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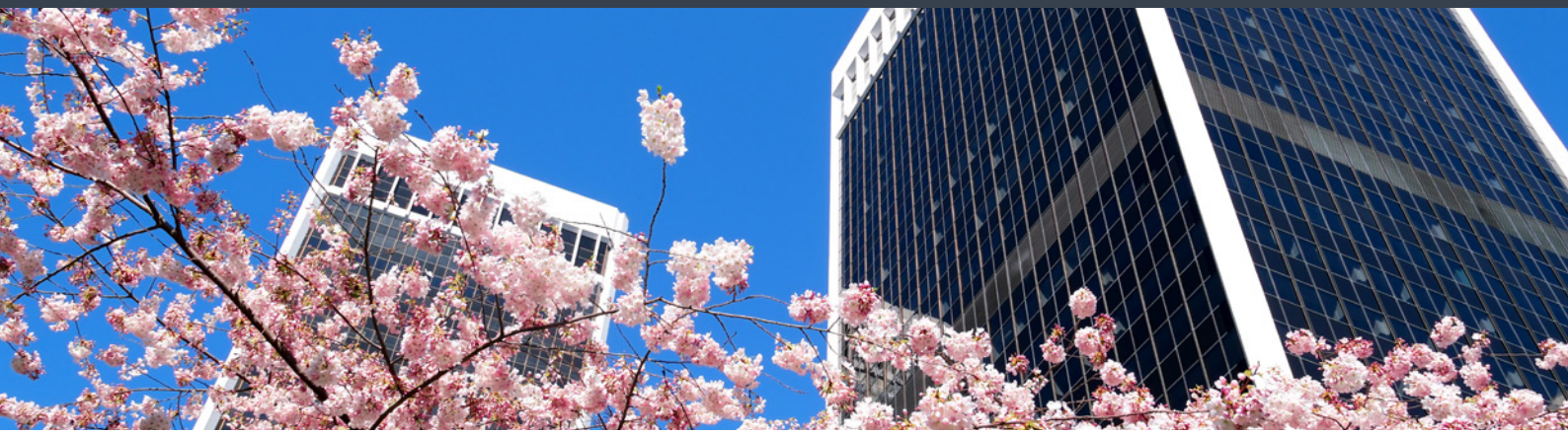
Commercial Property Market Review March 2024



Commercial property industry largely disappointed by the Spring Budget

The Chancellor's Spring Budget has been mostly met with disappointment from the commercial property industry, with many experts left wanting a stronger financial commitment to the sector's development.

Jeremy Hunt announced that Multiple Dwellings Relief (MDR) on Stamp Duty Land Tax in England and Northern Ireland will end on 1 June. Melanie Leech, Chief Executive of the British Property Federation, expressed concern for the build-to-rent sector in light of this, stating that *"the government should be doing everything in its power to encourage more long-term investment into professionally managed rental homes."*

Head of Commercial Research at Knight Frank, Will Matthews, did find some aspects of the Budget *"helpful"*, in particular investment into growth sectors such as innovation, life sciences, and film studios. However, Matthews determined that *"the sums and measures involved were not game-changing."*

Dr Walter Boettcher of Colliers is hopeful that the commercial property industry will feel long-term benefits of government investment, concluding that *"ongoing reforms to pension and other savings platforms that encourages a larger and wider range of domestic investment sounds encouraging."*

Chinese developers are net sellers of UK commercial property

In the last three years, Chinese property developers have sold £1.4bn worth of UK real estate, data from MSCI has found.

Developers in China have been struggling since 2021, when the country's property market started to crash after property giant, the Evergrande Group was declared to be in default. China's biggest developers are therefore continuing to make money where they can by selling up in Britain, despite having spent £12.8bn on British commercial property between 2014 and 2020.

With Britain now *'the top European investment location'* according to INREV, Chinese developers may be capitalising on buyers returning their attention here in hope of an investment opportunity. Despite this, it is still not a prime time to be selling real estate, according to Chris Gore, a Principal at Avison Young, who cautioned that, *"Right now you wouldn't be selling unless you really had to."*

Investment outlook for commercial property

The latest Investment Outlook from Carter Jonas predicts that 2024 will see more investment transactions than last year but that it will still register lower than the long-term averages.

