ECONOMICS

UK Commercial Property Monitor

Q3 2023

ECONOMICS

Market activity remains subdued given current lending conditions and fragile economic outlook

- Headline occupier and investor demand metrics remain in negative territory
- Secondary market rents and capital values anticipated to fall further over the year to come
- 58% of respondents still perceive the market to be in a downturn phase, while 24% sense conditions are consistent with the bottom of the cycle

The Q3 2023 RICS UK Commercial Property Monitor results remain relatively downbeat, with tighter financial conditions and a sluggish economic backdrop weighing on activity across both the investor and occupier markets. Perhaps ominously for the market going forward, more than 75% of contributors envisage pressure on corporate cash-flows to intensify over the next year (as captured by an additional question included in the Q3 survey). That said, while the outlook for rents and capital values is still slightly negative at the all-property average level, this masks a somewhat better performance anticipated across prime vs secondary markets as well as for some alternative sectors.

Occupier Market

The headline occupier demand indicator posted a net balance reading of -12% in Q3, down marginally compared to a figure of -10% previously. As such, this measure continues to signal a modest overall decline in occupier demand. When disaggregated, both the office and retail sectors exhibit a clearly negative trend in tenant demand, posting respective net balances of -19% and -25%. For industrials meanwhile, the latest net balance of +3% is pointing to a stalling in demand growth over the quarter and represents the softest reading since Q2 2020.

In terms of availability, respondents continue to cite an increase in overall vacant space in both the office and retail sectors. On the back of this, the use of incentive packages (such as rent free periods) continues to climb, evidenced by net balances of +40% of respondents reporting an increase in inducements for offices and +34% for retail. For the industrial sector, a much flatter picture for both vacancies and incentives is being reported, albeit this marks a noteworthy turnaround on the near continuous decline in availability over much of the past decade.

Looking ahead, twelve-month rental growth projections remain mixed across the various sub-sectors tracked. At the stronger end of the spectrum, a net balance of +46% of survey participants foresee a continued pick-up in prime industrial rents over the year to come (albeit these expectations have moderated significantly compared to recent years). At the same time, secondary industrial rents are also anticipated to rise modestly. Across the office sector, the divide between prime and secondary remains stark, with anecdotal comments from respondents frequently highlighting the disparity. While prime offices are anticipated to deliver a small uplift in rental values over the year ahead (net balance +21%), rents are seen falling relatively sharply across secondary office space (net balance -47%). For the retail sector, a net balance of -13% of respondents expect prime rents to fall, with the outlook altogether more downbeat across secondary retail (net balance -51%).

When viewed at a broad regional level, rental growth expectations for the coming twelve months broadly match those recorded across the UK in aggregate. For London however, there is a slight distinction in that prime office and prime retail rental projections are modestly stronger than the national average.

Investment market

Investor demand trends were again subdued at the headline level during Q3. Indeed, the all-property investment enquiries series posted a net balance of -21%, representing the fifth consecutive quarter in which this indicator has been in negative territory. Looking at the sector level data, while the Q3 net balance of zero for industrials points to a generally flat picture for investment enquiries (marginally improved on -2% seen last quarter), the latest readings remain altogether more downbeat for offices and retail at -33% and -35% respectively. What's more, the overseas investment demand numbers point to a continued decline in interest from international buyers across all sectors.

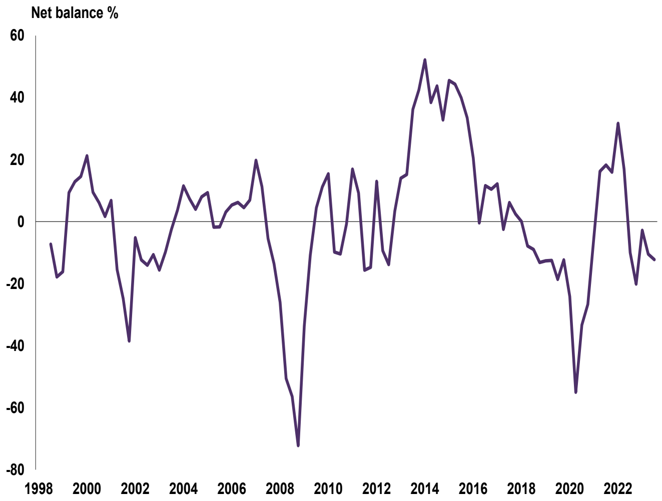
In keeping with the weak demand backdrop, twelve-month capital value projections remain negative, to a greater or lesser degree, across most traditional market segments. Secondary office and retail values are seen suffering the sharpest declines (in net balance terms), although the outlook is also negative for values across their prime counterparts (albeit more modestly so). Prime industrial values are anticipated to see a slight increase over the year ahead however, with the latest net balance rising to +26% from +10% previously. That said, the outlook is flat to marginally negative for secondary industrial values.

Away from the more traditional market segments, sectors such as data centres, aged care facilities, student housing and life sciences are all expected to post positive capital value growth in the year to come. What's more, twelve-month projections were upgraded in each instance compared to the Q2 results. By way of contrast, capital values across the leisure sector are anticipated to come under downward pressure over the year ahead.

Despite the relatively more resilient outlook in some pockets of the market, the overall view on conditions remains downbeat. 58% of respondents still perceive the market to be in a downturn phase of the cycle, although this is slightly lower than the share of 68% who were this opinion beforehand. Significantly though, there was an increase (from 15% to 24%) in the proportion of contributors sensing the market may have reached its floor.

