ECONOMICS

UK Commercial Property Monitor

Q2 2024

ECONOMICS

Polarisation in market between prime and secondary expected to continue to grow

- Headline tenant demand and investment enquiries metrics remain flat
- London office market continues to see stronger activity relative to the rest of the UK
- Overall market still widely seen to be either at the bottom of the cycle or in the early stages of an upturn

The Q2 2024 RICS UK Commercial Property Monitor results are indicative of a relatively flat headline picture for the market. Illustrating this, measures capturing both occupier and investor demand remained largely stable. That said, the current feedback is at least a little more encouraging than was the case throughout much of 2023. Similar to last quarter, 34% of respondents are of the opinion that the market is at the bottom of the current cycle, while 41% sense conditions are consistent with the early stages of recovery (minimally changed compared to respective shares of 35% and 38% in the previous iteration of the survey).

In keeping with the steady tone to the latest data, the headline occupier demand series posted a net balance of +4%, identical to the reading seen last quarter. Given this value remains very close to zero, it suggests tenant demand trends were more or less stable. At the sector level, the office and industrial categories posted net balances of +7% and +10%, pointing to a marginal pick-up in occupier demand in both cases. Conversely, the net balance of -5% registered for the retail sector, although slightly less negative than the -10% reading seen previously, continues to point to subdued momentum behind tenant demand.

Alongside this, space available for occupancy rose modestly across the office and retail sectors, albeit the pace of increase softened slightly compared to last time (in net balance terms). Interestingly, vacant space reportedly edged up slightly within the industrial segment, evidenced by a net balance reading of +9% being registered in Q2. This marks a departure from the almost uninterrupted decline in the availability of industrial space over the past decade.

Looking ahead over the coming twelve months, rental growth projections continue to point to a mixed performance across different asset classes. Still leading the way, prime industrial rents are seen rising over the next year by a net balance of +59% of contributors. At the same time, secondary industrial rents are also expected to move higher, albeit the net balance of +22% is noticeably more moderate than that for prime. Meanwhile, the prime/secondary split remains even more pronounced for offices, with the twelve-month rental expectations series posting a bet balance of +45% across the former and a still firmly negative -32% for the latter. Looking at the prime retail sector, a net balance of +10% of respondents now foresee rents increasing over the year ahead. Although the latest figure is relatively modest, it does represent the most positive reading for this metric since 2017. Nevertheless, secondary retail rents continue to exhibit a negative outlook, posting a net balance of -32%.

At the regional level, the outperformance of the prime office market in London continues to come through in the latest expectations data. Indeed, a net balance of +68% of respondents covering London foresee prime office rents rising over the year ahead. This stands significantly above net balance readings of +29%, +25% and +29% for the South, Midlands and the North respectively.

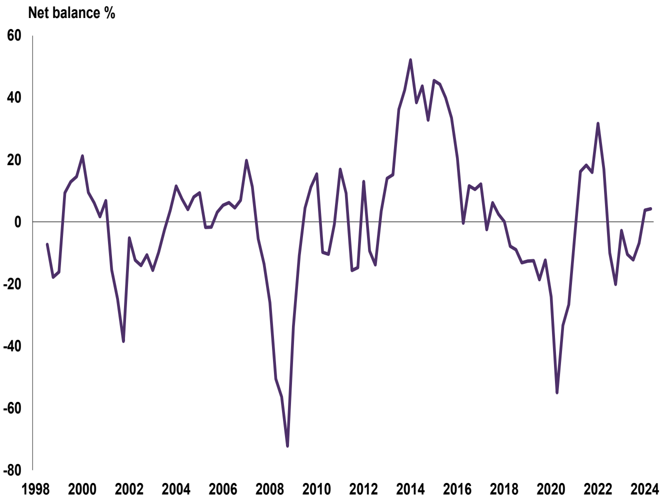
Looking at the investment market, the all-sector net balance for investment enquiries came in at -4% in Q2, completely unchanged from Q1. As such, this measure is signalling a stagnant trend in investor demand of late. At the sector level, industrial properties did attract another small rise in buyer interest (net balance +10%), while slightly negative net balance readings were returned across the office (-9%) and retail (-18%) sectors.

Over the next twelve months, a net balance of +57% of survey participants foresee capital values rising across the prime industrial sector, with the figure standing at +19% for secondary. In both cases, these forward-looking readings are marginally stronger than last quarter. Across the prime office sector, a net balance of +38% of respondents expect capital values to move higher, up from a reading of +25% in Q1. By way of contrast, a net balance reading of -33% in Q2 shows that secondary office values are still seen coming under downward pressure over the next twelve months, even if this is slightly less negative than the reading of -41% seen in Q1. For prime retail properties, a net balance of +12% of contributors anticipate an upward trend in capital values, up from a reading of +5% beforehand. Again, secondary retail is still seen struggling, with capital values expected to fall according to a net balance of -29% of respondents.

Away from the traditional sectors, both capital value and rental growth projections remain firmly positive for several alternative CRE asset classes. In particular, student housing, data centres, life sciences and multifamily residential all exhibit solid expectations for the year ahead. At the other end of the spectrum, the outlook is much flatter for the leisure sector, although this does mark an improvement compared to the marginally negative assessment respondents put forward last quarter.

