

UK commercial investment volumes and values will start to improve shortly

2 years ago



In its latest [Market in Minutes report](#), [Savills](#) reports that cross-border investment into UK commercial property reached US\$14 billion in the first six months of 2024, with the country attracting more capital than the USA or any of its European peers.

While an element of caution will remain among the most circumspect investors until after the new Government's first budget in October, the international real estate advisor says that an initial interest rate cut and rising confidence about the economic fundamentals have led to an inflection point for most buyers now being reached and more capital will be deployed in Q4.

The average UK prime commercial property yield stayed stable at 6.07% in July, says Savills, but it expects yield hardening from Q4 2024 after a predicted further 25 basis point interest rate cut in November and in anticipation of further cuts coming in 2025.

"We are seeing rising confidence in the UK's economic fundamentals which should drive tenant demand and feed through into yield hardening from the end of the year", comments James Gulliford, joint head of UK commercial investment at Savills. "For the first time since 2017 all of the main MSCI average rental growth indices are showing positive year-on-year growth, with the biggest swing in recent months being in retail rental value. As the typical retail rental cycle is still underway, with rents now rebuilding after previously falling when they reached affordability peaks, retail rents now join prime industrial and offices in seeing consistent rental growth."

Mat Oakley, head of UK and European commercial research at Savills, adds: "The UK's return to a focus on creating an environment to support economic growth is a solid strategy, although reversing the macro

trend of the last eight years or so will be slow and there are risks that could threaten this growth. However, the UK potentially looks more politically stable now than it has for a long time, and in a European context its real estate now looks cheap, so a recovery in international real estate investor's perceptions of comparative risk and return is easier, especially if we shortly do return to low inflation, stronger economic growth environment."