The property consultants do not foresee a major market correction as a result of the UK General Election which will take place by January 2025 at the latest. However, from analysis of historic data, Carter Jonas envisage that market activity will slow in the months before and after the vote.

When it comes to the office sector, the report anticipates that those with correct green credentials and in prime locations *'should benefit from rental growth in the short to medium term'.* However, offices which do not have these *'will likely continue to fall in value until a point is reached where it becomes economically viable to either refurbish them or change the use.'*

Commercial property currently for sale in the UK

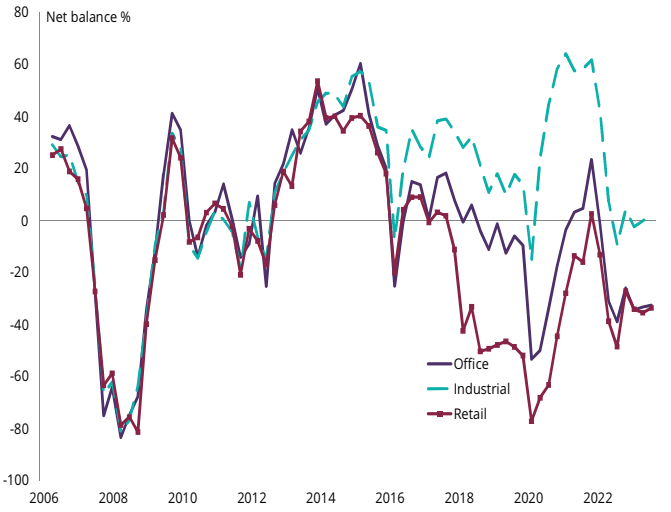
- **London** has the highest number of commercial properties for sale – **1,785**
- **Scotland** currently has **1,146** commercial properties for sale with an average asking price of **£357,188**
- There are currently **871** commercial properties for sale in **Wales**, the average asking price is **£459,422**.

Region	No. properties	Avg. asking price
London	1,785	£1,304,878
South East England	1,609	£632,282
East Midlands	798	£621,760
East of England	967	£623,559
North East England	818	£375,751
North West England	1,383	£424,966
South West England	1,751	£556,841
West Midlands	1,169	£504,366
Yorkshire and The Humber	1,188	£369,185
Isle of Man	35	£539,970
Scotland	1,146	£357,188
Wales	871	£459,422
Northern Ireland	4	£39,047

Source: Zoopla, data extracted 20 March 2024

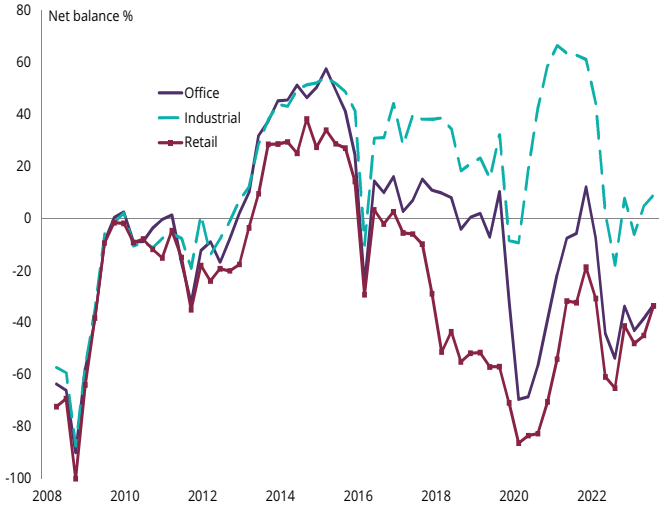
Commercial property outlook

Investment enquiries – broken down by sector



- The headline net balance for investment enquiries in Q4 2023 was -19%, only marginally less negative than Q3 2023 (-21%)
- Investment demand for offices and retail continues to weigh most heavily on the aggregate picture
- Overseas investment enquiries also continue to slip, with all sectors seeing a decline (to a greater or lesser degree) in Q4.

Capital value expectations – broken down by sector



- The prime industrial sector displays clearly positive expectations for the year to come, posting a net balance of +36% in Q4 2023 compared to the previous quarter's reading of +24%
- Respondents foresee a modest uplift in prime office values (net balance +11%)
- Secondary industrial and prime retail values are seen holding broadly steady over the next twelve months.

Source: RICS, UK Commercial Property Market Survey, Q4 2023

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

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