Commercial property all-sector average

Occupier demand



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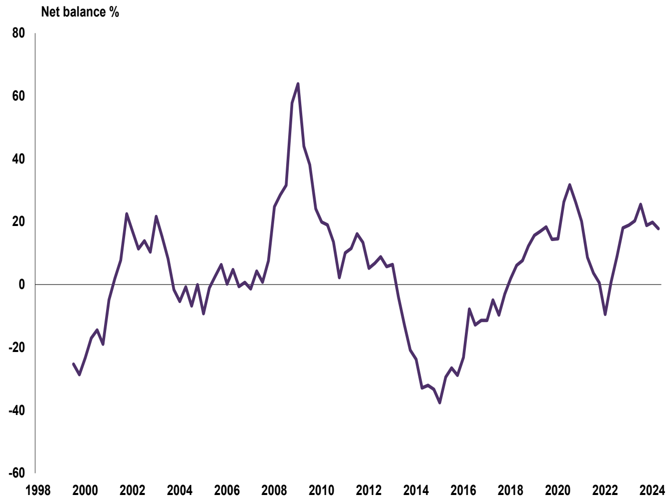
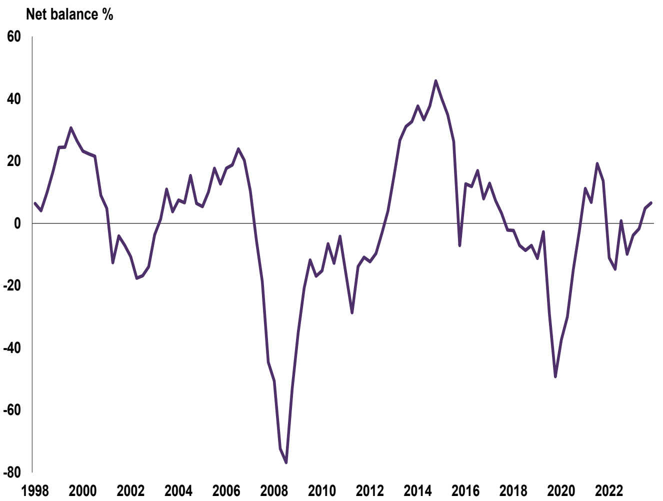
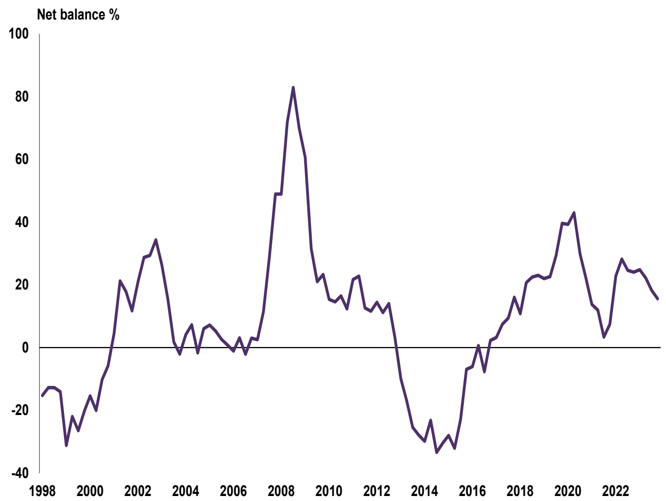