Commercial property all-sector average

Occupier demand



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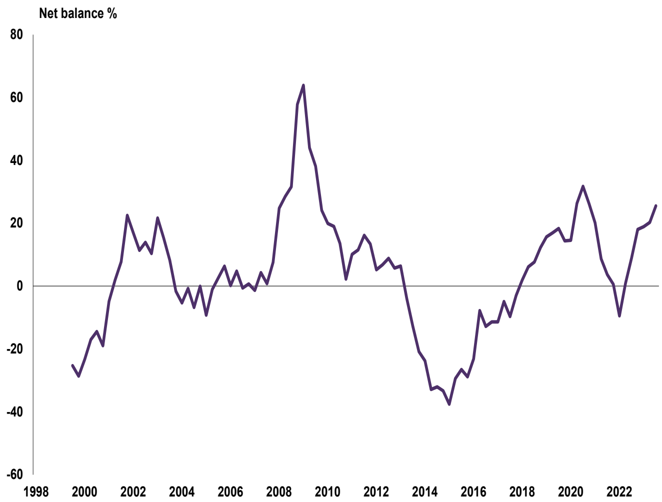
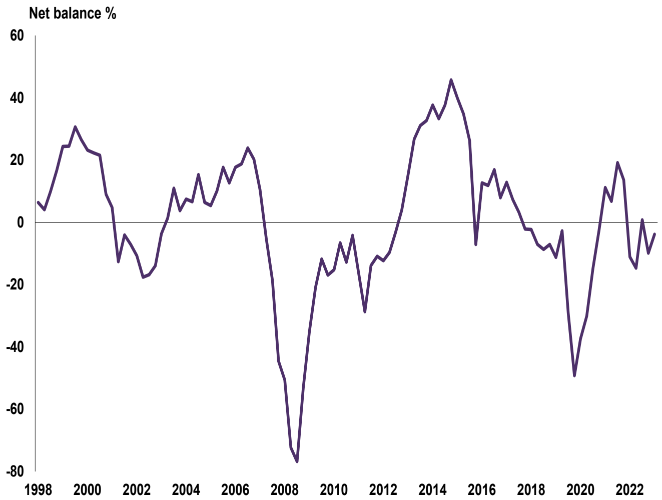
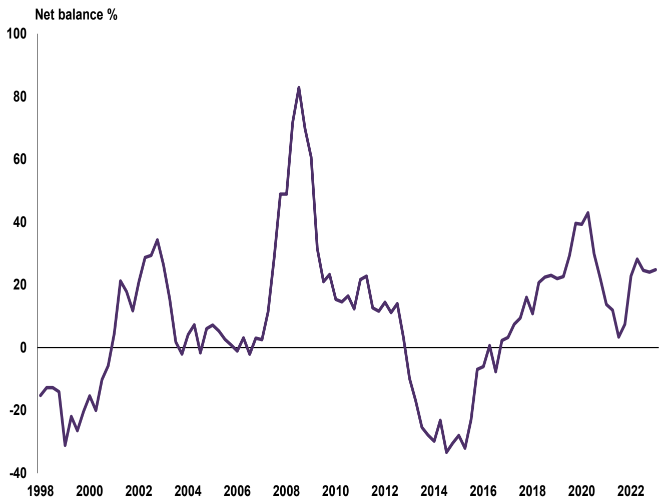


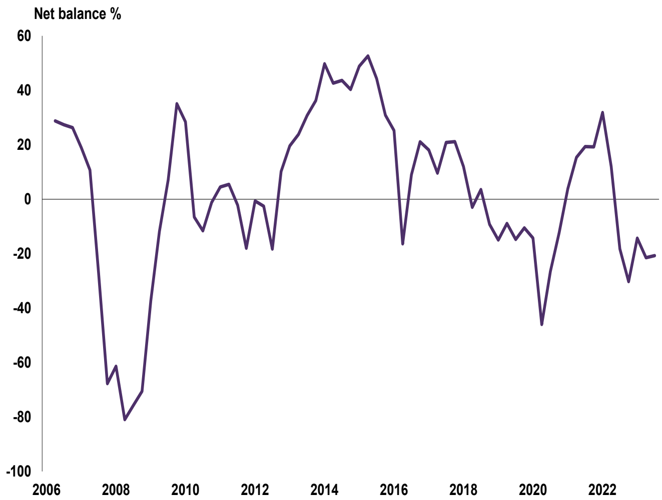
Rent expectations



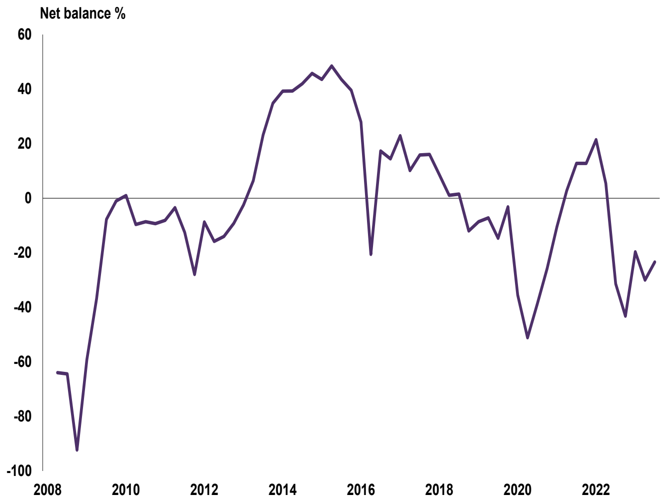
Inducements



Investment enquiries

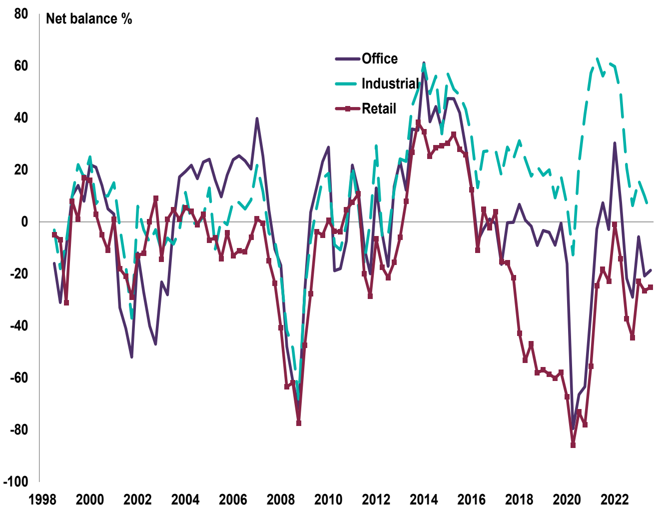


Capital value expectations



Commercial property - sector breakdown

Occupier demand



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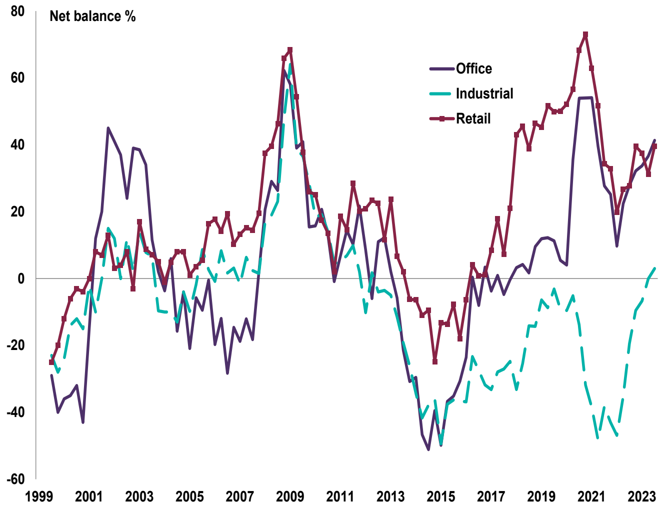
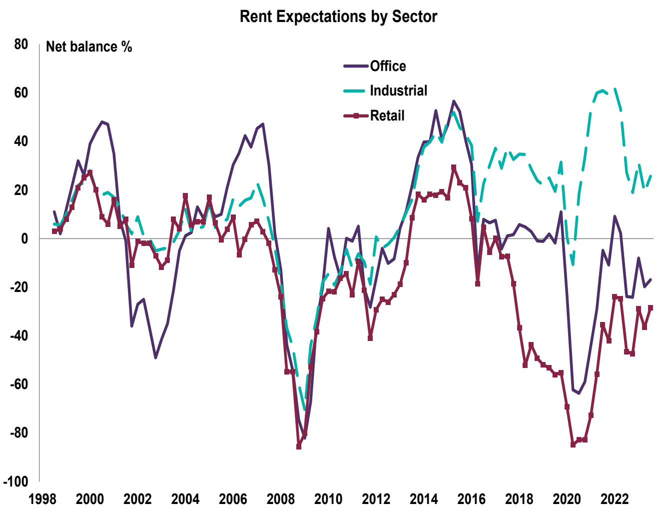


