

COMMERCIAL PROPERTY MARKET REVIEW

DECEMBER 2021



STRONG PERFORMANCE FROM RETAIL PARKS

Retail parks remain the shining light of the retail industry, with their yields across Europe now at parity with shopping centre yields, according to Savills' data.

So far in 2021, more than €5.1bn has been invested in retail parks across nine European countries. Investment was up 46% year-on-year in the third quarter and the average retail park yield is now 5.43% – identical to the average shopping centre yield for the first time.

During the pandemic, out-of-town retail parks were hit less severely than high street shops thanks to increased suburban home moves and lower footfall in city centres. Retail parks' compatibility with e-commerce functions such as click-and-collect orders, customer returns and home deliveries, as well as greater investor focus on value and convenience, make them an attractive investment.

Leila Packett of Savills commented, "Investors looking to meet higher return thresholds while managing income risk have discerned that retail parks are often located close to population centres [and] anchored by tenants with a strong covenant... We've seen a sharpening in prices throughout 2021, and we expect this to continue in 2022."

REPURPOSED DEPARTMENT STORES PROMISE MORE VIBRANT HIGH STREETS

More than 75% of high street department stores are now occupied or awaiting planning applications, according to a new report by Nexus Planning, a promising sign for the UK's high streets.

Many previously vacant stores are being redeveloped into retail buildings (62%), leisure or office spaces (19.7%), or mixed-use developments combining retail and leisure. Indeed, 55% of department stores closed since 2015 have since undergone redevelopment or have plans to do so.

In Scotland, just under half of department stores trading in 2015 are still operating. One potential location picked out for redevelopment is Princes Street in Edinburgh, which developers see as a major opportunity for diverse regeneration.

Rob Pearson, Executive Director at Nexus Planning, commented, "We are amidst a housing crisis and in many cases these large brownfield department store sites represent excellent opportunities for high-density development... we've been preoccupied with shop closures, but business is incredibly resilient to change, and for every well-heralded story of a BHS or Debenhams closing, there are a multitude of examples of the green shoots of recovery."

INDUSTRIAL AND LOGISTICS SMASHING RECORDS

Capital deployed into the UK industrial and logistics market soared to £10.8bn by the end of Q3, according to data from Savills.

As demand for logistics and distribution space intensifies, investors continue to pump more money into the sector; having already surpassed the £10.2bn spent in the whole of 2020, investment and take-up activity in Q4 is showing little sign of slowing down.

However, this rapid acceleration could put more pressure on supply. The rapid acceleration of e-commerce during the pandemic has already contributed to shortages in some markets. Indeed, three in 10 respondents to the fifth annual Industrial and Logistics Census cited the lack of supply of new buildings as the biggest challenge facing the sector, up from 18% in 2020.

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COMMERCIAL PROPERTY CURRENTLY FOR SALE IN THE UK

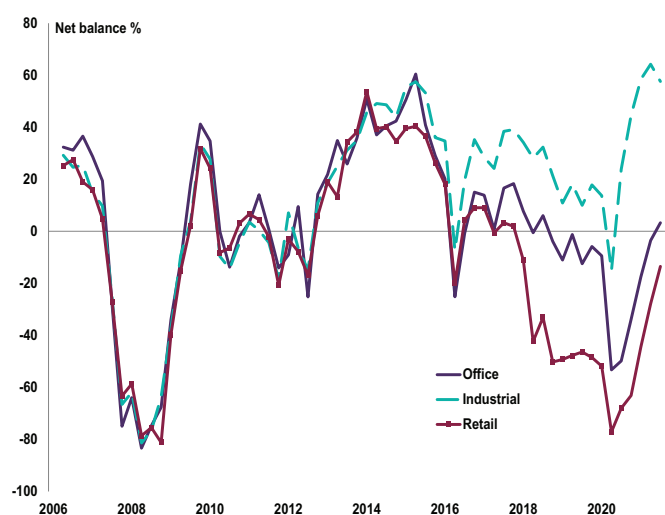
- Regions with the **highest** number of commercial properties for sale currently are **South West England** and **London**
- Northern Ireland** currently has the **lowest** number of commercial properties for sale (**22** properties)
- There are currently **1,460** commercial properties for sale in **London**, the average asking price is **£1,609,988**.

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,460	£1,609,988
SOUTH EAST ENGLAND	1,214	£2,050,180
EAST MIDLANDS	707	£1,007,073
EAST OF ENGLAND	804	£658,738
NORTH EAST ENGLAND	703	£314,198
NORTH WEST ENGLAND	1,309	£393,140
SOUTH WEST ENGLAND	1,507	£804,991
WEST MIDLANDS	1,061	£507,224
YORKSHIRE AND THE HUMBER	832	£400,732
ISLE OF MAN	52	£476,716
SCOTLAND	1,177	£347,708
WALES	780	£447,869
NORTHERN IRELAND	22	£625,902

Source: Zoopla, data extracted 15 December 2021

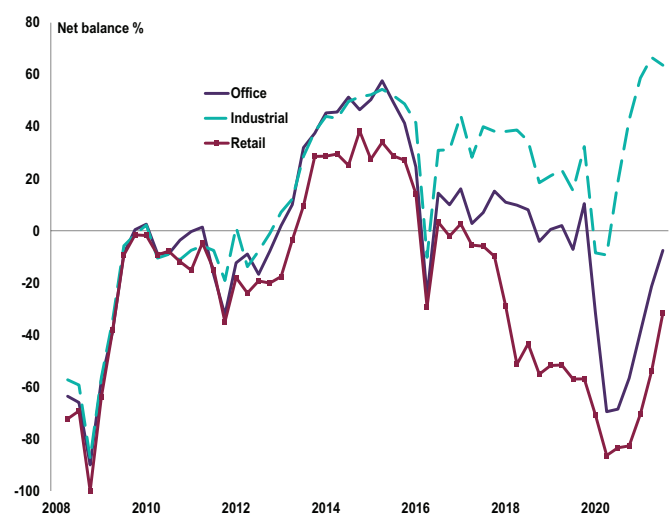
COMMERCIAL PROPERTY OUTLOOK

INVESTMENT ENQUIRIES – BROKEN DOWN BY SECTOR



- Headline demand rose for a third successive quarter to +19%
- Investor demand for office space is stable
- Retail demand is slightly negative
- There is continued strong growth investor appetite for industrial properties.

CAPITAL VALUE EXPECTATIONS – BROKEN DOWN BY SECTOR



- Capital value expectations are firmly positive for industrial assets for the year ahead
- Prime offices are expected to see modest capital value appreciation, whilst projections remain negative for secondary
- For retail, both prime and secondary values are expected to fall, though negative projections have been scaled back relative to Q2.

Source: RICS, UK Commercial Property Market Survey, Q3 2021

All details are correct at the time of writing (15 December 2021)

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.