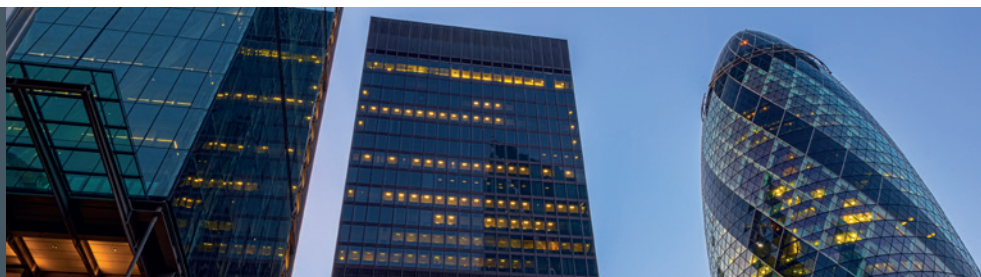


COMMERCIAL PROPERTY MARKET REVIEW

DECEMBER 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. Commercial lending is available by referral to a master broker. We hope you will find this review to be of interest.

STABILITY AND OPTIMISM FOR COMMERCIAL PROPERTY

Average prime yields stabilised in November, according to the latest Market in Minutes report from Savills, which also pointed to an optimistic outlook for 2023.

The number of sectors seeing rising yields halved in a month, the report noted, though some sectors, including shopping centres and City of London offices are still predicted to see some outward yield shifts.

Commercial investment volumes moved above £50bn in November, a milestone that leaves volumes only 7% below the annual total achieved in 2019. The investment market has surprised on the upside since the middle of 2022; the alternative sector, was largely to thank, making up over a third of this investment.

The report's optimism stems, in part from the finding that four of the 'Big Six' markets are projected to achieve rental growth next year. Bristol, Birmingham and Manchester will all have prime rents in excess of £40 per sq. ft by the end of 2023, Savills suggests.

SLOWDOWN IN SCOTLAND

Scottish commercial property saw a dramatic slowdown in Q3 2022, according to Colliers, with investment plunging to just £200m.

The retail sector saw a total of £70m invested, while office investment volumes fell to just £40m, the weakest quarterly figure since Q2 2020. The industrial sector also experienced a slowdown, with just £20m transacted across three deals.

Despite the lacklustre quarter, however, the report notes that investment volumes for the year are now £1.7bn, 15% ahead of the corresponding 2021 figure.

Oliver Kolodseike, Research Director at Colliers, commented, *"Scotland isn't immune to the wider economic challenges that are sweeping the UK and as such, we are seeing the Scottish commercial property market find itself in the middle of a re-pricing."*

'ONCE IN A GENERATION MOMENT' FOR OXFORD STREET

The diversification of Oxford Street will be a 'generational change', according to Savills, with 1.32m sq. ft of new office schemes proposed for delivery in the next five years.

The conversion of former retail space into offices is expected to account for 960,000 sq. ft of the new office space. Key schemes currently include Sirosa's 163,000 sq. ft at Emporium, previously a House of Fraser store, and an 80,000 sq. ft conversion of a former Next store at The Ribbon, due to be delivered by M&G in 2024.

The strong amenity and cultural offerings are big draws for Oxford Street, the report notes, as is its accessibility, which was further boosted this year by the opening of the new Bond Street Elizabeth Line station.

Andrew Wedderspoon, Director in the West End office agency team at Savills, commented, *"While the area has been hard to imagine as a genuine office sub-market until now, the sheer volume of space available for conversion is a once in a generation moment to transform the street and attract those larger occupiers who may otherwise be pushed out of the West End due to a lack of opportunity."*