Rent expectations



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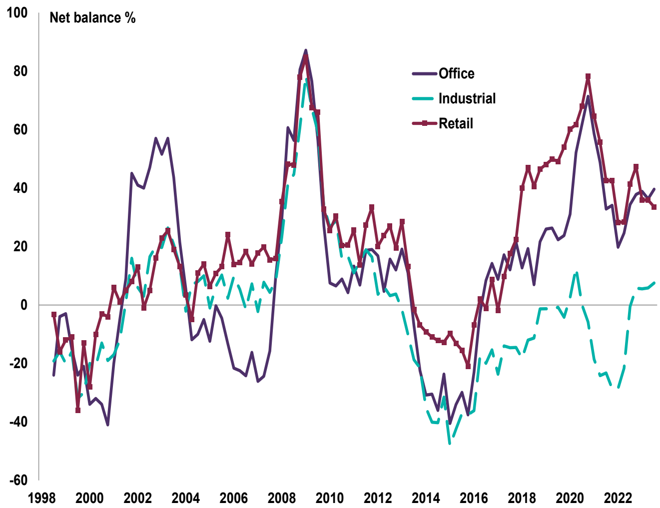
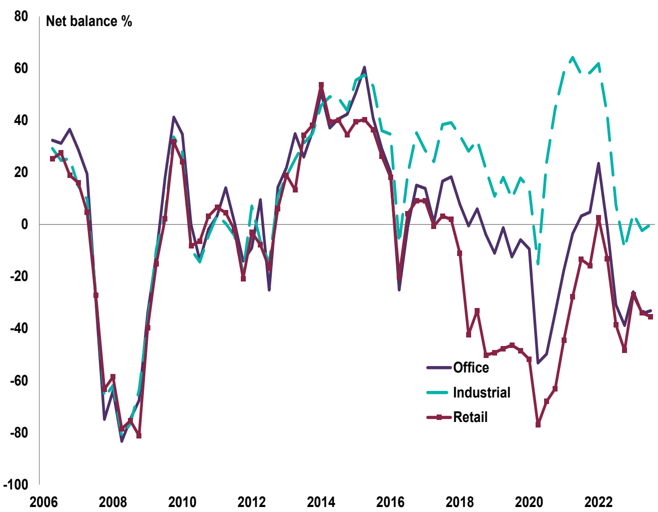
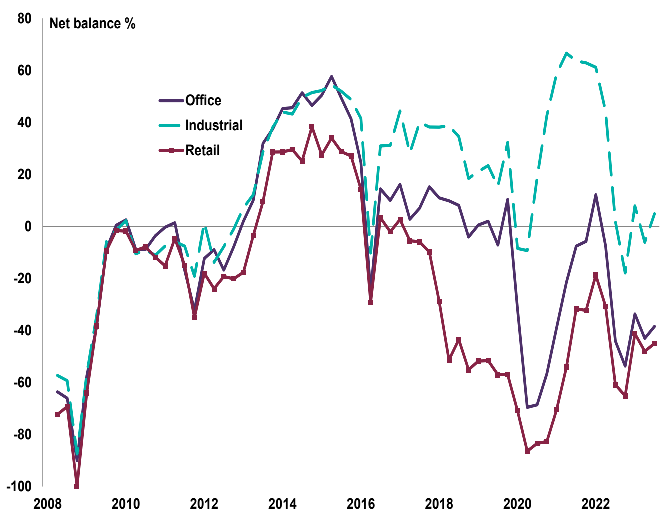


