ECONOMICS

UK Commercial Property Monitor

Q1 2023

ECONOMICS

Headline occupier demand metric stabilises as the weaker trend in investor activity eases

- Industrial capital value expectations recover slightly, with occupier fundamentals still solid
- Secondary offices and retail continue to struggle but prime offices post firmer expectations
- Majority of respondents still view the market to be in a downturn although a rising share now feel conditions are stabilising (or beginning to improve) relative to last quarter

The results of the Q1 2023 RICS UK Commercial Property Monitor remain generally subdued as the market continues to contend with higher borrowing costs and a sluggish economic growth outlook. That said, the overall tone to the latest feedback is not as downbeat as last quarter. Indeed, the industrial sector in particular has shown renewed momentum, evidenced by near-term capital value expectations turning marginally positive following the sharp downward adjustment seen at the end of last year as bond yields jumped higher. Overall, although 50% of respondents feel conditions are consistent with a downturn phase of the property cycle, respective shares of 25% and 21% now feel the market has either reached a floor or has begun to turn up (9% and 5% in Q4).

Starting with the occupier backdrop, the headline net balance for tenant demand came in at -3% in Q1. Although indicative of a largely flat picture, this marks an improvement on a reading of -20% posted last time. Within this, the industrial sector saw a pick-up in occupier demand, registering a net balance of +16% vs +6% in Q4. Meanwhile, tenant demand was flat to marginally negative for office space (net balance -6%) and continued to fall across the retail sector (net balance -23%). Even so, in both instances, this was less negative than in the previous quarter. Alongside this however, vacant space continued to edge higher within the office and retail segments, prompting landlords to increase to value of incentive packages. Conversely, availability dipped marginally for industrials.

Looking at the prospects for rental growth, the net balance of respondents anticipating an increase in prime industrial rents over the next twelve months rose from +40% in Q4 to +58% in Q1, and from +6% to +23% for secondary industrial rents. By way of contrast, the outlook for rents remains negative for prime and secondary retail outlets, although the net balance of respondents expecting falls did moderate compared to Q4. For the office sector, there remains a stark contrast between prime and secondary, with the former expected to see solid rental gains (net balance +29%) while rents are seen falling across the latter (net balance -37%). Anecdotal remarks continue to cite ESG factors as an important driver of demand for some offices.

When disaggregated by broad region, a net balance of +38% of respondents foresee prime office rents in London rising in the year to come (up from a figure of +19% beforehand). Although growth in prime office rents is also seen across the South, Midlands and the North, expectations are not quite as elevated as those in London (in net balance terms). On the same basis, industrial rental growth expectations are particularly buoyant across the Midlands, albeit all parts of the country are expected to deliver a solid uptick in industrial rents. At the weaker end of the spectrum, both prime and secondary retail rents are projected to fall across most parts of the UK. Interestingly however, rents are now anticipated to pick-up marginally for prime retail space in London.

Turning to the investment market, the headline metric capturing investor demand posted a net balance of -14% in Q1. Although still indicative of a weakening in investor enquiries (for a third straight quarter), the latest figure is less downcast than the reading of -30% seen in Q4. A tighter lending environment continues to present a headwind to investor activity, with the survey's series gauging changes in credit conditions pointing to a fifth successive quarterly deterioration. Even so, the Q1 net balance of -37%, while still signalling a tougher lending backdrop, is the least negative reading seen since Q1 2022.

At the sector level, the latest net balances regarding investment demand for offices and retail assets came in at -26% and -27% respectively. Alongside this, industrial buyer demand appeared to stabilise, returning a net balance reading of +4% (compared to -9% last quarter). Notwithstanding this, indicators tracking overseas investment demand remained in negative territory across all three traditional market sectors.

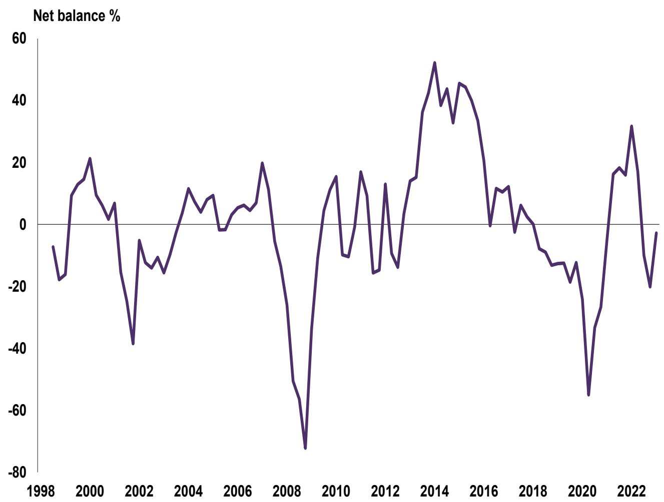
Regarding the twelve-month outlook for capital values, the all-property expectations net balance moved to -10% following a reading of -40% previously. Moreover, expectations turned from negative to slightly positive in both the prime and secondary portions of the industrial market. Across the prime office sector, values are now seen holding steady over the year ahead (net balance +6% vs -31% in Q4), although expectations remain deeply negative for secondary office values (net balance -44% compared to -65% previously). Alongside this, respondents still foresee further falls in retail values, both prime and secondary, posting net balances of -19% ad -50% respectively.

Away from the mainstream sectors, respondents do envisage some positive growth over the year ahead in capital values across aged care facilities, life sciences, student housing and multifamily residential. For hotels, the outlook appears flat to marginally positive. At the other end of the scale, leisure capital values are expected to fall according to a net balance of -24% of respondents.

In response to a set of extra questions included in the Q1 survey, just over 50% of respondents stated that they currently assess the extent of potentially 'stranded' assets in the portfolios they are involved with. Furthermore, close to three-quarters of respondents feel that between 10% and 30% of these assets could potentially be 'stranded' if no investment at all is made to enhance them to meet legislative and market requirements.

Commercial property all-sector average

Occupier demand



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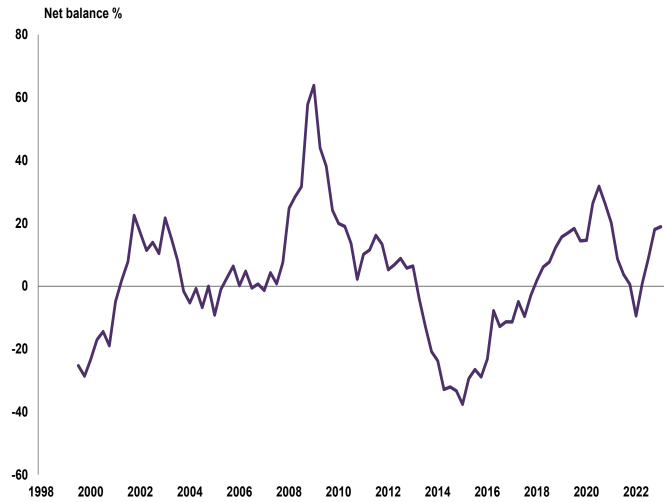
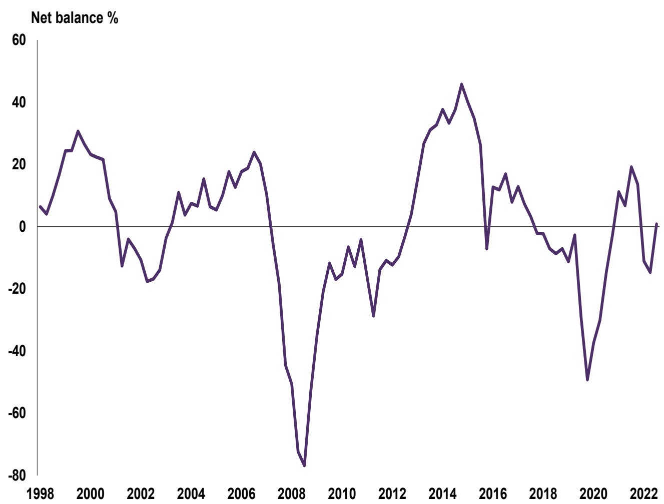
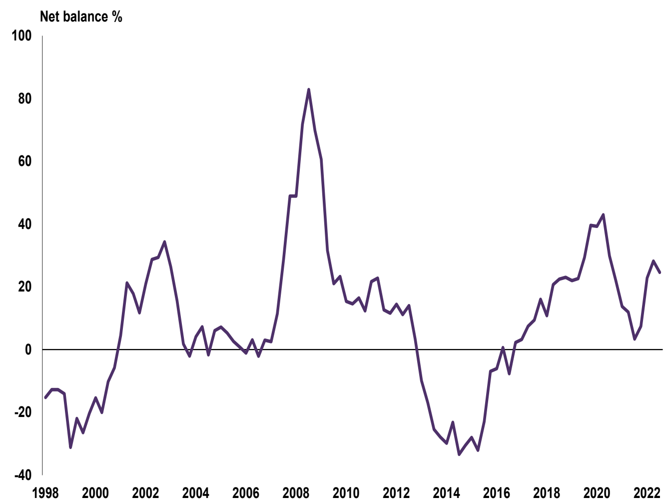


