Commercial Property Market Review

December 2024

Our monthly 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. Commercial lending is available by referral to a master broker. We hope you will find this review to be of interest.

Robust demand for Scottish hotels

The Scottish hotels market continued to show resilience in Q3 according to Colliers.

Hotel investment in Scotland hit £110m in quarter three – £40m more than Q2 and 150% higher than the five-year quarterly average of £44m. The year-to-date investment total is £200m – up 18% when compared with the same period in 2023. The report highlighted that investors are showing notable interest in leisure hotels in popular areas and larger hotels in built-up locations.

Head of Colliers UK Hotels Agency, Julian Troup, commented, *"These latest figures show that we're continuing to see robust demand for hotel assets north of the border, with Scotland's popular cities and stunning landscapes making it a desirable market for those looking to invest in UK regional hotels."*

Hotel investment in Scotland hit £110m in quarter three

Office availability continues to tighten in Prime London

Knight Frank data shows that Prime London office availability has dropped to near record lows.

In the last year, office availability has fallen by 6.8% in the Prime London area, causing a vacancy rate of 9.1% and bringing total availability to 23.4 million sq ft. Supply of top-quality space is even more limited, as Grade A offices have a vacancy rate of just 1.8%.

Availability is a particular challenge in the business districts. In the City & Southbank market, availability decreased by 5.8% due to increased letting activity. The vacancy rate is now 8.9%, which is 1.7 percentage points higher than the long-term quarterly average. True Grade A availability has fallen by 19.5% over the last 12 months, with a vacancy rate of only 0.5% in the City Core.

In the West End, availability of new space is especially low – it fell to its lowest level in two years due to a 7.1% drop in Q3. As a result, the vacancy rate for new offices is only 1.3% in this area.

An industrial revolution for the modern day

The net-zero transition and artificial intelligence (AI) are expected to be the driving forces behind a new industrial revolution in the UK.

The manufacturing sector will play a key role in meeting the nation's target to reach net zero by 2050. With the transformation of the energy system already underway, demand has increased for green products such as wind turbines and electric vehicle batteries. JLL reported that *'in the next 20 to 25 years the demand for new factories will become a more significant component of overall industrial property demand.'* These new factories could crop up in unexpected places - the growth of offshore wind means that towns and cities near ports will experience heightened demand.

AI can accelerate the transition to net zero; it enhances the efficiency of wind and solar power generation, improves industrial efficiency and speeds up relevant research and development. However, it does use a significant amount of energy and will drive an increase in data centres to store the computer systems.

Quilter Financial Planning

Commercial property currently for sale in the UK

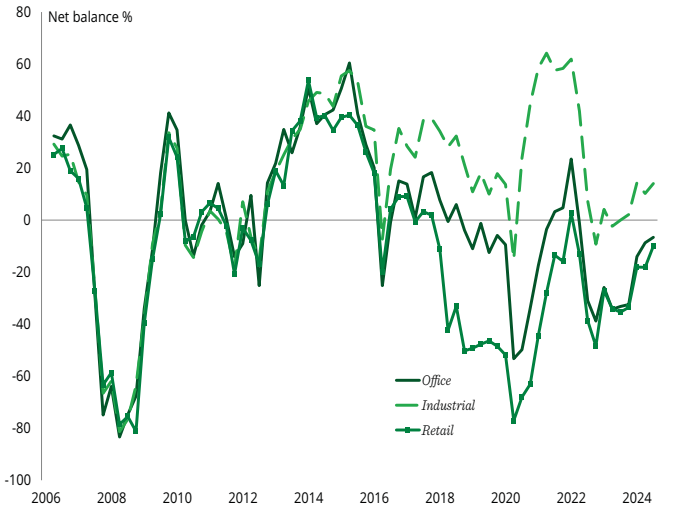
- *London* has the highest number of commercial properties for sale
- *Scotland* currently has *1,260* commercial properties for sale with an average asking price of *£350,464*
- The average asking price of a property in *London* is *£1,327,907*.

Source: Zoopla, data extracted 18 December 2024

Region	*No. properties*	*Avg. asking price*
London	1,926	**£1,327,907**
South East England	1,669	**£695,128**
East Midlands	846	**£658,559**
East of England	990	**£592,824**
North East England	827	**£352,231**
North West England	1,387	**£578,820**
South West England	1,877	**£656,418**
West Midlands	1,116	**£592,045**
Yorkshire and The Humber	1,171	**£450,368**
Isle of Man	27	**£594,000**
Scotland	1,260	**£350,464**
Wales	873	**£447,644**
Northern Ireland	4	**£36,984**

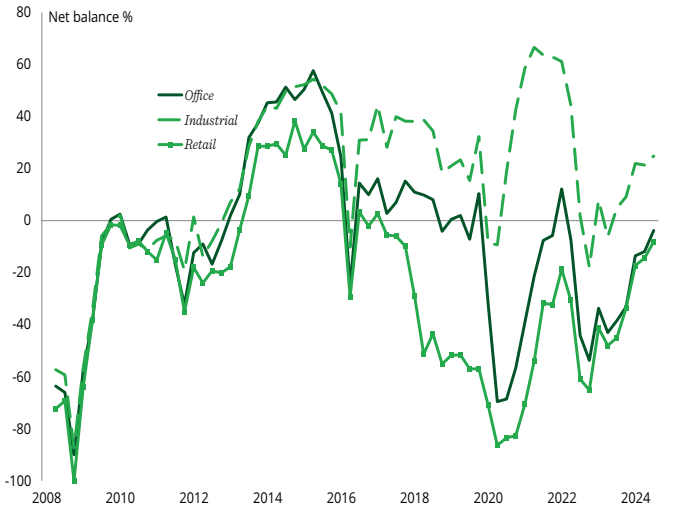
Commercial property outlook

Investment enquiries – broken down by sector



- *The headline net balance for investment enquiries in Q3 2024 was zero*
- *The industrial sector saw a rise in investment enquiries during Q3 with a net balance of +14%*
- *Negative net balance readings were returned across the office (-7%) and retail (-10%) sectors.*

Capital value expectations – broken down by sector



- *The prime industrial sector displays clearly positive expectations for the year to come, posting a net balance of +49% in Q3 2024*
- *Across the prime office sector, a net balance of +28% of respondents expects capital values to move higher*
- *Prime retail values are expected to improve marginally with a net balance of +9%.*

Source: RICS, UK Commercial Property Monitor, Q3 2024

All details are correct at the time of writing (18 December 2024)

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.