Investment enquiries

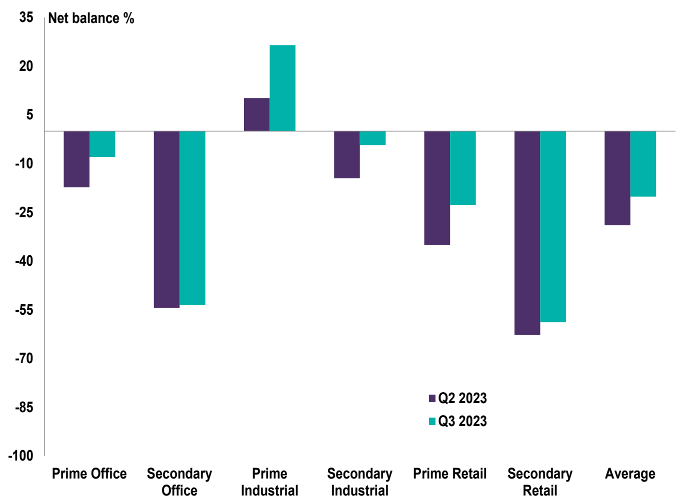


Capital value expectations



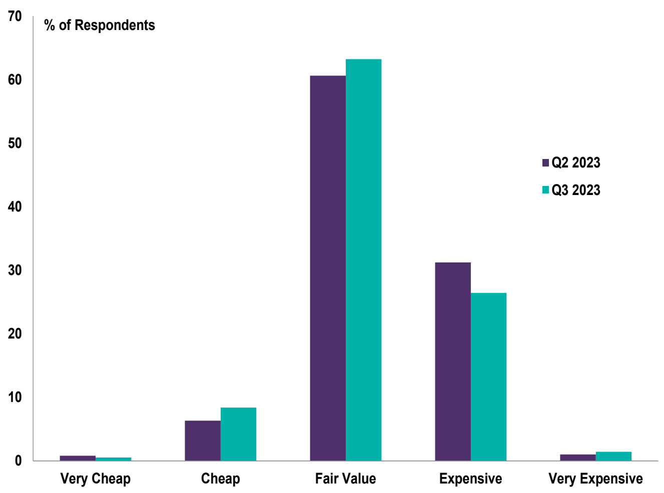
Commercial property - additional charts

12-month capital value expectations

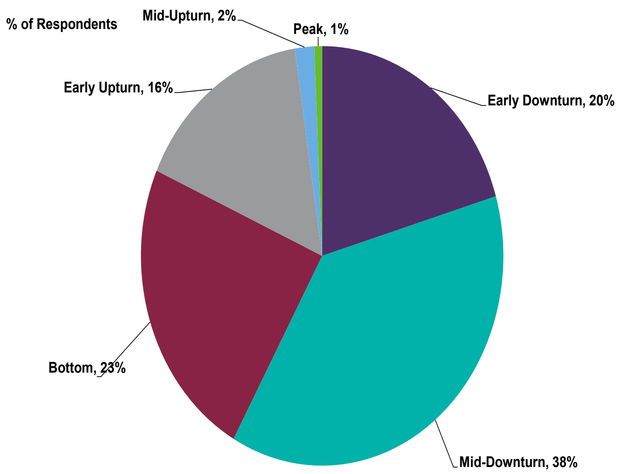


12-month rent expectations

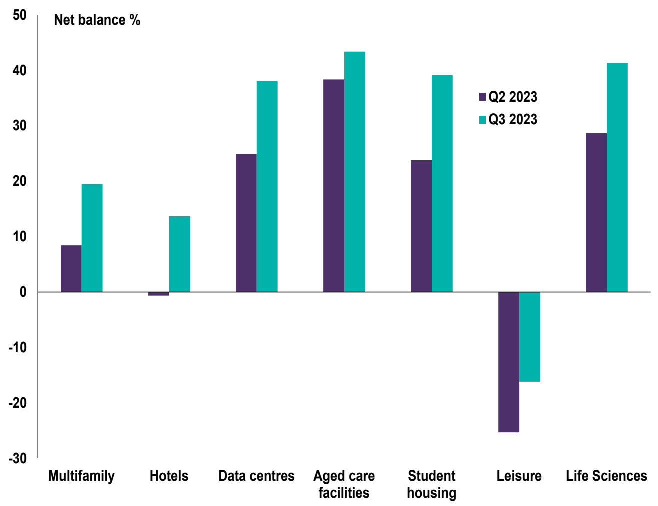
Market valuations



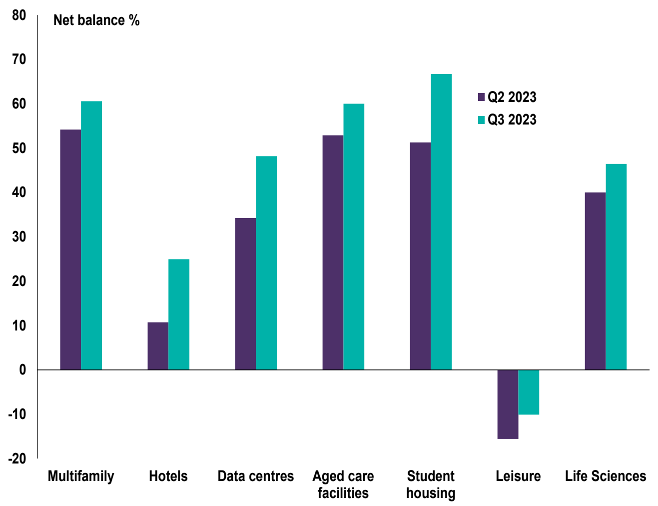
Property cycle



12-month capital value expecations alternatives



12-month Rental expecations alternatives



Chartered surveyor comments

East Midlands

Andrew Nichols, Derby, Gadsby Nichols, andrewnichols@gadsbynichols.co.uk - Small to mid size office market struggling, industrial market starting to cool but lack of stock. Expect the market to be more challenging during Q4.

Brendan Bruder, Northampton, Abbeyross Chartered Surveyors, brendan.bruder@gmail.com - Political clarity and public/private partnership working have rarely been so critical and, sadly, lacking.

David Morrison Hayton, Northampton, Eddisons, david.hayton@eddisons.com - There are many factors now affecting investor and business operator confidence. These are probably going to intensify up to and perhaps beyond the election in 2024.

John Chappell, Skegness, Chappell & Co Surveyors Ltd, john@chappellandcosurveyors.co.uk - General economic conditions for business in the UK are not great and we also face increasing uncertainty in the political sphere in the UK for the next 15 months. We expect worsening returns from commercial property for the next 2 years.

Matthew Bridges, Derby, Nivek Surveying Services Ltd, matthew.bridges@niveksurveyors.com - Residential market - Values are still holding but look like they may be on the downturn. House values up to £300,000 holding OK but prices above this are moving slower.

Richard Sutton, Nottingham, Ng Chartered Surveyors, richards@ng-cs.com - Thank goodness summer's over, let's get back to business.

Eastern

Barry Taylor, Norwich, BDBC, barry-1954@live.co.uk - A most difficult economic scenario. Let's hope the government can introduce some prospects for growth in the New Year.

J Darrell, Norwich, Dudley Bros, dudleybro@aol.com - Miserable!

Jeffrey Fuller, East Anglia, Oa Chapman & Son Ltd, jeffdfuller@hotmail.com - Increased uncertainty amid rising interest rates and confused government proposals, not least failure to reform Business Rates and drive for increased energy efficiency (with the latter beginning to hit the residential investment and secondary commercial markets in particular).

Mark Kohler, Bury St Edmunds, Merrifields, mark@merrifields.co.uk - The office market continues to be slow. Supply of new/modern stock across most sectors in the eastern region is down. Investor enquiries/requirements appear to have low confidence in the market. EPCs and sustainability credentials are becoming prevalent in investor due diligence.

Nigel Morgan, North Walsham, Managed Property Supply Ltd, nigeldmorgan13@gmail.com - A weaker market all round than the media have so far recognised.

Samuel Kingston, Norwich, Roche Chartered Surveyors, sam.kingston@rochesurveyors.co.uk - The industrial market remains positive due to lack of supply and freehold sales to owner occupiers don't appear to be hit by increased borrowing costs. The office market has shown more activity in the last half year than for sometime, but there is a lack of quality options for occupiers.

London

Adam Perrin, London, Kinleigh Folkard & Hayward, aperrin@kfh.co.uk - Tough times at present but still opportunities with those with cash.

Anthony Lawson, London, Xlb Property Ltd, Tony@xlbproperty.com - Macro economic backdrop weighing heavily on UK real estate.

Antony Milton, London, Gdre, TonyMiltonPlease@gmail.com - Uncertain outlook due to macro economic situation.

B K Bhalla Bsc (Hons) Est Mgt, Mrics, Hi, Cea, Heathrow, Acrewoods, enquiries@acrewoods.com - Acrewoods have operated within the Heathrow and West London market for over 20 years. We have seen increased demand for retail, office and industrial property. Increased demand for retail space has come from small businesses and fresh food retailers seeking space within town centres where there has been a growth in new homes. Demand for offices has started to improve within town centres, but a lack of supply has led to higher rents. Demand for industrial continues to grow around Heathrow.

Barry O'Donnell, London, Cbd Urban, barry@cbd-urban.com - Trickiest market I can remember as there's threats on so many fronts.

Charles Holland, London, Maze Real Estate, charles@mazerealestate.co.uk - Living sector development market conditions remain extremely challenging, as a result of confluence of factors including liquidity constraints, fire / health and safety regulation, economic outlook, land supply and planning challenges.

Charles Palmer, London, Charles Palmer Property, cp@charlespalmerproperty.com - Very difficult and slow.

Chris Leeks, London, Entain, chris.leeks@entaingroup.com - No general pattern- I work in secondary retail and some rents are increasing a lot, but others are static or declining.

Cwgillingwater, London, Cwgadvisoryltd, Clive.gillingwater@gcw.co.uk - Some signs of improvement particularly in the London suburbs.

David Shapiro, London, Ashurst Real Estate, London Uk, ds@ashurstre.london - Challenging but improving.

Gbolahan Abayomi Solaymon, Chelmsford, City Of London Corporation, gbolahan.solaymon284@gmail.com - Mid-Downturn, many tenants have signed-up to repayment plan on outstanding rent arrears of COVID-19 period, and as such, they are struggling to keep-up with financial commitments.

