

Capital values increased in the retail, office and industrial sectors in November 2024

1 year ago



Retail capital values rose by 0.6% for the second consecutive month. All retail segments saw capital values increase, with Retail Warehouses posting the highest growth in November (0.6%), followed by Standard Shops (0.6%) and Shopping Centres (0.3%).

Retail rental values increased by 0.2%. Standard Shops saw rental values rise by 0.4%, while Retail Warehouse and Shopping Centre rental values increased by 0.1% and 0.2% respectively. The Retail sector recorded total returns of 1.2% in November.

Capital values in the Industrial sector rose by 0.6% in November. There was marginally higher capital value growth for Industrials in the South East (0.7%) than for Industrials in the rest of the UK (0.6%). Rental values increased by 0.4% for both Industrials in the South East and Industrials in the rest of the UK. The month-on-month total return in November for the Industrial sector was 1.1%.

Office capital values rose by 0.1% in November, the first month-on-month rise for the sector since 2022. This rise was driven by Central London capital values which increased by 0.5% over the month. Outer London/M25 Office capital values remained flat, while Rest of UK Offices recorded a decline of 0.1% in capital values. Office rental values increased by 0.3% in November, again driven largely by Central London where rental values increased by 0.7% month-on-month. Total returns for the office sector were 0.6% throughout November.

Jennet Siebrits, CBRE's Head of UK Research, said: "The November results from the CBRE UK Monthly

Index support the contention that the trough in the UK real estate market has now been reached. The industrial, retail and office sectors all recorded capital value increases, this outcome being particularly welcome for the office sector, which had posted consecutive monthly falls in capital values since June 2022.

"We believe there is now an improved outlook for most sectors of the real estate market after extensive repricing over the last two years. We anticipate that total returns from UK real estate investments will improve next year, with income return supported by a resumption of capital value growth. While rental growth is likely to be the main driver for capital growth, some yield compression is possible, especially for those asset types where investor demand is strongest."

	All Property	Office	Retail	Industrial
Total Return	0.9%	0.6%	1.2%	1.1%
Capital Value Growth	0.5%	0.1%	0.6%	0.6%
Rental Value Growth	0.3%	0.3%	0.2%	0.4%