ECONOMICS

UK Commercial Property Monitor

Q3 2024

ECONOMICS

Overall demand remains relatively flat, but some aspects of the outlook appear to be improving

- Marginal increase in occupier demand reported over the quarter
- 44% of respondents feel the market has shifted towards the early stages of an upturn
- Rent free periods reported to typically offer a discount of 9% for prime office space and 13% for secondary (compared to the total lease value)

The Q3 2024 RICS UK Commercial Property Monitor results continue to portray a somewhat underwhelming market backdrop, with only marginal improvements seen across most indicators. That said, more encouragingly, the share of respondents now of the opinion that current conditions are consistent with the early stages of an upturn has been rising steadily over recent quarters. In fact, the 44% share of contributors taking this view in Q3 is the highest since 2021.

Focussing on the occupier market, a headline net balance reading of +5% was posted for the all-property tenant demand metric over the latest survey period (which compares with a figure of +4% previously). As such, this is pointing to a flat/marginally positive trend in occupier demand at the all-sector level. When broken down, industrials continue to see the strongest momentum across the traditional sectors, albeit the latest net balance of +14% is significantly more modest than the +28% average reading seen over the past decade. For offices, the latest occupier demand net balance came in at +4% (+7% previously), suggesting that the recent trend has been rather stagnant. With respect to retail, the latest net balance of -4% is once again indicative of a relatively subdued picture, although the Q3 reading is the least negative return since the start of 2022.

Looking at availability, both the office and retail sectors continue to see a rise in the amount of vacant space according to respective net balances of +26% and +22% of respondents. On the back of this, landlords opted to raise the value of incentive packages on offer across these sectors, although the pace of the increase (in net balance terms) has been scaled back for retail in recent quarters. Examining the office sector more closely, in an extra question included this quarter, survey participants reported that (on average) rent free periods typically offer a 9% discount compared to the total lease value for prime office space. Across the secondary office market, the average discount was notably higher, at around 13%. For wider context, the estimate for the UK discount is slightly greater than the 10% average reported at the global level.

For the twelve months ahead, rental growth projections remain mixed across different market segments. At the stronger end of the scale, a net balance of +48% of contributors foresee prime industrial rents moving higher, with the figure standing at +18% for secondary. In each instance, these readings are slightly less elevated than in previous reports. Alongside this, prime office rents are seen rising by a net balance of +33% of respondents, which, although still comfortably positive, is a little softer than the reading of +45% last quarter. By way of contrast, the outlook remains firmly negative for secondary office rents, at a net balance of -39% (down from -32% in Q2). For prime retail space, rental growth expectations are marginally positive, returning a net balance of +7%. For secondary retail however, the latest net balance of -32% continues to signal further declines over the year ahead.

Turning to the feedback across the investment market, the headline investment enquiries measure registered a net balance reading of zero in Q3. Although slightly improved on a figure of -4% in the previous iteration of the survey, the latest result is still pointing to a flat picture. At the sector level, the investment enquiries reading came in at +14% for industrials, -7% for office and -10% for retail.

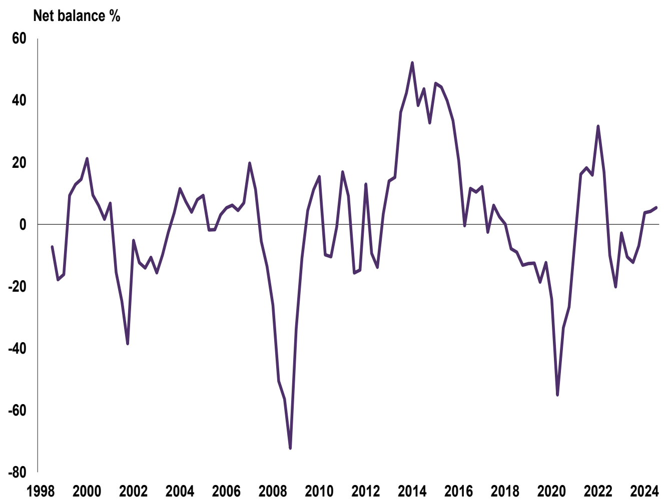
Captured through another extra question included in the Q3 survey, a net balance of +29% of respondents report that there has been an increase in the level of distressed sales over the past twelve months. Looking ahead, distressed sales are expected to rise by a net balance of +42% of contributors. Drilling deeper into the results, retail (64%), office (48%) and leisure (38%) were the most widely cited sectors thought to be susceptible to an increase in forced sellers over the year to come.

Moving onto capital value expectations, twelve-month projections are firmly positive regarding prime industrial assets (+49%), prime offices (+28%), and secondary industrial (+20%). For prime retail values, expectations are marginally positive, at a net balance of +9%. Conversely, respondents remain downbeat on the prospects for capital value growth across the secondary office and retail sectors, returning net balances of -29% and -21% respectively. This assessment for the coming twelve months is more or less mirrored across all regions, although London continues to display noticeably stronger projections for prime retail (net balance +28%) and for prime offices (net balance +43%) compared to the national averages.

Away from the mainstream sectors, data centres continue to exhibit robust capital value expectations for the year ahead (net balance +57%). Likewise, aged care facilities, multifamily residential, life sciences and student housing all display firmly positive projections for values moving forward. Meanwhile, hotels are also anticipated to see some upside in capital values over the next twelve months, albeit this is more modest in relation to the aforementioned sectors. Finally, capital values are expected to see little change across the leisure sector over the same timeframe.