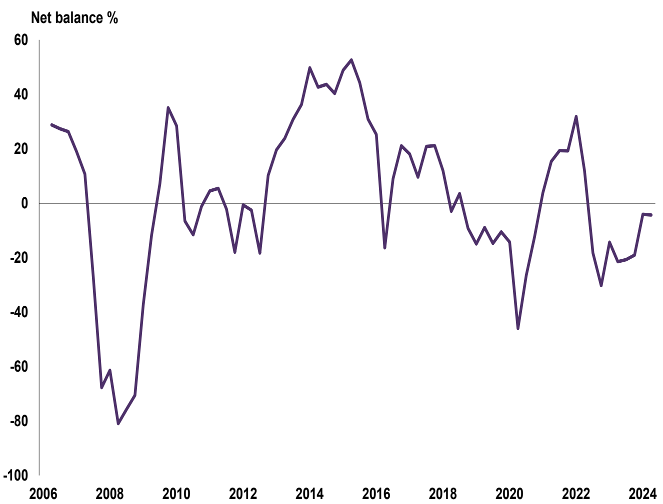
Rent expectations



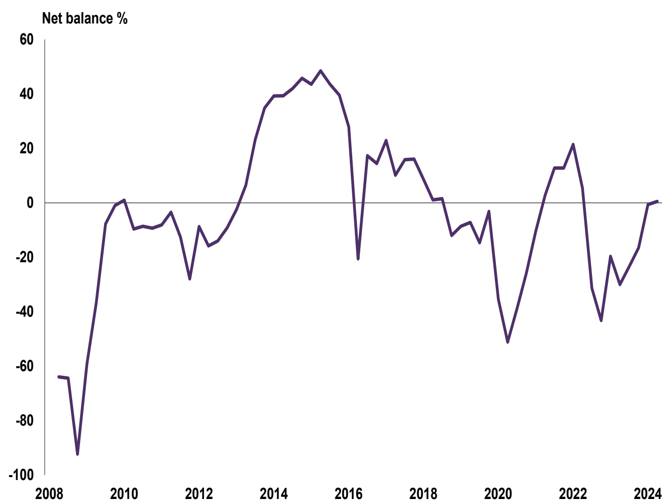
Inducements



Investment enquiries

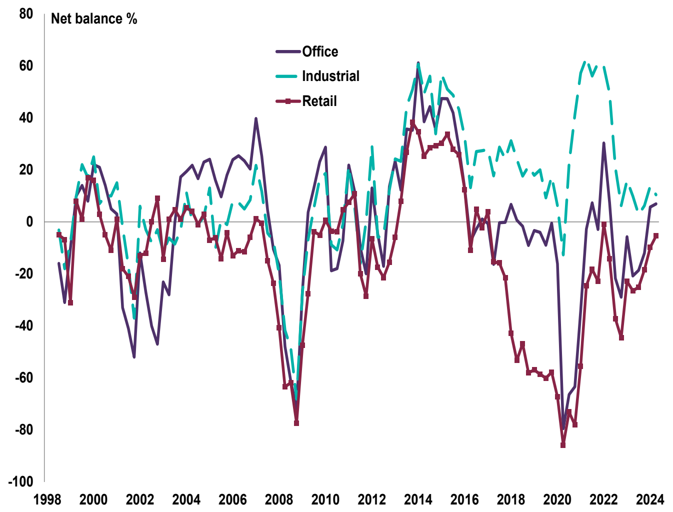


Capital value expectations



Commercial property - sector breakdown

Occupier demand



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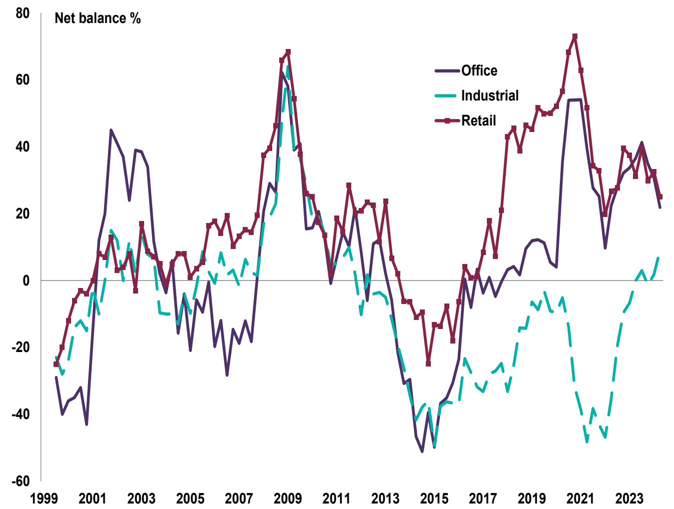
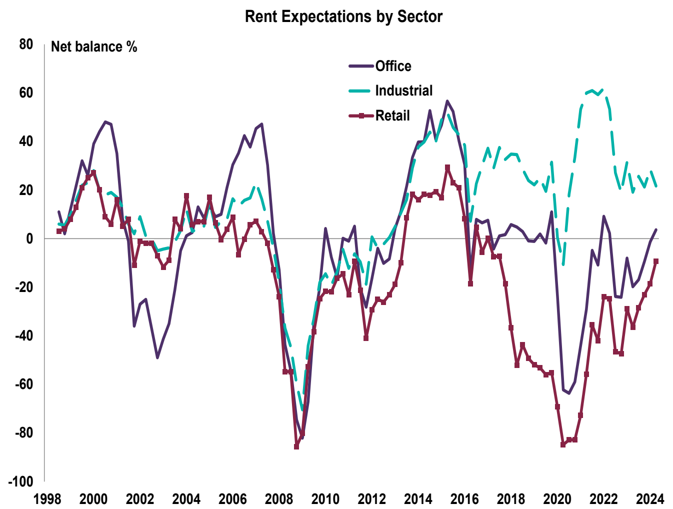
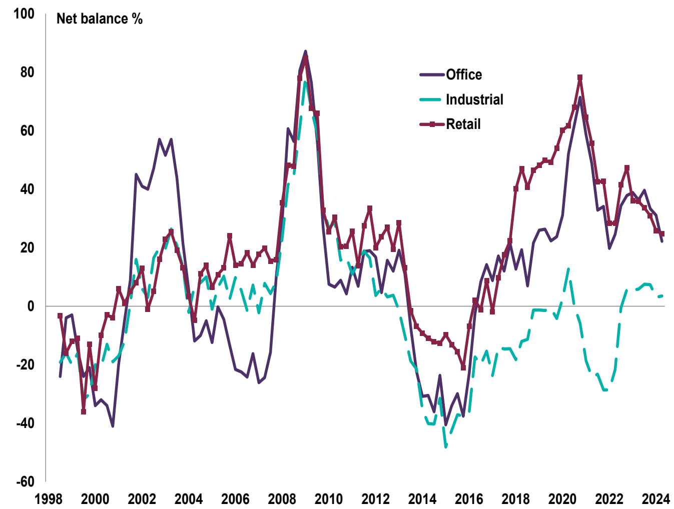


