

Slight fall in commercial property values in June, but trends differ by sector

3 years ago



Capital values for commercial real estate declined by 0.3 per cent in June 2023, according to the latest CBRE UK Monthly Index. Although rental values rose by 0.2 per cent, there was a small outward movement in yields that caused capital values to fall.

The fall in capital values in June cancelled out the effects of the rise seen in April, such that capital value growth over the second quarter of 2023 was zero. However, total returns for commercial real estate were positive both for June, at 0.2 per cent, and for Q2 overall, at 1.4 per cent.

Retail capital values were unchanged in June, while rental values rose by 0.2 per cent. Retail Warehouses saw no movement in capital values and only a small increase in rental values of 0.1 per cent. Shopping Centres saw capital values fall by 0.3 per cent and rental values fall by 0.4 per cent in June. Capital values for Standard Shops were unchanged month on month, while rental values rose by 0.3 per cent. However, the performance of Standard Shops varied by region, with shops in the Rest of UK seeing a fall in capital values in June. Overall, total returns for the Retail sector were 0.5 per cent for the month of June and 2.3 per cent for Q2 2023.

Office sector capital values fell by 1.2 per cent in June. Capital values for Central London offices declined by 0.8 per cent, while capital values for Outer London/M25 offices and Rest of UK offices fell by 2.0 per cent and 1.7 per cent, respectively. Outward yield movements were the main driver for these changes, as rental values rose by 0.2 per cent in June for the Office sector. While rental values were unchanged for Outer London/M25 offices, they increased by 0.2 per cent for Central London offices and by 0.3 per cent for Rest of UK offices. Total returns for the Office sector were -0.8 per cent for June and -1.1 per cent for Q2 2023.

Capital values for the Industrial sector increased by 0.2 per cent in June, with a smaller rise of 0.1 per cent in the South East compared to 0.3 per cent for the Rest of the UK. Rental values rose by 0.4 per cent, again with a smaller rise for the South East (0.3 per cent) versus the Rest of the UK (0.8 per cent). Total returns for the Industrial sector were 0.6 per cent in June and 2.5 per cent for Q2 2023.

Jennet Siebrits, Head of UK Research, CBRE, said: "The results for June give us a complete picture for the first half of the year and indicate that so far 2023 has been a mixed experience for investors in commercial real estate.

"Returns have improved compared to the end of last year, and we continue to see rental growth, although yields have moved out as the year has progressed. However, the performance of different property types has started to diverge, with the industrial sector performing the best during Q2 2023."