

Europe - Real Estate/Property

UK commercial property: value decline continued but pace slowed down in Jan-24

Industry Overview

Capital value decline -0.2% in Jan-24, vs -0.9% in Dec-23

According to the latest CBRE UK monthly index, UK commercial property capital value declined by 0.2% MoM in Dec-23, the pace slowed down compared with -0.9% in Dec-23, but is the eighth consecutive month of decline since May-23. Office continues to be the worst performer with -0.6% MoM value decline, followed by retail -0.1% and industrials flat. In office: both central London and rest of the UK office capital values -0.5%. Outer London/M25 offices saw capital values decline by 0.7%. In retail: shopping centre value -0.4% followed by retail warehouse -0.1% and high street flat. Industrials in the Southeast +0.1%, while rest of the UK industrial remained unchanged. Since peak value in June-2022, overall capital value is down by 22% (-28% in industrials, -24% in office, and -18% in retail).

Rental value +0.1% MoM, down from +0.4% in Dec-23

Rental growth stayed in positive territory although the growth rate slowed down to only +0.1% MoM vs +0.4% in Dec-23. Industrials rental growth rate dropped from +0.6% to +0.2% only, whilst office at -0.1% (+0.3% last month) and retail at +0.1% (+0.2%). In retail: shopping centre rental values -0.1%, high street shops rents remained unchanged, and retail warehouses posted rental value growth of 0.2%. In office: central London and outer London/M25 rental values -0.2% and 0.1% respectively. Rental values for both Southeast and rest of the UK industrials posted a 0.2% increase.

15 February 2024

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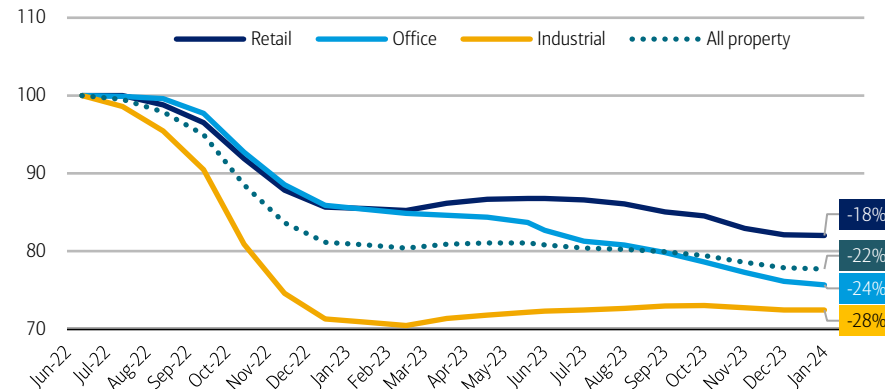
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Exhibit 1: Capital value has been down by 22% overall since June-2022 peak

Capital valuation changes among sub-sectors (June-2022 peak value as base 100)



Source: CBRE, BofA Global Research estimates

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Capital value and rental growth

Exhibit 2: Capital value decline accelerated in 4Q23 at -2.6% vs -1.1% in 3Q23

Capital value changes among UK commercial property sub-sectors (YoY & QoQ)

	Capital value change														
	FY21	FY22	FY23	1H22	2H22	1H23	2H23	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Retail	6.3%	-8.1%	-4.2%	7.6%	-14.3%	1.3%	-5.4%	4.6%	2.9%	-3.5%	-11.3%	0.6%	0.7%	-2.0%	-3.5%
Office	4.3%	-12.1%	-11.5%	2.4%	-14.1%	-3.7%	-7.9%	0.9%	1.5%	-2.3%	-12.1%	-1.5%	-2.3%	-3.5%	-4.6%
Industrial	35.6%	-21.0%	1.4%	10.8%	-28.7%	1.4%	0.2%	6.7%	3.8%	-9.5%	-21.2%	0.1%	1.3%	0.9%	-0.7%
All property	13.8%	-13.3%	-3.9%	7.1%	-18.9%	-0.4%	-3.6%	3.9%	3.0%	-5.0%	-14.6%	-0.3%	-0.1%	-1.1%	-2.6%

Source: CBRE, BofA Global Research estimates

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Exhibit 3: However rental growth picked up slightly in 4Q23 at +1.1%, FY23 rental growth lower than FY22

Rental value changes among UK commercial property sub-sectors (YoY & QoQ)

