

Commercial values decline for second consecutive month in July 2023

3 years ago



Capital values for commercial real estate declined by 0.5 per cent in July 2023, according to the latest CBRE UK Monthly Index. Despite this, rental values increased by 0.2 per cent, however total returns for July remained flat at 0.0 per cent.

Retail capital values declined by 0.2 per cent throughout July, while rental values grew by 0.1 per cent. Standard Shops were the main driver of the sector's capital value decline, decreasing by 0.4 per cent. Both Retail Warehouses and Shopping Centres saw capital value declines of 0.1 per cent. Overall, total returns for the Retail sector were 0.4 per cent for the month of July.

Office capital values fell by 1.7 per cent in July. This downward movement was predominantly due to declines in Outer London/M25 offices (-2.5 per cent) and Rest of UK offices (-1.9 per cent). Central London capital values fell by 0.8 per cent, with rental values in this segment increasing by 0.7 per cent. As a result, the Office sector posted rental value growth of 0.3 per cent in July. Rental growth for Outer London/M25 and Rest of UK offices were 0.1 per cent and 0.2 per cent respectively. Total returns for the Office sector were -1.3 per cent in July.

Capital values for the Industrial sector increased by 0.2 per cent in July. Capital value growth was marginally higher for Industrials in the South East (0.3 per cent) compared with Industrials in the Rest of UK (0.1 per cent). Industrial rental growth was 0.3 per cent for July, with growth relatively even across the regional segments. Total returns for the Industrial sector were 0.6 per cent in July.

Jennet Siebrits, Head of UK Research, CBRE, said: "The second consecutive month of all-property capital value declines in July, reflects mixed investor sentiment in commercial real estate given the economic

backdrop of continued rising interest rates. A flight to quality is driving up rents in Central London offices, but the market, as a whole, remains subdued. The Industrial sector continues to be the most resilient area of the market in 2023.”