Commercial property all-sector average

Occupier demand



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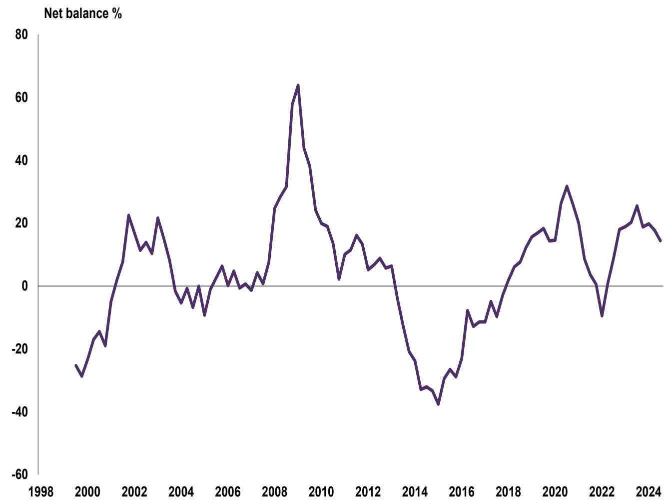
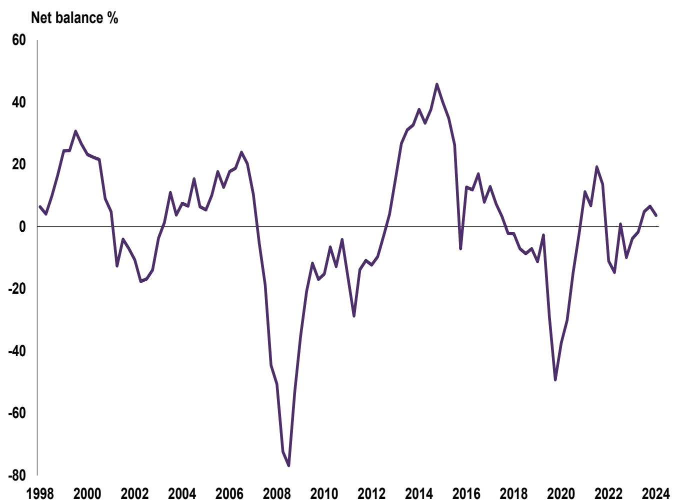
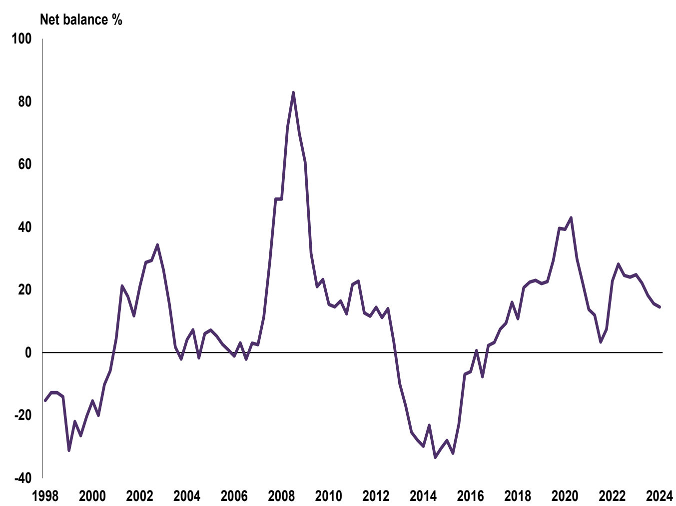


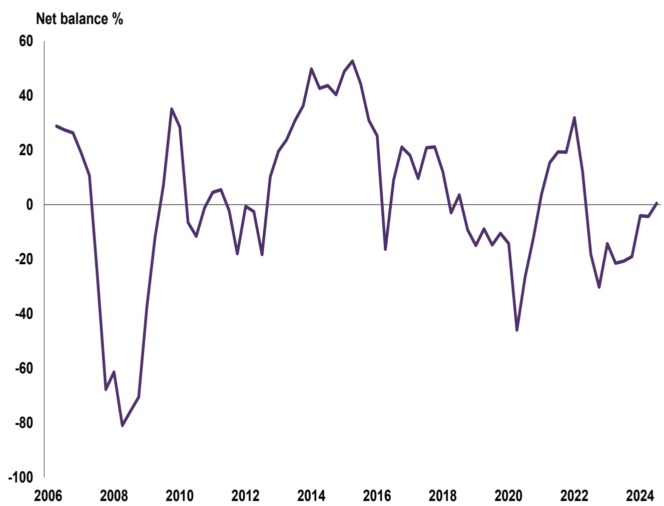
Rent expectations



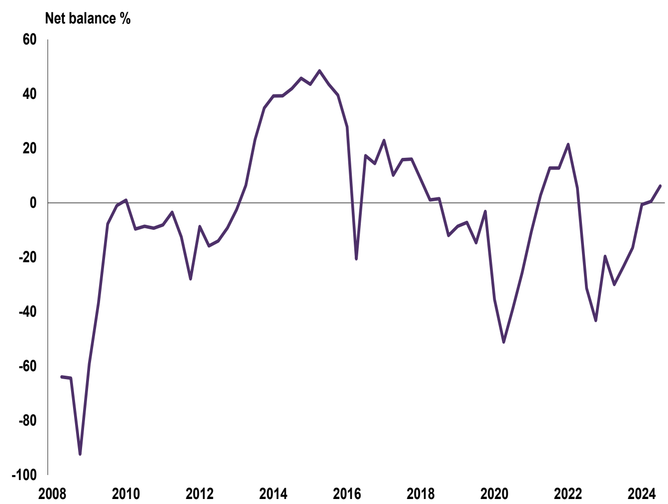
Inducements



Investment enquiries

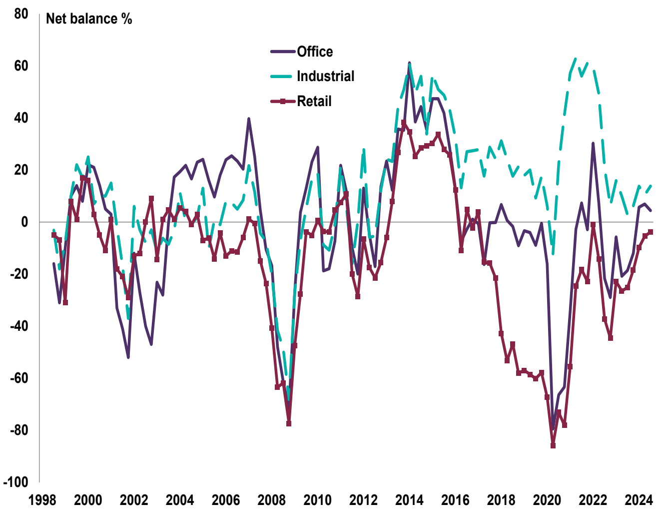


Capital value expectations



Commercial property - sector breakdown

Occupier demand



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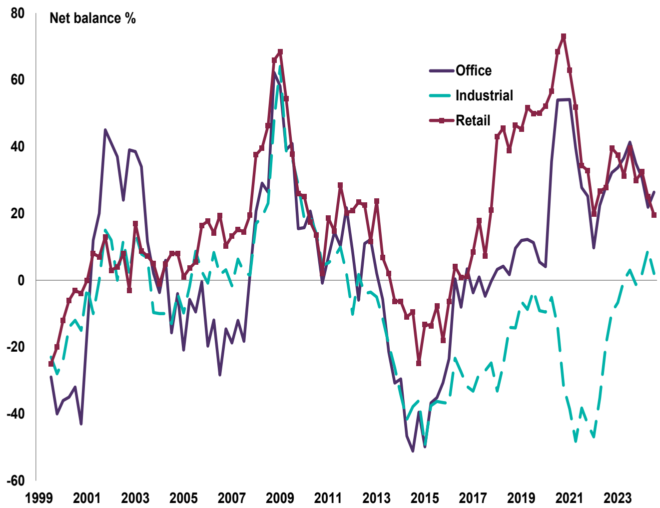
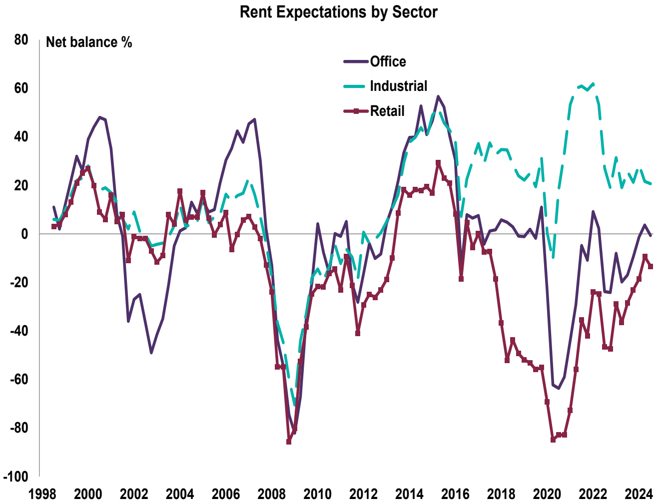


