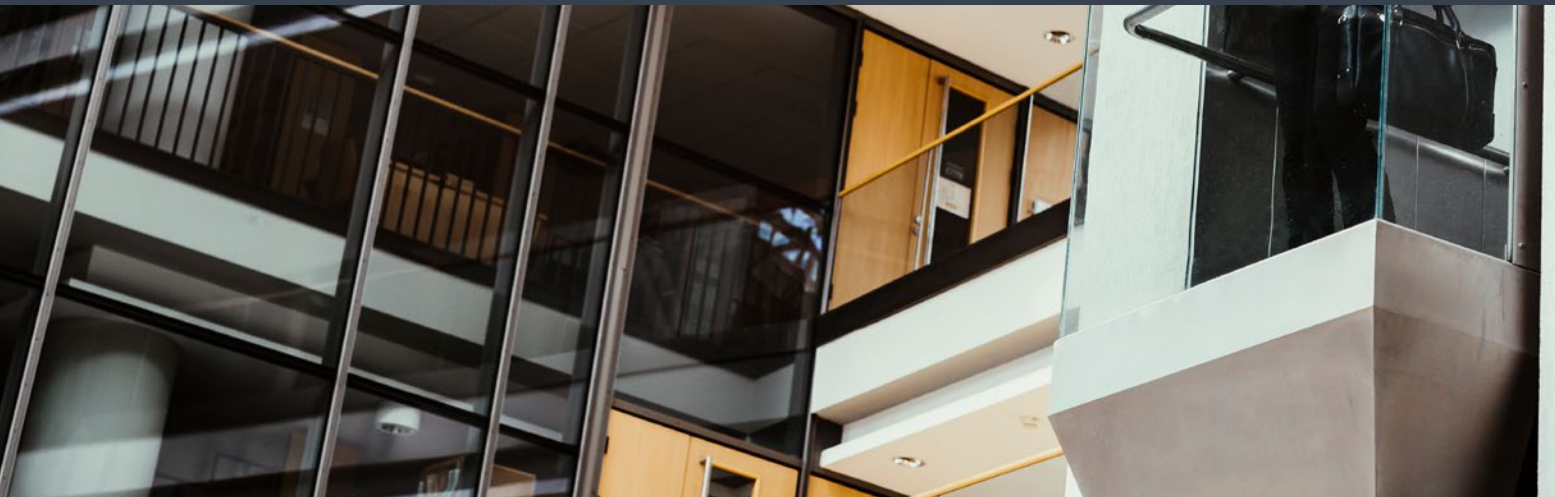


Commercial Property Market Review

August 2024



Latest from RICS

The commercial property market remained relatively flat in Q2 of this year, according to the latest Royal Institution of Chartered Surveyors (RICS) survey.

Tenant and investor demand were both largely stable as headline occupier demand stayed at a net balance of +4% – the same reading as the previous quarter. Investment enquiries also remained the same (-4%) indicating that investment demand has become stagnant.

Meanwhile, the London office market continues to outperform the rest of the UK, with 68% of survey respondents expecting prime office rents to increase within the next year. There was not the same confidence in other regions, with 29% expecting rents to rise in both the North and South, and 25% predicting increases in the Midlands.

RICS reported that a third (34%) of respondents believe that the market is at the bottom of the current cycle and 41% think it is in the early stages of recovery – a slightly more optimistic view than the previous survey.

A mixed picture in Scotland

Occupier demand for commercial property in Scotland continues to recover, supported by the most resilient backdrop for retail in eight years, according to RICS.

A net balance of +4% of Scottish surveyors reported a rise in occupier demand across all sectors through Q2. Demand for office and retail space was flat, while a net balance of 13% of surveyors in Scotland noted a rise in demand for industrial space. The net balance for retail demand moved out of negative territory for the first time since 2016.

Looking ahead, rents in both the retail and office sectors are expected to fall, while rents for industrial space are expected to rise through the third quarter.

RICS Senior Economist Tarrant Parsons commented, *“Respondents now feel the market is moving towards the early stages of an upturn following a challenging couple of years.”*

Rise in office space leased in the capital

Leasing activity surged in London in Q2 of this year, according to Savills.

Take-up in the capital rose quarterly by 21% to 2.3 million sq. ft. The insurance and financial services sectors were key drivers of this, accounting for 32% of office space leased so far this year. This is partly due to Citadel's pre-let at 2 Finsbury Avenue EC2, which is scheduled to finish construction early in 2027.

Although take-up in the City of London was 1% higher than its long-term average in Q2, leasing in the West End was 37% lower as the lack of larger deals continue to impact this market.

