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Commercial Property Market Review December 2024

Robust demand for Scottish hotels

The Scottish hotels market continued to show resilience in Q3 according to Colliers.

Hotel investment in Scotland hit £110m in quarter three – £40m more than Q2 and 150% higher than the five-year quarterly average of £44m. The year-to-date investment total is £200m – up 18% when compared with the same period in 2023. The report highlighted that investors are showing notable interest in leisure hotels in popular areas and larger hotels in built-up locations.

Head of Colliers UK Hotels Agency, Julian Troup, commented, *"These latest figures show that we're continuing to see robust demand for hotel assets north of the border, with Scotland's popular cities and stunning landscapes making it a desirable market for those looking to invest in UK regional hotels."*

Office availability continues to tighten in Prime London

Knight Frank data shows that Prime London office availability has dropped to near record lows.

In the last year, office availability has fallen by 6.8% in the Prime London area, causing a vacancy rate of 9.1% and bringing total availability to 23.4 million sq ft. Supply of top-quality space is even more limited, as Grade A offices have a vacancy rate of just 1.8%.

Availability is a particular challenge in the business districts. In the City & Southbank market, availability decreased by 5.8% due to increased letting activity. The vacancy rate is now 8.9%, which is 1.7 percentage points higher than the long-term quarterly average. True Grade A availability has fallen by 19.5% over the last 12 months, with a vacancy rate of only 0.5% in the City Core.

In the West End, availability of new space is especially low – it fell to its lowest level in two years due to a 7.1% drop in Q3. As a result, the vacancy rate for new offices is only 1.3% in this area.

An industrial revolution for the modern day

The net-zero transition and artificial intelligence (AI) are expected to be the driving forces behind a new industrial revolution in the UK.

The manufacturing sector will play a key role in meeting the nation's target to reach net zero by 2050. With the transformation of the energy system already underway, demand has increased for green products such as wind turbines and electric vehicle batteries. JLL reported that *'in the next 20 to 25 years the demand for new factories will become a more significant component of overall industrial property demand.'* These new factories could crop up in unexpected places - the growth of offshore wind means that towns and cities near ports will experience heightened demand.

AI can accelerate the transition to net zero; it enhances the efficiency of wind and solar power generation, improves industrial efficiency and speeds up relevant research and development. However, it does use a significant amount of energy and will drive an increase in data centres to store the computer systems.

Commercial property currently for sale in the UK

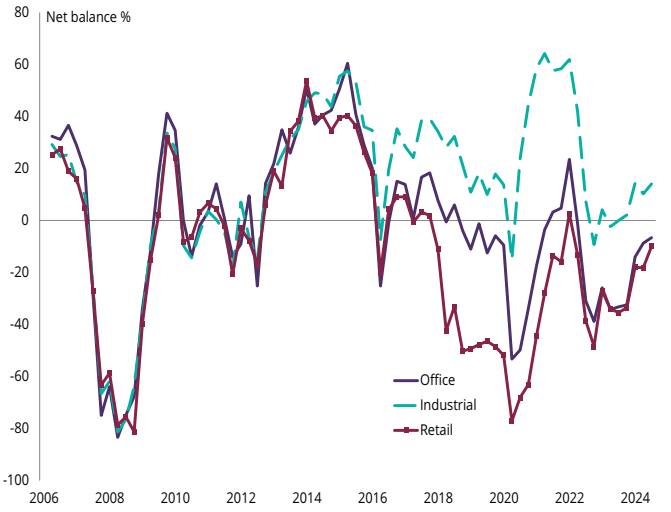
- **London** has the highest number of commercial properties for sale
- **Scotland** currently has **1,260** commercial properties for sale with an average asking price of **£350,464**
- The average asking price of a property in **London** is **£1,327,907**.

Region	No. properties	Avg. asking price
London	1,926	£1,327,907
South East England	1,669	£695,128
East Midlands	846	£658,559
East of England	990	£592,824
North East England	827	£352,231
North West England	1,387	£578,820
South West England	1,877	£656,418
West Midlands	1,116	£592,045
Yorkshire and The Humber	1,171	£450,368
Isle of Man	27	£594,000
Scotland	1,260	£350,464
Wales	873	£447,644
Northern Ireland	4	£36,984

Source: Zoopla, data extracted 18 December 2024

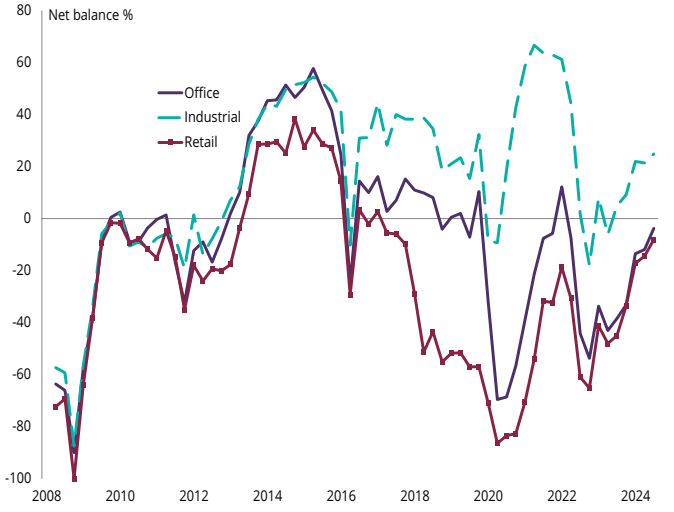
Commercial property outlook

Investment enquiries – broken down by sector



- The headline net balance for investment enquiries in Q3 2024 was zero
- The industrial sector saw a rise in investment enquiries during Q3 with a net balance of +14%
- Negative net balance readings were returned across the office (-7%) and retail (-10%) sectors.

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 +49% in Q3 2024
- Across the prime office sector, a net balance of +28% of respondents expects capital values to move higher
- Prime retail values are expected to improve marginally with a net balance of +9%.

Source: RICS, UK Commercial Property Monitor, Q3 2024

All details are correct at the time of writing (18 December 2024)

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