

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

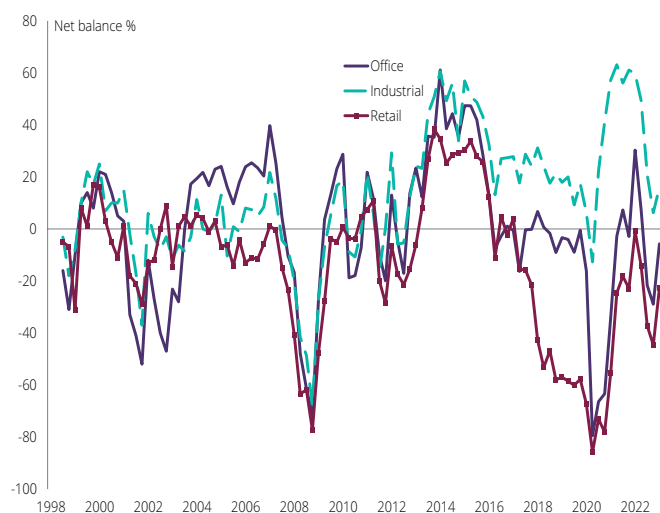
- **London** has the highest number of commercial properties for sale
- There are currently **1,784** commercial properties for sale in **London**, the average asking price is **£1,239,087**
- **Scotland** currently has **1,165** commercial properties for sale with an average asking price of **£315,045**.

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

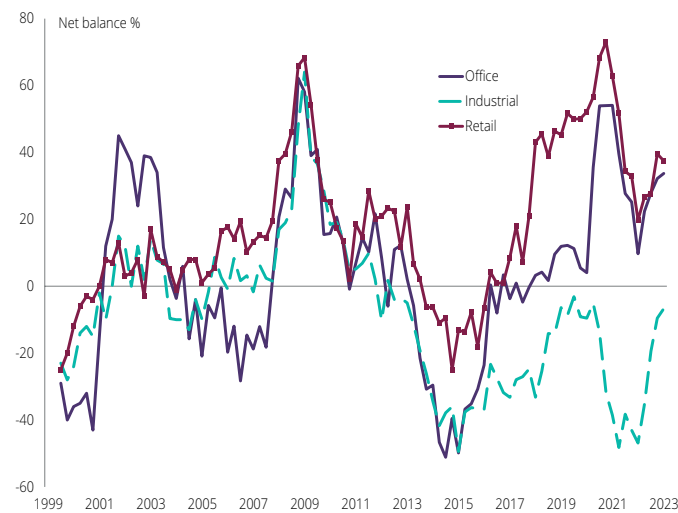
Commercial property outlook

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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