John Stacey, London, Bcc, js@askasset.co.uk - Still a bid/ask spread between vendors and buyers. Anticipating some distress as a result of refinancing. Occupational markets (office) are seeing a flight to quality. Development pipeline will slow, thus presenting potential opportunities although construction costs are still high. Cost and availability of development financing is challenging. Important to focus on key real estate fundamentals.

Jon, London, London International Investment Office, jb@londoninternationalinvestmentoffice.com - Debt is very hard to secure. If not refinancing, there is little pressure but if refinancing in the next 12 - 18 months it is really difficult and will affect capital values and the development pipeline.

Jon Pishiri, London, Jon Christopher Ltd, jon@jonchristopher.com - From my own observation, the increased cost of borrowing and limited liquidity have had an obviously adverse effect on market conditions.

Justine Morris, London, Blb, jmorris@blb.uk.com - Uncertainty and caution.

Kamil Chowdhury, London, Petrichor Property Consulting Limited, kamil@petrichorproperty.co.uk - Stagnant market conditions in terms of capital market activity. Pricing is too high at the moment, with pricing adjusting almost every month due to increased funding costs.

Laurence Barton, London And Home Counties, Aitchison Raffety, laurence.barton@argroup.co.uk - After the understandable activity in all markets post pandemic combined with low interest rates and continued landlord and government assistance for tenants in 2021/2022, there is now stability in the market, but the upward trend in bank base rates and uncertainty in political and economic quarters is now taking effect.

Mac Lal, London, Macneel, Maclal66@gmail.con - Wait and see approach.

Marcus Perkins, London, Mp2 Re Llp, mp@mp2re.com - Difficult.

Michael Zucker, London, Jeremy Leaf & Co., michael@jeremyleaf.co.uk - Low confidence.

Nick Pemberton, London, Allsop Llp, nick.pemberton@allsop.co.uk - In the London West End market we have seen a significant slowdown in investment volumes. Q1-Q3 2023 currently stand at £1.6Bn versus a 5 year Q1-3 average of £4Bn. In particular there has been an absence of larger transactions with only two office deals over £100m lot size this year. At the same time, values remain strong for sub £100m, prime assets, in 100% prime locations, which are benefiting from strong rental growth on grade A floors.

Nigel Harrison, London, Harrison Leggett, nh@harrisonleggett.co.uk - New Grade A West End and City buildings continue to command record rents as the chase to quality continues. Secondary offices remain available against increasing uncertainty as to the timetable for the Government's forthcoming MEES requirements.

Paul Cable, London, Darlington Asset Management Ltd, paul@darlingtonassetmanagement.com - Inflation and interest rates are probably the most significant factors at present.

Paul Yeadon, London, Hoddell Stotesbury Morgan, cpy@hsmuk.com - Economic and political instability leads to uncertainty and their is a clear disconnect between valuations and what a debt based purchaser with limited equity available can afford to pay for an investment. Said debt based purchasers who have been overactive during the low interest rate environment will be fighting hard to maintain valuations to avoid being in breach of LTV, whilst at the same time seeking to take advantage of re-priced opportunities.

Peter James Balfour, London, La Francaise Group Uk Limited, pbalfour@la-francaise.com - Prime, ESG compliant buildings are in short supply and there is good occupational demand. Investment demand is also good in principle for this type of stock, but the high cost of debt and availability of finance at 50%+ LTV is putting pressure on prime yields for London offices.

Phil Richards, London, Brecker Grossmith, phil@breckergrossmith.co.uk - The office and retail markets continue to be characterised by a flight to quality, in other words high quality stock that is well located and offers the highest level of amenities for tenants will continue to appeal to those tenants seeking to move. In the office sector, the level of demand has dropped off, but those occupiers who continue to look at options are serious tenants keen to secure a deal.

Professor Graham F Chase, London, Chase Sinclair Clark Llp, gfc@chasesinclairclark.co.uk - Easing inflation is not overcoming some of the imbalances and changing society attitudes that have been experienced over the past 5 years.

Ralph George Pearson, London, Cluttons, ralph.pearson@cluttons.com - Clear 2 tier market. Rents are rising with high pre letting rates across Central London for best in class (flight to quality) but flat or falling for all other grades (but less so in the West End). Up to 7/8,000 sf 'Cat A +' becoming increasingly the standard.

Richard Goldstein, London, Michael Elliott, richardgoldstein@michaelelliott.co.uk - Outside of the prime west end / St James' market, demand remains thin. Overseas cash buyers remain the most active, predominantly focused on securing best in class wealth preservation assets.

Russell Francis, London, Colliers International, Russell.francis@btinternet.com - If interest rates stop rising we are probably in for a period of stability although domestic finances will generally be under pressure impacting retail and leisure property.

Sean Dempsey, London, Boultbee Ldn Capital Limited, sean@boultbeeldn.co.uk - The cost of funding and its limited availability is likely to cause increasing cashflow and covenant compliance issues, across the market, over the next 12 months, before recovering slowly.

Tony Parrack, London, Tp Consult, tonyparrack@tpconsult.co.uk - In the Central London offices market, particularly the West End and Midtown, prime and new space is still in relatively short supply, grey / second-hand space is more complicated: changing working practices, flexi-hours and hybrid working mean that even space fitted out to a high standard pre-Pandemic will not have more recent needs for Zoom rooms and collaborative spaces. Certain sectors are back in the office (mostly, say, financial) whereas others (particularly media) are more flexible.

William Nicol-Gent, Putney / Chelsea & Richmond, Surrey, Killochan & Co, louanna@blueyonder.co.uk - Difficulties (refusal to recognise) in access & extended imposition of 20MPH zones are beginning to affect willingness/ability to compete i.e. not a comparable market to anything experienced - even during Covid. This is affecting Agency & Management/Servicing & Cost especially in the Residential Sector.

North East

Barry Nelson, Newcastle Upon Tyne, Northern Trust Company Limited, BarryNelson@northerntrust.co.uk - Enquiries for smaller offices continue to be sporadic, however, enquiries for industrial space remain buoyant. Industrial stock is seeing an increased level of business failure and an increase in tenants vacating at lease end, although pent up demand over the last couple of years is still resulting in vacant space being reoccupied quickly across the north east region.

James Steven Oddy, York, Benjamin Bentley & Partners, steveoddy@outlook.com - The market for Industrial units continues to improve, for offices the picture remains steady and for retail it is negative unless the units are in prime position. Overall markets are still cautious but showing signs of stability.

Kevan Carrick, Newcastle Upon Tyne, Jk Property Consultants Llp, kevan@jkpropertyconsultants.com - Whilst subdued, the market continues to have interest from investors and occupiers seeking quality space that provides lower occupancy costs and payback for investment in sustainability. Demand for land for development continues but decisions to complete are held by planning consent success and funding until viability is achieved.

Simon Haggie, Newcastle Upon Tyne, Knight Frank Llp, simon.haggie@knightfrank.com - Very hard to read the tea leaves at the moment. I suspect Christmas may be a watershed for another raft of businesses, particularly on the high street.