Rent expectations



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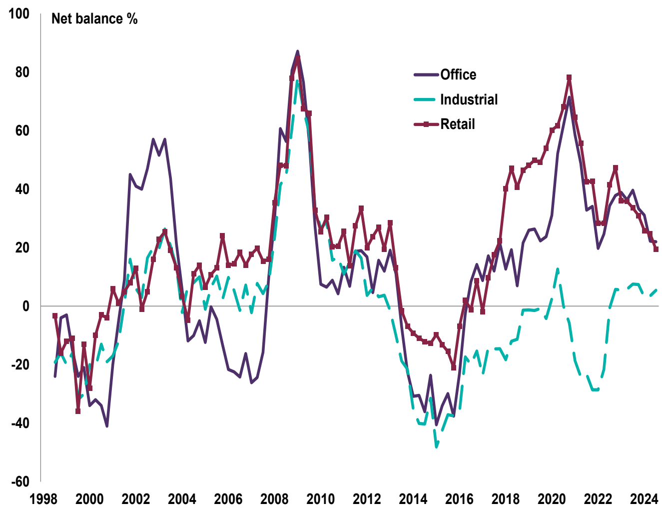
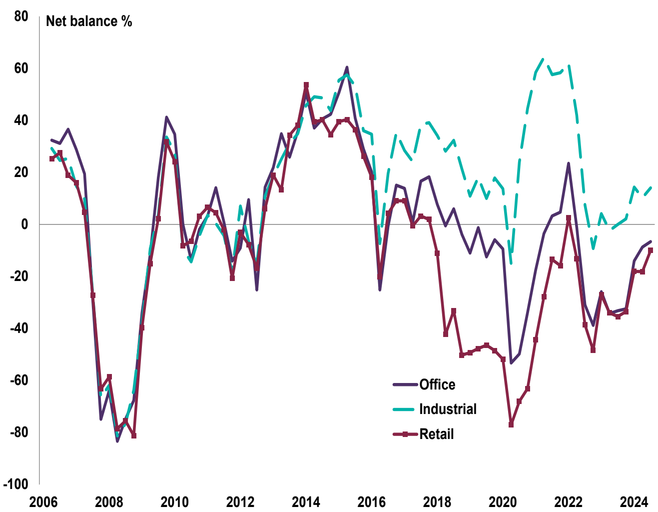
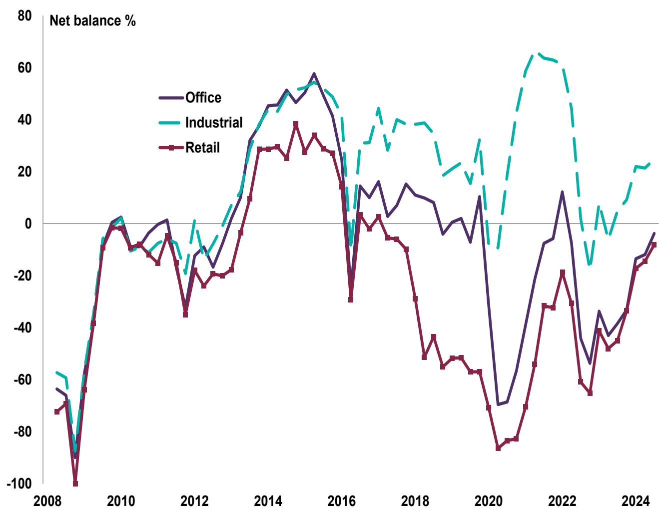