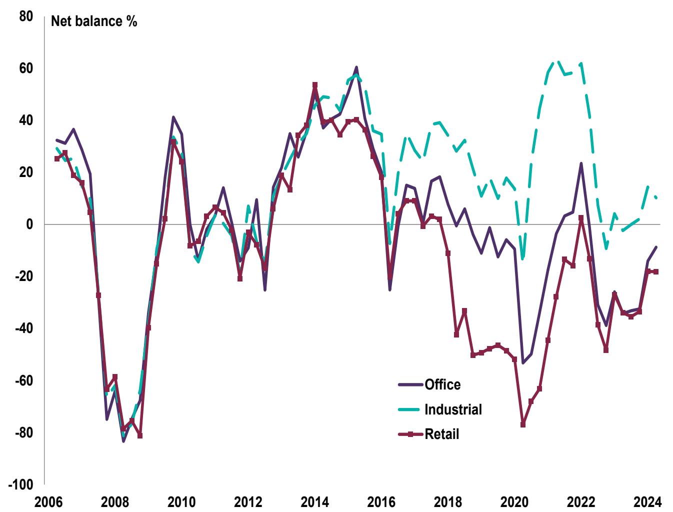
Rent expectations



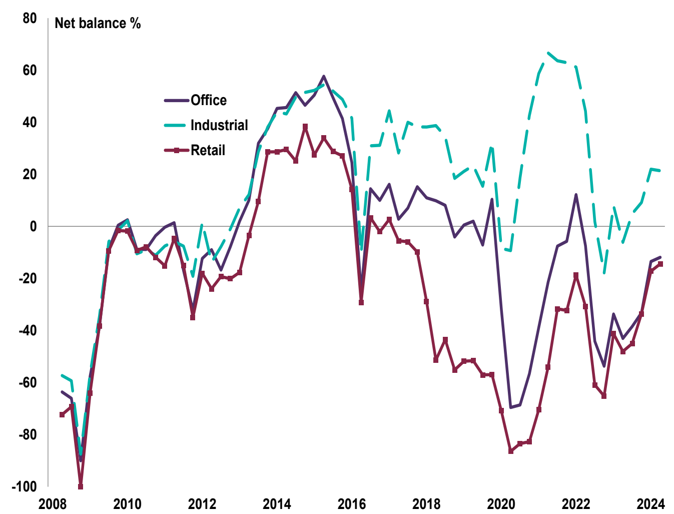
Inducements



Investment enquiries

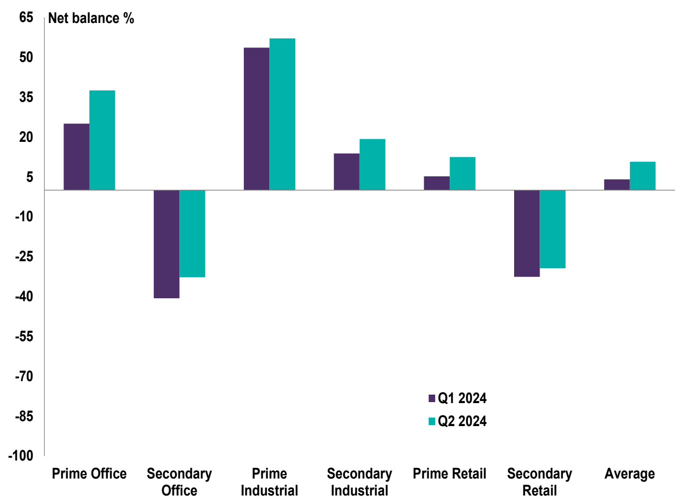


Capital value expectations



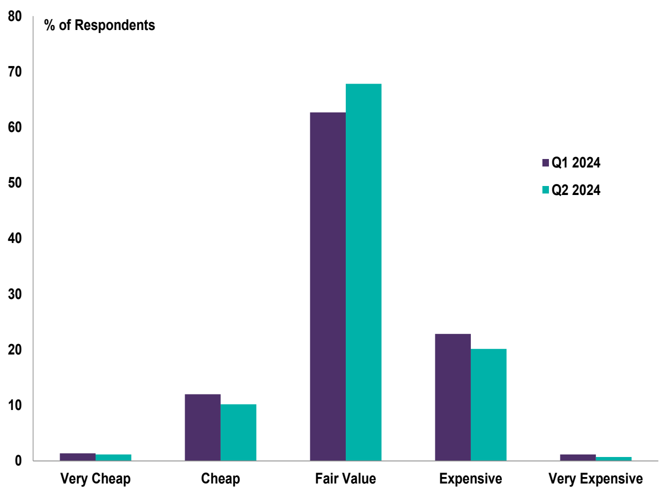
Commercial property - additional charts

12-month capital value expectations

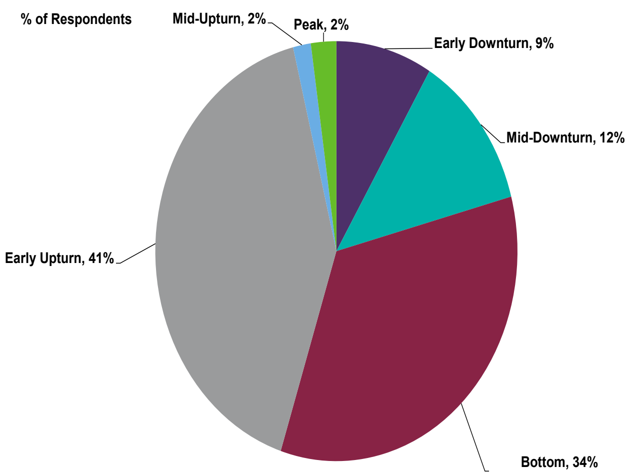


12-month rent expectations

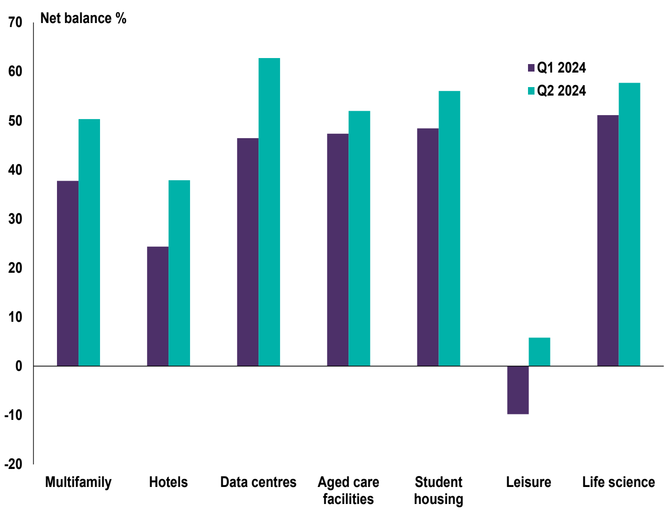
Market valuations



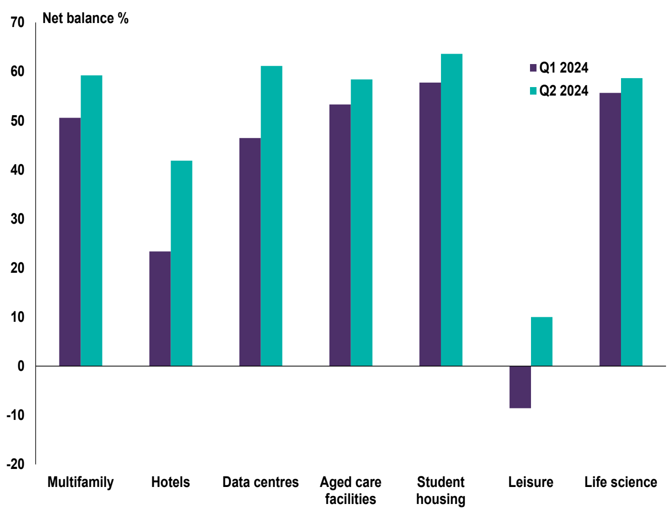
Property cycle



12-month capital value expecations alternatives



12-month Rental expecations alternatives



Chartered surveyor comments

East Midlands

Andrew Lawson, Chesterfield, The Resort Group Plc, AL@theresortgroupplc.com - High level of uncertainty is putting a hold on the economy in general. There is a general lack of confidence.

James Alexander Bruce Ottewell, Derby, Alexander Bruce Estates Ltd, james@alexanderbruce.co.uk - Difficult.

