

COMMERCIAL PROPERTY MARKET REVIEW

JANUARY 2022



Our property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

UPBEAT TONE IN NEW YEAR FORECASTS

2022 could be a year of recovery for the commercial property market, two leading forecasts have suggested, with Colliers' 'Forecasts for 2022' predicting investment volumes will reach £65bn and CBRE's 'UK Real Estate Outlook' also foreseeing strong growth despite lingering risks.

According to CBRE, the office market is predicted to return to historical levels in 2022; Colliers expect an office occupancy of 75% to be the norm. On the industrial side, Colliers anticipates take-up topping 40m sq. ft for a third successive year. Demand for retail space is expected to be strong too, notably in prime commuter high streets.

Both reports expect the Environmental, Social and Governance (ESG) agenda to dominate in 2022, with Colliers anticipating the 'corporate stampede to net zero' proceeding to 'change all markets fundamentally.' Likewise, CBRE believes tightening regulation will be the main strategic driver of change.

Jen Siebrits, Head of UK Research at CBRE commented, "Whilst the challenges of the last year are not quite yet behind us... the property industry can still go into 2022 with a renewed sense of optimism. Buoyed by a growing economy, real estate has real impetus for growth in 2022."

LESS OFFICE SPACE AS FLEXIBLE WORKING DOMINATES

New data from the Valuation Office Agency shows that the amount of office space in England declined by 2% in the year to 31 March 2021, with experts predicting further falls since.

Over the last two years, demand for office space has diminished, as many employees worked from home and others had large portions of their wages paid through the Job Retention Scheme. Average occupancy levels hovered around 10% in England in the week before Christmas.

The fall in office space was especially pronounced in smaller cities, with Central London more resilient. This is largely thanks to the tech and media sector, which accounted for 23% of Central London take-up in 2021, as well as 20% of active demand, according to Savills Research.

Experts doubt office space will rebound sharply after the pandemic, pointing to a survey from workplace expert, Acas, that reveals over half of employers expect more staff to work remotely for at least part of the week.

ESG KEY FOR HOTELS

After COP26 in Glasgow, ESG issues have been pushed firmly into the spotlight. Hotels, one of the least energy-efficient property sectors, may be a top target for change.

The built environment contributes 40% of UK carbon emissions; hotels are especially polluting, emitting more CO₂ per sq. ft than the retail and office sectors. To combat this, the sector has focused on making new development projects align with environmental goals.

Focusing on the existing hotel stock, however, might be more impactful, according to Savills. They note that only 4% of UK hotels have been built within the last five years, while 46% of existing branded hotels in England and Wales do not have an Energy Performance Certificate (EPC).

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 (**21** properties)
- There are currently **1,413** commercial properties for sale in **London**, the average asking price is **£1,553,743**.

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,413	£1,553,743
SOUTH EAST ENGLAND	1,199	£2,200,620
EAST MIDLANDS	771	£982,813
EAST OF ENGLAND	799	£662,351
NORTH EAST ENGLAND	784	£303,615
NORTH WEST ENGLAND	1,348	£400,347
SOUTH WEST ENGLAND	1,471	£820,109
WEST MIDLANDS	1,025	£520,198
YORKSHIRE AND THE HUMBER	1,089	£371,304
ISLE OF MAN	52	£474,697
SCOTLAND	1,142	£326,160
WALES	761	£420,631
NORTHERN IRELAND	21	£640,435

Source: Zoopla, data extracted 19 January 2022

GOOGLE INVESTS IN OFFICE RETURN

Google is purchasing its office building at Central St Giles, near London's Tottenham Court Road, at a cost of \$1bn, in a show of confidence that its employees will be coming back to the workplace, despite uncertainty over the willingness of workers to return to offices.

The purchase will be in addition to a further \$1bn spend for a huge new headquarters in nearby King's Cross, which, together with other UK offices, will give Google capacity for 10,000 workers. Google

currently employs around 6,400 people in the UK but has added around 700 positions in the last year.

Google's Chief Financial Officer, Ruth Porat said, "Our focus remains on creating flexible workspaces that foster innovation, creativity and inclusivity. We have been privileged to operate in the UK for nearly 20 years, and our purchase of the Central Saint Giles development reflects our continued commitment to the country's growth and success."



All details are correct at the time of writing (19 January 2022)

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.