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Commercial Property Market Review May 2024

Central London office market – a Q1 update

Data from Jones Lang LaSalle (JLL) shows that the central London office market had a slightly weaker start to the year.

January to March saw the lowest quarterly leasing activity since Q1 2021, with 1.5m sq. ft transacted. This is nearly a third (31%) lower than the Q1 10-year average of 2.2m sq. ft.

The banking and finance sector led most of the leasing activity, accounting for over a quarter (28%) of the occupier take-up. Transactions from Investec and Wise Payments contributed to the sector's domination, as they secured leases at 30 Gresham Street and Worship Square.

Although occupier demand in Central London was 33% higher than the long-term average in Q1, supply decreased for the second consecutive quarter.

Investment volumes in the capital were also much lower than usual at a total of £1.2bn – 46% less than Q1 2023. Rental rates are stable, with prime rents in the City remaining at £79.50 per sq ft.

UK commercial market exceeds expectations

The UK commercial market exceeded expectations in Q1, largely driven by a strong March.

Investment volumes saw a monthly increase of 56% in March, hitting £4.7bn according to Savills – the highest point since March last year. This brings total volumes for Q1 to £10.7bn, exceeding previous expectations, and is the second quarter in a row with rising volumes. Savills expect the second half of 2024 will see a further rise in activity, prompted by expected inward movements.

Savills has identified London as Europe's most resilient city in their latest Resilient Cities Index. England's capital is ranked third in the world, placed behind New York and Tokyo, performing particularly well on its tech ecosystem and knowledge economy – two of the four core metrics that Savills used to examine 490 cities.

Amazon's new robot-powered fulfilment centre

Amazon is set to build a £500m next-generation warehouse in Northampton.

The new building is expected to be around 2m sq. ft, with three floors of robotics that will pick customer orders. Located on the SEGRO Logistics Park at junction 15 of the M1, Amazon said the new development will create 1,400 new jobs when it is ready for use in 2026. This figure will increase to over 2,000 over the first three years of opening.

Amazon's regional director, Neil Travis, commented, *"The East Midlands is an important region for Amazon, with more than 6,000 small and medium-sized enterprise selling partners"*. Since 2010, the conglomerate has invested over £4bn in the East Midlands and more than £56bn in the UK. Louise Wall, CEO of Northamptonshire Chamber of Commerce, welcomed the plans, saying, *"This is a significant endorsement of the strategic location of the SEGRO Logistics Park Northampton and the importance of our region's role in the UK logistics industry."*

Commercial property currently for sale in the UK

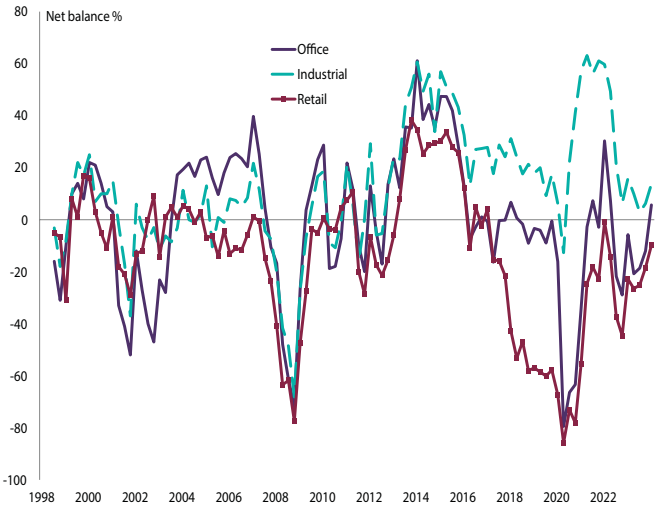
- **London** has the highest number of commercial properties for sale
- **Scotland** currently has **1,173** commercial properties for sale with an average asking price of **£369,760**
- There are currently **875** commercial properties for sale in **Wales**, the average asking price is **£471,924**.

Region	No. properties	Avg. asking price
London	1,838	£1,347,330
South East England	1,648	£650,695
East Midlands	861	£610,991
East of England	972	£628,427
North East England	818	£334,625
North West England	1,510	£561,401
South West England	1,812	£553,823
West Midlands	1,166	£511,243
Yorkshire and The Humber	1,203	£357,441
Isle of Man	35	£558,400
Scotland	1,173	£369,760
Wales	875	£471,924
Northern Ireland	3	£9,880

Source: Zoopla, data extracted 22 May 2024

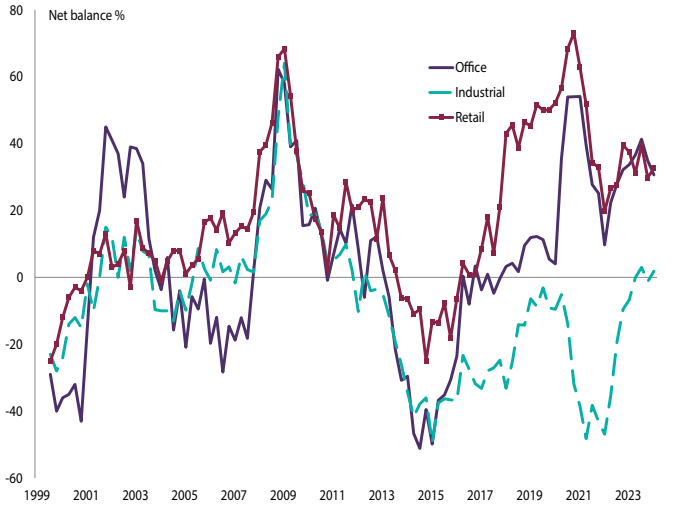
Commercial property outlook

Occupier demand – broken down by sector



- A headline net balance of +4% of contributors was reported for overall tenant demand in Q1, up from -7% in Q4 2023
- A net balance of +6% of contributors saw an increase in occupier demand across the office sector in Q1, marking the first positive reading for this metric since early 2022. However, this rise was entirely driven by Central London
- A net balance of +14% of respondents noted an increase in demand for industrial space, the most upbeat reading since Q3 2022.

Availability – broken down by sector



- Respondents continue to cite an increase in overall vacant space in both the office and retail sectors
- Industrial vacancies remained flat in Q1
- A lack of good quality industrial stock has been reported by a number of respondents.

Source: RICS, UK Commercial Property Monitor, Q1 2024

All details are correct at the time of writing (22 May 2024)

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