

Commercial Property Sees Modest Increase in Values after Eight-Month Decline

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Capital values increased 0.6 per cent across all UK Commercial property in March, according to the latest CBRE Monthly Index.

The increase follows an eight-month period of decline since the end of June 2022. However, the increase was not enough to offset decreases in January and February 2023, meaning capital values declined 0.3 per cent for the first quarter of 2023.

Rental value growth was 0.5 per cent for the month and 1.1 per cent for the quarter. All-property total returns were 1.1 per cent for both the month and quarter.

The monthly index report showed retail capital values increased by 1.1 per cent for the month. This meant the sector registered a 0.5 per cent increase throughout the quarter. The monthly result was predominately driven by Retail Warehouses recording a 1.8 per cent rise, while Standard Shops and Shopping Centres exhibited minor increases and decreases respectively.

Rental values for the Retail sector increased by 0.1 per cent, as both Retail Warehouses (0.2 per cent) and Standard Shops (0.1 per cent) saw increases. Shopping Centre rents declined slightly. Retail total returns were 1.7 per cent for March, bringing quarterly total returns to 2.3 per cent, the strongest result of all the sectors.

Office sector capital values declined 0.3 per cent in the month, meaning office values fell 1.5 per cent over the quarter. Central London and Outer London/M25 offices reported capital values decreases of 0.4 per

cent and 0.5 per cent respectively for the month. Offices in the Rest of the UK registered a smaller decrease. Rental value growth for the office sector was 0.1 per cent in March. Outer London/M25 and Offices in the Rest of UK saw stronger growth (0.8 per cent and 0.3 per cent respectively), while Central London rental values only increased by 0.1 per cent. Total returns for the sector were 0.1 per cent for the month, translating to -0.3 per cent total returns for Q1 2023.

Industrial capital values returned to showing growth, increasing 1.3 per cent. This resulted in Industrial capital value growth being 0 per cent throughout the quarter. Industrials in the South East (1.6 per cent) recorded a higher capital value increase than Industrials in the Rest of the UK (0.6 per cent). Rental value growth was 0.9 per cent for the month, driven predominately by Industrials in the Rest of the UK. The March result brings quarterly rental growth for the sector to 2 per cent. Over the month, Industrial total returns were 1.7 per cent, resulting in a quarterly total return of 1.2 per cent.

Jennet Siebrits, CBRE's Head of UK Research, said: "The March Monthly Index results showed a modest upturn, positive signs against an eight-month backdrop of downward movement in commercial real estate values.

"Whilst it's too early to predict whether this is the start of a recovery, upward movement will pique the interest of investors, but it will take more activity over the coming months to provide deeper insight into the true condition of the market."