Investment enquiries



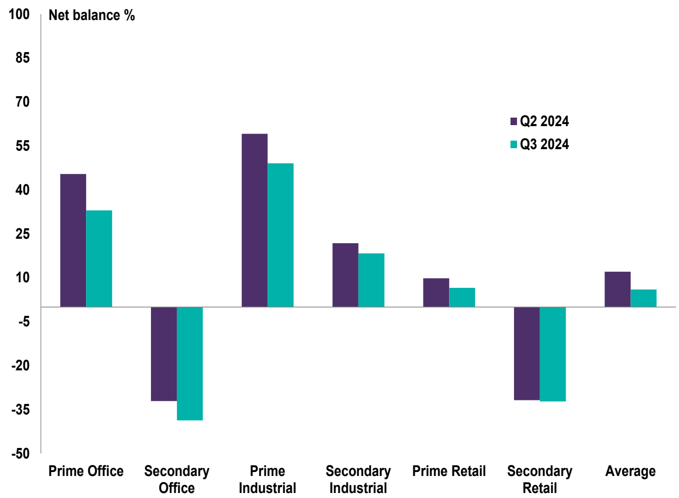
Capital value expectations



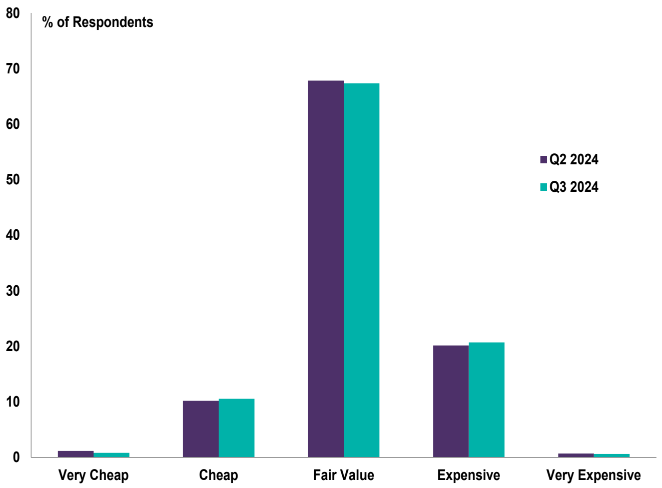
Commercial property - additional charts

12-month capital value expectations

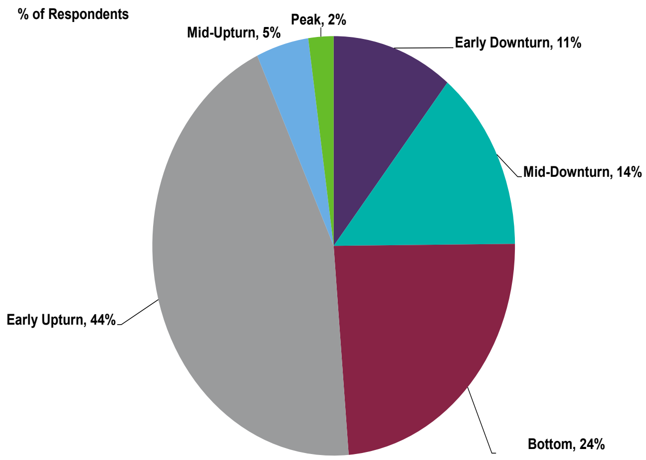
12-month rent expectations



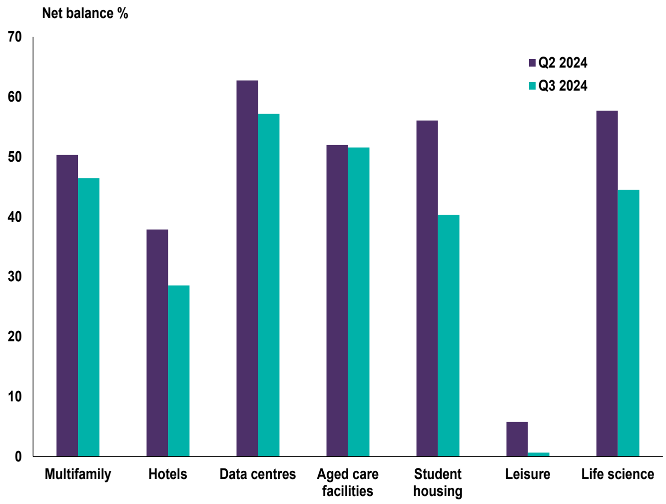
Market valuations



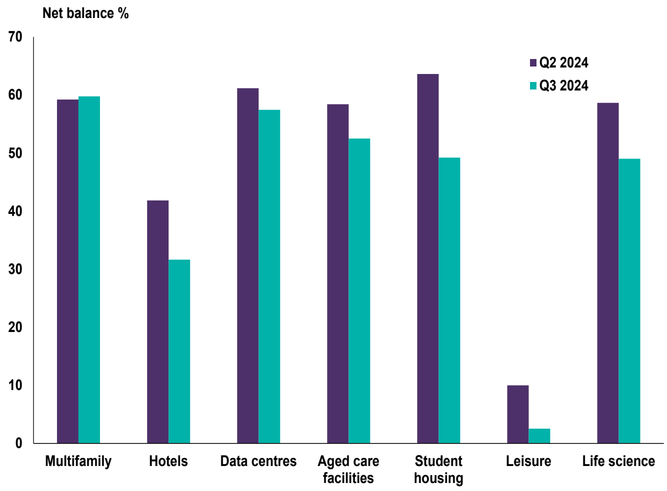
Property cycle



12-month capital value expecations alternatives



12-month Rental expecations alternatives



Chartered surveyor comments

East Midlands

Ben Coleman, Northampton, Ben Coleman Associates, ben@bencolemanassociates.co.uk - Many sectors are subdued - might be because of the impending Budget but could be a signal of a more general malaise.

Brendan Bruder, Northampton, Abbeyross Chartered Surveyors, brendan.bruder@gmail.com - Northampton regeneration has progressed with reopening of Market Square and upgrading Abington Street and Fish Street. Independents are more confident with easing on financing costs. Industrial powers ahead and offices on parks struggles with WFH readjustments ongoing.

Garry Wood, Newark, Wood Moore & Co Ltd, garry@woodmoore.co.uk - Not much has changed over the last quarter in terms of office and retail markets which remain subdued with low transaction volumes. What has been noticeable is the low level of enquires from industrial occupiers coupled with a significant increase in level of vacant industrial stock coming onto market. Whilst, historically, it has always been quiet in August, the general election campaign prior and the looming budget have only served to extend the quiet period.

Ian Colin Mcrae, Cottesbrooke, Chadwick McRae, icm@cmcre.co.uk - Whilst there are small pockets of good news, the air is increasingly full of the stench of desperation in the development sector.

James Alexander Bruce Ottewell, Derby, Alexander Bruce Estates Ltd, james@alexanderbruce.co.uk - Residential markets look uncertain. Residential buy to let investment market weak due to tax disincentives.

John Chappell, Skegness, Chappell & Co Surveyors Ltd, john@chappellandcosurveyors.co.uk - Whilst the main summer was busy, it wasn't busy enough to make up for the loss of trade in the March - early June period due to the weather. In addition, those visitors who did come to the coast visibly had less spending money than in previous years. I expect a tough winter for this area (and other UK coastal economies) and some business closures. I believe that even the hitherto resilient holiday caravan sector will see challenges, affecting most businesses here, which affects occupancy & rents.

Martin Paul Langsdale, Derby, Raybould & Sons, martin@raybouldandsons.co.uk - Very quiet market following the announcment of the general election which has yet to get back to where it was prior.

Nigel Astbury, Nottingham, Christie & Co, nigel.astbury@christie.com - Reasonable number of transactions being agreed, but solicitors and other DD processes on those transactions taking longer - frustrating.

Philip Scott, Leicester, Scott Property Consultants, phil@scott-prop.co.uk - Secondary market strong but peripheral city centre locations are a disaster and no one wants to or can address.

Richard Potter, Corby, Potter Learoyd Commercial, richard@plcommercial.co.uk - Industrial and land remains strong in Corby. Office market is weak. Retail is fairly strong relative to other towns owing to Corby's growing population and there being a small town centre.

Victoria Trafford, Nottingham, Harris Lamb Property Consultancy, victoria.trafford@harrislamb.com - Mainly work in licensed and leisure sector. Government actions are not currently fully assisting this market share.

East Anglia

David Honeyman, Cambridge, David Honeyman Associates, david@dh-a.co.uk - Current market dominated by Carpetright administration.

Jeffrey Fuller, Norwich, OA CHAPMAN & SON LTD, jeffdfuller@hotmail.com - Uncertainty.Exodus from residential rental market & retail investments.

Martin Blackwell, Peterborough, Blackwell Consulting Limited, mcb@blackwellconsulting.com - The market is very mixed between sectors, and within sectors. Different geographies within the area are responding differently. It isn't as if there is 'one property cycle' but a series of different ones, which are not aligned.

Michael Lawton, Flitwick, , michael@trinitysolutions.org.uk - The market is still poorly served by the agents. They continue to promote unrealistic prices and over promise to clients what is achievable. Until the agents behave with rational integrity in challenging market conditions they will continue to be part of the problem that is making recovery for businesses so challenging. They have a "greed" mindset that is undermining the economy by limiting the ability for businesses to succeed.

