

Commercial Property Market Review

November 2024



Commercial property market outlook

Despite anticipation of the Autumn Budget, Savills reported that the commercial property market remained stable in October, with some areas of growth.

There was no change in pricing across any commercial asset class last month, with the average prime yield remaining at 6%. Eight sectors are now experiencing a downward pressure on yields – up from six in September.

Retail warehousing has shown signs of significant growth recently. At the start of September, the IPF consensus forecast reported that this sector had an average total return of 9.3% per annum, and was named the top-performing commercial property sector over a five-year period.

High street and shopping centre rents are slowly increasing as vacancies show signs of stabilising. High street vacancy has stayed at 14.0% for the last four quarters according to LDC. Meanwhile, shopping centre vacancy has only slightly fluctuated since the beginning of last year and is currently 17.6%.

A welcome increase in investor demand

During Q3, all commercial property sectors experienced increased investment demand, according to recent data from Rightmove.

Average demand went up by 11% year-on-year in Q3 - the highest rate since 2021. The industrial sector led the way with a 34% increase in demand, followed by offices (28%). Meanwhile, leisure (14%) and retail (7%) displayed slightly more modest growth. There was also a 3% annual increase in supply due to availability of light industrial units and warehousing.

The cuts to Bank Rate have improved market conditions and therefore given investors a confidence boost. Head of UK & European Industrial Research at Knight Frank, Claire Williams, commented, *“Consumers are starting to loosen the purse strings and spending more on discretionary goods, in turn driving demand for more delivery services. As a result, businesses are feeling more confident in pushing forward with expansion or relocation plans, thereby boosting demand for industrial and logistics facilities.”*

Regional office market update

Colliers have released their Regional Offices Snapshot for Q3.

In Birmingham, take-up was 348,690 sq. ft – the region's highest quarterly total since Q4 2017. It was a strong quarter for Manchester too, which recorded a take-up of 432,619 sq. ft – the highest in over five years.

In Bristol, Grade A vacancy has fallen, as demand for it remains high. As a result, schemes such as EQ and Halo have secured multiple tenants despite their premium pricing. Meanwhile, prime rents in Bristol remain at the record level of £48 per sq. ft, although Colliers expect this to go up by the end of the year.

In Leeds, 33 deals were signed in Q3 – up 43% on the previous quarter. In Q2 of this year, take-up in the Northern city fell to the lowest level seen since the start of the pandemic, however transactions bounced back in Q3 with a 40% quarterly rise.

Retail warehousing has showed signs of significant growth recently

Commercial property currently for sale in the UK

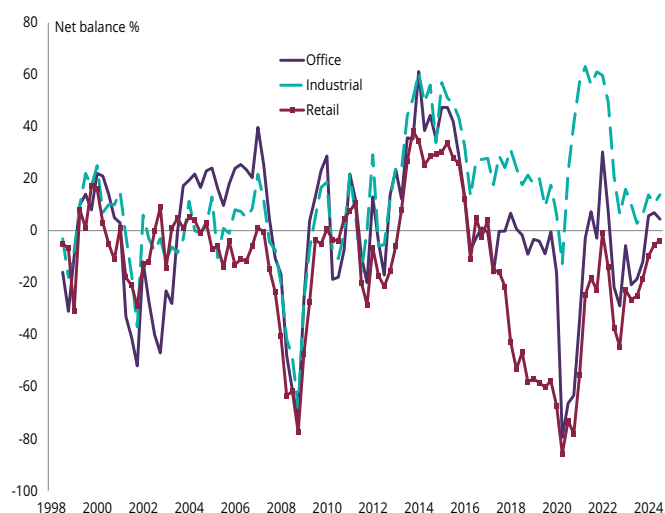
- **Scotland** currently has **1,265** commercial properties for sale with an average asking price of **£364,617**
- **London** has the highest number of commercial properties for sale
- There are currently **1,921** commercial properties for sale in **London**, the average asking price is **£1,375,269**.

Region	No. properties	Avg. asking price
London	1,921	£1,375,269
South East England	1,691	£695,536
East Midlands	856	£624,288
East of England	999	£592,599
North East England	833	£349,119
North West England	1,470	£564,898
South West England	1,846	£669,125
West Midlands	1,115	£564,237
Yorkshire and The Humber	1,207	£378,304
Isle of Man	29	£630,275
Scotland	1,265	£364,617
Wales	872	£480,547
Northern Ireland	3	£46,666

Source: Zoopla, data extracted November 2024

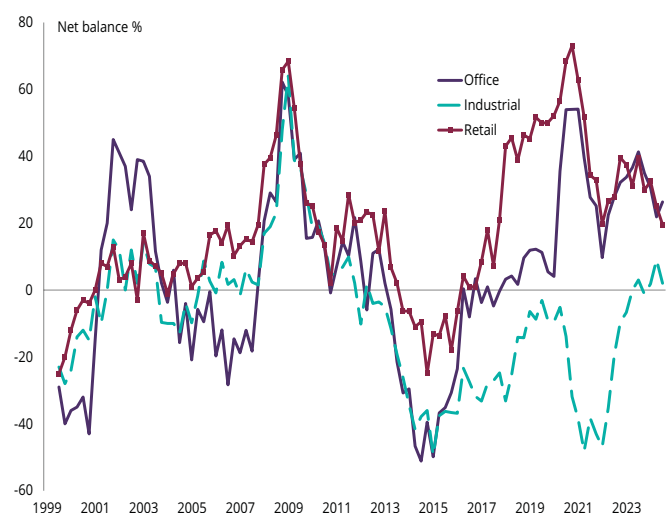
Commercial property outlook

Occupier demand – broken down by sector



- A headline net balance of +5% was reported for overall tenant demand in Q3, which compares with a figure of +4% previously
- This indicates a flat/marginally positive trend in occupier demand at the all-sector level
- Industrials continue to see the strongest momentum across the traditional sectors.

Availability – broken down by sector



- In Q3, office and retail sectors continued to see a rise in the amount of vacant space
- With net balances of +26% and +22% recorded respectively
- In Q3, landlords raised the value of incentive packages on offer across these sectors.

Source: RICS, UK Commercial Property Monitor, Q3 2024

All details are correct at the time of writing (20 November 2024)

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