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Commercial property values fall in February, with offices seeing most movement

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Capital values for commercial property declined by 0.2 per cent in February 2024, according to the latest CBRE UK Monthly Index. Rental value growth for the month was 0.1 per cent, and total returns for February were 0.2 per cent.

The overall fall was driven primarily by results for the Office sector. Capital values declined by 0.6 per cent in February for the sector overall, but they declined to a greater extent in Central London, falling by 1.0 per cent month on month. In contrast, capital values in the Outer London/M25 and Rest of UK office segments fell by 0.6 per cent and 0.4 per cent respectively. Rental values for the Office sector overall were unchanged this month, while total returns for the sector in February were -0.2 per cent.

Retail capital values registered a small decline of 0.1 per cent in February, which was a similar change to the previous month. Rental values in the retail sector saw a small increase of 0.1 per cent, with Standard Shops seeing a month-on-month increase in rental values of 0.3 per cent, while Retail Warehouses saw an increase of 0.1 per cent this month. Total returns for the Retail sector in February were 0.5 per cent.

Industrial capital values remained unchanged in February. Industrial properties in the South East saw an increase in capital values of 0.1 per cent, but this was balanced by a small fall in capital values of 0.1 per cent for Industrials in the Rest of the UK. Rental values for the Industrial sector increased by 0.3 per cent in February and total returns were 0.4 per cent this month.

Jennet Siebrits, Head of UK Research, CBRE, said: “While Retail and Industrial capital values have seen limited movement so far this year, the office sector continues to face headwinds. There is strong demand for the best quality office assets in the best locations, but there is only limited demand from occupiers or investors for secondary stock at present. This, coupled with the capital expenditure that is needed to make secondary stock more competitive, is acting as a drag on the performance of the sector overall."