FMBusinessDaily

Scottish commercial property investment hits £320 million driven by hotels and offices

2 years ago

Investment into Scottish commercial property reached £320 million in the second quarter of the year according to Colliers' Scotland Snapshot. This figure is up from the £250 million recorded in Q1 but 35 per cent below the five-year quarterly average of £490 million.

With 30 deals completed in Q2, the average lot size stood at £10.7 million, up from £8.6 million in Q1 and only slightly below the five-year average of £11 million. The report also states that the investment total for the first half of the year was £570 million, 66 per cent down on the H1 2022 figure.

Oliver Kolodseike, director in the Research & Economics team at Colliers, comments: "As with all markets across the UK, Scotland is no stranger to the limiting impact that high interest rates, cost of living and the cost of construction is having on the market. While there's no silver bullet that can help, it would seem we are reaching peak in interest rates and as such some pressures should ease as we head towards next year."

Hotels accounted for 35 per cent of all investment activity by value in Q2 to reach £110 million, up from only £10 million transacted in Q1. The largest transaction in the quarter was the £85 million sale of The Caledonian in Edinburgh to Henderson Park. The boost to volumes also meant that H1 23 investment was up by 93 per cent on H1 22 levels.

Offices accounted for a 28 per cent share of investment activity, with volumes reaching £90 million in Q2, up from £40 million in Q1. Nine assets changed hands in the second quarter, up from the six in the first quarter, but down on the five-year quarterly average of 12. The largest deal in Q2 was the £36 million sale of Glasgow's 191 W George Street to Corum.

Elliot Cassels, director in the National Capital Markets team at Colliers Scotland, adds: "Whilst the vast majority of investor appetite is for 'beds and sheds' there is still appetite for all sectors – but at adjusted prices to reflect the market. The gap between vendor aspirations and buyer expectations has caused transactional volumes to plummet. Additionally, deals have generally been taking longer to cross the line. However, with many now stating interest rates are close to their peak, and inflation expected to ease we are optimistic that 2024 will bring easier conditions and increased investment volumes."

Retail investment reached £50 million in Q2, accounting for 17 per cent of all commercial real estate investment volumes. This figure is down from the £110 million recorded in Q1. Five assets traded during Q2, the largest of which being Realty Income Corporation's £31 million purchase of Auldhouse Retail Park in Glasgow.

Industrial volumes came to a standstill in the second quarter at below £10 million. In Q1, £90 million was transacted but the £100 million recorded between January and June was 70 per cent below the corresponding 2022 figure.