North West

Andrew Leah, Burnley, Burnley Borough Council, aleah@burnley.gov.uk - High Street conditions very difficult as online shopping rises. Discretionary spend very subdued.

Andrew Paul Charles Nichols, Manchester, Paul Nichols & Co, paul@paulnichols.com - Need to see Interest Rates stabilise before the market will move.

Graham Cooke, Manchester, Gee Cee Property Consultancy Ltd, Gj.cooke@outlook.com - The market is very uncertain due to political and economic dynamics. The uncertainty will continue and risk in investment in the sector will continue to be subject to intense scrutiny.

Martin Kery, Blackburn, Holdens Surveyors, mkerry.surveyor@gmail.com - Industrial strong, everything else declining.

Melissa Rhodes, Lancashire, Blackburn With Darwen Borough Council, melissa.rhodes@blackburn.gov.uk - Within the Blackburn with Darwen area, both the primary and secondary industrial market is thriving and with a high demand in the local area. There has recently been a positive movement in retail market especially on the high street with more vacant properties now occupied with new business opening resulting in an increase of footfall in and around the town centre.

Mike Fisher, Lancaster, Fisher Wrathall Commercial, mike@fwcommercial.co.uk - Lack of land for industrial development is holding back the local economy.

Mike Forster, Chorley, Chorley Borough Council, michael.forster@chorley.gov.uk - Industrial market still vibrant with significant growth in the office rental market and maintained interest in the retail sector.

Richard Fee, Manchester, Nikal Ltd, rjf@nikal.uk.com - The market in the North of England is struggling on all fronts. There is a general denial about how bad things are. Government intervention is now critical to deliver any meaningful redevelopment except perhaps in Manchester. The Red book doesn't work in markets like this. The market is so bad there are no deals. No deals means no evidence. The Red book is reliant on retrospective evidence. Finance is not available at appropriate ratios and is too expensive. ESG is an added burden.

Richi Peters, Liverpool, The Upco, richi@theupco.co.uk - The banks need to be held to account. If we enter recession it's on the back of them refusing to lend on perfectly viable, low risk schemes. It is my opinion that they have already shut up shop.

Northern Ireland

Arthur Connell Hugh Nugent, Newry, Young -Nugent, achn488@outlook.com - Agricultural land has been the only investment which has increased in value over the past five years and has shown resilience to any threatened recession.

Stephen Dunlop, Bangor, Northern Ireland, Urban Property Upside Ltd, stephendunlop@hotmail.com - Insecure.

Tom Drumgoole, Bangor, Neill Estate Agents. Llp, tom@neillestateagents.co.uk - The commercial market has slowed. There are still deals being done but the returns need to be good to attract investors.

Scotland

Derek Richardson, Aberdeen, Graham + Sibbald, derek.richardson@outlook.com - Aberdeen market dependant on the fortunes of the Oil & Gas sector.

Douglas Wilson, Glasgow, Kintyre Llp, douglas@kintyre.uk.com - The next 6 to 18 months will be challenging as the economy almost certainly drops into recession - the (hopeful) end of the interest rate cycle (i.e. the end of increases) should boost confidence for occupiers and investors alike. In the meantime, volumes of investment activity remain below trend although there are sub sectors that continue to attract strong interest.

Euan Cameron, Forfar - North East Scotland, Tayside Valuation Joint Board, Euan.Cameron@Tayside-vjb.gov.uk - In my area of Angus, NE Scotland, there is very little demand for offices, old or new. The retail sector appears to have perhaps bottomed out - rents which are admittedly low - don't appear to be falling anymore - many leases simply roll-over, extended on the same terms. The market for industrial properties, particularly small industrial subjects remains strong.

Giles Edgar, Edinburgh, 1910 Investments Limited, e1910.office@gmail.com - Significant distortions to market pricing due to interest rate and credit uncertainty in most sectors.

Grant Stewart, Inverness, Grant Stewart Chartered Surveyors, gs@gs-cs.co.uk - The Commercial Property sector is being profoundly negatively impacted by the actions of the Scottish Government across many areas of commerce and particularly in relation to Planning Legislation and Building Control. Scotland is becoming increasingly less attractive to investors in comparison to England, other than in the renewable sector. As a direct example there has been zero investment from the private sector in new prime office construction within Inverness since 2010.

James Mcgee, Wemyss Bay, James Mcgee, james@jamesmcgee.com - Market is broadly static in the absence of special circumstances.

Neil Macgregor, Dumfries, South Of Scotland Enterprise, neil.macgregor@sose.scot - The commercial market is generally subdued.

South East

Adrian, London / South East, Linays Commercial Limited, commercialproperty@linays.co.uk - Poor.

Alexander Cayzer, London / South East, First Property Group Plc, alexander.cayzer@fprop.com - Terrible.

Chris Thomas, Windsor, Christopher Thomas & Co Ltd, ct@chthomas.com - The headwinds of a general election are in sight, moving attention to fiscal policy whilst interest rate levels are causing uncertainty and slow economic growth, with delayed business investment. Market sectors continue to rebalance - longer term focus is resulting in a flight to quality property product also linked to climate change / environmental policies and awareness.

Clive Tatlock, Guildford, Cta Surveyors, info@ctasurveyors.com - Unstable with awaiting economic indicators on the market relevant to interest rates.

Colin Brades, Brighton & Hove, Avison Young, colin.brades@avisonyoung.com - Brighton retail: generally there is a reasonable level of requirements for prime / good secondary retail space albeit supply continues to outstrip demand, mainly due to poor state of property supply and hence need for landlords to grant realistic concessions.

David Martin, Brighton, Shw, dmartin@shw.co.uk - Demand still good in the office sector particularly for Grade A offices. Industrially demand has slightly tailed off in the summer months but still a lack of availability. Retail sector steady. Rising interest and bank funding rates starting to slow all markets. Direction of travel of interest rates likely to decide how the market goes.

George Barnes, Faversham, Shepherd Neame Ltd, gbarnes@shepherdneame.co.uk - I think leisure / hospitality markets will continue to be challenging with revenue growth not being matched by margin growth.

Iain Steele, Farnham, Park Steele, iain@parksteele.com - The commercial market remains steady. Still good demand for industrial with limited stock. Office has been subdued but stock being taken by alternative users e.g. healthcare etc. Retail still demand from independents but with cap on rents from area to area. Little activity from the multiples generally. Investors still buying but rising interest rates beginning to impact pricing.

Ian B. Sloan Frics, Banbury, Bankier Sloan, reception@centre-p.co.uk - Demand for industrial remains very good across North Oxfordshire and the North Cotswolds. Banbury town centre generates few enquiries for retail space, however, the north Cotswold towns remain in demand from those looking to offer to both overseas and UK based tourists.

Jacqui Darbyshire, Oxford, University College Oxford, jacquidarbyshire@outlook.com - Oxford probably more buoyant than many other areas.

James Groves, Brighton, Clifford Dann Llp, jgroves@clifforddann.co.uk - Gentle deterioration.