Stephen David Scott-Fawcett, Ely, Martin & Mortimer Ltd, stevescottfawcett1@gmail.com - Continued good demand for tech and light industrial sector. Moribund primary and secondary office market sector. Retail sector is static.

London

Adam Perrin, London, Kinleigh Folkard & Hayward, aperrin@kfh.co.uk - Flat.

Adrian Peachey, London, Montagu Evans, adrian.peachey@montagu-evans.co.uk - Sense more activity- decisions being made in the public and private sector.

Adrian Tutchings, London, Linays Commercial Limited, commercialproperty@linays.co.uk - Treading water in virtually all sectors.

Ben Hodge, London, Savills, rbshodge@gmail.com - Sentiment in the market has begun to improve since the first rate cut. At present, sellers are concerned about a potential CGT rise which is pushing them to contract prior to 30th October.

Ben Robert Graham Clover, London, Project Management, ben@theinteriorworks.com - Budget doubts aren't helping.

Chris Jago, London, Houston Lawrence Commercial, chris.jago@houstonlawrence.co.uk - Political stability under labour has helped slightly, but uncertainty over forthcoming budget, and ongoing high level of interest rates are causing concerns amongst occupiers and buyers in particular. Office market still suffering post pandemic (work form home has completely disrupted occupier demand).

Duncan F G Locke, London, McWhirter Locke Limited, duncan@mcwhirterlocke.com - I think the recent negative statements by the Prime Minister has unnerved some investors and made them more cautious.

James Alexander Linton, London, Victor Charles Property Investments, james.linton@victorproperty.co.uk - I see a softening market caused by a mix of global events such as war in Europe & Middle East along with concern and negative sentiment both towards and from the incumbent government. It is expected that taxation will be increased & there will be an exit of both capital and tax receipts from non-doms & overseas investment.

Javier Lauret, London, Hurford Salvi Carr, javier.lauret@gmail.com - Higher lending rates have not yet filtered into a significant number of repossessions, but we expect those to increase in the next 18 months as landlords cannot cover their costs.

Julian Lewis, London, Julianlewisandco.com, jrl@julianlewisandco.com - Summer had a marked downturn in enquiries. In general there is initial activity but follow thorugh to completion is difficult with more abortive transactions. Lease renewals similarly, there is reluctance to commit.

Kamil Chowdhury, London, Petrichor Property Consulting Limited, kamil@petrichorproperty.co.uk - Expect more secondary offices to be sold for alternative use, particularly older stock that is nearing obsolesence.

Mac, London, Macneel, Lal - Too much uncertainly in UK and no stability in world.

Marcus Perkins, London, MP2RE, mp@mp2re.com - Sentiment is better than last year but office occupiers are very discerning.

Nicholas Hendy, London, CBRE, nicholas.hendy@cbre.com - Market has turned a corner however valuations in many areas are still lagging to match investors cost of capital.

Nigel Harrison, London, harrison leggett, nh@harrisonleggett.co.uk - Continued demand for best in class BREAM /ESG rated Grade A office stock from Corporates particularly those involved in the emerging AI Tech Industries. This is keeping rents at the established higher levels. Secondary office stock continues to struggle for take up and it looks like incentives will increase and rents reduce over next 12/24 months. Flexi operators continue to lease parts of new office stock, uncertain when this will reach peak supply and tip into oversupply possibly.

Nigel Turner, London, A2 dominion and ocean housing, Nigelturner219@gmail.com - Slight signs of more stability, possible signs of growth in core and super prime, but secondary and over supply areas unlikely to see growth. Interest cost still an issue for investment and development. Consumer confidence needs to increase and stabilise . 3rd party investment is cautious. Not in a bullish mood just yet!

Richard Auterac, London, acuitus, richard.auterac@acuitus.co.uk - Let's wait for the budget.

Robert Bath, London, Quadrin Valuations Ltd, rob.bath@quadringroup.com - Volatility increasing with uncertainty and knock on effects of COVID19 and reluctance of a move back to the workplace.

Russell Francis, London, Colliers, russell.francis@btinternet.com - Nervous as to the impact of the new Government and world event but at the same time hopeful of lower interest rates.

Sean Dempsey, London, Boultbee LDN Capital Ltd, sean@boultbeeldn.co.uk - The occupational, investment and finance markets for the best quality retail are certainly showing a degree of anticipation that the levels of transactions are set to improve. However, no one can say when that will actually start and views on what the catalysts look like remains varied.

Simon Milner, London, United Kingdom, I&L broker, simon.milner@cbre.com - I think there is still a great deal of uncertainty in the market and many occupiers and investors are taking their time in making occupational and investment decisions. There is still a gap between vendor's aspirations and buyers willingness to pay.

Thomas David Whirledge, London, David Whirledge, david@whirledge.com - Industrial was over priced both in terms of rental growth expectations and Capital values - needed correction. Offices need staff back to work for 5 days a week - slower to materialise than expected. Retail still some hideous over valuation of rates but as they fall should see some rental mprovement.

North East

Barry Nelson, Newcastle Upon Tyne, Northern Trust Company Ltd, BarryNelson@northerntrust.co.uk - There has been a slight softening of enquiry levels for multi-let industrials within the north east region over recent months, however occupancy levels remain high. The take up of small office space remains slow and vacancy rates for smaller offices remains higher than industrials with office rents flat-lining for a significant time period.

David Downing, Newcastle Upon Tyne, Sanderson Weatherall LLP, david.downing@sw.co.uk - Reports from the agents are that August was one of the quietest for several years. Whether that will knock on to valuation instructions over the next couple of months, we will wait to see. Fee pricing is still very competitive. I suspect the market is still waiting to see how the Labour government settles in and what impact their policies will have generally on the economy. Interest rates still seem high compared to the recent past, but for long term investors, this is just a return to normal.

David Woodhead, Wakefield, Woodhead Investment & Development Services Ltd, dwoodhead@woodheadinvestments.co.uk - Big changes ahead with new Labour Government - likely to be unstable times / short lived if markets don't like it. Recession also likely after US election when purse strings tightened / ongoing annual national borrowing reduced. Cost of borrowing likely to remain high (bank margins trebled in recent years, base rate not the only problem), hence high levels of investment unlikely going forward, more likely companies / individuals will opt for risk free debt reduction.

Gerard Darby, Hartlepool, Borough Council, gerard.darby@hartlepool.gov.uk - Very quiet.

Kevan Carrick, Newcastle Upon Tyne, JK Property Consultants LLP, kevan@jkpropertyconsultants.com - The result of the election and formation of the new Combined Authority resulted in an uplift of hopeful anticipation but in the last month confidence has reduced. Build to Rent in the City Centre is still active but other sectors are less so. Otherwise, viable speculative development is challenging.