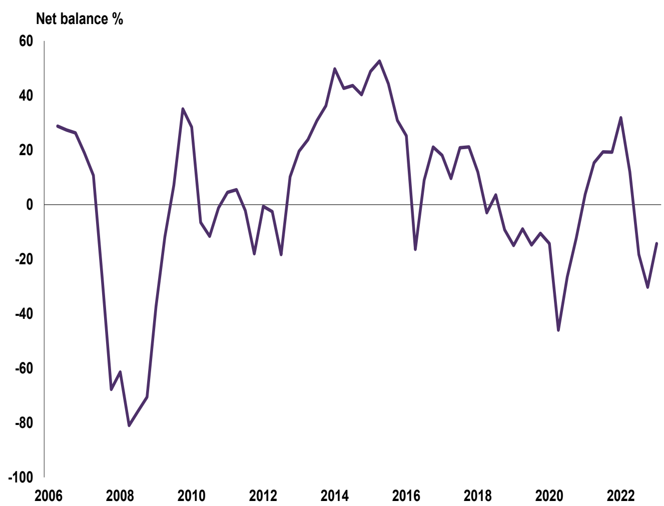
Rent expectations



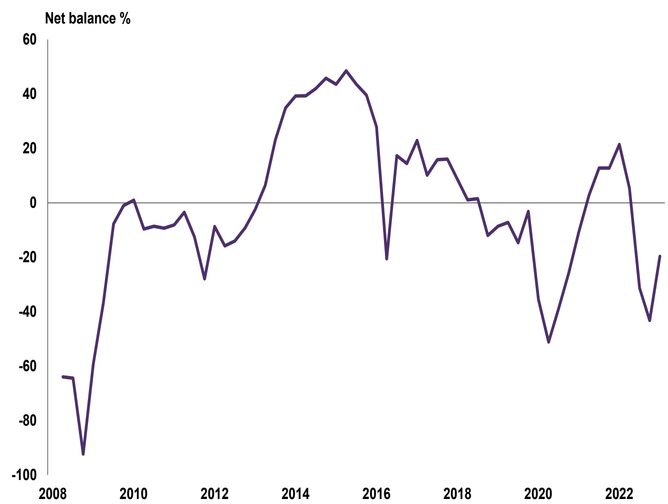
Inducements



Investment enquiries

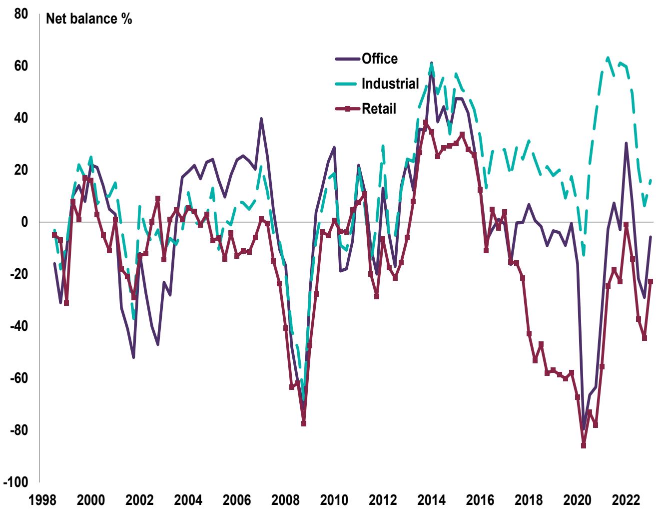


Capital value expectations



Commercial property - sector breakdown

Occupier demand



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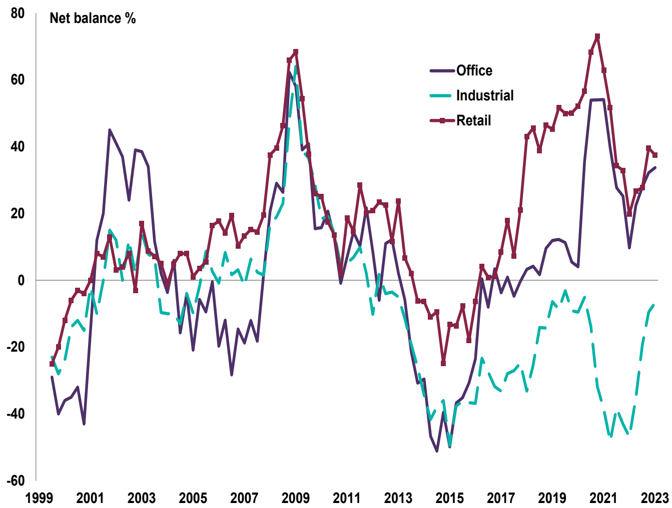
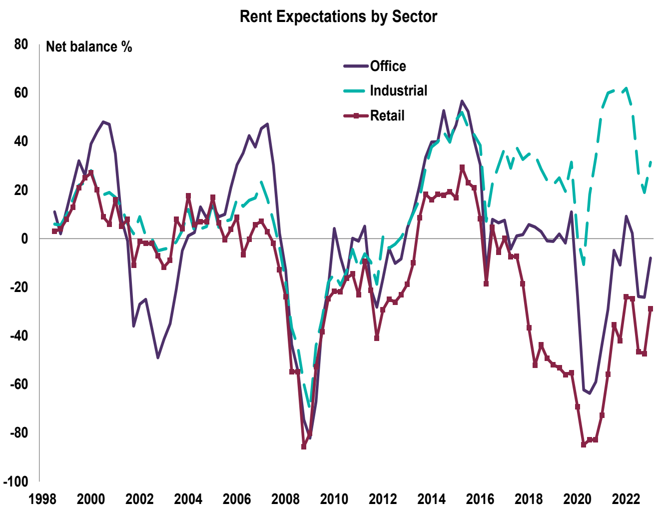


