

Commercial Property Capital Values Increase for Third Consecutive Month, According to CBRE

12 months ago



Commercial property capital values increased for the third consecutive month in July 2024 by 0.1%, supported by continued and steady growth in rental values. According to CBRE's latest UK Monthly Index, all-property rental values increased by 0.3%, and total returns reported 0.5% growth.

Capital value performance was modest for the retail sector in July, following consecutive months of strong performance. Capital values increased by 0.1% throughout the month, with Shopping Centres recording the strongest growth (1.2%), while Standard Shop capital values fell by 0.6%. Rental values across the sector increased by 0.1% in July, driven again by Shopping Centres (0.9%) and Retail Warehouses (0.2%). Month-on-month total returns were 0.1% for the retail sector throughout July.

Office capital values fell by 0.2% throughout July, however the rate of decline slowed. Central London capital values remained flat throughout the month, while Outer London/M25 (-0.1%) offices and Rest of UK office (-0.3%) capital values posted small declines. Office rental values increased by 0.2% in July. Both Central London and Rest of UK Office rental values rose by 0.2% over the month. Office total returns were 0.3% for the month.

Industrial capital values increased by 0.3% in July as Industrial in the South East saw capital values rise in line with the sector, while Rest of UK Industrial capital values increased by 0.2%. Industrial rental values grew by 0.5% over the month with Industrial in the Rest of UK rental values increased by slightly higher than Industrials in the South East. The Industrial sector posted a month-on-month total return of 0.7% across July.

“Capital values at the all-property level have increased for the third consecutive month in July, aided by continued rental value growth in most market segments. The industrial sector has been the best performing in terms of rental growth in 2024 to date, but Central London offices have also posted a moderate increase in rental values over the last three months.

“UK real estate investment activity rose slightly during Q2 and sentiment has strengthened for real estate lending, suggesting that the market is heading in the right direction once again. This chimes with recent rises in UK and Global PMI indicators, and UK consumer confidence, while the recent cut in UK interest rates should further support recovery across the UK property sector.” – Jennet Siebrits, Head of UK Research, CBRE.