John Jeffery Hempton, Lymington, Hempton Franks, jjh@hemptonfranks.co.uk - Significant uncertainty and growing concern about the property market and general economy, together with fears on increasing interest rates.

Julian Scannell, Medway, Watson Day Chartered Surveyors, julianscannell@watsonday.com - Increased borrowing costs have had an effect on investment yields. Not any significant evidence yet of a change in yields for purchases by o/o.
Rents for warehouse/industrial properties appear to have stabilised/fallen marginally. Retail and office rents/capital values relatively unchanged, but with only limited demand.

Lok Shing Wong, Gravesend, Harrisons Chartered Surveyors, wonglokshing@hotmail.com - We might face downward pressure if the interest rates and inflation stay high.

Mark Harris, Maidenhead, Page Hardy Harris, mark@pagehardyharris.co.uk - Uncharted territory which has paralysed decision makers in some instances. Back to the office will stimulate the economy. The elephant in the room - no one likes to commute.

Mark Minchell, Chichester, Flude Property Consultants, m.minchell@flude.com - Lack of funding available has softened the capital market - only cash purchasers effectively buying and much of those expecting values to fall further or more insolvency sales appearing offering better value and therefore sitting on hands.

Mark Rymell, Guildford, Citicentric, mark.rymell@citicentric.co.uk - As challenging to predict as any point in my 40+ year career.

Matthew Elliott, Farnham, Fbn Properties Llp, matthew@fbnprops.com - Our retailers (including jewellery, fast food, charity shops and small independent services) have a strong turnover. Our portfolio is prime town centre locations in secondary towns. Rents are low and easily affordable (two of our tenants are turning over c £1m and paying rents of c. £35k pa). Retailers are using the current economic climate to pressurise landlords into offering incentives/lower rents but when resisted are reasonably content to pay to retain their units.

Michael Rowlands, Haslemere, Lambert Smith Hampton, mrowlands828@gmail.com - Very challenging markets at the moment.

Nick Hanson, Farnham, Vospers Friend & Falcke (Incorporating Emberson & Co), nick.hanson@vospers.net - Activity is occurring where assets are sensibly priced. Overhang of highly priced assets apparent, largely due to legacy of past market conditions.

Peter Bridgman, Aylesbury, Brown & Lee Aylesbury, peter.bridgman@brownandlee.com - Uncertainty prevails.

Richard Stafford, Ashford, Stafford Perkins-Chartered Surveyors, richard@staffordperkins.co.uk - The market has been surprisingly resilient.

Shane Prater, Newbury, Quinton'S, Shane@quintons.Co.uk - Supply and demand stable. Rents and yields stable but signs of downturn just in confidence at the moment.

Simon Browne, Brighton, Crickmay, scb@crickmay.co.uk - As a valuer I consider owner occupier demand for the right type of property to be resilient. Same comment for better investments. Otherwise, values are falling. Vendor/ agent expectations as to value are still far too high.

Simon Lawson, Brighton, Bruton Knowles, lawson6102@gmail.com - I think we have bottomed out and tight supply for industrial and city offices mean these sectors have a good chance of improving in both value and rental terms in the next 12 months (if the Government economic model is successful which is the big question).

Stephen Masters, Greater London / South East, Chase Realty, steve.masters@chaserealty.co.uk - Markets remain challenging with isolated glimmers of improvement mainly in leisure & hospitality.

Stephen Ray, Redhill And Reigate In Surrey, Shw, sray@shw.co.uk - Signs of an early downturn with further interest rate rises looming.

Victor Forson, Tunbridge Wells, Tunbridge Wells Borough Council, Victor.forson@tunbridgewells.gov.uk - Mid downturn.

Will Staniland, London / South East, Rumsey And Partners, will@rumseyandpartners.co.uk - Market is in the U bend of the downturn; not at the bottom but pricing beginning to reflect reality and expectation of continuation of this stagnant market, domestic debt rising and limited expectation of reduction of interest rates over the next 12 months leaves the marketplace open to "bottom pickers" , cash rich family offices , propcos/opcos and owner occupiers picking up the deals.

South West

Alastair Jestyn Coke, Blandford,Dt11 7Du, A Jestyn Coke, ajc@ajcoke.co.uk - Great difficulty in letting secondary and prime shops and offices. Industrial units more hopeful.

Andrew Dixon, Bristol, Bristol Airport, andrew.dixon@bristolairport.com - In my own area of business, namely, Airports, the recovery after COVID and the economic turmoil is good. People want to fly and passenger numbers are back to pre-pandemic levels. However, in general the South West has suffered and continues to suffer from the economic downturn and high interest rates. High streets have been decimated.

Andrew Kilpatrick, Swindon, Kilpatrick & Co, ajkilpatrick2001@yahoo.co.uk - Swindon's commercial market was relatively quiet over the summer months, but enquiries across all sectors have picked up as Autumn arrives. Conditions remain challenging, despite a slight drop in inflation and hold on more interest rate rises.

Charlie Lickiss, Bournemouth, Anglotown 1937 Ltd, charlie@anglotown.co.uk - Both tenants and investors are cautious, concerns about increasing interest rates and general uncertainty in the UK's economy are of paramount importance. As usual, industrial rents performing well, particularly units below 2500sqft.

Chris Wilson, Poole, Goadsby, chris.wilson@goadsby.com - After a quiet summer, enquiry levels have improved with confidence levels having slightly improved following the decision not to raise interest rates.

Damian Cook, Exeter, Stratton Creber Commercial, damian@sccexeter.co.uk - Market has hardened with general caution from both occupiers and buyers. Demand remains healthy for realistically priced stock.

Daniel Smethurst, Swindon, Smethurst Property Consultants Limited, daniel@smethprop.co.uk - General activity levels are up. The office sector is still emerging with many occupiers still reviewing spacial requirements - indications are that whilst companies are downsizing its not to the extent that we saw immediately after the pandemic.

Hugh Wilkinson, Cheltenham, Hugh D. Wilkinson, hugh.wilkinson@btinternet.com - Trading conditions are tough and difficult.

Huw Thomas, Chippenham, Huw Thomas Commercial., huw@huwthomascommercial.com - After being the most robust sector during and immediately post Covid pandemic, the industrial sector is starting to see a slow down in demand and greater availability of space. Offices are having a slight resurgence with improved demand. Retail is mixed bag! Larger units are attracting interest from larger discount retailers - good demand for small secondary units at less than £12,000 pa. The mid range units though are really struggling though with very little demand.

Ifan Rhys-Jones, Plymouth, Listers, irj@listers.uk.com - Our market is less dynamic than larger, higher density cities and as a result shifts in values/rents takes longer than one quarter to emerge in transactions.

Luke Sparkes, Cirencester, Marriotts Property Llp, luke.sparkes@marriotts.co.uk - The office letting market remains very tough and demand for commercial premises to let across my portfolio remains limited. Increasing efforts must be made in order to get 'deals over the line'. Interesting times ahead.

Natasha Collins, Bath, Nc Real Estate, natasha@ncrealestate.co.uk - I'm finding that commercial property in the sub £500,000 market is still selling at strong yields with a lot of interest. However, the higher value property of £1million+ the yields are moving out and so we're able to secure good purchases for our clients as there is less demand at this level. In terms of occupiers, we are able to get tenants, we are finding success with serviced offices of around 300sq ft.