Rent expectations



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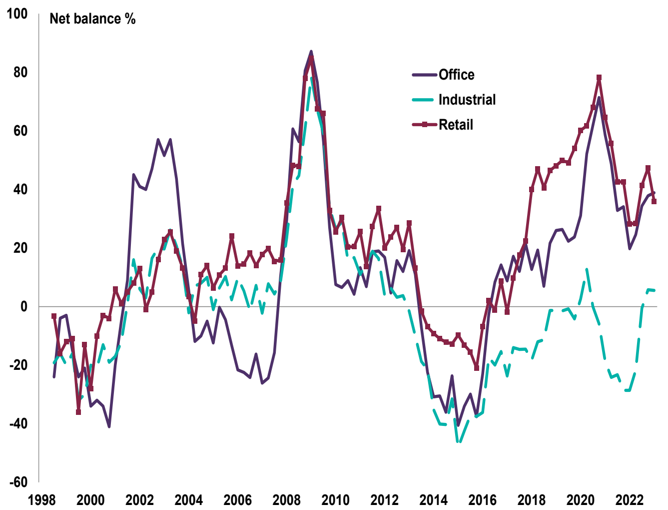
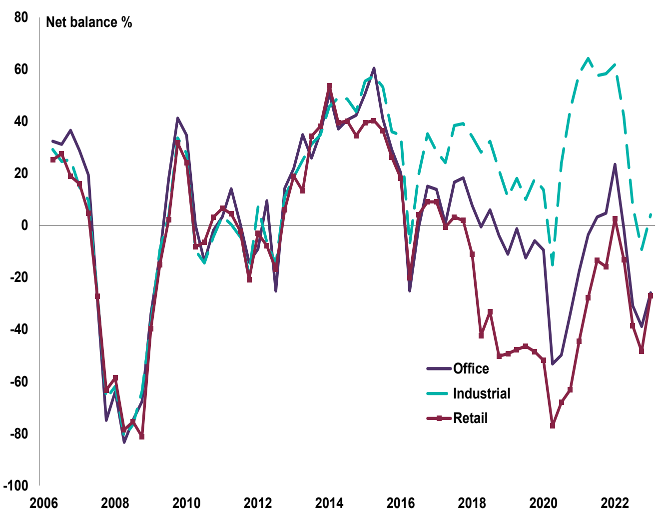
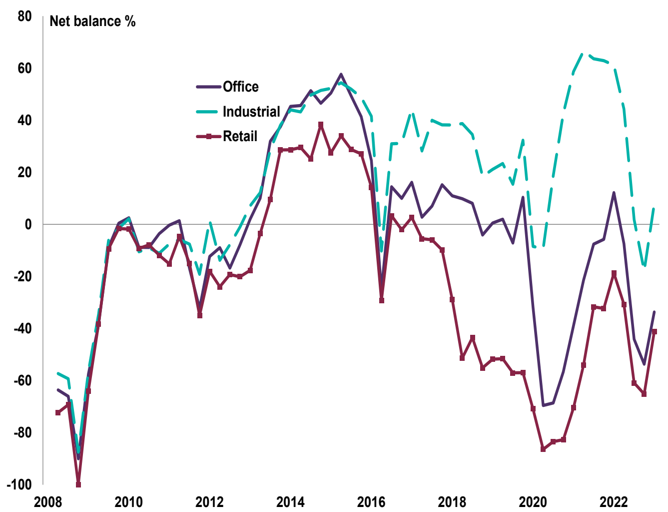


Investment enquiries

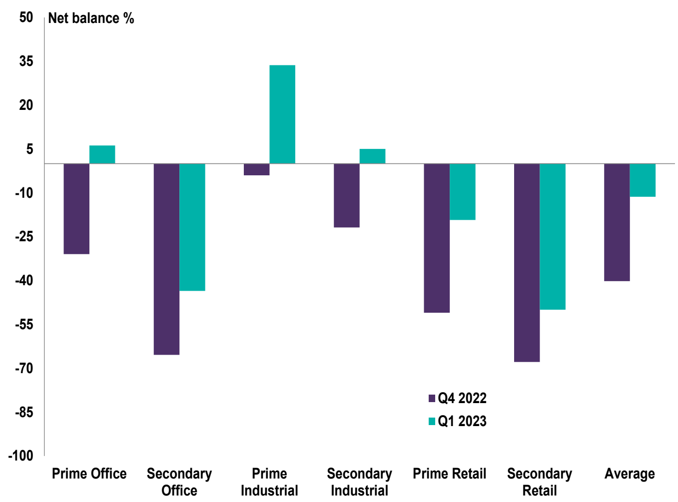


Capital value expectations



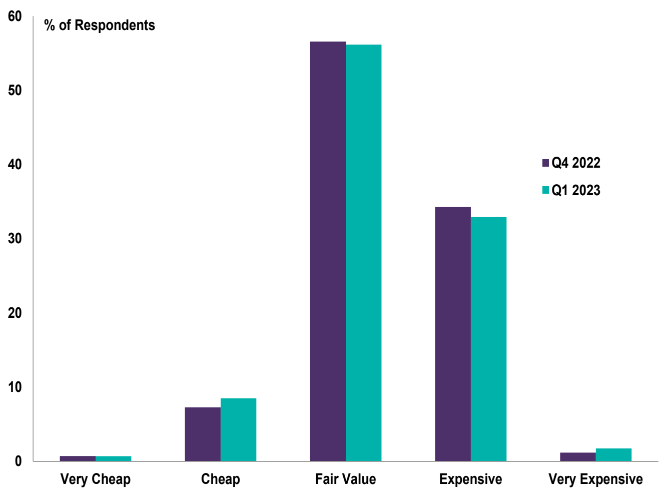
Commercial property - additional charts

12-month capital value expectations

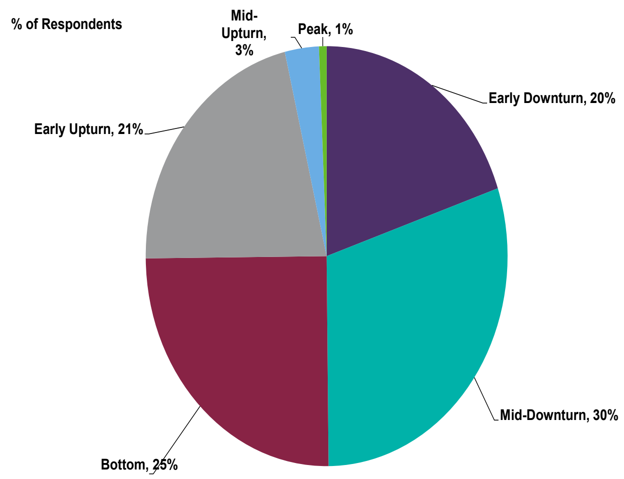


12-month rent expectations

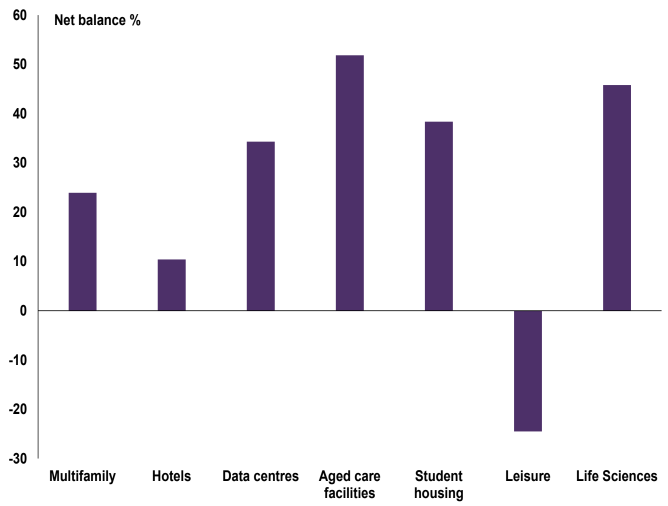
Market valuations



Property cycle



12-month capital value expecations alternatives



Chartered surveyor comments

East Midlands

Helen Pearson, Northampton, GXO, helen.pearson@gxo.com - Industrial rents seem to be going up between agreeing HOTs and signing up, which is very difficult in a market as a logistics provider.

