

COMMERCIAL PROPERTY MARKET REVIEW

APRIL 2022



INDUSTRIAL SPACE IN HIGH DEMAND IN Q1

Elevated occupier demand has driven strong UK industrials and logistics take-up in Q1 2022, according to the latest research.

The take-up of 10.43 million sq. ft in the first quarter is double the total in the same period last year, CBRE noted. Q1 2022 saw take-up more than 36% above the long-term quarterly average, according to Savills.

Such strong demand is keeping supply critically low, Savills cautioned, with the current vacancy rate sitting at 3.12%. However, its analysts also pointed to the 21.1 million sq. ft of speculative warehouse space under construction, due for delivery in 2022 or 2023, as a sign for optimism.

Richard Sullivan of Savills commented, *“There are a number of significant macro events currently impacting economies globally which are once again placing pressure on businesses to future proof their supply chain. With some predicting online activity could account for as much as 50% of retail spend, this is only set to increase demand going forward.”*

OPTIMISM RETURNS TO ABERDEEN OFFICE MARKET

Office take-up in Aberdeen has almost reached the total figure for 2021 in Q1 2022 alone, according to analysis from Knight Frank.

The commercial property consultancy found that 195,905 sq. ft of office space was transacted in The Granite City between January

and March 2022, compared to around 197,194 sq. ft in the same period last year.

Notable deals during the first quarter saw Shell complete on a 100,000 sq. ft let at the Silver Fin Building and The North Sea Transition Authority - formerly the Oil and Gas Authority – take up around 18,000 sq. ft at 1 Marischal Square.

Matt Park, Partner at Knight Frank Aberdeen, said *“At the beginning of the year, we expected to exceed 200,000 sq. ft of take-up by the end of June, but we are very close to reaching that figure in just three months.”*

PRIME OFFICE SPACE STILL HOTLY SOUGHT AFTER February take-up in London’s City office sector climbed to 546,166 sq. ft across 18 deals, according to Savills, larger than the combined value for January and February 2021.

Prime office space remains a key driver for occupiers, with 94% of the year-to-date 834,221 sq. ft take-up classed as Grade A quality. Moreover, 69% of this Grade A space was recently comprehensively refurbished or developed.

A noteworthy transaction was Aviva’s acquisition of the first to fourth floor at 80 Fenchurch Street, EC3. The insurer acquired 78,276 sq. ft on a ten-year term at £67.50/sq. ft with 27 months rent-free.

In total, the Insurance & Financial Services sector has accounted for 24% of year-to-date take-up, behind only the Professional Services sector (37%).

COMMERCIAL PROPERTY CURRENTLY FOR SALE IN THE UK

- **London** has the **highest** number of commercial properties for sale, followed by **South West England**
- **Scotland** currently has **1,060** commercial properties for sale with an average asking price of **£308,832**
- There are currently **1,483** commercial properties for sale in **London**, the average asking price is **£1,437,485**.

| REGION | NO. PROPERTIES | AVG. ASKING PRICE |
|--------------------------|----------------|-------------------|
| LONDON | 1,483 | £1,437,485 |
| SOUTH EAST ENGLAND | 1,261 | £700,299 |
| EAST MIDLANDS | 830 | £993,401 |
| EAST OF ENGLAND | 841 | £656,831 |
| NORTH EAST ENGLAND | 801 | £295,929 |
| NORTH WEST ENGLAND | 1,414 | £365,844 |
| SOUTH WEST ENGLAND | 1,422 | £932,181 |
| WEST MIDLANDS | 1,074 | £486,067 |
| YORKSHIRE AND THE HUMBER | 1,134 | £378,259 |
| ISLE OF MAN | 53 | £473,099 |
| SCOTLAND | 1,060 | £308,832 |
| WALES | 777 | £416,902 |
| NORTHERN IRELAND | 17 | £280,281 |

Source: Zoopla, data extracted 13 April 2022

SERVICED OFFICES AND TECH SHINE POST-PANDEMIC

The post-pandemic office landscape has bolstered two already established trends; the value of serviced offices and growth in the tech sector.

The UK's largest serviced office providers' property portfolios have fallen from £25.7bn to £24.3bn in the last year, according to Boodle Hatfield, reversing the past five years' relentless 300% growth.

Experts, however, expect big office occupiers to be drawn back to serviced offices. "The serviced office sector is leaving the pandemic in a healthy state with a consensus that a hybrid working model will see the sector continue to grow" commented David Rawlence of Boodle Hatfield.

The tech sector, meanwhile, continues to outperform the overall economy. Last year, UK tech investment recorded its best year since 2014.

Bristol, ranked third in the UK by Tech Nation's 2021 report, provides an interesting case study. The city is gaining a reputation as one of the UK's fastest-growing tech cities, with the sector accounting for 30% of office take-up in the last five years, according to Savills.

With Bristol's tech sector maturing, deal sizes have already increased; the average letting is now 6,318 sq. ft, up 41% on 2017's average. Accordingly, top rents in the sector have grown by 38% between 2016 and 2021.



All details are correct at the time of writing (13 April 2022)

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