

UK commercial yields harden to levels last seen in October 2019 as YTD volumes rise on pre-Covid period

3 years ago



The all-property UK average commercial property prime yield hardened to 4.84% last month, down from 4.91% in January, and is now at its lowest level since October 2019, says Savills.

By the end of February, commercial property investment volumes had reached £6.9 billion – a 35% increase on the same period in 2021 and up 10% on the £6.3 billion invested in the year to mid-March 2019, the last comparable pre-Covid-19 period. The industrial and alternative sectors led the way, says Savills, with these two sectors accounting for 45% of total investment in the first two months of 2022.

James Gulliford, joint head of UK investment at Savills, comments: “Industrial has been one of the sectors of choice for most types of investor throughout the crisis, however shopping centres are starting to see some positivity return and assuming that our optimism about the outlook for the occupational market is correct, then we do expect to see more investor demand for prime retail assets and repurposing opportunities to emerge in 2022.”

In its latest Market in Minutes report, the international real estate advisor says that it expects further yield hardening in a number of sectors in the coming months, including logistics, high street retail and shopping centres, and south east and regional offices. Savills notes that the latter sub-sector may benefit substantially from the UK’s growing tech industry: according to the latest report from the Department for Digital, Culture, Media & Sport, tech investment in the UK grew 230% in 2021 to £29.4 billion, the highest figure ever recorded, with £9 billion invested in areas outside of London and the South East.

Clare Bailey, director in Savills commercial research team, comments: “Looking at 2022, the growth of the technology sector shows no sign of slowing and the UK’s regional office markets present many attractive opportunities for both start-ups and established tech firms looking for high quality office space. Over the last five years technology has become the main driver of UK regional take-up, with TMT accounting for almost a quarter of regional take-up in 2021.”

[Read Savills March 2022 Commercial Market in Minutes report here](#)

Image: Pexels