LIGHTHOUSE
FINANCIAL ADVICE

COMMERCIAL PROPERTY
MARKET REVIEW

JUNE 2021

Our property market review is intended to provide background to recent developments in property markets as well as to give an indication of how some key issues could impact in the future.

We are not responsible or authorised to provide advice on investment decisions concerning property, only for the provision of mortgage advice. We hope you will find this review to be of interest.

SHOPPING CENTRES ON THE BRINK

In another blow to the ailing retail sector, research from Local Data Company (LDC) has revealed that potentially 70 of Britain's 700 shopping centres are in line for demolition. In a sector already negatively impacted by the rise in online retail, rising costs and changing habits, the fact that most centres are inside facilities and lacking essential retail, has apparently contributed to their decline.

With lockdowns weighing heavily on the sector, it has been reported that 30 UK shopping centres are at least half empty, this figure includes five centres with a vacancy rate of over 80%.

Commercial Director at LDC, Lucy Stainton, commented on the findings, *"There's no doubt that the COVID-19 pandemic has exacerbated many of the challenges we were seeing across the physical retail environment, with shopping centres having been particularly exposed to categories in decline, such as fashion and casual dining."*

As many people continue to work from home, spending habits have shifted to local neighbourhoods, placing out of town centres at a further disadvantage. Some centres are set to be partly redeveloped into homes or offices, and some local authorities, including Nottingham and Stockton, are looking at demolishing centres to build parks. Centres currently scheduled for redevelopment include Nottingham's Broadmarsh, the Chilterns centre in High Wycombe and the Riverside centre in Shrewsbury. South London's Elephant & Castle centre is being demolished at present.

RETIREMENT VILLAGES SET TO BREATHE LIFE BACK INTO THE HIGH STREET

Traditionally located in rural gated communities, retirement villages are changing, as developers snap up vacant urban office and retail sites to construct apartment blocks for the over-65s. The number of retirees feeling lonely and isolated has leapt during the pandemic, with many people preferring to be closer to busy city centres for access to shopping, eating out and cultural venues and experiences, with good public transport links.

Local planners believe that drawing more people into urban centres, will help to regenerate and reinvigorate high streets. Property Policy Adviser at the British Retail Consortium, Dominic Curran commented, *"It is a very good idea to get more people living in town centres. We also need more housing for older people over 65, and it absolutely makes sense for them to be living in urban locations. Many will move with a lot of housing equity in their pockets, which will generate spend and footfall for local shops."*

Thinktank, the Social Market Foundation, believes that retirement housing could have a crucial part to play in urban centres, especially considering the potential long-term reduced requirement for office and retail space. Over the next decade, Retirement Villages Group, backed by Axa Investment Managers, is intending to construct 5,000 retirement homes across 40 urban sites, with the firm's Chief Executive confirming, *"Our strategy going forward is urban."* In addition, in a £2bn project, Legal & General intends to build 3,000 UK city centre retirement residences, on former Homebase stores in Bath and Walton-on-Thames, on a former hospital in Epsom, and in its first London project, on the site of a retail warehouse in Uxbridge.

GROWTH IN HOTEL MARKET

The latest UK Hotel Dashboard from Knight Frank has noted that the pace of business in the sector increased in April. Open hotels in the capital registered a 47.9% rise in monthly total revenue per available room (TRevPAR), with growth of 21.6% recorded by regional hotels. Market resilience was further verified in April, with revenue per available room (RevPAR) growth rising to over 60%, driven by a 14% rise in occupancy to over 42%.