Mark Peel, Newcastle, Lambert Smith Hampton, mpeel@lsh.co.uk - The market has generally not changed, although there appears to be some green shoots in the capital markets but this is still slow in the North East. From a leisure perspective those properties that are well run and tackle the changing demands of the public are still fairing well but those not prepared to change may struggle as time progresses.

North West

Charles B Maunsell Mrics, Liverpool, DGRE, charliemaunsell@aim.com - General improvement in commercial market - although investors still cautious across all sectors.

Emma Saunders, Manchester, Altus group, jayne_emma94@hotmail.co.uk - Industrial rents continue to perform well, especially in prime locations such as Trafford Park. Prime city centre office has recovered well with little rent free being offered to new occupiers.

Jason Rawson, Blackburn, Trevor Dawson Limited, jason@tdawson.co.uk - Commercial property very quiet accross the board. Market is nervous of the government stance on property pre october budget.

Mike Fisher, Lancaster, Fisher Wrathall Commercial, mike@fwcommercial.co.uk - Apart from industrial demand, which remains good, the market is quite flat. Some nervousness about the future of the student market with reducing overseas student numbers.

Mike Forster, Wigan, Chorley Council, michael.forster@chorley.gov.uk - Prime retail market appears to be stronger.

Simon Adams, Cumbria, Peill & Company, simon@peill.com - A general pause in activity over the summer months post election - activity had been increasing, but concerns over the autumn budget is causing a large number of investors to sit & wait, after trying to dispose of assets they wanted to sell in anticipation of tax rises. The cumulative effect has been a downturn in activity and general nervousness in the market as to what may be coming.

Northern Ireland

Guy Hollis, Belfast, Oakland Holdings, guy.hollis@oaklandholdings.com - Market is very tough across all sectors . Terrible planning and no infrastructure improvements . No development possible in Belfast due to lack of water / sewage.

Stephen Dunlop, Bangor, Urban Property Upside Ltd, stephendunlop@hotmail.com - Residential investments growing, residential sales at first time buyer market in right locations doing very well but high end slack in all locations.

Scotland

Al Kay, Dundee, Dundee City Council, alastair.kay@dundeecity.gov.uk - Grade A office enquiries are up with demand for high quality office space. Rental values beginning to appeal to private investors.

Alexander Brodie, Aberdeen, A B ROBB LTD, alex@abrobb.com - Political uncertainty over taxation coupled with anti-fossil fuel sentiment is having a major negative impact on Aberdeen.

Gillian Giles, Glasgow, Ryden LLP, gillian.giles@ryden.co.uk - Lacking supply.

Neil Gordon, Edinburgh, EYCO LLP, ngordon@eyco.co.uk - A worrying lack of new office developments/refurbishments at present due to high construction and finance costs and inability of developers to raise or commit to the necessary level of capital.

South East

Adrian Howse, Tunbridge Wells, Howse Associates, info@howseassociates.co.uk - We seem to be bumping along the bottom in most commercial property sectors. I think the froth has gone off the industrial market, which has been strong for so long. The retail market is very quiet. There are plenty of long term vacant shops and the overall quality of applicants seeking shops is low. The office market is unlikely to change until people return to working in the office. This would then act as a stimulus to the town centre retail market.

Charles Chatterji, Guildford, Gascoignes, Charles@gascoignes.com - I feel the market for retail will continue to weaken slowly, whereas demand for office space will recover as working from home reduces. Demand for industrial, life sciences and data centres continue to strengthen.

Chris Thomas, Windsor, Christopher Thomas & Co Ltd, ct@chthomas.com - The macro economic signs appear positive. The IMF has reforecast UK annual growth from 0.5% to 0.7% recently, a marginal uplift. Regional commercial property activity across the board is busy, assisted by the reduction in interest rates. Nervousness to the forthcoming Autumn Budget has yet to show its consequence. This may prove a significant market factor over the next two quarters, as post Budget strategies come into play.

Colin Brades, Brighton, Avison Young, colin.brades@avisonyoung.com - Generally the retail market in the past quarter has remained relatively unchanged both in terms of demand, number of requirements, achievable rents and rent concessions granted.

Colin Thacker, Kent, Location 3 Properties Ltd, colin.thacker@L3P.co.uk - Still very patchy - landowners still expect too much - extremely high cost of construction is hampering all sectors.

David Martin, Brighton, SHW, dmartin@shw.co.uk - The office market for Grade A accommodation remains strong in Brighton with stock levels reducing and with a limited amount of new development. Industrial rents are still moving upwards for prime Industrial and trade units whilst retail has been active now that rental levels have adjusted. The interest rate reduction in August was a help to the market but further cuts in the short term are required to help stimulate the economy which is anticipating a tough tax budget in October.

Denise Ford, Rochester, Michael Parkes Surveyors Ltd, dford@michaelparkes.co.uk - There is a surprising demand for secondary retail - local covenants - and also secondary office - too many existing properties have now been converted to resi and thus supply is low. The planning system changes to E class has created a demand for industrial (what was) for office and retail uses - some of which are inappropriate in the areas they occupy. The govt needs to revisit this.

Douglas Struth, London / South East, DSP Property Consultants, douglas@dsp-ltd.com - The market in last 3 months has been quiet perhaps partly as a result of election and summer break becoming longer like some European countries like Italy and France.

Elizabeth Birchley, London / South East, evolve Fund Services Limited, ebirchley@evolvefs.co.uk - Sluggish.

Giles Worrall Mrics, London / South East, , giloemerson@yahoo.com - Weak.

Iain Steele, Farnham, park steele, iain@parksteele.com - July to September has been quieter than usual with a lower level of enquiries. School holidays have not in our experience had such an impact as previously but we suspect the change of government and forthcoming budget have put people on their guard. Offices remain challenging although some take up by alternative users. Retail is still active with independents still looking up a certain rental level. Industrial remains in demand but has plateaued over the summer period.

Ian B Sloan Frics, Banbury, Bankier Sloan, reception@centre-p.co.uk - We receive very few enquiries for retail in Banbury town centre, although the traditional North Cotswold towns remain popular with both local and national traders. Retail rents remain strong in these special locations. Secondary Industrial units, including many rural farm conversions continue to attracted excellent interest from local businesses, who appreciate the free parking and easy access for both staff and clients. Industrial spaces on rural Business Parks are 100% full.

John Barnes, Faversham, Shepherd Neame ltd, jbarnes@shepherdneame.co.uk - The pub market remains challenging despite an easing in inflationary pressure. Concerns ahead relate to government legislation (further smoking ban), loss of RHL business rates relief and general economic climate.

Julian Scannell, Medway, Watson Day Chartered Surveyors, julianscannell@watsonday.com - The general feeling is that markets are relatively moribund. The current government's fairly pessimistic views on the economic outlook within the short term, the perceived view that there will be changes to Capital Gains Tax rates and the uncertainty regarding when and by how much base rates will be reduced have combined to introduce a level of caution in both capital and rental markets. Investors and both prospective owner occupiers and tenants may well defer decisions until early 2025.