Oliver Workman, Cheltenham, Thp Chartered Surveyors, oliver@thponline.co.uk - Market activity during the summer months of 2023 has been subdued. However, when there has been activity, rents remain consistent and increased incentives seem to be limited to secondary offices and large prime retail.

Scott Rossiter, Exeter, Rossiter Property Ltd, scott@rossiterproperty.com - Deteriorating market. Investor confidence hit as interest rate uncertainty increases.

Tim Wright, Dorchester, Greenslade Taylor Hunt, tim.wright@gth.net - The commercial property market remains fairly quiet although enquiries are starting to increase so maybe we will see increasing transactions in the near future. As usual the industrial market is the strongest and we are faced with a lack of stock.

Wales

Chris Sutton, Cardiff, Sutton Consulting Ltd, chris.sutton@suttonconsulting.co.uk - Industrial remains the strongest sector of the commercial property market with offices and retail still adapting to changing demand. St Modwen continue their industrial speculative development programme with the completion of Phase 3, St Modwen Park, Newport comprising over 274,000 sq. ft of Grade A floorspace with quoting rents of £8+ per sq. ft. With PV installed and a target BREEAM Excellent rating the specification of these units have raised the bar for new floorspace in South Wales.

Richard Baddeley, Glan Conwy. Colwyn Bay, Richard Baddeley & Company, richardbaddeleyco@gmail.com - We anticipate more growth for warehousing on Anglesey as a result of increased trade with Ireland following the Freeport designation at Holyhead.

West Midlands

Andrew Jones, Birmingham, University Of Birmingham, ajemailpost@gmail.com - The long depression from 2008 continues with those parts of the market that had improved now seeming over priced. However, inflation should prevent a large fall in nominal values.

Andy Venables, Birmingham, Avison Young, andrew.venables@avisonyoung.com - There is an ongoing 'flight to quality' with a focus on super-prime accommodation, with more muted demand for secondary accommodation. Build cost inflation has impacted significantly on the viability of delivering new accommodation in anything other than the most prime locations.

Charles Warrack, Birmingham, Fisher German, charles.warrack@fishergerman.co.uk - Office take up in the West Midlands has inevitably changed post COVID-19 with the effects of flexi working / homeworking. There is a clear sign of a 'flight to quality' with occupiers paying for better space as they seek to encourage more staff to come back to the office on a more regular basis and office demand is steadily increasing.

Chris Keye, Birmingham, Darby Keye Property, chris.keye@darbykeye.co.uk - Occupier demand for industrial and logistics products seems to be fairing well but the volume of enquiries for space appears to be less when compared with early to mid 2022 and the two years prior.

James Brookes, Leamington Spa, Badger Brook Estates Limited, badgerbrookestates@outlook.com - Worrying times ahead.

Michael Jones Frics, Malvern, Michael D Jones Frics, info@michaeldjones-charteredsurveyors.co.uk - Industrial/warehouse/storage units capital values in particular remain robust. Office and, in particular, secondary retail units in the doldrums.

Neil G Harris, Birmingham, Lane Cove, neil@lanecoveproperties.com - Market confidence has been helped by BoE holding interest rates, borrowing rates for mid / longer term are lowering too, this helps property investment decisions. Build costs need to fall though, still too high.

Philip Briggs, Leamington Spa, Auriga Estates Limited, pbriggs@auriga-associates.com - Lending availability and criteria changes will be critical to market activity.

Yorkshire & the Humber

Barry G Crux Frics Aciarb, York, Barry Crux And Company, barry@barrycrux.co.uk - Last quarter noticeable decline in enquiries/activity across the commercial sector. Confidence dented for numerous reasons. Severe shortage of transactions indicating declining business levels. Small city and town centre shops holding up with fair demand. Signs of some larger retailers looking for new units. Shortage of stock (historic) of small light industrial units, cannot satisfy demand. Interest rate should help sentiment. Last quarter likely to be dull unless clouds of doubt lift.

David Broschomb, Wakefield, Dabro & Associates, dabroandco@gmail.com - Caution should be the watchword.

Edgar Seligman, York, The Commercial Partnership, edgar@thecommercialpartnership.com - There is currently a wide gap between the value that a seller expects to achieve and the amount that buyers are willing to pay for assets. This is particularly true in smaller, non institutional industrial assets. There have been so few transactions recently that evidence is hard to find to prove that values are down and so sellers expect to be able to achieve 2022 pricing, which in light of interest rates, buyers are not willing to pay.

Ian Richard Hodges, Hull, Ian Hodges& Co (Hull) Limited, ian@ianhodges.com - Occupier markets are slowing but there is still demand for prime industrial and office property as occupiers continue to move to higher quality, more productive, lower energy space. The demise of retail continues as insolvencies in the sector increase. Interest rate increases together with risks associated with occupiers have cooled the investment market.

Leslie John Briggs, Skipton, Property Complete, john@propertycomplete.co.uk - Uncertainty affecting market and operators require this to make the correct decisions.

Liz Askam, Leeds, Canal & River Trust, Elizabeth.Askam@canalrivertrust.org.uk - Industrial investment pricing appears to have stabilised. I believe rental growth will continue, although at a lesser and slower rate than we have seen in the past couple of years. The emergence of a two tier office sector, for both occupiers and investors, is certainly coming to the fore as landlords grapple with upgrading their buildings to meet MEES requirements and occupier expectations, and tenants seek to downsize, with a strong emphasis on 'flight to quality'.

Michael Hughes, York, Mjd Hughes Ltd, info@mjdhughes.com - The market is in somewhat of a state of flux with all the factors affecting decision making providing no certainty. These conditions would seem to be set to continue for the next quarter or even until the spring of 2024. The increasing uncertainty from the UK government and others throughout the world when looking at economic factors is leading to investors and business in general keeping their powder dry to see how others react before moving in the market.

Mr Richard J Heslop, Leeds, Property Consultants, richard@de-commercial.co.uk - Investors and developers are clearly sitting on their hands now waiting for interest rates to peak and some economic certainty to return.

Peter Thomson, Kingston Upon Hull, Nt3 Commercial Agency, peter@nt3.co.uk - Good demand for small secondary and tertiary retail for small business start ups with Barbers, Nail Bars, Cosmetic Procedures, Vape Shops. Smaller offices in demand indicating move back to office based working from home based. Industrial demand from existing businesses for expansion of, in this area, Portable Buildings and Timber Yards. Demand strong for land for transport and static caravan/lodges storage.

Phil Brandreth, Doncaster, The Conservation Volunteers, phil.brandreth@tcv.org.uk - Slow.

Richard Corby, Leeds, Lambert Smith Hampton, rcorby@lsh.co.uk - All sectors are now feeling the downturn in demand, with a softening of deals and delays to transactions. The supply of stock is gradually increasing, with the value gap between prime and the rest increasing in most sectors.

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 13 September 2023 with responses received until 14 October 2023. 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 608 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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