Nigel Carnall, Sutton in Ashfield, W.A.Barnes LLP, njbc@wabarmes.co.uk - There is a very limited supply of small to medium sized industrial units in the area.

Stephen Salloway, Derby, Salloway Property Consultants, ssalloway@salloway.com - Some concern about the economy but generally, in the appropriate sectors, real estate is still performing well.

Eastern

Alan Richards, Southend-On-Sea, Southend-on-Sea Borough Counci, alanrichards@southend.gov.uk - There are sub-sectors which will perform better/worse and great unknowns like future energy costs and full impact of MEES, LURB, other operational and business cost issues which all have notable impacts.

Julian Haywood Smith, Ipswich, Beane Wass & Box, jhsmith@bw-b.co.uk - Market very quiet.

Mike Storey, St Neots Cambridgeshire, Brown & Co, St Neots, mike.storey@brown-co.com - We are operating in a difficult market where there is a good degree of uncertainty.

Nigel Morgan, North Walsham, Managed Property Supply Ltd, nigeldmorgan13@gmail.com - Residential and secondary commercial markets weaker than the press seem to recognise currently - especially older properties with poor EPCs.

Will Jones, Norwich, Bidwells, william.jones@bidwells.co.uk - Challenging.

London

Adrian Sancroft, London, Southwark Council, adrian.sancroftt@southwark.gov.uk - Still much uncertainty but nevertheless occupier businesses continue to seek growth and change with a flight to quality accommodation to recruit and retain staff.

Andy Frisby, London, Fleurets, andy.frisby@fleurets.com - The last six months have been very tough in terms of low transaction volumes and buyer confidence. We seem to have turned the corner with certainty beginning to return to the market

Chris Jago, London, Houston Lawrence, chris.jago@houstonlawrence.co.uk - Random levels of occupational enquiries - very few in office sector. Medical and fitness enquiries up. Follow on contact extremely difficult.

David Brogan, London, Agile Real Estate, David@agilerealestate.co.uk - Central London prime office rentals continue to fly. Secondary is a different story. Sales-wise, a gulf still exists between vendors' and purchasers' price expectations.

David Frank Kerr, Alhampton, Nr Shepton Mallet, Cushman&Wakefield., david.kerr@cushwake.com - Healthcare holding up and CV's flat lining.

David Harper, Coulsdon, Leisure Property Services, dharper@leisurepropertyservices.com - The hotel market is seeing very high prices, but trading is improving so hopefully "real values" will catch up with sellers' asking prices.

David Toogood, London, Harding Chartered Surveyors, dtoogood@hardingsurveyors.co.uk - Difficult market conditions, about to be more affected by the chaos with Banks, SVB, Credit Suisse, Deutsche Bank and rising interest rates.

Giles Worrall, London, Emerson Heath Ltd / Aurum Real Estate Partners, giloemerson@yahoo.com - Poor and deteriorating in the majority of sectors, both occupationally and in the capital markets aside from some specialist sectors and geographies.

John King, Merton Lb, Andrew Scott Robertson, jking@as-r.co.uk - Having survived the pandemic, the office market in South London and North East Surrey appears to be the principle casualty with rents having slipped further back on grade B/C office stock, while Grade A and retro fitted buildings are finding tenants but with limited success. Companies are adapting to a new working environment as landlords are having to be more imaginative to retain income. Its an economic cycle that is slowly turning adjusting to these new circumstances.

John Stacey, London, Blue Coast Capital, Jstacey@bccap.com - Period of pricing discovery. My view is that values will need to fall.

Jon Dedekind, London, Capital Industrial LLP, jdedekind@gmail.com - I feel like the industrial market has bottomed out in terms of valuations, however there is still a fair amount of tenant risk and we'll see more tenants in administration. There are new occupiers in the market looking to replace them though.

Jon Pishiri, London, Jon Christopher Ltd, jon@jonchristopher.com - Challenging, with variations depending on which sector of the property market is being analysed.

Jonathan Wong, London, Cushman and wakefield, Jonathan.wong@cushwake.com - Main trends affecting value and demand in the short term is the new MEES regulations and making buildings compliant. Occupiers are looking for quality as opposed to quantity in terms of space.

Julian Woolgar, London, Knight Frank, julian.woolgar@knightfrank.com - I work with office occupiers in Central London Office. Whilst the start of this year was positive, the news re SVB and Credit Suisse has caused some uncertainty and we are noting a more cautious approach from some clients prior to committing to take space. A limited number of occupier clients have put their searches on hold and some others have changed the focus of the search to short term pre-fitted options due to the economic uncertainty. There is still a marked lack of Grade A supply.

Julie Kaye, London, Platinum Associates Ltd, julie.kaye@platinumassociates.co.uk - Client will need to completely refurbish their vacant office premises (with furniture, art and IT included) in order to get them to shift.

Mac Lal, London, macneel, maclal66@gmail.com - Secondary market holding up in high value areas.

Mark Owen, London, Urban Vision Real Estate, mark.owen@urbanvision.uk - Generally investment and rental for prime offices remains fairly good however investor activity has dropped. The BTR sector including PBSA / Student remains very strong across the UK for both rental growth and investor activity, however the supply of product to the investment market remains limited and new site opportunities scarce. Science Lab opportunities seem to be the current on trend sought after opportunities in the East and London.

Martin Roberts, London, Addington Capital, martin@addingtoncapital.com - Commercial market has got markedly more difficult since SVB and Credit Suisse failures.

Michael Zucker, London, Jeremy Leaf & Co., michael@jeremyleaf.co.uk - General confidence in the economy is still low.

Mr Ian J Rose, London, M&A Associates, ianjrose1@gmail.com - Weaker because of the increased cost of money.

Neil Miller, London, Lawrence Vacher LLP, neil.miller@lvpsurveyors.co.uk - Presently volatile, with little consistency between individual sales and lettings. Investors are cautious.

Nicholas Haywood, London, sbh Page Read, nick@sbhpageread.co.uk - We specialize in the industrial warehouse market. Occupier demand from Q3 2022 has slowed particularly for units over 20,000 sq. ft. This continues to be the case. There is some upturn in demand for units under 10,000 sq. ft. Tenants are very rent sensitive which is holding back commitment.

Nick Pemberton, London, Allsop LLP, nick.pemberton@allsop.co.uk - Allsop London West End Q1 2023 Key Investment Transactions - In a subdued quarter, we recorded just 13 commercial transactions totalling £375M of volume either exchanged or exchanged and completed in the first three months of 2023. For the same period last year, there was £1.4Bn of transactions in 17 deals, and the 10 year Q1 average is also £1.4Bn with 25 transactions.* All 13 Purchases by private investors *Retail was 50% of the volume *95% were Freehold *7 of the 13 were under £15M - liquid.

Nigel Harrison, London, Harrison Leggett, nh@harrisonleggett.co.uk - London west end offices have polarised into 2 distinct markets. New best in class are in short supply and thus inflated rents .All other offices are over supplied and seeing very little activity. Clerkenwell and Shoreditch is now badly oversupplied as Tech industries are now cutting back and failing to mature. City offices are also only seeing activity in the very top of the market everything else is not shifting even at discount of 75% rental cost compared to the West End.

