

propertymark

Commercial Outlook



This report is based on a survey of Propertymark Commercial agents.

Q4

2024

KEY HIGHLIGHTS:

83%

of members predict supply in the Land and Yards sector to remain static

53%

of our Commercial Agents forecast the Industrial Sector supply will increase

27%

anticipate supply in the Office Sector to increase and 45% stating no change



We have witnessed the resurgence of brand enquiries in prime retail. Lots of these brands are the 'new kids on the block' – brands with great covenants and a significant number of branches in the UK already, but not necessarily as recognisable as those that have been here for a decade or more.

This is a necessary reminder of the fluctuation of the fortune of brands and that many new chains arrive on the scene at the same time as older ones either stagnate or are just not on a path of expansion.

The evidence of all this resurgence comes from the lets we are completing; the increasing number of enquiries and the ever-growing requirement lists from brand surveyors and agents both in-house and not."



Michael Sears
Commercial Advisory
Panel Member
and Propertymark
Board Member

“Although we have seen key aspects of the economy stabilise, the commercial property sector continues to face challenges, as many business sectors evolve to keep pace with ever-progressing trends and shifts in demand.



Nathan Emerson
Propertymark CEO

The pubs and restaurants sector continues to witness a long-term transition in demand, with sustained dips in outlet numbers now apparent across many years. Likewise, evolutions in working practice have allowed many companies to reconsider the amount of physical office space needed operationally, and again we are seeing sustained change.

It’s positive to see a strong supply and demand within the land and yards sector, and high levels of confidence within the takeaways sector too.

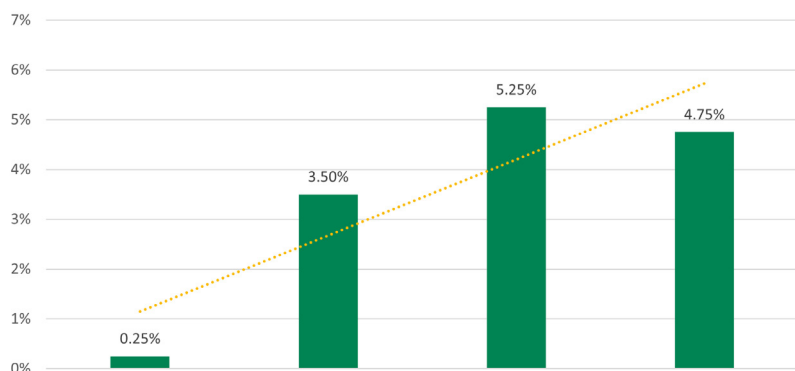
As many towns and cities embark on substantial regeneration projects, there is huge potential in the medium and long term in delivering prolonged growth across many commercial channels and as time progresses, we expect to see a substantial keenness from many investors.”

Economic outlook

BASE RATE STANDS AT 4.75%

The Bank of England base rate stood at 4.75% in December 2024, which has dropped compared to a year previous (Figure 1).

Figure 1: Bank of England base rate



Source: Bank of England

INFLATION DIPPED BACK DOWNWARDS

In December 2024, inflation dipped slightly to 2.5%, although it does sit above the Bank of England target rate of 2% (Figure 2).

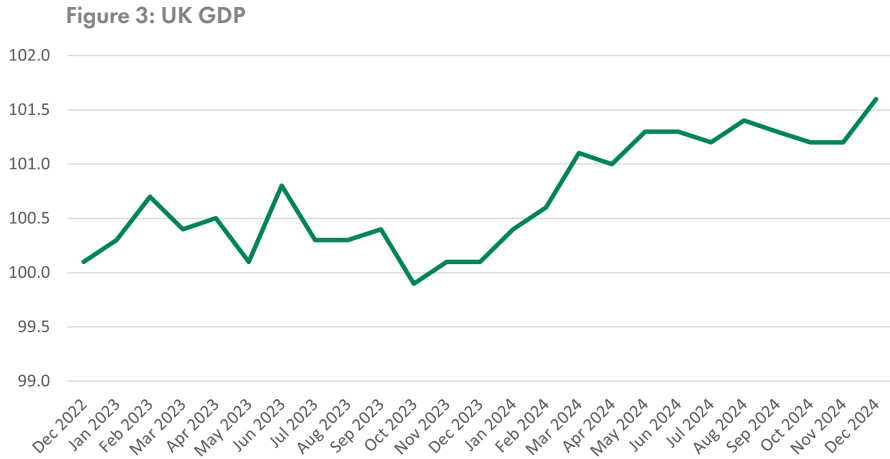
Figure 2: Inflation percentage change (12-month period)



