

T: 01502 501922 E: IFA@norfolkandsuffolk.co.uk

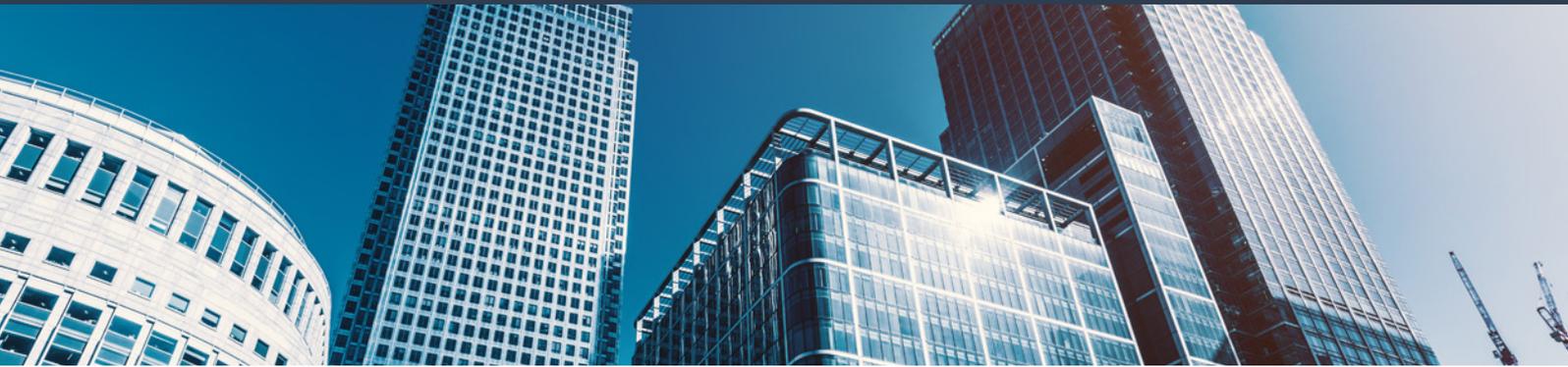
W: www.norfolkandsuffolk.co.uk

3 Quay View Business Park, Barnards Way, Lowestoft, NR32 2HD

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Commercial Property Market Review

February 2021



Widening disparity between commercial property sectors

In its latest *'UK Commercial Property Survey'*, the Royal Institution of Chartered Surveyors clearly emphasise the continuing outperformance of the industrial sector, with both investor and occupier demand strengthening in the final quarter of last year, in every region of the UK. Interestingly, investment enquiries for UK industrial assets from overseas buyers also increased in Q4.

However, economic pressures caused by the pandemic continue to present challenging conditions, especially in the office and retail sectors, as demand continues to fall. The retail sector posted the sharpest rise in vacant space, while in Q4, availability of leasable office space grew at its strongest rate for over 10 years. At the other end of the scale, industrial availability continued to contract.

The survey outlined, *'Almost two thirds (63%) of survey respondents consider the market to be in a downturn phase of the property cycle, however Q4 results did show a significant shift in the share of contributors sensing the market may now have reached a floor, rising from just 7% last quarter to 19% this time out.'*

Despite drop in investment "there is genuine optimism in the Scottish investment market"

Last year, commercial property investment volumes totalled £1.3bn in Scotland, a decline on the figure registered in 2019 (£2.1bn). The 2020 total is the weakest annual figure in eight years, largely impacted by lockdown measures.

However, despite this drop, some sectors, including distribution warehouses and business parks, where demand was strong, performed well. Over half of all activity by value (54%) originated from cross border capital, while the proportion of institutional investors dropped to a record low of 8%, versus the five-year average of 19%.

According to new analysis from Colliers International, a rebound is expected in 2021. Elliot Cassels, Director for National Capital Markets in Edinburgh, commented, *"There is genuine optimism in the Scottish investment market, in anticipation of restrictions being lifted. A Brexit trade deal that looked very unlikely has been struck, which will calm nervous investors - and with mass vaccinations being rolled out across the UK there is finally light at the end of the COVID tunnel."*

London West End sees highest investment volumes for six years

With £2.87bn transacted in Q4 alone, this represents the highest fourth quarter investment volumes for London's West End for six years. According to Savills, this puts Q4 2020 38% above the five-year Q4 average.

Last December's turnover was the highest monthly volume of 2020, across 12 transactions, totalling £1.16bn. Representing 25% of the total amount transacted in the West End during the entire year. Boosted by the completion of several flagship transactions under offer during Q3, the most notable being British Land's disposal of a 75% stake in two properties in Seymour Street, and one in Portman Square, comprising 309,000 sq ft of mixed-use accommodation, let to occupants, including seven office tenants.