Mr George H A Barnes, Faversham, Shepherd Neame Ltd, gbarnes@shepherdneame.co.uk - The Licensed trade is nervous about headwinds flowing from Government which appears to be adopting an anti alcohol stance with likely increased duty. A particular worry is likely cliff edge loss of Retail Hospitality and Leisure Relief for rates together with likely outcome of 2026 new rating list which could perpetuate the unfair treatment of bricks and mortar retail and pubs in particular.

Nick Hanson, Farnham, VOSPERS FRIEND & FALCKE (Incorporating EMBERSON & CO), nick.hanson@vospersff.com - Some market optimism noted after the election. Market now awaits the government's first budget statement to provide a clearer signal of economic direction and implications for both occupier and investor demand.

Piers Holden, Oxfordshire, Parch Estates, piers@parchestates.com - Slow.

Pj Thibault, London / South East, HNb Real Estate, pjthibault@hnbrealestate.com - With the exception of a very few prime market places, the main property sector continue to be overvalued when compared to market conditions and the return offered by other investment classes. Professionals and press continue to be be over optimistic as a natural human reaction to accepting the true reality of their situation. If the banks hold their current line (ignoring reality of current values and allowing LTV's breaches) we will have a lost era of limited activity.

Roger Holt, Romsey, Holt Consult Ltd, roger@holtconsult.co.uk - Unsettled by the new Government and threats of tax rises.

Simon Browne, Brighton, Crickmay Chartered Surveyors, scb@crickmay.co.uk - Uncertain market. New govt has created unrest/worry which is unsettling for market. Residential buy to let sales are increasing in the City.

Simon Lawson, Brighton, south coast surveyors, lawson6102@gmail.com - Improving slowly as interest rates stablise.

Victor Forson, Belvedere, Tunbridge Wells Borough Council, Victor.forson@tunbridgewells.gov.uk - There is a slight upturn generally in the market.

South West

Alan Treloar, Truro, Vickery Holman, atreloar@vickeryholman.com - The new Government is going to have to more to improve business confidence which will in turn create more activity in the commercial market in the South West. Industrial property remains the best of the core sectors but a shortage of supply means deals are thin on the ground and businesses that do want to grow are finding this is hampered by supply of premises.

Andrew Hardwick, Bristol, Carter Jonas, andrew.hardwick@carterjonas.co.uk - Market activity is subdued as a result of economic and political factors. There are significant delays in all parts of the system and fear of greater friction as a result of the much-feared Autumn statement. The only factor of urgency relates to avoidance of expected CGT hikes. This may actually lead to a pulse of activity up to the end of October and a slump afterwards.

Andrew Kilpatrick, Swindon, Kilpatrick & Co Commercial Property Consultants Limited, A.Kilpatrick@kilpatrick-cpc.co.uk - Swindon & Wiltshire's commercial market is generally bumping along with a lack if confidence due to downbeat political pronouncements on the economy and the threat of financial pain in the October Budget, which is deterring investment and adversely affecting business confidence. Businesses are battening down the hatches ready for the storm.

Anne Brennan, Bcp (Bournemouth Christchurch & Poole), Sibbett Gregory, anne@sibbettgregory.com - Still high level of caution as investors await further reduction in interest rates. Increased incentives being offered to complete lettings. Interest in office space more notable, industrials slower than previous quarter and retail with some renewed interest depending on location.

Bryan Galan, Beaconsfield, Mellawood Properties Ltd, bryan.galan@outlook.com - Retail letting market sensitive to rental and location and incentives offered.

Charles Arkell, Cheltenham, Tayler & Fletcher, charles.arkell@taylerandfletcher.co.uk - If priced realistically the market is buoyant in the Cotswolds.

Chris Parkes, Exeter, Lambert Smith Hampton, cparkes@lsh.co.uk - Reductions in interest rates in Q1 & Q2 2025 are expected to lead to an improvement in yields in 2025 but construction costs continue to rise.

Chris Wilson, Poole, Goadsby, chris.wilson@goadsby.com - Activity has picked up in September now that the holiday period has ended.

Daniel Smethurst, Swindon, SMETHURST PROPERTY CONSULTANTS LIMITED, daniel@smethprop.co.uk - The summer period was notably more active compared to previous years, primarily due to improved market sentiment. Although the volume of new enquiries slowed after the summer, the requirements entering the market have been genuine and have resulted in transactions. The SME market, however, appears quieter for this time of year.

Graham Thorne, Poole/ East Dorset, Thornes, graham@thornes.org.uk - The market is awaiting the results of the forthcoming budget before moving in a direction.

John Jeffery Hempton, Lymington, property consulatncy, jjh@hemptonfranks.co.uk - There is concern over the economic situation and uncertainty about the change of government although there was concern about the previous governing party. The war in Ukraine and the unstable situation in Israel with the economic impact resulting effects market confidence and activity. The residential market is unstable and this impacts on elements of commercial property activity. Traditional retail continues to suffer because of on-line popularity.

Jon Stone, Exmouth, Jon Stone Surveyors Ltd, jon@jonstone.co.uk - Hard work.

Katharine E Bryant, Bournemouth, Bournecoast Limited, Keb2010@live.co.uk - Landlords still increasing rents in private rented sector.

Luke Sparkes, Cirencester, Marriotts Property LLP, luke.sparkes@marriotts.co.uk - The perfect storm of summer holidays, change of UK Government and looming Budget appears to have stalled the market, what next?

Michael Oldrieve, Exeter, , m.oldrieve@btinternet.com - Was optimistic a new government would cause an uplift, but the lack of positive messages since the election will I believe stall the market.

Michael Ripley, Weston-Super-Mare, Stephen & Co, ripley118@btinternet.com - Difficult due to market uncertainties in light of forthcoming Budget.

Oliver Workman, Cheltenham, THP Chartered Surveyors, oliver@thponline.co.uk - Market remains flat, lack of activity. Many waiting on the impact of the October budget.

Simon Walsham, Bournemouth Poole And Christchurch, James and Sons, simonwalsham@jamesandsons.co.uk - Market inactivity apparent in anticipation of political changes and forthcoming budget.

Stephen Matcham, Plymouth, stratton creber commercial, stevem@sccplymouth.co.uk - Generally more optimistic and signs of lack of supply becoming a problem. Not yet reflected in prices or rents. Leisure and hotels have not had a good season in South West and these sectors may face a long sparse winter period with fewer visitors.

Tim Wright, Dorchester, Greenslade Taylor Hunt, tim.wright@gth.net - The market is currently very quiet following the election with many buyers and tenants waiting to see what the budget brings before making any commercial property decisions.