COMMERCIAL PROPERTY CURRENTLY FOR SALE IN THE UK

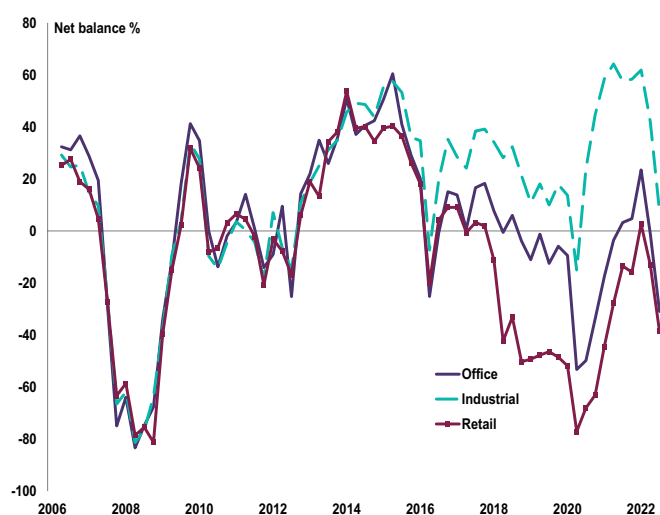
- **South West England** has the highest number of commercial properties for sale
- **Scotland** currently has **1,092** commercial properties for sale with an average asking price of **£319,796**
- There are currently **1,674** commercial properties for sale in **London**, the average asking price is **£1,300,144**.

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,674	£1,300,144
SOUTH EAST ENGLAND	1,423	£661,669
EAST MIDLANDS	871	£993,882
EAST OF ENGLAND	881	£547,711
NORTH EAST ENGLAND	847	£357,592
NORTH WEST ENGLAND	1,482	£487,614
SOUTH WEST ENGLAND	1,716	£569,864
WEST MIDLANDS	1,187	£527,942
YORKSHIRE AND THE HUMBER	1,268	£310,051
ISLE OF MAN	53	£441,214
SCOTLAND	1,092	£319,796
WALES	873	£421,094
NORTHERN IRELAND	22	£423,538

Source: Zoopla, data extracted 19 December 2022

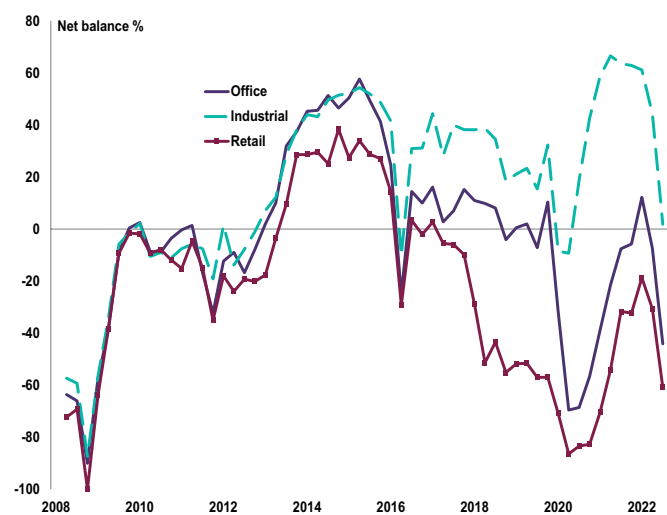
COMMERCIAL PROPERTY OUTLOOK

INVESTMENT ENQUIRIES – BROKEN DOWN BY SECTOR



- The headline net balance for investment enquiries fell to -18%, following a stronger reading of +12% last quarter
- Sharp declines in investor interest were reported in both the office and retail sectors
- For industrials, demand has more or less stagnated.

CAPITAL VALUE EXPECTATIONS – BROKEN DOWN BY SECTOR



- Projections for prime office values have turned negative, with the net balance falling to -21% from +15% last quarter
- For secondary offices, a net balance of -51% of respondents foresees a decline in values (compared to -26% last time)
- For prime industrial properties, the twelve-month capital value expectations net balance stands at +15%, substantially softer than a high of +84% recorded in Q4 2021.

Source: RICS, UK Commercial Property Market Survey, Q3 2022

All details are correct at the time of writing (19 December 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.