Head of Central London Investment, Stephen Down, commented, *"The scale of uplift seen in Q4, particularly in December, shows the scale of the pent-up demand for London assets and should hopefully be repeated once the current lockdown ends, boding well for the middle and later parts of 2021. We saw European investors accounting for 30% of West End volumes last year, swiftly followed by Asian capital at 28% and UK buyers at 22%. Given the underlying strengths of the market are now coupled with news of a vaccine and certainty of a Brexit trade deal, we anticipate further activity by international buyers throughout 2021."*

Commercial property currently for sale in the UK

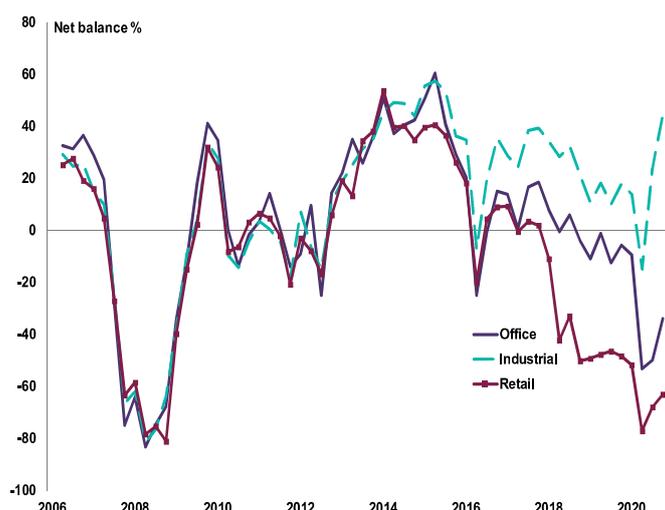
- Regions with the **highest** number of commercial properties for sale currently are the **South West** and **North West of England**
- Northern Ireland** currently has the **lowest** number of commercial properties for sale (27 properties)
- There are currently **1,262** commercial properties for sale in **London**, the average asking price is **£1,198,901**

Region	No. properties	Avg. asking price
London	1,262	£1,198,901
South East England	1,208	£627,317
East Midlands	845	£954,186
East of England	730	£530,648
North East England	869	£336,335
North West England	1,573	£440,903
South West England	1,655	£550,775
West Midlands	1,205	£506,598
Yorkshire and The Humber	1,275	£335,129
Isle of Man	50	£477,587
Scotland	1,276	£304,458
Wales	762	£373,829
Northern Ireland	27	£358,750

Source: Zoopla, data extracted 22 February 2021

Commercial property Q4 2020

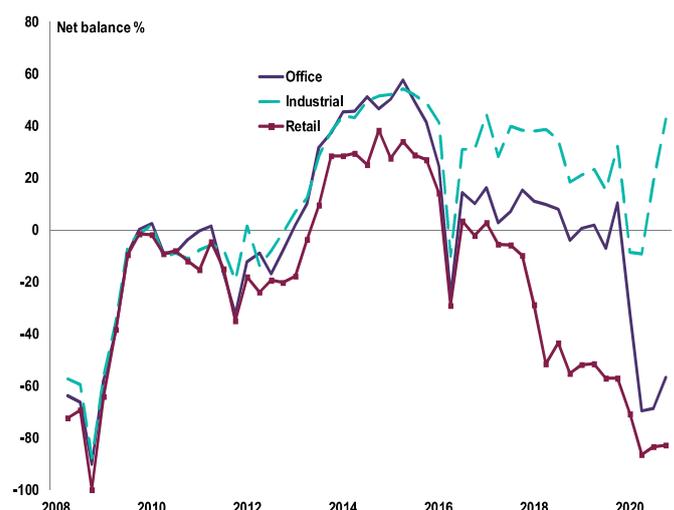
Investment Enquiries – broken down by sector



- Investment enquiries were the least negative since Q4 2019
- Strong growth in industrial assets continued in Q4 2020
- There was the first positive reading since Q3 2018 for overseas investment enquiries for UK industrial assets.

Source: RICS, UK Commercial Property Market Survey, Q4 2020

Capital Value Expectations – broken down by sector



- 12 month capital value expectations were revised higher across the industrial sector relative to Q3 2020
- Expectations turned slightly less negative regarding prime office values
- Deeply negative expectations remain across the retail sector.

All details are correct at the time of writing (22 February 2021)

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