

Prime UK commercial property rents increase 2.2% in Q1 2022

3 years ago



CBRE's latest Prime Rent and Yield Monitor showed a quarter of rental growth across the Industrial and Office sectors with average All Property prime rents rising 2.2% in Q1 2022. At the All-Property level, yields moved in 7bps over the quarter. Except for Shopping Centres, all subsectors reported a fall in yields over Q1 2022.

Industrial prime rents increased 4.3% in Q1. Industrials in London were the driver of growth, with prime rents increasing 6.9% over the quarter. Industrials in the South East were among the weaker regions, reporting a rental value growth of 3.1%. This compares to 3.2% in the Rest of UK (excl. SE and Eastern), indicating that tenant demand remains strong across the country, despite lower growth than in London. East Midlands rental values remained flat over the quarter, which makes it the only region that did not report rental growth. Industrial prime yields moved in 12bps in Q1 2022 taking the All Industrial yield to 3.9%. Industrials in both London and the South East reported a yield below the sector average with 3.4% and 3.8% respectively. Prime yields in the rest of the UK (excl. SE and Eastern) moved in 17bps to 4.6% in Q1 2022.

Office prime rents rose 1.2% in Q1 2022. Key Provincial cities (3.9%), Eastern (3.0%) and South West (3.4%) reported the largest increase in rents. In Central London, values rose 1.3% over the quarter. On the investor side, the Office sector reported a -3bps fall in yields over Q1 2022. Central London reported a yield contraction of -7bps. City yields remained stable, and Midtown Offices reported marginal increase in yield by 2bps. Offices in Suburban London reported the greatest yield contraction at -10bps.

High Street Shop prime rental values decreased by -0.3% over Q1 2022. Prime rents in the South West increased 0.9%, which was the only region reporting rental value growth. Rental values for Shopping

Centres were flat over the quarter. Retail Warehouses prime rents rose 1.1% in Q1 2022. The rental growth was predominantly driven by Bulky Retail Warehouses where values increased 1.4%. On the investor side, Retail Warehouse yields moved in 46bps in Q1 2022 to 7.1%, the fourth consecutive quarter with yield contraction and the largest inward yield movement since Q1 2010. Over the quarter, average Shop prime yields moved in by 5bps. Yields in the South East moved in -23bps, Eastern shops prime yields decreased -27bps, East Midlands reported the greatest fall in yields at -33bps. Shopping Centre prime yields moved out marginally by 2bps. “

Jen Siebrits, Head of UK research, CBRE, said: “The results of CBRE’s Q1 2022 Prime rents and yields monitor show the continued robustness of the Industrial sector in terms of rental value growth and yield contraction. Meanwhile, Prime Office rental values continue their post-pandemic rebound at a moderate rate in Q1. Performance in the Retail sector remains varied with rental growth and yield contraction for Retail Warehouses while Shopping Centres report stagnating rents and a creeping increase in yields. The story for High Street shops is interesting with the inward movement of yields contrasting decreasing rental values. This divergence could suggest that while occupier confidence remains low, pricing is now reaching a level more attractive to investors.”

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