Nigel Penso, London, Metrus Ltd, np938@hotmail.com - There seem to be occupiers looking for space but for offices at least there is a trend to downsize and preference for their own front door. There seems to be less appetite for retail though.

Patrick Cryer, London, Squarebrook, patrick.cryer@squarebrook.com - The market is increasingly polarised between Grade A and Grade B stock both capital and rental.

Peter Balfour, London, La Francaise Group UK Limited, pbalfour@la-francaise.com - Debt market costs are a significant factor in the London office market and so is construction cost inflation. The former is pushing down capital market pricing, the latter is restricting future supply and so likely to inflate rents in the medium term if tenant demand remains broadly similar.

Philip Thompson, London, Soho Estates, Philipt@sohoestates.Co.uk - Soho remains very strong for leisure and prime office assets. Secondary office and retail are harder work than in 2022.

Professor Graham F Chase, London, Chase Sinclair Clark LLP, gfc@chasesinclairclark.co.uk - Uncertainty in the market with pressure on ability to secure lending/mortgaging and costs of such activity. This, coupled with rising costs of materials, is adversely affecting viability with many schemes now on hold or abandoned.

Richard Auterac, London, Acuitus, Richard.auterac@acuitus.co.uk - High street retail and leisure bumping along the bottom waiting for better news. Still cash available for fair valued assets and mixed use opportunities, underpinned by residential development. Finance has tightened and this could put strain on current borrowers.

Richard Goldin, London, Gleeds, richard.a.golding@gleeds.com - Retrofit vs rebuild is very much the debate on everyone's lips at the moment, with the changes to Minimum Energy Efficiency Standards (MEES) Regulations front and centre. An estimated 75% of commercial office stock in Westminster and City is below an EPC B rating and will need investment to bring performance up to standard by April 2030.

Richard Stanley, London, Stanley Capital Advisers, richard.stanley@stanleycapitaladvisers.com - There is a lag between expected realisations and real evidence because of a shortage of trading stock in the market. Whilst interest rates are clearly putting pressure on yields, there is a lot of conjecture, not yet evidenced as the lenders have manageable liquidity requirements, unlike 2010.

Richard Swan, London, Panther Securities PLC, richard.swan@pantherplc.com - Whilst we are still seeing demand across the office and industrial sectors, retail remains very challenging with little tenant demand.

Richard Wood, London, Beacon Wood RES Ltd, RWood@beaconwood.co.uk - Weaker occupational and investment market, except for prime assets, the definition of which is sharpening

Ronan Stack, London, EY, rstack@uk.ey.com - Bottom of cycle.

Rudolf Fattal, London, RD&D Associates, rudy@rddassociates.co.uk - Difficult market and difficult to anticipate future movements.

Russell Francis, London, Colliers, Russell.francis@btinternet.com - Capital markets worldwide are very nervous with increases in interest rates being compounded by Bank failures. Volatility is preeminent there is a feeling that we are on a knife edge with there being an equal chance of financial markets moving up or downwards over the coming months.

Sam Kingston, Norwich, Roche Chartered Surveyors, samk@rochecs.co.uk - The industrial market remains buoyant, mainly due to lack of supply and as a consequence rents and freehold values continue to rise. The office market remains challenging, but there has been greater occupier demand since the start of the year for space below 3500 sq. ft.

Sean Dempsey, London, Boultbee LDN Capital Limited, sean@boultbeeldn.co.uk - The office occupational market continues to be characterised by tenant indecision and a continuation of substantial homeworking. The lack of any incentive to return to office risks damaging city centres. On the retail front, national tenants with capacity to expand are now opportunistically looking at acquisition, again.

Selwyn Midgen, London, Achilles Investments Ltd, s.midgen@doningtoninvestments.com - The recent bank collapse in the US and Switzerland will have a significant affect on all UK and International Real Estate. Business will enter recession and the supply of property to let will increase driving down rents across the board.

Steve Chandler, Surrey, Castle Wildish Surveyors Limited, stevechandler@castlewildish.net - The rising service costs and general expenditure is having a telling effect on demand. The demand for offices is particularly weak at present.

Thomas David Whirledge, London, Smith Price RRG, davidwhirledge@btinternet.com - Fragile.

Tim Morgan, London, Fountain Properties Ltd, tjm@hsmuk.com - Still to see worsening / deteriorating market.

Tim Powell-Harper, London, GN2 Ltd, tim.powellharper@gn2.uk.com - Market correction required to facilitate transactional platform.

Tom Deacy, London, Tom Deacy Consultancy Ltd, tom.tomdeacyconsult.co.uk - Quite flat but some signs of life.

Tony Parrack, London, TP Consult, tonyparrack@tpconsult.co.uk - Prime / super prime, squeaky clean new space is in short supply. Too much second-hand 'grey' space may have been fitted out relatively recently pre-Pandemic, but it does not have zoom rooms or allow for collaborative spaces, which is why many people come into the office.

Tristram Frost, London, Atlas Property Advisors Ltd, twtfrost@googlemail.com - In the main, still waiting for vendors' and buyers' price expectations to align better, especially in Western Europe.

William Nicol-Gent, Richmond, Surrey, Killochan & Co, louanna@blueyonder.co.uk - Effect of EPC up-dates is now better understood, but still hard to justify in terms of letting value.

William Spencer, London, Vectis Property Group, william_spencer@live.com - With uncertainty in the cost of borrowing, many people are waiting to see if reductions in inflation bring more stability to the market. International money is also slowing down as the pound rallies against foreign money.

North East

Barry Nelson, Newcastle Upon Tyne, Northern Trust Company Limited, bnelson@whittlejones.co.uk - The industrial multi-let market remains robust in terms of tenant enquiries, viewings and lettings, with void rates remaining consistently low, despite the turmoil of the wider economy. Smaller unit offices present more of a challenge to secure tenants for vacant space.

Kevan Carrick, Newcastle Upon Tyne, JK Property Consultants LLP, kevan@jkpropertyconsultants.com - Whilst there is an apparent general slowdown in demand, there remains activity from local businesses to seek ownership of mainly industrial, but some smaller office buildings, as investment for occupation and trading. There remains activity from developers seeking sites for industrial and road side retail development sites.

Mark Mckelvey, Newcastle Upon Tyne, Bellway Plc, mark.mckelvey@bellway.co.uk - In the housing sector, prices are holding steady but volume of transactions has dropped. The housing sector is underpinned by commercial and there is concern over the confidence level in the commercial and residential market.

Peter Blackett, Bedlington, Davison Blackett Ltd, peter.blackett@btconnect.com - Food retail sector very competitive at present.

Simon Haggie, Newcastle, Knight Frank, Simon.haggie@knightfrank.com - Enquiry levels definitely dropping but supply of grade A office and industrial space still limited.

Tim Aisbitt, Newcastle Upon Tyne, Devais Property Limited, tim@devaisproperty.co.uk - Certain sectors are outperforming expectations, PRS and Student in particular. There is still a disconnect between the sellers of land and developers on pricing, factoring in increased build costs, interest rate rises and flat capital values. Availability of sites still a major issue fuelled by the problems in the planning sector, an overhaul is needed to maintain required new housing numbers.

North West

Andrew Higson, Manchester, Capita, Andrewhigson77@gmail.com - Lack of available stock and gap between sellers and buyers aspirations and with no real distress yet is constraining the market.

Andrew Leah, Burnley, Burnley Borough Council, aleah@burnley.gov.uk - Generally depressed.

Charles B Maunsell Mrics, Liverpool, Maunsell Valuation Consultancy, NW England, charliemaunsell@aim.com - There is a general slight upturn in the local economy and property market - development land, especially in & around the new Everton FC football stadium, is in high demand & is quickly snapped up - the corridor from north city centre to formerly deprived & derelict north docks are a new hub of activity with many entrepreneurial start-ups, including local craft beer breweries & associated licenced outlets.