John Chappell, Skegness, Chappell & Co Surveyors Ltd, john@chappellandcosurveyors.co.uk - The ability of the market to turn the corner and improve, adding to economic efficiency, is dependent upon fast action by the new Government in terms of economic stability leading to an easing of interest rates and to carry out long overdue reforms of the UK planning system. However, these have to be coupled with investment in infrastructure and incentives to expand the construction workforce, both of which are currently woefully inadequate in terms of delivering economic growth in the UK.

Eastern

Gordon Ellis, Bury St Edmunds, Merrifields Ltd, gordon@merrifields.co.uk - The market in the Eastern Region is very resilient, good property ready to move in to is easier to let, shortage of freeholds means owner occupiers are paying premium prices.

Jeffrey David Fuller, Norwich, OA CHAOMAN & SON LTD, jeffdfuller@hotmail.com - Uncertain times!

Martin Blackwell, Peterborough, Blackwell Consulting Limited, mcb@blackwellconsulting.com - The Peterborough office market has seen little new build, there is a shortage of grade A space, and good grade B - due to the large amount of accommodation lost to residential. The central core now has very few office buildings, and fewer available.

Richard Newton, Ipswich, Engineroom(tecnical)Ltd, Richard@engineroom.company - The market still has some way to fall as occupier demand is very patchy and leases are getting shorter which heightens investor risk This is not being fully priced in at the moment. Property is becoming a liability and not an asset. Longer term, if occupier demand doesn’t improve, the question to ask - is this just a cyclical issue or more structural? Unfortunately the market is burying its head in the sand hoping that it is just cyclical.

Sam Kingston, Norwich, Roche Chartered Surveyors, samk@rochecs.co.uk - There has been a marked slowdown in occupier demand for larger properties. Whether this is political or economical, only time will tell. Continued lack of freeholds is keeping values high.

London

Chris Adams, London, CBGA LTD, cadams@cbgaltd.com - Property valuation is still not responding to true market conditions - until this happens, we will not see the market correction that is needed and a path to value recovery.

Chris Smart, Walton On Thames, Valuers, Chris.Smart@bt-cs.co.uk - Stable.

Christopher N B Lacey, London, Sir Richard Sutton Limited, Christopher@srsl.co.uk - With a perception that interest rates have peaked, yields should stabilise and property should better reflect occupier markets risks (product quality and supply and demand balance rather than uncertainty on risk free rates of returns). Valuations should reflect these changes within 6 months. The recognition that the market has bottomed should encourage foreign investors into the investment market.

David Kerr, London And The South Of England, Cushman and Wakefield, david.kerr@cushwake.com - The first signs of improvement, but interest rates need to come down to sustain any market improvement.

Giles Veitch, London, Dwyer Property, giles@dwyerproperty.com - There will be a large number of Investors with maturing debt facilities in 2025 & 2026 coming off historically low interest costs and faced with the challenge of refinancing at significantly higher costs. Base rates are still at 5.25 % and although there is optimism of rates reducing, it is unlikely that they will reduce significantly which will adversely impact investment portfolios and owner occupier businesses where capital values have fallen and cost of debt has increased two fold or more.

James Linton, London, Victor Charles Property Investments, james.linton@victorproperty.co.uk - Industrial is stable, Residential PRS and BTR strong,both investment and occupier demand. Prime office is stable, secondary office market very weak. Prime and convenience retail are stable and secondary is very weak.

John Grahan, London, Alpine Surveys, j.graham12@icloud.com - Due to the General Elections taking place this month, market conditions are not 100% stable. This will change with the new Government & when policies relating to the property sector are in place. This can impact the market in a positive or negative way for the remainder of 2024 & beyond.

Jon Andreas Pishiri, London, Jon Christopher Ltd, jon@jonchristopher.com - Little change over the last three months.

Justine Morris, London, BLB, jmorris@blb.uk.com - Election giving uncertainty.

Mac, London, Macneel, maclal66@gmail.com - No improvement in the market, all due to continued uncertainty in UK and the world in general.

Martin Kidd, Bracknell, Vokins Chartered Surveyors, martin.kidd1@btinternet.com - The main area I deal with is Park Royal in West London - it is still a very expensive area for companies to occupy.

Miguel Janín Santos, London, London Property Partners Ltd, miguel@londonpropertypartnersuk.com - Market is flat at the moment especially in the investment side of things. September will probably see a pick up in investment volumes as there is capital waiting to put their money in the UK property market. There is still a mismatch between market values and investor values.

Nigel Harrison, London, harrison leggett, nh@harrisonleggett.co.uk - Leasing activity in offices across Central London has slowed in the last quarter likely because of political uncertainty with the imminent general election.

Oliver Holder, London, CBRE, oliver.holder@cbre.com - Everybody is waiting to see who breaks cover. This could trigger more positive sentiment and prices hardening. Downside risks still persist on the occupational side if there are shocks to supply side (utility costs, rising mininum wage rises, continued disruption to supply chain from Middle east conflict etc).

Omursen Payne, London, Day and Bell Surveyors Ltd, omur.payne@dayandbell.co.uk - We manage secondary retail, neighbourhood centres and shopping parade, as well as industrial, office etc, on behalf of landlords. Since the pandemic, secondary retail doing well, through community support and L&T working together to sustain the businesses and investment.

Patrick Evans, Andover, Montreux Capital Management (UK) Limited, paddy.evans@montreuxcm.com - Specialist healthcare remains resilient.

Patrick Harna, London, Harnanrealestate limited, Patrick@harnanrealestate.co.uk - Occupiers growing. Transactions stagnant. Most buyers and sellers waiting. Banks more cautious than they should be.

Pip Gee-Merrett, London, Davis Coffer Lyons, pgee-merrett@dcl.co.uk - Licensed and leisure sector is active but operational costs are a factor for operators.

Professor Graham F Chase, London, Chase Sinclair Clark LLP, gfc@chasesinclairclark.co.uk - General Election uncertainty but most forecasts had factored in a Labour government. It will be 6 months before any impact emerges that can be measured.

Richard John Hughes, London, Portman PM Limited, john@portmanpmlimited.com - The result of the forthcoming election is delaying decisions.

