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COMMERCIAL PROPERTY
MARKET REVIEW

APRIL 2023

INVESTOR CONFIDENCE RETURNS AS PRICING PLATEAUS

UK commercial investment volumes totalled £5.6bn in Q1 2023, according to a report from Savills, the second lowest quarterly volume since 2009.

Amidst a volatile and unpredictable economic backdrop, investment volumes were lower than any quarter except Q2 2020. The average Savills prime yield now stands at 5.57% after yields in industrial and regional offices moved inwards by 25 basis points.

Inflation figures released by the Office for National Statistics (ONS) continue to remain high with the consumer price index (CPI) rising to 10.4% in February and only dropping to 10.1% in March. The report states that investors are now in *'wait and see'* mode, with many experts predicting that investment volumes could trend upwards later in 2023, should a market recovery materialise.

COMMERCIAL LANDLORDS AT RISK OF NON-COMPLIANCE

One in every 20 square metres of commercial property space could be at risk of non-compliance with the Minimum Energy Efficiency Standards, according to a release by Knight Frank.

Since the start of April, all tenanted commercial property buildings across the UK have needed an energy performance certificate (EPC) rating of at least an E under the Minimum Energy Efficiency Standards (MEES).

From the 5% of commercial property floorspace currently at risk, offices (7.5%) and retail (5%) have the most 'F' or 'G' grade space. Hotels (2%) are the least at risk, though some experts think this may be an underestimate given that many don't require EPC ratings until a sale process is executed.

The stakes are high for landlords since buildings that fall short of the new standards could incur fines of up to £150,000.

HIGHER VACANCY RATES FOR SCOTTISH OFFICES

Office vacancy in Scotland has risen to its highest level in seven years, according to CoStar Group, reaching 10.3% last month.

As occupiers continue to reassess their space needs, vacant office space has increased by 51% since the first lockdown. The amount of unoccupied office space now stands at 10.9m sq. ft across Scotland.

A year ago, this was 9.2m sq. ft – and 7.2m sq. ft in March 2020. Since the pandemic began, net absorption of office space across Scotland has been negative.

Grant Lonsdale from CoStar Group, commented, *"While the headline figures make for a sobering read, our data shows a mixed picture by building grade, age and location. Broadly speaking, firms are gravitating towards the newest and best offices, whether they are based in Edinburgh, Aberdeen, Stirling or elsewhere."*

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COMMERCIAL PROPERTY CURRENTLY FOR SALE IN THE UK

- **South West England** has the highest number of commercial properties for sale
- **Scotland** currently has **1,182** commercial properties for sale with an average asking price of **£302,036**
- There are currently **1,746** commercial properties for sale in London, the average asking price is **£1,254,243**.

Source: Zoopla, data extracted 20 April 2023

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,746	£1,254,243
SOUTH EAST ENGLAND	1,471	£632,394
EAST MIDLANDS	819	£762,382
EAST OF ENGLAND	935	£604,476
NORTH EAST ENGLAND	842	£343,128
NORTH WEST ENGLAND	1,497	£424,047
SOUTH WEST ENGLAND	1,761	£546,800
WEST MIDLANDS	1,172	£516,156
YORKSHIRE AND THE HUMBER	1,228	£320,036
ISLE OF MAN	49	£447,945
SCOTLAND	1,182	£302,036
WALES	874	£419,932
NORTHERN IRELAND	3	£19,761

LONDON OFFICE MOVES ON THE UP

In a turbulent market, 2022 saw the highest number of Central London office deals on record, according to the newly released London Moves report.

Some 590 leasing transactions took place across the year, driven by a 58% year-on-year increase in sub-25,000 sq. ft deals, the report notes. In contrast, larger 100,000+ sq. ft deals decreased from 15 in 2021 to 10 in 2022.

New Central London occupiers increased to 63 in 2022 thanks in part to 33 relocating from outside Central London. *"Companies have responded to the challenges of the past few years by focusing on what's right for their business"* commented Ben Cullen, Head of Offices UK.

> ***"Companies have responded to the challenges of the past few years by focusing on what's right for their business"***

All details are correct at the time of writing (20 April 2023)