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COMMERCIAL PROPERTY **MARKET REVIEW**

JULY 2021

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.

MORATORIUM ON COMMERCIAL EVICTIONS EXTENDED

The government has announced an extension to the moratorium on commercial eviction due to rent arrears until 25 March 2022.

The scheme has been extended to give hospitality businesses and nightclubs, which have operated under restrictions for the entirety of the pandemic, and which came under increasing pressure when the planned 21 June date for lockdown easing was delayed, the breathing space they need to recover from the pandemic and to protect jobs. Housing Secretary Robert Jenrick has also announced that new legislation will be introduced to ringfence unpaid rent accumulated during periods of business closure, with landlords expected to make allowances for ringfenced arrears and to share the financial impact with their tenants.

The purpose of the legislation is to encourage landlords and tenants to work together to come to a mutual agreement about how the rent arrears will be repaid. If an agreement cannot be reached, the new legislation will ensure that the parties arrive at a legally binding agreement via an arbitration process.

In order to protect landlords, however, the government has stipulated that tenants who are able to pay their rent, must do so, and those who are currently unable must start paying as soon as restrictions change or they are given the green light to open.

The ban on statutory demands and winding-up petitions has also been extended for a further three months and will now end on 30 September 2021.

LOGISTICS SECTOR GOES FROM STRENGTH TO STRENGTH

Online retail is a prime contributor to the continued health of the logistics sector, as more warehouse space is needed to house operations and goods for dispatch. Estimates suggest that 37% of all retail sales will be online by 2025, an increase from 20% prior to the pandemic.

The latest 'Big Shed Briefing' from Savills, outlines that over the next couple of years, the main issue will be warehouse supply, *'The availability of construction materials will mean that the pace of delivery for new speculative supply will not be able to keep up with demand.'*

From a take-up perspective, over 24m sq. ft of warehouse space has been transacted in H1 2021, setting a new record, a massive 82% in excess of the long-term H1 average of 13.4m sq. ft. Fuelled by online retailers taking more compact parcel delivery type units, demand for premises between 100,000 and 200,000 sq. ft has increased, accounting for 36% of the market, up from 27% last year. With supply plummeting at its quickest pace ever and now totalling 25.08m sq. ft, Savills conclude, *'This fall in supply means that, at a nationwide level, vacancy now stands at 4.37%, the lowest level since Savills started recording the metric, and a fall of 221 bps in 12 months. Grade A supply now stands at 6.91m sq. ft, again the lowest level we have ever recorded.'*

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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** and **North West England**
- **Northern Ireland** currently has the **lowest** number of commercial properties for sale (**25** properties)
- There are currently **1,306** commercial properties for sale in **London**, the average asking price is **£1,463,660**.

Source: Zoopla, data extracted 20 July 2021

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,306	£1,463,660
SOUTH EAST ENGLAND	1,183	£2,130,307
EAST MIDLANDS	773	£967,639
EAST OF ENGLAND	728	£648,576
NORTH EAST ENGLAND	777	£349,957
NORTH WEST ENGLAND	1,433	£425,955
SOUTH WEST ENGLAND	1,586	£537,683
WEST MIDLANDS	1,171	£481,475
YORKSHIRE AND THE HUMBER	1,149	£327,864
ISLE OF MAN	50	£461,187
SCOTLAND	1,109	£302,368
WALES	765	£406,194
NORTHERN IRELAND	25	£408,205

CONFIDENCE IN LONDON OFFICES

Despite the disruption caused by the pandemic, and some firms looking to reduce their space as firms adopt flexible working on a long-term basis, London's office market has shown resilience. It has been reported that office property viewings are increasing, and property developers are reporting good demand for modern and environmentally friendly buildings.

Brookfield, Canadian real estate property manager and investment firm, has just completed on a 550,000 sq. ft office purchase in Fenchurch Street, totalling £635m, believed to be the largest City acquisition since the beginning of the pandemic.

With several properties in the capital and part-owner of the Canary Wharf Group, Brookfield were attracted to the purchase of 30 Fenchurch Street because of the transport links, including access to the Elizabeth Line, and strong occupancy levels. Other large lettings this year include PVH Corp agreeing a pre-let in White City and TikTok UK signing for a building in Farringdon.

Managing Partner and Head of European Real Estate at Brookfield, Brad Hyler, commented on the deal, *"As a long-term investor in the City of London, we believe the City is an attractive investment market and we are excited to expand our portfolio… London remains the commercial centre of Europe and one of the world's premier global gateway cities, and as such we see continued robust demand for premium, well-amenitized office space in prime locations with strong sustainability and wellness credentials."*

Head of London office brokerage team, at commercial real estate services and investment firm, CBRE, Rob Madden commented, *"As lockdown eases, we are beginning to see a steady bounce back in office take-up, with occupiers typically willing to pay for the best available product in the market in order to win the war for talent."*

All details are correct at the time of writing (20 July 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.