Richard Wood, London, Beacon Wood R.E.S. Limited, rwood@beaconwood.co.uk - Flat, with a tendency to pricing above valuations.

Rn Francis, London, Colliers International, russell.francis@btinternet.com - Economy appears to have stagnated again as interest rates have not started to fall as expected. This has a knock on impact on occupier and investor confidence. The forthcoming election is also resulting in some investors and occupiers pausing decisions.

Robert Houston, London, St Bride's Managers, robert.houston@stbridesmanagers.com - There were expectations that the investment market would start to recover in H2 2024. Poor economic growth and a delay in reducing interest rates seems this will be deferred until 2025.

Sean Dempsey, London, Boultbee LDN Capital Ltd, sean@boultbeeldn.co.uk - The prime office and retail markets both sit at the point where: rent growth, potentially lower finance costs and an improving economic outlook bode well for a rise in investor demand. But, there is no indication that demand for lower quality stock, particularly with capex requirements, will improve.

Stuart Yates, London, F Hinds Ltd, stuart.yates@fhinds.co.uk - Early recovery apparent across occupied retail. Lots of mixed use development across UK shopping centres.

Toby Fuhrman, London, GPE, toby.fuhrman@gpe.co.uk - The very best space continues to outperform the market and will show strong rental growth.

Tony Parrack, London, TP Consult, tonyparrack@tpconsult.co.uk - I specialise in the Central London offices market, centring on the West End. Rents are increasing - definitely at the top end driven by lack of supply. Space that is say 5 yrs old and still in good condition, doesn't have say the collaborative spaces, Zoom rooms etc that tenants now want is difficult to let. CAT A+ space (fully fitted) is becoming more normal up to 5k. We are generally seeing a continuing return to the office - not always 5 days though.

W Nicol-Gent, Richmond, Surrey, Killochan & Co, louanna@blueyonder.co.uk - Notable consolidation amongst Residential Agents & loss of traditional knowledge & expertise.

North East

Andrew Wilby, Wakefield, HAMBLETON ESTATES LTD, andrew.wilby@clifford-lax.co.uk - Tough. Banks need to start lending to micro and SME businesses.

Barry Nelson, Newcastle Upon Tyne, Northern Trust Company Ltd, BarryNelson@northerntrust.co.uk - Whilst occupation levels within the multi-let industrial market remain high, there has been a reduction in the number of enquiries and at the same time an increase in the number of business failures across the North East region. The indications are for a softening of demand across the sector. The smaller office market sector continues to suffer from low demand and vacant units are proving slow to relet.

David Downing, Newcastle Upon Tyne, , david.downing@sw.co.uk - Election has, not unsurprisingly, put the brake on investment decisions for some businesses. At least the lead in to the election is only going to be short.

David Woodhead, Wakefield, Woodhead Investments & Development Services Ltd, dwoodhead@woodheadinvestments.co.uk - Two tier investment market emerging - those with debt not buying (generally selling) and cash buyers alone keeping the purchasing / investment market going. Debt very expensive (not just interest rates which are 4 times what they were) but the on top bank margins are now 3 times what they were. Occupier demand generally weak, too much focus on net zero (who will pay for the cost?). Many businesses waiting to see what Labour will do with the economy / taxes before committing themselves.

Kevan Carrick, Newcastle Upon Tyne, JK Property Consultants LLP, kevan@jkpropertyconsultants.com - Market demand has reduced, incentives increased. Demand is also chasing quality of space. Confidence has diminished with the announcement of the election.

Peter Blackett, Newcastle Upon Tyne, Davison Blackett Ltd, peter.blackett@btconnect.com - Bulk of our work is in food retail acquisition which is currently very competitive.

Phil Moorin, Newcastle Upon Tyne, , phil@uklandestates.co.uk - Fewer overall rental enquiries, but sustained number of serious ones at a time when industrial stock void levels remains at an historic low.

T R Arnold, Wetherbu, Montwhelan. Ltd, Tr.arnold@icloud.com - Fairly slow.

North West

Henry Prescott, Liverpool, Prescott & Partners, henry@pandpartners.co.uk - The election may change everything.

Martyn John Garner, Stockport, Cheshire, Garner + Sons, martyngarner@garnerandsons.co.uk - Limited return of confidence across all sectors in which we are active, but continuing concerns over the increase in building costs and environmental factors, such as flood risk etc.

Mike Fisher, Lancaster, Fisher Wrathall Commercial, mike@fwcommercial.co.uk - Lack of supply of smaller industrial units continues to be a constraint on economic growth. Secondary retail remains surprisingly resilient. Demand for offices continues to be poor.

Mr Charles Brendan Maunsell Mrics, Liverpool, Maunsell Valuation Consultancy, charliemaunsell@aim.com - Overall consumer demand is high - with more people returning to office accommodation 2-3 times a week.

Paul Nolan, Bury, Nolan redshaw ltd, Paul@nolanredshaw.co.uk - The main markets remain "patchy". Generally, industrial demand is still relatively good but offices and retail are difficult apart from the food/convenience markets .The amount of new development has diminished and new industrial rents and prices are becoming difficult to afford in some areas .The uncertainty of the election is not helpful.

Northern Ireland

Arthur Connell Hugh Nugent, Newry, Young -Nugent, achn488@outlook.com - Retail and office sluggish, industrial steady.

Ian Mccullagh, Belfast, Ian McCullagh Estate Agent - Chartered Surveyor, ian@hillhouse.me.uk - Interest rates slow to come down continues to effect the market together with a General Election pending.

Scotland

Angus Stenhouse, Edinburgh, Kettlehill Asset Management, angusstenhouse@aol.com - There is slow improvements in investor sentiment in the retail sector as debt providers come back into the market.

Bill Marley, Glasgow, Ryden LLP, bill.marley@ryden.co.uk - Development activity remains subdued although, with development costs having settled and with expectations of reducing interest rates, there is growing confidence that commercial market activity will increase from Q4 2024. Mainstream residential market for family housing is performing well, however, land supply issues may impact negatively on the delivery of new homes over the coming years. Build to rent and Co-Living markets have been undermined by the Scottish Government's proposed Housing Bill.