There is noticeable demand for sustainable buildings – Victoria Bajela, Director of Commercial Research at Savills, observed, *“Over 55% of take-up has been in BREEAM-rated Outstanding or Excellent buildings which continues to drive rental growth overall.”* Launched in 1990, the Building Research Establishment's Environmental Assessment Method (BREEAM) is the world's longest-established green building certification system.

Commercial property currently for sale in the UK

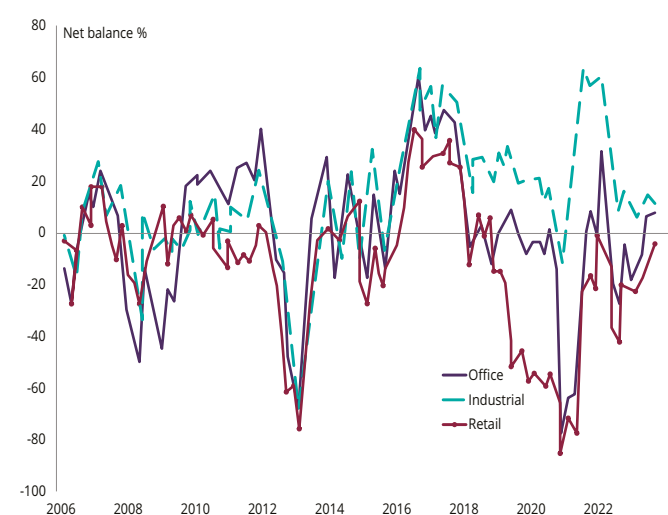
- **South West England** has the highest number of commercial properties for sale
- **Scotland** currently has **1,303** commercial properties for sale with an average asking price of **£359,022**
- There are currently **929** commercial properties for sale in **Wales**, the average asking price is **£475,364**.

| Region | No. properties | Avg. asking price |
|--------------------------|----------------|-------------------|
| London | 1,814 | £1,279,327 |
| South East England | 1,705 | £671,934 |
| East Midlands | 881 | £643,121 |
| East of England | 988 | £620,568 |
| North East England | 875 | £369,863 |
| North West England | 1,510 | £563,252 |
| South West England | 1,859 | £570,289 |
| West Midlands | 1,145 | £524,276 |
| Yorkshire and The Humber | 1,199 | £359,183 |
| Isle of Man | 35 | £565,942 |
| Scotland | 1,303 | £359,022 |
| Wales | 929 | £475,364 |
| Northern Ireland | 3 | £16,665 |

Source: Zoopla, data extracted 14 August 2024

Commercial property outlook

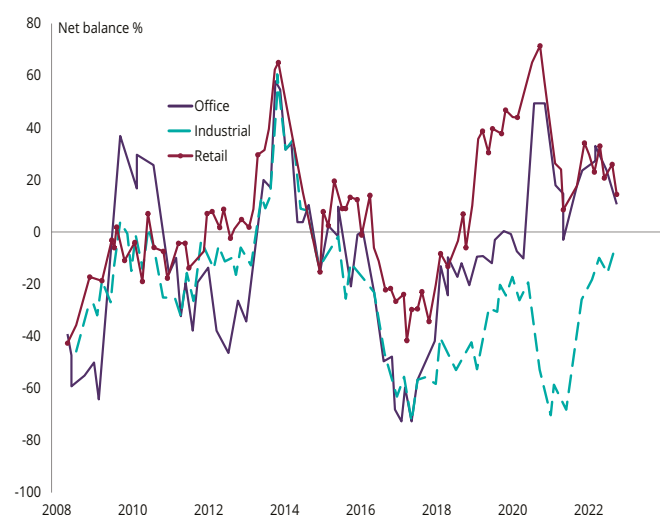
Occupier demand – broken down by sector



- A headline net balance of +4% of contributors was reported for overall tenant demand in Q2, identical to the reading in Q1
- A net balance of +7% of contributors saw an increase in occupier demand across the office sector in Q2, a marginal pick-up from +6% in Q1
- A net balance of -5% was registered for the retail sector, compared to -10% seen in the previous quarter.

Source: RICS, UK Commercial Property Monitor, Q2 2024

Availability – broken down by sector



- Respondents continue to cite a modest increase in overall vacant space in both the office and retail sectors
- In the industrial sector, a net balance of +9% was registered in Q2
- A significant departure from the almost uninterrupted decline in the availability of industrial space over the past decade was noted in Q2.

All details are correct at the time of writing (19 August 2024)

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.