

## Commercial Property Market Review

February 2022



### Upbeat mood for regional office activity

**The regional office investment market remains upbeat, according to the latest quarterly update from Avison Young, after office demand across the 'Big Nine' returned to 'normal' activity in H2 2021.**

A strong second half brought the year's total take-up across the Big Nine cities to 8.1 million sq. ft, only 5% below the ten-year average. Volumes for the Big Nine office markets, meanwhile, recovered to £2.6bn, 8% above the ten-year average. Although the total number of deals slowed in Q4 2021, NatWest acquired One Hardman Boulevard in Manchester for £292m, the largest deal of the year.

Prime yields for most cities were unchanged in the final quarter, with an average of 5.36%. The MSCI quarterly index did, however, show the yield gap between prime and secondary property widening, highlighting a shift towards the best quality assets.

Mark Williams, Principal and Managing Director of Regional Investment at Avison Young commented, *"Well-located, good quality assets with a strong tenant base continue to receive good levels of interest, particularly those that meet net zero carbon investment criteria and fulfil expectations for positive rental growth."*

### Rosy picture for investment expectations

**UK real estate professionals reported positive investment trend movements during Q4, in line with a global uplift in sentiment observed in the latest Royal Institution of Chartered Surveyors (RICS) Global Commercial Property Monitor (GCPM).**

The GCPM showed UK capital value expectations for the next year rising across all sectors. Top of the list is the industrial

sector; a net balance of +84% of respondents expect prime industrial values to increase.

Prime office value expectations also rose, with a net balance of +24% anticipating an increase. With work-from-home restrictions now lifted, two-thirds of respondents believe an office is still essential to successful operations. At the same time, 76% of contributors noted rising demand for flexible and local workspaces.

Tarrant Parsons, RICS Economist, commented, *"Strength across the UK industrial/logistics market shows no sign of abating, with capital value expectations for the year ahead posting a fresh all-time high across the sector during Q4... sentiment appears to have largely weathered the uncertainty brought on by the rapid spread of the Omicron variant in recent weeks."*

### Industrials and retail warehousing are star Scottish performers

**Industrial property and retail warehousing have surpassed offices in annual volumes for the first time since 2011, with combined investments of £541m, figures released by Knight Frank have revealed.**

The pair contributed nearly a third of the year's total investments, a 45% increase on £374m in 2020. Overall, investments in Scottish commercial property reached £1.7bn in 2021, above the £1.4bn recorded in 2020. Glasgow led the way with £475m, ahead of Edinburgh (£429m) and Aberdeen (£54m).

Knight Frank's Alasdair Steele highlighted the *"almost insatiable appetite for retail warehousing and industrial property driven by changes to people's shopping habits"*, adding that this *"only looks likely to continue in 2022."*

## Commercial property currently for sale in the UK

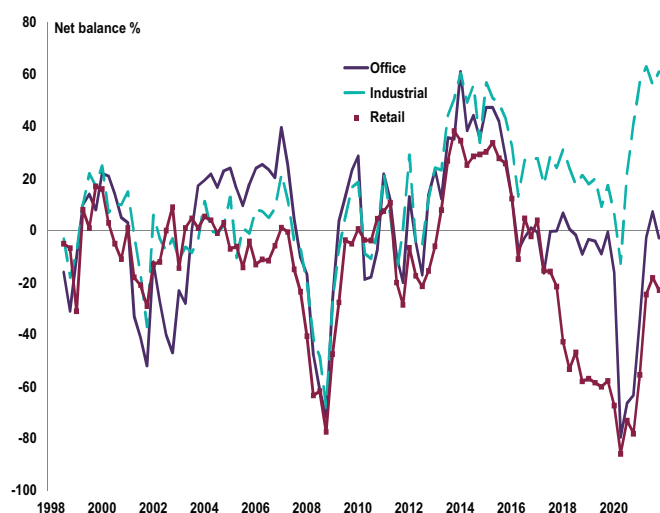
- Regions with the **highest** number of commercial properties for sale currently are **North West England**, **South West England** and **London**
- Scotland** currently has **1,181** commercial properties for sale with an average asking price of **£329,800**
- There are currently **1,390** commercial properties for sale in **London**, the average asking price is **£1,537,559**.

Region	No. properties	Avg. asking price
London	1,390	£1,537,559
South East England	1,218	£692,876
East Midlands	799	£953,062
East of England	811	£694,281
North East England	799	£306,252
North West England	1,364	£392,079
South West England	1,348	£826,050
West Midlands	1,071	£513,077
Yorkshire and The Humber	1,099	£388,104
Isle of Man	52	£474,697
Scotland	1,181	£329,800
Wales	771	£427,982
Northern Ireland	17	£269,625

Source: Zoopla, data extracted 17 February 2022

## Commercial property outlook

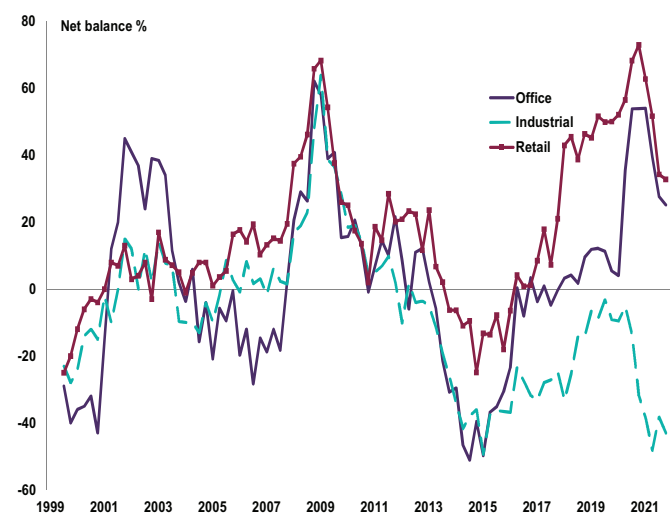
### Occupier demand – broken down by sector



- A headline net balance of +16% of contributors reported a pick-up in overall tenant demand over Q4
- A net balance of +61% reported an increase in tenant demand for industrial space
- Occupier demand figures were -3% and -21% for offices and retail respectively.

Source: RICS, UK Commercial Property Market Survey, Q4 2021

### Availability – broken down by sector



- The supply of available industrial space remained negative in Q4
- Office and retail availability remained high and a net balance of +66% felt that office space is still essential for a company to operate successfully
- Of these respondents, +87% reported seeing re-purposing of office space for other uses.

All details are correct at the time of writing (17 February 2022)

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