Denis Batts, Edinburgh, denis batts property consultants, denis@chl.uk.com - Some nervousness in the air, although not yet reflected in prices.

Gillian Giles, Glasgow, Ryden, gillian.giles@ryden.co.uk - Still very challenging.

South East

Adrian Tutchings, London, Linays Commercial Limited, commercialproperty@linays.co.uk - Very flat market. Interest rates continue to be of concern.

Chris Thomas, Windsor, Christopher Thomas & Co Ltd, ct@chthomas.com - The market is exercising caution, unsurprisingly in light of a general election. Activity though remains reasonable - landlords, owner occupiers and tenants appear to be more resilient than in previous economic cycles, recognising in particular new and evolving market opportunities.

Christopher Johnson, Tilbury, Port of Tilbury London Limited, Christopher.johnson@potll.com - Framed by lack of supply in key locations.

Colin Brades, Brighton & Hove, Avison Young, colin.brades@avisonyoung.com - Brighton - retail sector: Generally trade in prime and secondary locations seems to have softened through 2024 albeit not obviously reflected to date in rents or prices being paid in the past 3 month period nor in incentives granted. Level of requirements and demand also relatively static.

David Martin, Brighton, SHW, dmartin@shw.co.uk - There is starting to be a stagnation between what landlords and vendors are looking to achieve in terms of rent and price as against what tenants and purchasers wish to pay. Both the general election with the financial uncertainty this brings and the decision of the Bank of England not to reduce interest rates yet, are impacting company and individual's decisions and slowing the transactional market down. Hopefully this will start to improve after the election.

Geoff Scott, London, DSSmith, Gtscott@btinternet.com - Not feeling landlords are being sufficiently responsive to occupiers needs in terms of flexibility in lease terms and attitudes to dilapidations.

Iain Steele, Farnham, park steele, iain@parksteele.com - Whilst there is inevitably some slowdown pending the election, the market remains active but the decision making process is slow with some lack of haste from buyers and renters. The legal process also continues to be frustratingly slow. Hopefully after the events of the summer, matters will pick up.

Ian B. Sloan FRICS, Banbury, Bankier Sloan, reception@centre-p.co.uk - Industrial is the only sector we anticipate any growth in the short term. The retail sector in the north Cotswolds towns of Stow-on-the-Wold , Moreton-in-Marsh and Bourton remains good, due to the continuing influx of both UK and overseas visitors. Local industry is looking healthy and as we write this in the middle of a general election campaign we believe the outcome will have little effect on the regional economy. As one US President famously commented "It's the Economy Stupid".

James Groves, Brighton, Clifford Dann /Graves Son & Pilcher, jgroves@clifforddann.co.uk - Election and interest rates have slowed decisions being made.

Jim London, Basingstoke, Curchod and Co., londonjames085@gmail.com - At the bottom of the cycle.

Julian Scannell, Medway, Watson Day Chartered Surveyors, julianscannell@watsonday.com - The markets within which we operate have remained fairly static over the last 3 months. No significant movement in rents/ capital values. There has been a decrease in demand for secondary industrial/warehouse properties in some, but by no means all, areas. Enquiries relating to investment properties have remained relatively low. Unsurprisingly, investors have become far more cautious over the last 2 years. Still a relatively strong level of demand from owner/occupiers for L/I/warehouse units.

Michael Rowlands, London, Corbett Rowlands, mrowlands828@gmail.com - The market is still very difficult and I still believe it will continue for another year.

Nicholas W Threlfall, Chatham, Watson Day, nickthrelfall@watsonday.com - Tough, especially the office market. Definite flight to quality.

Nick Hanson, Farnham, VOSPERS FRIEND & FALCKE (Incorporating EMBERSON & CO), nick.hanson@vospersff.com - Overall impression is that market is in pre-election limbo. Concern has been shown that change of complexion of government with no clear or specific growth plan, despite election statements, could damage initial signs of confidence and demand in the property market in general.

Simon Browne, Brighton, Crickmay Chartered Surveyors, scb@crickmay.co.uk - Conditions generally unchanged. I remain somewhat pessimistic for the next 12 months.

Simon Lawson, Brighton, The South Coast Surveyor's, lawson6201@gmail.com - Improvements expected with interest rate cut soon after election. Longer term growth as UK economy improves and better trading relationships with our European partners evolve.

Simon Quinton Smith, Newbury, Quintons Ltd, simon@quintons.co.uk - There is no point in trying to forecast the future, with a general election forthcoming. It would be better to take until the end of the year to access this.

Stephen Ray, Redhill And Reigate Surrey, S H W Property Consultants, sray@shw.co.uk - Quiet market circumstances due to the influence of the current general election in progress.

Tony Chalkley, London, grant mills wood, tonyc@grantmillswood.com - There are considerably more enquiries in the industrial sector but lettings are still slow. This is likely to be down to the uncertainty around UK Politics and world events. We foresee more activity post the UK election.

Victor Forson, Tunbridge Wells, Tunbridge Wells Borough Council, Victor.forson@tunbridgewells.gov.uk - The markets are in an early recovery stage.

South West

Andrew Kilpatrick, Swindon, Kilpatrick & Co, a.kilpatrick@kilpatrick-cpc.co.uk - Swindon & Wiltshire's commercial market is bumping along in the face of static economic conditions. The number of new enquiries for commercial space is exceeded by the number of new properties coming to the market, which suggests more challenging conditions ahead. Whilst the forthcoming General Election is being cited by some for an inability to commit, it is doubtful it is having a significant effect on the market.

Anne Brennan, Poole, Sibbett Gregory, anne@sibbettgregory.com - Run up to UK General Election and continued holding of interest rates has impacted investor's decisions and a sense of pause is notable. Good interest for offices and improvement for retail more evident over the last quarter. Industrial rents holding at levels set 12 months previous and showing little sign of further increase at present. Uncertainty remains and continues to impact.