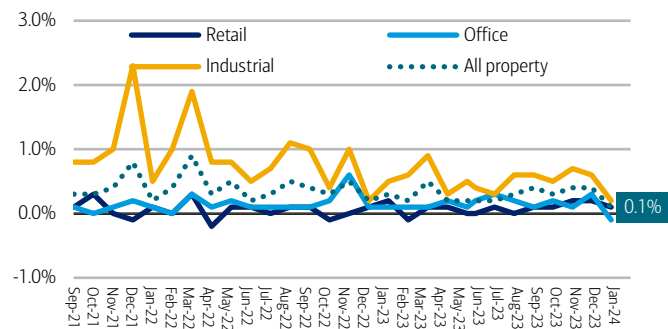
	Rental value change														
	FY21	FY22	FY23	1H22	2H22	1H23	2H23	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Retail	-1.7%	0.5%	1.1%	0.4%	0.2%	0.3%	0.7%	0.4%	0.0%	0.2%	0.0%	0.2%	0.1%	0.2%	0.5%
Office	0.7%	2.0%	2.1%	0.8%	1.2%	0.8%	1.2%	0.4%	0.4%	0.3%	0.9%	0.3%	0.5%	0.6%	0.6%
Industrial	9.0%	10.3%	6.9%	5.6%	4.5%	3.2%	3.3%	3.4%	2.1%	2.8%	1.6%	2.0%	1.2%	1.5%	1.8%
All property	2.5%	4.7%	3.6%	2.5%	2.2%	1.6%	2.0%	1.5%	1.0%	1.2%	1.0%	1.0%	0.6%	0.9%	1.1%

Source: CBRE, BofA Global Research estimates

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Exhibit 4: Rental value +0.1 MoM in Jan-24 vs +0.4% in Dec-23

UK commercial property rental value growth (MoM)

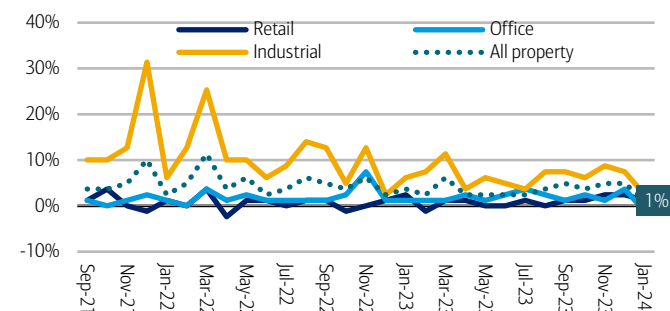


Source: CBRE, BofA Global Research estimates

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Exhibit 5: Annualised rental value growth at +1% in Jan-24 vs +5% in Dec-23

UK commercial property annualised rental growth

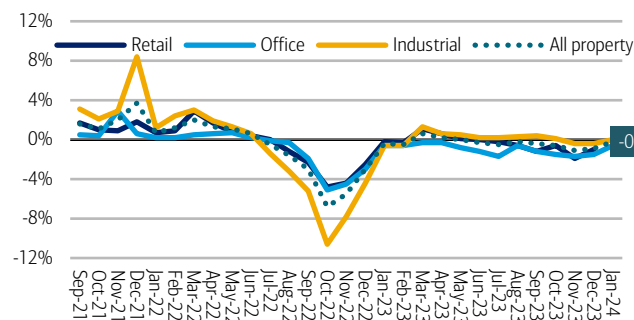


Source: CBRE, BofA Global Research estimates

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Exhibit 6: Capital value decline slowed down to -0.2% in Jan-24

UK commercial property capital value growth (MoM)

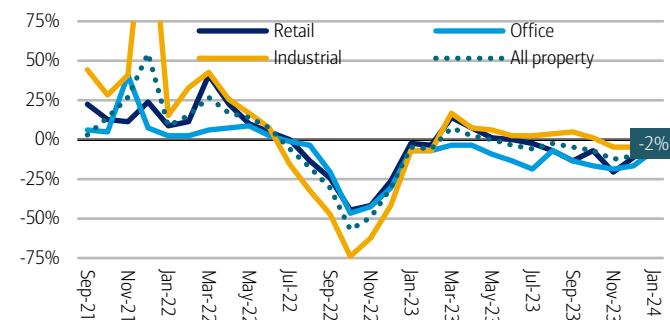


Source: CBRE, BofA Global Research estimates

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Exhibit 7: Annualised capital value growth -2% in Jan-24

UK commercial property annualised capital value growth



Source: CBRE, BofA Global Research estimates

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