

## Commercial Property Market Review

August 2022



### Caution key in Q2 RICS survey

**Macroeconomic pressures are negatively influencing investor sentiment, according to the latest Royal Institution of Chartered Surveyors (RICS) UK Commercial Property Survey, which signalled a more cautious tone in the commercial property market.**

Rising interest rates remain a burden, with a net balance of -42% of respondents acknowledging worsening credit conditions in Q2. Indeed, +43% of respondents now sense the market is entering the early stages of a downturn, a finding replicated across all regions of the UK.

The survey also revealed a rise in vacant leasable space in both the office (+22%) and retail (+27%) sectors. Meanwhile, an aggregate net balance of +17% of respondents reported an increase in tenant demand during Q2.

Near-term rental growth expectations are still in positive territory (+14%), though eased slightly compared to Q1 (+19%). Twelve-month capital value expectations are almost flat, with the all-property average now at +3%, well below the Q1 reading of +24%.

### Scotland sky-high in Q2

**Investment in Scottish commercial property reached a four-year high in the first six months of 2022, according to a report by Colliers, which showed investors poured £1.3bn into the country.**

Offices were the most popular asset class, taking £330m of investment in the second quarter of the year. This is 80% above the five-year quarterly average and was boosted by a few large transactions, notably the £215m sale of 177 Bothwell

Street in Glasgow, believed to be Scotland's largest ever office transaction.

Another stand-out trend in the second quarter was the dominance of overseas investors. Indeed, cross-border capital accounted for 61% of all activity by value in Q2, one of the largest shares on record.

Responding to the figures, Director at Colliers, Patrick Ford commented, *"This year has been hard to predict [but] one thing is certain – there's a real appetite for large scale capital deployment in Scotland, regardless of sector."*

### New skyscraper for London

**A new 285m (935ft) skyscraper could be coming to the City of London, with plans underway to build a 60-storey structure at 55 Bishopsgate.**

If the plans come to fruition, the new giant will join London's 34 existing skyscrapers – defined as buildings over 150m tall – and stand only 25m short of the Shard, currently the UK's tallest building. Costing £600m, the project, which is being led by Schroders Capital, will produce 800,000 sq. ft of office space.

Sustainability is reportedly baked into the proposal. The skyscraper would be the UK's *'first all-electric tall building'*, according to a report from the Local Democracy Reporting Service (LDRS). The proposals also include plans to fit the building with energy-saving, light-responsive blinds.

The LDRS report notes that *'the slender tapering design seeks to make a positive contribution to the skyline by balancing the composition of existing and proposed nearby tall buildings.'* In any case, the project remains in its early stages, with obstacles such as the City's planning committee still to navigate.

## Commercial property currently for sale in the UK

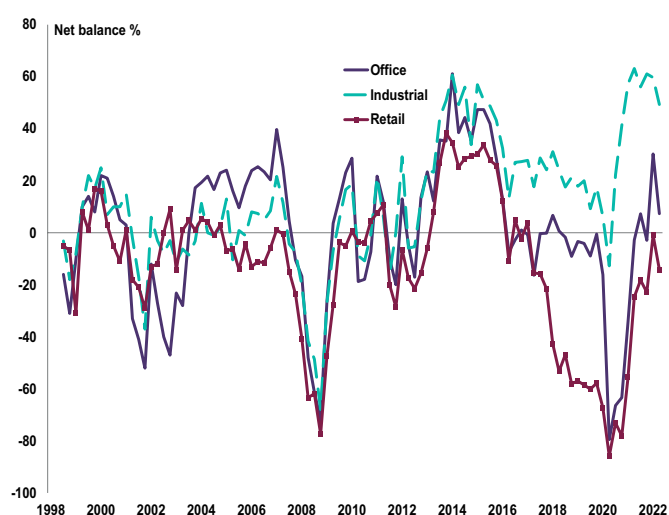
- **South West England** has the highest number of commercial properties for sale
- **Scotland** currently has **1,094** commercial properties for sale with an average asking price of **£338,512**
- There are currently **1,611** commercial properties for sale in **London**, the average asking price is **£1,445,910**.

Region	No. properties	Avg. asking price
London	1,611	£1,445,910
South East England	1,381	£692,214
East Midlands	834	£990,989
East of England	887	£615,863
North East England	877	£316,653
North West England	1,449	£358,401
South West England	1,640	£576,736
West Midlands	1,106	£501,176
Yorkshire and The Humber	1,215	£325,317
Isle of Man	53	£470,176
Scotland	1,094	£338,512
Wales	826	£415,624
Northern Ireland	15	£429,880

Source: Zoopla, data extracted 18 August 2022

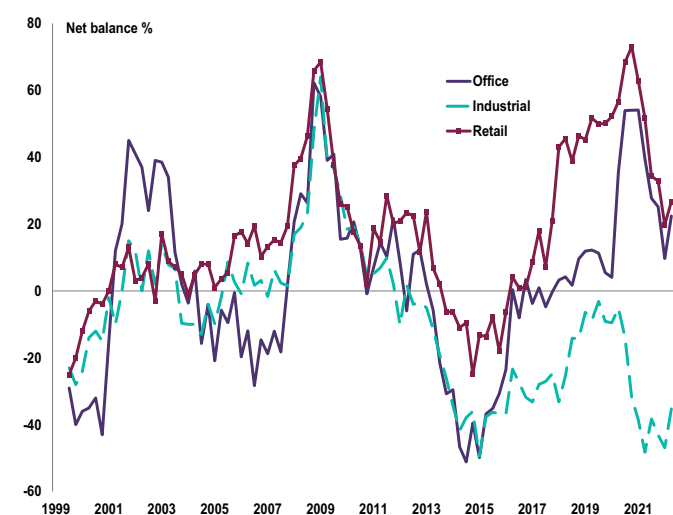
## Commercial property outlook

### Occupier demand – broken down by sector



- A headline net balance of +17% of contributors reported a pick-up in overall tenant demand over Q2
- This is down from a figure of +32% in the previous quarter
- Tenant demand in the industrial sector remains high at +49%, although this is the least elevated figure since Q4 2020.

### Availability – broken down by sector



- Both the office and retail sectors continue to see a rise in vacant leasable space in Q2, returning net balances of +22% and +27% respectively
- For the industrial sector, supply remains tight, with the latest net balance coming in at -35%

Source: RICS, UK Commercial Property Market Survey, Q2 2022

All details are correct at the time of writing (18 August 2022)

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