Daniel Smethurst, Swindon, , daniel@smethprop.co.uk - Leasehold demand - peaks and troughs although office requirements do appear to be improving. Purchase prices remain out of kilter with sellers and purchasers ideas differing. Typical bottom of market activity.

Ifan Rhys-Jones, Plymouth, Listers Property Consultants, irj@listers.uk.com - Enquiries are very flat across all the sectors in which we operate. Transactions are taking longer than ever.

J R Allen, Bristol, , Johnrallen@hotmail.com - The market appears to be quiet and concluded transactions becoming fewer.

John Jeffery Hempton, Bournemouth, property consulatncy, jjh@hemptonfranks.co.uk - Uncertainty following General Election and world order. Geopolitical influences cause resistance.

Jon Stone, Exeter, Jon Stone Surveyors Ltd, jon@jonstone.co.uk - Steady as we go.

Michael Oldrieve, Exeter, MO, m.oldrieve@btinternet.com - Slow at the moment but expecting progress after the election.

Oliver Workman, Cheltenham, THP Chartered Surveyors, oliver@thponline.co.uk - After a positive start to 2024, with expectations of several interest rate cuts over the year, the market has fallen back. Added to this news is the impending election and this has provided businesses of all sizes with another excuse to hold back on making property related decisions.

Richard Gordon, Chichester, Stewart Montrose, rgordon@stewartmontrose.com - The market remains flat at best, principally due to cost of money leading to lack of business confidence and a reluctance to commit capital investment which is stagnating growth.

Tim Smart, Helston, Smart Commercial Property, timsmart@scp.uk.com - Market steady.

Tim Smith, Exeter, Hitchcocks Group, tim@hitchcocksbusinesspark.co.uk - Occupiers awaiting outcome of general election and cut in interest rates.

Tim Wright, Dorchester, Greenslade Taylor Hunt, tim.wright@gth.net - At the time of writing, enquiries are generally significantly reduced although this is probably a temporary blip due to the election and summer holidays. Otherwise the commercial market appears fairly stable although there is a shortage of good class smaller industrial units, particularly freeholds.

Wales

Chris Sutton, Cardiff, Sutton Consulting Ltd, chris.sutton@suttonconsulting.co.uk - The industrial market remains strong, particularly along the M4 corridor with quoting rents of £9.00+ psf on St Modwen Park, Newport for Grade A large units. On the opposite side of Newport, KLA has developed a 220,000 sq ft production / R&D facility at Imperial Park. Other bright spots are the data and energy sectors. In Cardiff, Grade A offices remain in demand as tenants readjust their occupational footprints to increased tech and new working practices.

Gary Carver, Cardiff, Savills, gcarver@savills.com - Demand for business space has reduced over the past 3 months.

Haydn Thomas, Newport, Hutchings &| Thomas property consultants, ht@hutchings-thomas.co.uk - The South Wales commercial property market remains fairly static, with some sectors such as industrial space and roadside drive thru doing well. Lack of supply of front door owner occupier office space remains an issue especially from 3-5,000 sq ft. Demand for Office space with larger floor plates remains low; Cardiff City may be bucking this trend slightly. Retails in city centres remains a problem, however, some smaller market towns seem to be doing well in terms of occupancy.

Nick Founds, Swansea, Glanmor Chartered Surveyors, n.founds@glanmorproperty.co.uk - Steady at the moment, with an ongoing flight to quality by occupiers and investors alike.

Richard Baddeley, Conwy, RICHARD BADDELEY & COMPANY, richardbaddeleyco@gmail.com - The commercial market within North Wales is fragile and driven by tourism, particularly in the coastal towns and Snowdonia. The withdrawal of rate relief has had a significant impact on food and beverage and retail operations and the economy is concentrating minds in the run-up to the election.

West Midlands

Bob Oakes, Market Drayton, Barbers Rural Consultancy, b.oakes@barbers-rural.co.uk - Probably the most critical aspect is weather conditions which has had very serious implications to my rural clients.

David Nicholas Clews, Warwick, Clews & Co Chartered Surveyors, davidclews@clewsandco.co.uk - I specialise in the warehouse and logistics market. Demand is down, but from record highs. I am covering the whole of the UK, some areas are in over supply but others are not. Rents are stable but incentives are larger.

Michael Jones FRICS, Malvern, Michael Jones Ltd, mjones5400@yahoo.com - Demand to purchase industrial and in particular warehouse premises remains high. Retail, especially secondary retail premises, are still in the doldrums.

Neil G Harris, Birmingham, Lane Cove, neil@lanecoveproperties.com - Real nervousness ahead of the General Election and the prospect of a Labour government with their likely policies on CGT, pensions etc.

Peter Holt, Coventry, Holt Commercial Limited, peter@holtcommercial.co.uk - We need interest rates to start reducing. The election & uncertainty globally is slowing down decision making of both occupiers & investors.

Raman Thakur, Birmingham, Property Letting, ramanthakur@birmingham.gov.uk - As an overview, industrial units/sheds are still very much in demand and recently, the retail sector (whether City Centre or outskirts) has picked up. However, due to agile working, post Covid, the office market is still suffering.

Richard David Calder, Birmingham, The Manager, richard@calderssurveyors.com - Market has “flattened” in terms of demand for all sectors.

Yorkshire & the Humber

Andrew Mcbeath, York, McBeath Property Consultancy Limited, andrew@mcbeathproperty.co.uk - Flat, but some indication that will improve after election and with an interest rate drop.

Mr Richard Heslop, Ilkley, DE Commercial Ltd, richard@de-commercial.co.uk - With inflation (hopefully) under control and hitting the bank's target rate, and the potential for interest rate cuts on the horizon, market sentiment has become positive. However, the general election, and the uncertainty around a future Labour Party position re tax increases is leaving investors and occupiers alike price sensitive. There is definitely an air of caution over purchasing and selling decisions which will hopefully dissipate over the coming months.

UK Commercial Property Monitor

RICS UK Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 12 June 2024 with responses received until 15 July 2024. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 466 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

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Disclaimer

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