COMMERCIAL PROPERTY CURRENTLY FOR SALE IN THE UK

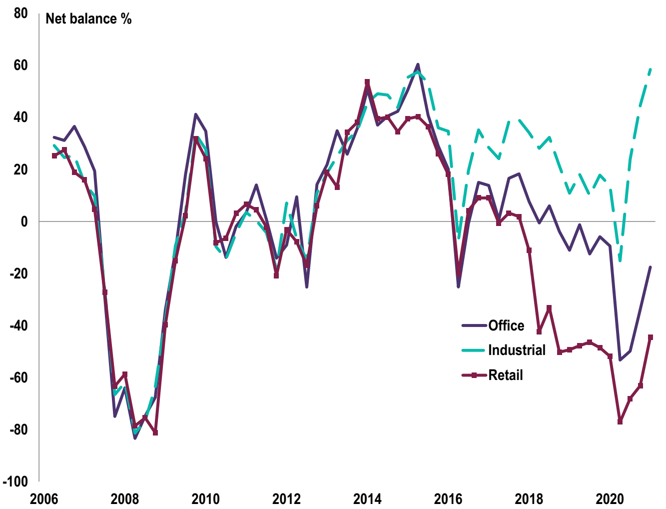
- Regions with the **highest** number of commercial properties for sale currently are the **South West** and **North West of England**
- **Northern Ireland** currently has the **lowest** number of commercial properties for sale (**22** properties)
- There are currently **1,281** commercial properties for sale in **London**, the average asking price is **£1,479,807**.

Source: Zoopla, data extracted 17 June 2021

REGION	NO. PROPERTIES	AVG. ASKING PRICE
LONDON	1,281	£1,479,807
SOUTH EAST ENGLAND	1,168	£2,038,732
EAST MIDLANDS	783	£977,378
EAST OF ENGLAND	727	£624,240
NORTH EAST ENGLAND	778	£392,246
NORTH WEST ENGLAND	1,457	£437,153
SOUTH WEST ENGLAND	1,621	£550,110
WEST MIDLANDS	1,187	£480,517
YORKSHIRE AND THE HUMBER	1,150	£334,067
ISLE OF MAN	50	£461,187
SCOTLAND	1,082	£285,836
WALES	766	£408,689
NORTHERN IRELAND	22	£328,463

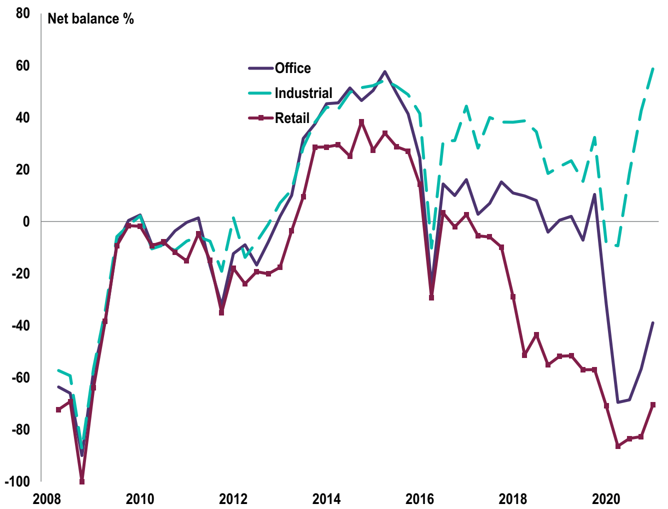
COMMERCIAL PROPERTY OUTLOOK

INVESTMENT ENQUIRIES – BROKEN DOWN BY SECTOR



- The headline net balance for investment enquiries rose to +4% in Q1, following a reading of -12% last quarter
- This is the first time the indicator has been in positive territory since Q3 2018
- The industrial sector posted a net balance of +59%, against readings of -18% and -44% for the office and retail sectors respectively.

CAPITAL VALUE EXPECTATIONS – BROKEN DOWN BY SECTOR



- Capital value expectations remain firmly negative for office and retail
- But projections for office and retail are less downbeat relative to where they stood at the end of last year
- Capital value expectations moved further into positive territory for multifamily residential, data centres, and aged care facilities.

Source: RICS, UK Commercial Property Market Survey, Q1 2021

All details are correct at the time of writing (17 June 2021)

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.