Christian Lawrence, Liverpool, Resourcery Group, christianlozza@gmail.com - Good levels of market optimism but hampered by the availability of surveying talent to undertake tasks and the increase in developments and property activity. Likely to be an ongoing problem if young talent is not being attracted to our industry.

David Cameron Watts, Manchester, G&T, d.watts@gardiner.com - Plateauing.

David Wadsworth, Chester, Modular500 Ltd, dw@modular500.com - Increasing demand for modular off-site retail.

Henry Prescott, Liverpool, Prescott & Partners, henry@pandpartners.co.uk - I believe the number of transactions will be limited as there is much uncertainty in the market as a whole.

Jason Rawson, Manchester, trevor dawson limited, jason@tdawson.co.uk - Industrial very strong, office slow, retail very slow.

Martyn John Garner, Stockport, Cheshire, Garner + Sons, martyngarner@garnerandsons.co.uk - General market conditions remain fairly static, but there is sustained investment demand throughout the South Manchester area, which I expect to be maintained, with modest potential growth in capital values as a consequence.

Michael Cunliffe, Manchester, Peter Cunliffe & Co, michaelcunliffe@gmail.com - I didn't agree with the various 'experts' who predicted between 5% and 30% value falls in the lockdown year of 2020 and I haven't seen what the cognoscenti are saying right now but look back at Lehman Brothers and Northern Rock in 2007 and compare the SVBank collapse, with the back drop of Ukraine and energy/living/borrowing costs, not just in UK but around the world, and I would suggest we are on the edge of a similar sharp decline to 2008.

Michael J Fisher, Lancaster, Fisher Wrathall Commercial, mike@fwcommercial.co.uk - Lack of industrial space is hindering economic growth, exacerbated by lack of land for development and lagging Local Authority policy.

Nick Swift, Bolton, Lamb and swift commercial, Nswift@lambandswift.com - Slow reduction across the board in demand across all sectors - lower rental end space is in demand.

Russell Cain, Bolton, wigan council, russell37cain@live.co.uk - Moderate growth in certain areas, steady in others.

Northern Ireland

Walter Mcfarland, Enniskillen, Eadie Mcfarland and Co Ltd, mcfarlandw1955@gmail.com - Residential market still very buoyant, retail and other commercial is static.

Scotland

Alastair Kay, Dundee, Dundee City Council, alastair.kay@dundeecity.gov.uk - Market remains challenging but with opportunities remaining for good quality office and industrial. Demand steady for good quality student accommodation.

Alex Robb, Aberdeen, a b robb ltd, Alex@abrobb.com - Aberdeen City Council have decided to charge vacant rates on listed buildings which will have a significant detrimental impact of property values.

Denis Batts, Edinburgh, denid batts property consultants, denis@chl.uk.com - At best we would expect the market to be pretty flat in 2023 in the absence of any unexpected good news.

Douglas M Macrae, Edinburgh, Jackson Criss, douglasm@jacksoncriss.co.uk - Increasing utility bills and the hike in interest rates following the mini budget last autumn continue to hamper occupier confidence in making long term commitments.

Euan Cameron, Forfar, Tayside Valuation Joint Board, Euan.Cameron@Tayside-vjb.gov.uk - The market for retail and office rents continues to fall, but industrial rents are holding up - especially so for small industrial units. Hospitality continues to struggle.

John Brown, Edinburgh, john brown and company, john.brown@jb-uk.com - Interest rates are key, worry about bank stability is now a factor, and the EPC requirements in older stock will mean secondary property commercial cost absorption for landlords.

Kevin Robertson, Edinburgh, K R Developments Group Ltd, kevin@kr-developments.co.uk - All market commentators we have engaged with expect market conditions to improve after Q2 when inflation and interest rates start to fall.

Shaun Crosby, Fifewide, Fife Council, shaun.crosby@fife.gov.uk - Market is sensitive due to inflation and macroeconomic conditions.

Stuart Hall, Glasgow, Kingsmead Developments Ltd, stuart@kingsmeaddevelopments.co.uk - There are sub sectors such as convenience retail, trade counter and social housing that are performing well despite market downturn and are still attracting strong occupier and investor interest.

South East

Catherine Alleyne, Kent, SBHG, Ktease71@hotmail.co.uk - There appears to be greater confidence in rentals and SME's.

Colin Brades, Brighton & Hove, Avison Young, colin.brades@avisonyoung.com - The prime retail sector in Brighton has seen an increased level of demand, with competitive albeit limited rental uplifts and similar concessions being granted as previous.

David Honeyman, South East, David Honeyman Associates, david@dh-a.co.uk - Very low supply of new accommodation and increased demand will result in rental increases.

Edward Ikiffe, Yattendon, Marina Developments limited, Edward.iliffe@yattendon.Co.uk - Generally confident as low gearing.

Gregory Park, Chichester, ParkSteele, gregory@parksteele.com - The fall in Red Book market value for buildings and land since September 2022 due to increased interest rates and yields are yet to be crystalised in transactions.

Iain Steele, Farnham, Park Steele, iain@parksteele.com - The market has been steady with particular activity in the industrial sector. Transactions are taking longer through the legal process.

James Groves, Lewes, Clifford Dann LLP, jgroves@clifforddann.co.uk - More nervousness and tighter lending.

Jim Culverwell, Alresford, Culverwell Consulting, jim@culverwellconsulting.co.uk - My focus is exclusively for occupiers large and small and in the industrial sector activity is high and supply not that great. Small businesses though are reluctant to do anything they are not forced to do and even then, insolvency rates are rising rapidly. Flexible or hybrid working is beginning to bed in and settle to a norm, which seems to be in the office three days a week or not at all.

John, Dover, Caxtons Commercial Limited, Jgrimes@caxtons.com - Very quiet.

John Taylor, Tonbridge/Maidstone/Medway, Hen and Duckhurst Professional Services Ltd, jmt@henandduckhurst.com - Industrial/warehousing very buoyant. Retail continues to be depressed.

Jonathan Pugh, South East / London, Baker Pugh McLean, jonathan@bakerpughmclean.com - Significant historic inflation in build costs and legacy land values holding back development and repurposing redundant commercial stock.

Kevin Taylor, South East, Kevin Taylor Associates, kevin.taylor9@btconnect.com - The more affluent the town or city, the more chance of recovery. Towns/Cities with poor catchment will continue to fall.

Mark Hillier, South East / London, DMR, mhillier@dmrproperty.co.uk - The cost of borrowing is going up with yet another interest rate increase today to 4.25%. Leisure and restaurants occupational demand is strong in certain regions and weak in others. There are more national Chains looking to dispose compared with expansion. The general outlook is concerning and not likely to improve in 2023.

Mark Mcfadden, Eastbourne, SHW, mmcfadden@shw.co.uk - Still a lot of activity, but market is adjusting to after-effects of Covid, Brexit and increasing energy costs, inflation and changes in work patterns.

Martin George Slade, Christchurch, Wren Lettings, martin@wrenlettings.co.uk - Impact on values and demand has been less evident in the South East than reported elsewhere in the UK.

Michael Rowlands, South East / London, Rowlands Real Estate., mrowlands828@gmail.com - Property values have dropped significantly since the beginning of this year. The overall commercial property outlook is very challenging for the next 12 months.

Michael Rowlands, South East / London, CBRE, mrowlands828@gmail.com - The general market in all sectors is very difficult at the moment.

