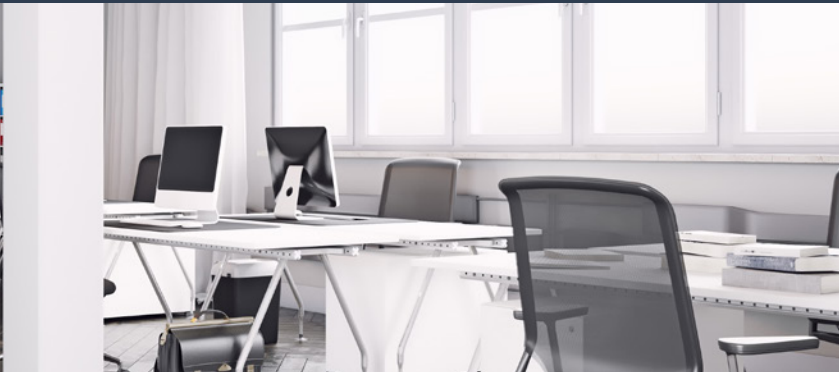


Commercial Property Market Review

October 2021



Strong recovery for UK flex market

According to Workthere research, the flexible office sector regained momentum in H1 2021 following its pandemic-induced slump, with renewed appetite for flex space in both enquires (+30% on pre-pandemic levels) and transactions (+36%).

Flexible workplaces – a catchall term encompassing anything from serviced offices to fitted plug and play space – make up a significant part of the office landscape, with 12% of UK office workers expected to be using flexible workplaces at least some of the time after the pandemic subsides.

Nationally and globally, the provision of flex space remains weighted towards private offices (50%), with co-working desks (34%) and communal areas (13%) the next most popular uses. In recent years, the sectors choosing flex space have evolved. Tech has traditionally been the most active, but insurance and financial, business and consumer, and professional services collectively accounted for almost half of desks this year.

This sectorial shift has also impacted the average size of occupier requirements. From 11 desks pre-pandemic, the average size per transaction is now 17 desks. Likewise, the number of companies taking licences of one year or more is 44% higher than before the pandemic.

Strongest capital growth for a decade

The latest UK Monthly Index Snapshot from commercial real estate services and investment firm CBRE showed capital growth in Q3 2021 was the strongest since Q1 2010.

Capital values increased by 1.6% across all UK commercial property in September, the highest capital growth figure since June 2014. The industrial sector reported record-breaking month-on-month growth of 3.1%, which pushed its Q3 figure to the strongest on record (7.5%). Monthly retail capital growth (1.7%) and office capital growth (0.5%) also increased.

Rental values for all sectors posted 0.3% growth in September, led by industrial rental values which rose by 0.8%. Total returns for the month were 2.0%, with readings of 3.4%, 2.2% and 0.8% for the industrials, retail and office sectors respectively.

New investment in world-leading science park

Magdalen College Oxford and GIC, a Singapore-based global investor, have entered into a strategic partnership to accelerate development of The Oxford Science Park (TOSP), a key location for science and technology firms.

The partnership aims to accommodate strong demand and future growth of its world-leading companies. Current occupiers include Exscientia, inventors of the world's first AI-designed drugs to enter clinical trial, and Vaccitech, the company behind the Oxford AstraZeneca vaccine.

Planned state-of-the-art facilities include Plot16, a 15,600 sq.m eco-friendly development that will deliver office and lab space in two buildings divided by a raised central plaza. Construction is set to get underway by the end of the year, with strong interest already recorded in subsequent buildings.

Rory Maw, Chief Executive of TOSP, commented, *“As well as being an enormous demonstration of confidence in the UK as a leading location for international life science and technology, this is a transformational investment... It enables us to meet unprecedented demand for high-quality laboratory and office space and to support the ambitious growth of new and existing occupiers.”*

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Commercial property currently for sale in the UK

- Regions with the **highest** number of commercial properties for sale currently are the **South West** and **North West England**
- Northern Ireland** currently has the **lowest** number of commercial properties for sale (**27** properties)
- There are currently **1,396** commercial properties for sale in **London**, the average asking price is **£1,603,443**.

Region	No. properties	Avg. asking price
London	1,396	£1,603,443
South East England	1,222	£2,038,093
East Midlands	742	£969,844
East of England	763	£639,422
North East England	770	£325,875
North West England	1,399	£399,062
South West England	1,560	£604,450
West Midlands	1,099	£485,440
Yorkshire and The Humber	1,126	£299,789
Isle of Man	53	£484,118
Scotland	1,134	£325,907
Wales	781	£407,393
Northern Ireland	27	£678,133

Source: Zoopla, data extracted 21 October 2021

Leisure market recovery in the offing

The most recent UK Leisure Spotlight report from Savills has highlighted that during August, total UK leisure spend increased 6.4% above 2019 levels. Sector growth can be attributed to the volume of staycations and day trips. With total leisure and hospitality spend returning to positive territory, commercial property closures across the sector have reduced considerably when compared with last year.

Key points from the report:

- The food and beverage sector is experiencing strong growth, with drive-thru and takeaway sub-sectors growing at pace
- The number of out-of-town gyms has risen, as operators expand their presence across retail parks
- Cinema admissions have increased, August admissions were 67% higher than August 2019
- Pubs, bars and clubs saw a return to sales growth in August
- UK leisure sector vacancy rates are expected to remain far below that of the retail market (11.8% versus 16.5%), this indicates 'comparatively robust levels of demand.'

Head of UK Retail at Savills, Alan Spencer, commented on the findings, "It's no secret that the leisure sector has faced a series of challenges that we couldn't have comprehended only two years ago.

However, the market turned a corner over the summer and we're now seeing requirements from operators across the entire sector, from traditional operators such as bars and restaurants to new competitive socialising concepts and immersive, interactive experiences."



All details are correct at the time of writing (21 October 2021)

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