

Campbell Alexander Financial Management Yett Farm, Woodhall Road, Braidwood, South Lanarkshire ML8 5NF Telephone or Fax: 01555 860012

E: info@cafinancial.co.uk W: www.cafinancial.co.uk

Commercial Property Market Review

April 2024



Commercial property market update

Latest research from Cluttons indicates that vacancy rates hit 4.1% at the end of 2023 – up from 3.8% in September.

This is partly due to e-commerce activity remaining strong and the demand for buildings to meet net zero standards. Vacancies are expected to keep increasing as supply continues to be released into the market.

Meanwhile, rental growth is easing across the UK; at the end of last year, the annual growth of asking rents in London was 3.5% - significantly less than the peak of 10% in Q2 of 2022. Experts hope that this slowdown will cause the commercial property market in the capital to pick up. Industrial yields are more stable, rising to above 4% in London and 6.9% in Manchester. Industrial equivalent yields have risen to 6.5% across the UK, which is likely to bring in investors.

Retrofitting older buildings

With industry standards rising, investors and occupiers in the UK logistics market are facing pressure to retrofit older properties to keep up with the high quality of new builds. If older buildings are not improved now, they risk being unusable in the coming years.

The reports states that the 'flight to quality of demand has, inevitably, started to weigh on the letting prospects of older, poorer-quality second-hand stock.'

With the government intent on decarbonising the economy, the focus on Energy Performance Certificates (EPC) and

Minimum Energy Efficiency Standards (MEES) have risen to prominence across all sectors of the commercial property market.

By 2027, the minimum EPC rating for existing commercial properties will be C, a building rating below this will be considered unsaleable and unlettable. While a few years later, in 2033, standards are likely to tighten (currently under consultation), applying to any property with an EPC rating under B. The report summarises, 'While landlords will be wary of the tightening standards, retrofitting provides an excellent opportunity to meet these standards and future-proof warehouse assets.'

Major London skyscraper now 95% let

The flagship London office scheme of AXA IM Alts – 22 Bishopsgate – is now 95% let.

The state-of-the-art building close to Liverpool Street is owned by AXA IM Alts on behalf of multiple investors. Global software company, UiPath, and a London-based service provider have both signed 10-year leases, totalling 35,495 sq. ft.

Completed in 2020, 22 Bishopsgate has not appeared to suffer from the shift to flexible working, as AXA IM Alts say they are heading towards full occupancy. The investment managers reported that *'leasing momentum at the building has remained robust'* – in the past year, around 112,000 sq. ft. of space has been leased and there is strong interest in the 70,000 sq. ft. that remains vacant.

Commercial property currently for sale in the UK

- London has the highest number of commercial properties for sale
- Scotland currently has 1,174 commercial properties for sale with an average asking price of £359,163
- There are currently 883 commercial properties for sale in Wales, the average asking price is £467,071.

| Region | No. properties | Avg. asking price |
|--------------------------|----------------|-------------------|
| London | 1,826 | £1,307,826 |
| South East England | 1,653 | £639,955 |
| East Midlands | 817 | £619,088 |
| East of England | 987 | £618,803 |
| North East England | 798 | £338,906 |
| North West England | 1,397 | £552,720 |
| South West England | 1,761 | £547,583 |
| West Midlands | 1,147 | £509,884 |
| Yorkshire and The Humber | 1,164 | £355,673 |
| Isle of Man | 35 | £519,941 |
| Scotland | 1,174 | £359,163 |
| Wales | 883 | £467,071 |
| Northern Ireland | 3 | £9,428 |

Source: Zoopla, data extracted 17 April 2024

Hilton enters luxury lifestyle market

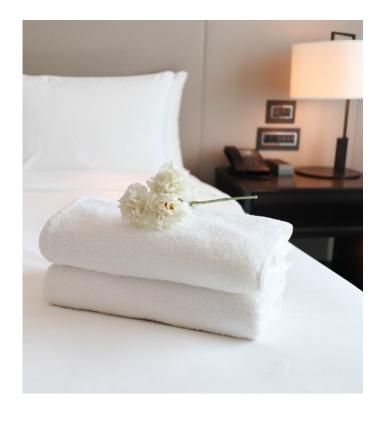
Hilton have made their first move into the luxury lifestyle market with the acquisition of a majority controlling interest in Sydell Group, owner of NoMad hotels.

Hilton reportedly aims to develop up to 100 NoMad hotels internationally, with 10 sites already in advanced discussion stages with Sydell. Hilton will lead on the development of NoMad hotels while Sydell will remain responsible for branding, design and management.

As part of the deal, Hilton will take control of the NoMad's flagship hotel in London, situated in London's Bow Street Magistrates Court building.

Chris Silcock, President, Global Brands and Commercial Services for Hilton commented, "By pairing an already proven brand concept that's ready for expansion with the power of Hilton's commercial engine, we are accelerating our ability to drive growth in the luxury lifestyle segment."

This acquisition is part of Hilton's plans to expand globally; earlier this year, the firm partnered with Small Luxury Hotels of the World (SLH), an association that inspects and verifies a curated collection of boutique accommodation. Hilton said they expect to increase their portfolio of luxury properties to 600-700 over the next few years.



All details are correct at the time of writing (17 April 2024)

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. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. No part of this document may be reproduced in any manner without prior permission.