Nick Hanson, Farnham, VOSPERS FRIEND & FLACKE, nick.hanson@vospers.net - All areas of the market have been generally subdued over the last 6 months, however, significant demand, particularly in startup and smaller office/commercial units, is now being noted with supply in some areas likely to be exhausted soon.

Paul Wolfenden, South East, Paul Wolfenden & Associates, paul@paulwolfenden.com - There are too many uncertainties over the horizon and no historic examples of the current market dynamics to forecast with any certainty as to what might or might not happen. Every day seems to bring a new event.

Peter Memmott Frics, Reading, Peter Memmott Consulting Limited, pm@pmconsultingltd.com - Market confidence has wobbled due to the Banking crisis. Decisions are taking longer.

Robert Hoadley, Reading, TCN Uk Ltd, robert.hoadley@tcnuk.co.uk - We operate in the smaller occupier office sector, and it is very patchy. Reading is Ok, Birmingham is dreadful, Norwich is flying.

Robert Primmer, Southampton, Primmer Olds BAS, rprimmer@primmeroldsbas.co.uk - Industrial sectors remain strong from both occupiers and private investors. This has seen capital and rental growth.

Stephen Ray, Redhill and Reigate, SHW, sray@shw.co.uk - The uncertainty that inflation brings is complicating deals. If it falls as predicted later this year, some confidence and momentum will hopefully return to the property market.

Will Staniland, South East / London, Rumsey and Partners, will@rumseyandpartners.co.uk - Pricing gap between vendors and purchasers still to be closed and when it is it will be in favour of purchasers.

South West

A Jestyn Coke, Blandford Forum, chartered surveyors, ajc@ajestyncoke.co.uk - In the secondary market, falling rents in retail and offices is yet to be reflected in the capital values due to the limited number of comparable and actual sales. Once the new levels have been shown to be the actuality, capital values will be shown to fall which will have significant impact on portfolios held by individuals and pension investors.

Andrew Charles Hardwick, Bristol, Cartere Jonas, andrew.hardwick@carterjonas.co.uk - Very difficult to read market signals at the moment. Investment market activity is subdued.

Andrew Dixon, Bristol, Bristol Airport, andrew.dixon@bristolairport.com - The Airport Estates market is very buoyant as the Airline industry comes out of recession following the Covid epidemic.

Andrew Kilpatrick, Swindon Wilts, Kilpatrick & Co, a.kilpatrick@kilpatrick-cpc.co.uk - Market bumping along but deals are happening, albeit slowly. Industrial/warehousing sector starting to be affected by occupier's appreciation of rates rises from the 2023 Rating Revaluation.

Anthony Whiting, Quarley, Andover, Gencort, whiting@andover.co.uk - Market conditions very uncertain.

Bryan Galan, Poole, Mellawood Properties Ltd, bryan.galan@outlook.com - The High Street is under pressure from e-commerce, the high rates scenario plus increased utility charges and staff wages.

Christopher Cluff, Taunton, Cluff Commercial, chris@cluff.co.uk - Many old office buildings have planning applications to change to residential use, but this is being held up by a local planning policy. There is still good demand for small industrial units.

David Edwards, Exeter, Hudson & Co., david@hudsoncom.co.uk - We consider that the EPC regime is becoming unworkable. Many buildings are just not going to make the minimum requirements. Tenants do not want to go 100% electric as it is too expensive. Much industrial property of older stock that requires an EPC just cannot meet the minimum. Electricity cannot heat the large spaces, large spec heat pumps are prohibitively expensive, and no-one wants the hassle of bio-mass, a discredited renewable. The recent Savills report on shop EPC's is worrying!

David Hart, Plymouth, Hart Consult, Dihart@hartconsult.net - Disappointing, slow.

Graham Thorne, East Dorset, Thornes, graham@thornes.org.uk - The market has recovered a little following the mini budget but remains quite fragile and risk averse.

Huw Thomas, Chippenham, Huw Thomas Commercial, huw@huwthomascommercial.com - Industrial remains the strongest sector though demand has dropped slightly in the last quarter. Very few office enquiries for traditional office use, but more for conversion to residential or for leisure orientated uses such as gyms, martial arts schools etc. Retail sector is improving though still driven by "hair, health & beauty" and "food & drink". Lower end retail (sub £15,000 pa rent) is very active for both prime and secondary units.

Ifan Rhys-Jones, Plymouth, Listers, irj@listers.uk.com - Supply still very limited. Demand is steady and more cautious than 12 months ago.

J P Stone, Exmouth, Jon Stone Surveyors Ltd, jon@jonstone.co.uk - Confidence reducing in all sectors.

Jamie Mcneil, Bath, McNeil Commercial Limited, info@mcneilcommercial.co.uk - Business office occupiers are working smarter and more efficiently than ever. Demand for office space will always exist due to lease events and changes in working practices. Demand from occupiers is for new build offices or offices with excellent environmental credentials.

Katharine Bryant, Bournemouth, Goadsby, Katharine.Bryant@Goadsby.com - Slow planning decisions are affecting retail. Lack of blue sky thinking by planners.

Martyn Jones, Bristol, Alder King LLP, mjones@alderking.com - We are in a better place than anticipated in Nov/Dec 2022. The recent banking failures have rocked the market. The inflation rate increasing today will not help. The Bank of England need to hold rather than increase the base rate. Supply/demand dynamics will help the South West together with an economy that is diverse and growing.

Oliver Workman, Cheltenham, THP Chartered Surveyors, oliver@thponline.co.uk - Market conditions have stabilised under Sunak's leadership, however there remains uncertainty as to whether we have passed the bottom of the market or whether that will come later this year.

Paul, Wells, Tamlyns, Pnrmillfield@icloud.com - Better.

Peter Woodley, Cheltenham, Cheltenham Borough Council, peter.j.woodley@btinternet.com - Tricky times not helped by increasing net zero and other environmental and ecological legislation. MEES is likely to take out a whole raft of relatively cheap secondary and tertiary property from the market, stifling new small and start up business opportunities.

Robert Durie, Bristol, Duries Property Consultants, bob@whrd.co.uk - The property market has the distinct feel of 1975-1978. The question is whether the recent rise in Bank Rate will arrest inflation. If not, we are in for a very uncomfortable period. There is too little focus and thus resource to enable our planning system to work properly-this is a vital element we have to deliver if the market is to be made stable and then able to grow.

Simon Bennett, Bristol, Bennett Consulting (South West) Ltd, simonjbennett856@gmail.comB - Secondary offices require further valuation adjustment, and a true realisation of the cap ex required.

Tim Wright, Dorchester, Greenslade Taylor Hunt, tim.wright@gth.net - Generally commercial property enquires are slightly down although the ones we are receiving are a better quality. As usual the industrial sector is outperforming the office and retail sectors.

Wales

Chris Sutton, Cardiff, Sutton Consulting Limited, chris.sutton@suttonconsulting.co.uk - Whilst the real estate forecast is not as bleak as during last autumn's Trussonomics roller-coaster, there is general caution from both investors and developers, who are awaiting the right time to step back into the market. The Cardiff office market continues to adjust to post-Covid working patterns with a focus upon Grade A floorspace that offers both formal and informal meeting space.

Haydn Thomas, Newport, Hutchings & Thomas, ht@hutchings-thomas.co.uk - Freehold and leasehold demand for industrial strong with lack of supply and very little industrial land availability. Some office demand for smaller units 1000-5000 sq. ft, little supply of smaller freehold office space. Increasing supply of large floor plate offices with falling demand. Lease lengths reducing or tenant breaks essential (3-5 years or less). Demand for local and small town retail quite strong. Low demand and increasing supply of town/city centre space.