Wales

Andrew Morgan Frics, Lampeter Wales, Morgan and Davies, andrew@morgananddavies.co.uk - Many delaying key decisions still . Wages at current levels remain a key brake on expansions and new entrants. The budget in October will influence the future market markedly more than budgets have done in recent years we suspect . Many commercial real estate owners and investors await the impact thereof with caution in mind.

Chris Sutton, Cardiff, Sutton Consulting Ltd, chris.sutton@suttonconsulting.co.uk - The usual summer slowdown in transactions was extended this year by the election. The budget in October provides food for thought for certain investors and solicitors are exceptionally busy completing transactions before this deadline. The industrial sector continues to lead the market with healthy rental growth along the M4 corridor. The office market is focussed upon higher quality buildings with personality; for second hand Grade B space the challenges are greater.

Martyn Jones, Swansea, RJ Chartered Surveyors, martynvjones@hotmail.com - Market is uncertain at the moment, which is having a negative impact on many different sectors.

Morgan Davies, Caernarfon, Morgan Davies Ltd, morgandaviesltd@aol.com - Slow and continuing sag in secondary retail and office demand for rental.

Richard Baddeleyt, Conwy, RICHARD BADDELEY & COMPANY, richardbaddeleyco@gmail.com - There is continuing demand for industrial and warehousing space within the region but virtually no immediate supply. There are plans for further development at Parc Bryn Cegin, Bangor and there is more availability of land and buildings on Anglesey than on the mainland A55 corridor. News is still awaited on the Wylfa Nuclear Scheme but there is brighter news within the Deeside area with new inward investment on Technology and Digital Project Development.

Stuart R J Phillips, Oswestry, Celt Rowlands & Co, stuartrjphillips@gmail.com - Lethargic retail market and less demand for industrials but still there.

Wayne Locke, Cardiff, Locke Property Investments Limited, wayne@lockeproperty.co.uk - Continuing uncertainty.

West Midlands

Andy Venables, Birmingham, Avison Young, andrew.venables@avisonyoung.com - After a quiet period in the lead up to the general election, activity in the office market has improved, as demonstrated by improved take-up in Q3.

David Nicholas Clews, Warwick, Clews & Co Chartered Surveyors, davidclews@clewsandco.co.uk - Too much industrial space still coming through in some markets notable south Yorkshire/east mids.

Graham Bancroft, Derby, Rushton Hickman Limited, graham.bancroft@rushtonhickman.com - There is still general confidence in the market especially in the industrial sector and we're seeing growing confidence in the retail and office market. The looming autumn budget still remains a concern to many with decisions seemingly being put on hold due to this.

James Brookes, Leamington Spa, Badger Brook Estates Limited, badgerbrookestate@outlook.com - There are areas for encouragement, but biggest problem is that interest rates have not dropped quickly enough. To galvanise, we need 0.5% drop by the end of the year or definitely by February.

Malcolm Wilcox, Birmingham, Cordwell Property Group Limited, Malcolm@cordwellgroup.com - After a difficult period we are starting to see more activity in specialist areas. With the pent up demand for good quality well let property investments, we expect to see an uptake in the leisure market as economic stability and confidence re-emerge.

Michael Eagleton, Birmingham, Property Consultants, mje@eagletonandco.com - I feel that we are starting to come out of a pause period brought about by the expected downturn in interest rates and the more certain political position after the General Election.

Michael Jones Frics, Malvern, Consultant Chartered Surveyor wef 1st July 2024 to GJS Dillon (house surveyors), info@michaeldjones-charteredsurveyors.co.uk - Very strong demand to in particular purchase small/medium sized industrial/modern tall warehouse units retail sector remains moribund both to rent and to buy.

Neil G Harris, Rowney Green, Lane Cove, neil@lanecoveproperties.com - Markets in paralysis ahead of UK Budget on 30/10 and the Labour governments general 'doom and gloom' with 'tough medicine ahead' is inspiring no one, all market sectors are 'concerned' (worried).

Raman Thakur, Birmingham, Property Letting, ramanthakur@birmingham.gov.uk - The Industrial market continues to grow with tenants leasing small sheds ranging from 500 - 2,000 sq ft up to 5,000 sq ft. Since Covid-19 a lot of businesses have relocated to working from industrial units. Retail is slightly picking up, however, this is in secondary locations and not prime due to high rents. Office is unchanged due to hybrid working.

Richard David Calder, Tamworth, CALDERS CHARTERED SURVEYORS, richard@calderssurveyors.com - There has definitely been a general slowdown in property demand during the last 3 months. Specifically in my view at the moment there is a "hesitation" whilst the outcome of the forthcoming Budget is awaited.

Steven Tommy, Birmingham, Hortons Estate Ltd, stommy@hortons.co.uk - Increase in investment sales ahead of Autumn budget due to expected tax changes.

Yorkshire & the Humber

Andrew Hedley, York, Blacks Property Consultants Ltd, andrew.hedley@blacksproperty.com - Stable.

Edward Wright, Sheffield, Villiers Wright Limited, edward@wrightsurveys.co.uk - Prime office rents and retail suffering but out of town locations and local shopping areas showing some resilience. Demand for industrial units is high due to issues with the supply of new units and the cost of materials. Residential values in popular areas still growing.

Elliot Newby, York, Stephensons Estate Agents, elliot@stephensons4property.co.uk - Good occupier demand for secondary retail and a strong demand for industrial property across the board. Offices providing a mixed picture with smaller units remaining popular but larger units less so. Investor demand remains good at the lower end of the market, some hesitancy towards the top end.

John Hornsby, York, John R Hornsby Chartered Surveyors, info@johnrhornsby.co.uk - Reasonably good demand for secondary retail units but little appetite for offices.

Jonathan Duck, Harrogate, Bramall Properties Limited, jonathan.duck@bramallproperties.co.uk - Very quiet. Situation should clarify after Autumn Statement.

Liz Askam, Leeds, Canal & River Trust, elizabeth.askam@canalrivertrust.org.uk - The flight to quality remains key for office occupiers, with tenants well prepared to pay top rents for the most prime product. The lack of pipeline in some locations e.g. Leeds will see supply continue to reduce.

Mr Richard Heslop, Ilkley, DE Commercial Ltd, richard@de-commercial.co.uk - A mood of slight optimism swept through the market in early summer with the announcement by the Bank of England that the target rate of inflation of 2% was close to being achieved which led to a cut in interest rates. This optimism has dissipated post election amidst uncertainty over the content of the forthcoming October budget. Investors are adopting a wait and see attitude and vendors of investments are withdrawing product from the market over concerns of hikes in CGT.

Richard Corby, Leeds, Lambert Smith Hampton, rcorby@lsh.co.uk - It is early days with the Labour government and nervousness about potential changes to taxation are driving activity in parts of the investment market. Occupational markets remain fragile, especially on lettings. Reductions in the cost of money are easing the position of some property owners, although some forced sales are being seen, but more with developments than standing investments.

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 11 September 2024 with responses received until 14 October 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 535 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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