Source: Office of National Statistics

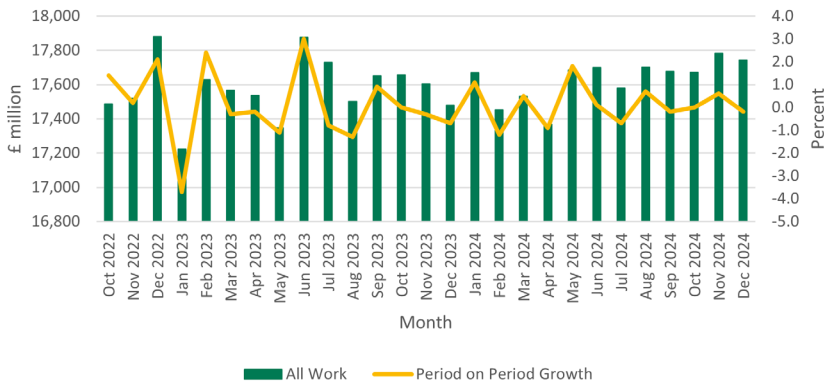
GDP CLIMBS SLIGHTLY

Using the latest figures available, GDP is estimated to have increased as it headed towards December 2024 when directly compared to December 2023 (Figure 3).



Source: Office for National Statistics

Figure 4: Construction output all work summary (Chained volume measure, seasonally adjusted, 2022 prices)



CONSTRUCTION SECTOR OUTPUT DIPS DOWNWARD

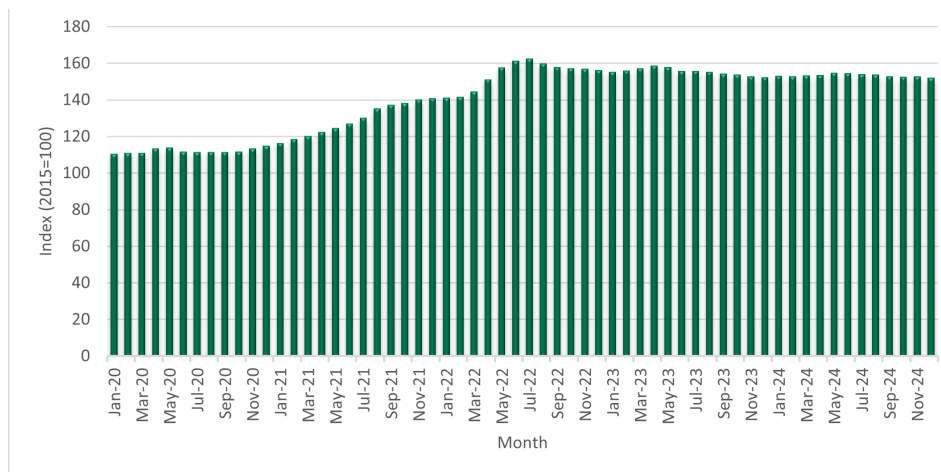
As can be seen in Figure 4, the monthly construction output price data saw a slight dip in Q4 2024.

Source: Office for National Statistics

CONSTRUCTION MATERIAL PRICES CONTINUE WITH A GRADUAL SLOW DOWN

The construction material price index shows a continual long-term trend of gradually slowing down on the approach to the end of Q4 2024 (Figure 5).

Figure 5: Construction material price index



Source: Department for Business and Trade

Supply and demand

We asked our members what they expect to happen to supply and demand levels over the next 12 months.

TAKEAWAY SECTOR

10% forecast an increase in supply, whereas 20% foresee a potential decrease in demand (Figure 6).

Figure 6: 12-Month Supply and Demand Forecast (Takeaway Sector)