Richard Baddeley, Conwy, RICHARD BADDELEY & COMPANY, richardbaddeleyco@gmail.com - The market across all sectors is fairly languid but the budget proposals for Anglesey with additional funding for Welsh Government is welcomed.

Richard J Ormond, Pembroke, Guy Thomas & Co, guy1thomas@btconnect.com - Apprehensive.

Richard Ryan, Cardiff, Fletcher Morgan, richard.ryan@fletchermorgan.co.uk - With occupier demand in both the retail warehouse and industrial sectors proving resilient, this, combined with limited available space and few new developments under construction, should lead to rental growth, provided other occupational costs remain affordable. Similarly, given the recent inflation in construction costs, together with the softening of investment yields, it is unlikely new developments will be viable unless occupiers are prepared to pay higher rents.

Roger Poolman, Swansea, BP2 Property Consultants, roger@bp2property.com - General market activity levels are noticeably down with increasing supply. Market is showing distinct signs of change and the big question is how much distress stock will be released? We perceive good value opportunities for cash purchasers over the next 12 months.

West Midlands

Andrew Benson, Birmingham, Wright Silverwood, andrew.benson@wrightsilverwood.co.uk - It's tough out there but perhaps not as bad as people said it was going to be pre Christmas.

Arthur Connell Nugent, Newry, Young -Nugent, achn488@outlook.com - Agricultural land is the only asset which has shown resilience to all major world disasters over the past few years.

David Clews, Birmingham, Clews&Co Chartered Surveyors, davidclews@clewsandco.co.uk - My main market, logistics, has been surprisingly robust. Current economic global outlook is weak and will begin to take effect. Others markets seem to be fairing worse but no sign of a crash.

Jo Salmon, Birmingham, Oval, josalmon@digbeth.com - Apparent over commitment during lockdown to support resulted in a number of failures particularly in hospitality and retail. Return to the office difficult, but ensures stock has to improve in secondary space to compete. Expect a difficult year, but green shoots by late summer... hopefully!

John Andrews Frics, Kidderminster, Doolitle & Dalley Holdings Ltd, johnandrews@doolittle-dalley.co.uk - Industrial property in this area is popular whereas office and retails very limited demand.

John Emms, Dudley, John Emms Commercial, john@johnemmscommercial.co.uk - Economic headwinds, rises in Bank of England base rates, rising inflation and cost of living mean town centre retailing has suffered in Q1 2023. Demand for offices is down with many either working from home or 'hot desking' and sharing space. Demand for industrial freeholds, both prime & secondary, still seems buoyant. Investors are more cautious in view of Base Rate rises and recent bank stability problems.

John Graham, Birmingham, Douglas Advisory Ltd, j.graham12@icloud.com - HMOs good investment & retro fitting existing housing stock to increase energy efficiency.

John Shepherds, Birmingham, Shepherd Commercial, john@shepcom.com - General market conditions are stable but lack of confidence and uncertainty is beginning to 'creep' in.

Mr Michael Jones And Mrs Ursula Jones, Bromyard, Michael D Jones Ltd, info@michaeldjones-charteredsurveyors.co.uk - Mixed use portfolio valuations becoming increasingly difficult to formulate with Industrial /warehouse uses as usual in my long career holding up well but with increasing uncertainty over what to do with retail/office uses.

Tony Rowland, Evesham, Sheldon Bosley Knight, trowland@sheldonbosleyknight.co.uk - Wealth is always stored in property, there is a slight check in values, caused by the rise in interest rates, but this is a short term blip. If you want to invest capital, it is either in property or gold for safety.

Yorkshire & the Humber

Alison Stewart, Leeds, Moorgarth Group, alison.stewart@moorgarth.com - There remains oversupply of retail space. Retail, leisure & hospitality sectors fighting economic turmoil, business recovery, material supply issues, staffing challenges & utilities. All of these impact both property owners & occupiers. All CVBil & post business growth support directed to trading costs. Propco left out in the cold! New EPC legislation is yet to bite!

Benjamin Oldfield, Sheffield Based But We Cover The Whole Country Mainland As A Niche Sector In Healthcare, BW Healthcare Surveyors, ben.oldfield@bwhsurveyors.co.uk - We operate in the Primary Care Healthcare which has been historically less volatile to wider economic factors. Rents have continued to rise over the last few years and up to present, albeit modest but consistent growth. We expect this to continue. Investment transaction are fairly infrequent but we are involved in transactions. I am sure that the shock of 2022 would have affected transactions then, but only modestly.

Carl Freeland, Beverley, East Riding or Yorkshire Council, c.n.freeland@gmail.com - Slowing.

Jill Gittus, York, Bringelly Limited, jill.gittus@bringelly.com - Continued increases in interest rates are squeezing funding availability. As occupier costs increase and funding costs increase, investors holding property with marginal returns are under more pressure to refinance or sell. In turn, this is likely to increase the number of distressed assets hitting the market. Coupled with the UBS takeover of Credit Suisse and issues with Silicon Valley Bank, are we heading to another credit crunch and property crash?

John Hornsby, York, John R Hornsby Chartered Surveyors, info@johnrhornsby.co.uk - I deal mostly with secondary retail, office and industrial units. Demand for retail, in suburban locations remains at a relatively high level and lettings are being achieved within a few weeks of marketing.

Jonathan Duck, Harrogate, Bramall Properties Limited, jonathan.duck@bramallproperties.co.uk - Very patchy.

Michael Hughes, York, MJDHUGHES Ltd, info@mjdhughes.com - The commercial market is inconsistent in many sectors with confidence from buyers and investors constantly changing. With so many factors changing on what seems like a daily basis, the market is reluctant to confirm its intentions and this leads to ongoing uncertainty.

Mr P A Brandreth, Doncaster, The Conservation Volunteers, phil.brandreth@tcv.org.uk - Hard times.

Richard Corby, Leeds, Lambert Smith Hampton, rcorby@lsh.co.uk - A general malaise is being seen in some core sectors, with a reduction in enquiries and immense caution where deals are proceeding. Occupational deals are being done though, and at levels which are not much depressed from the peak in values or rents seen in the first half of last year. Land values are hard to assess due to lack of viability halting acquisitions by developers, but this presents an opportunity to occupiers.

Richard James Heslop, Ilkley, DE Commercial, richard@de-commercial.co.uk - Interest rate rises, uncertainty in the economy and general outlook has put the brakes on occupier demand and new development starts. We expect this situation to continue throughout quarters 2 and 3 , with a slight improvement in quarter 4.

Robert Austin, Leeds, Robert Austin and Co, robert.austin@robert-austin.co.uk - The markets are watching base rates closely. If they have peaked, sentiment and activity will increase.

Simon Ives, Market Rasen, Simon Ives Ltd, simon@simonives.co.uk - I operate nationally in logistics and freight. Demand is driven mainly by consumer confidence, hence the plethora of new-build space in the last five or seven years. Covid, Brexit, rising interest rates and the war in Ukraine have all undermined that confidence so occupier demand is a lot less acute. The UK is seen as damaged so overseas investors - many of whom still have massive capacity - are much more cautious too. 2023 will be a steady year.

Steven Alan Goode, Harrogate, Steven Goode & Company, stevenagoode@gmail.com - Demand is dampened by non related property issues such as inflation, reduced consumer spend and utility costs. That said, there is continued interest from new start-up operations with landlords becoming increasingly flexible as to commencing terms.

UK Commercial Property Monitor

RICS UK Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the facilities management market.

Methodology

Survey questionnaires were sent out on 7 March 2023 with responses received until 13 April 2023. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 629 company responses were received.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

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Disclaimer

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We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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