

UK Commercial Property Capital Value Declines Persist in September 2023

2 years ago



Capital values for commercial real estate declined by 0.4 per cent in September 2023, according to the latest [CBRE UK](#) Monthly Index. Rental values rose by 0.4 per cent, while total returns were 0.0 per cent throughout the month.

Although capital values remained unchanged throughout Q2 2023, they fell by 1.1 per cent throughout Q3 2023. This was despite rental values increasing by 0.9 per cent. Total returns for Q3 were 0.3 per cent.

Retail capital values fell by 1.2 per cent in September, while rental values increased by 0.1 per cent. Retail Warehouses posted the largest fall in capital values, declining by 1.5 per cent. Standard Shops saw capital values fall by 0.7 per cent, predominantly due to the values of Shops in the Rest of UK declining by 1.0 per cent. Shopping Centre capital values fell by 0.5 per cent. Both Retail Warehouse and Standard Shops saw rental values increase during September (0.2 and 0.1 per cent respectively), as Shopping Centre rents remained unchanged throughout the month. Overall, total returns for the Retail sector were -0.6 per cent for the month of September and -0.2 per cent for Q3 2023.

Office sector capital values fell by 1.2 per cent in September. Central London capital values fell by 1.7 per cent, which was more aggressive than the declines seen for Outer London/M25 offices and Rest of UK offices (1.3 and 0.8 per cent respectively). This reversed the trend of previous months in which capital value falls had been smaller for Central London. Office rental values increased by 0.1 per cent over the month. Outer London/M25 offices and Rest of UK offices both saw a rental increase by 0.1 per cent, while Central London rental values remained unchanged. Total returns for the Office sector were -0.8 per cent for September and -2.3 per cent for Q3 2023.

Capital values for the Industrial sector increased by 0.4 per cent in September, with a larger rise of 0.5 per cent in the South East compared with 0.3 per cent for the Rest of the UK. Rental values rose by 0.6 per cent. Again, performance was stronger for the South East (0.7 per cent) versus the Rest of the UK (0.4 per cent). Total returns for the Industrial sector were 0.8 per cent in June and 2.1 per cent for Q3 2023.

Jennet Siebrits, CBRE's Head of UK Research, said: "The results for September and Q3 2023 confirm that the Industrial sector remains the standout performer in 2023. However, the Office and Retail sectors saw the momentum of capital value declines accelerate throughout September, indicating greater uncertainty for these sectors." Monthly Index September 2023