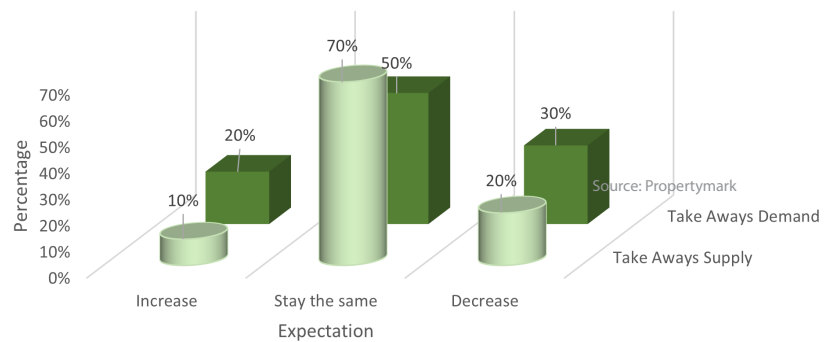
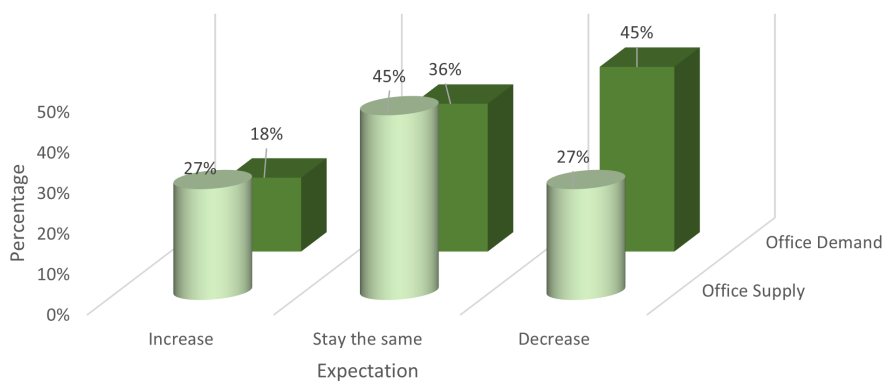


Figure 7: 12-Month Supply and Demand Forecast (Office Sector)



Source: Propertymark

OFFICE SECTOR

27% forecast an increase in supply, whereas 45% foresee them remaining constant. (Figure 7).

Please note, use classes differ in other parts of the UK.

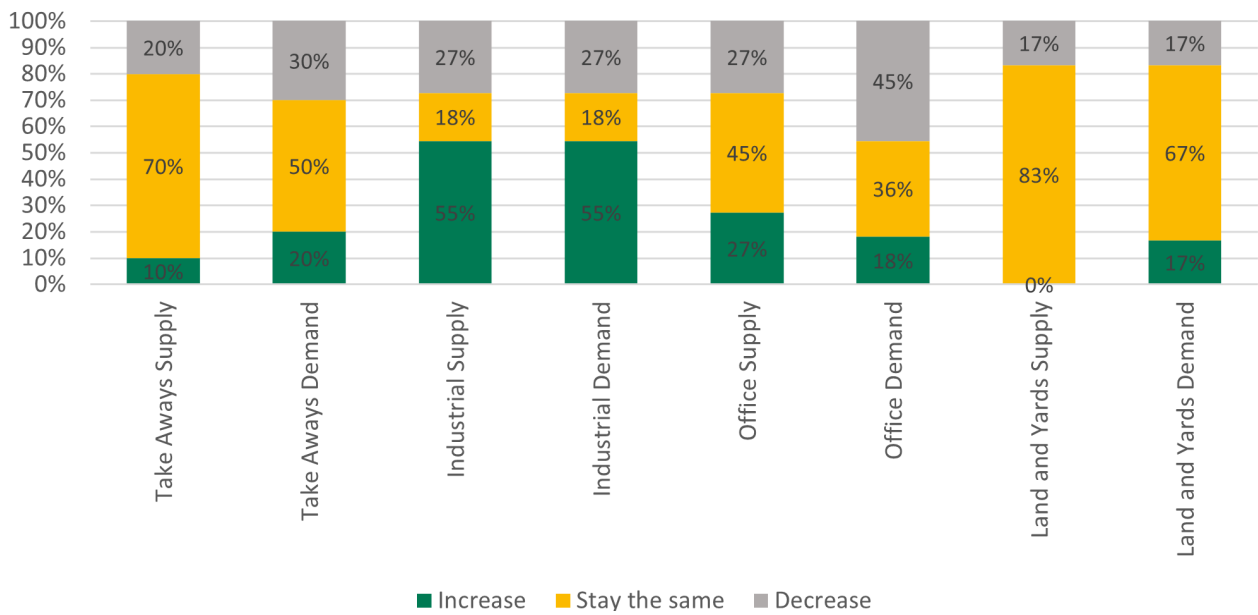
OTHER SECTORS

Supply and demand expectations continue to fluctuate every quarter across the sectors. (Figure 8).

decrease. In the Industrial Sector, 55% of agents forecast an increase in supply, with 55% feeling that a match in demand increases.

In the Land and Yards Sector, 83% of agents forecast that supply will remain static, with 17% feeling demand will

Figure 8: 12-Month Supply and Demand Forecast (Other Sectors)



Source: Propertymark

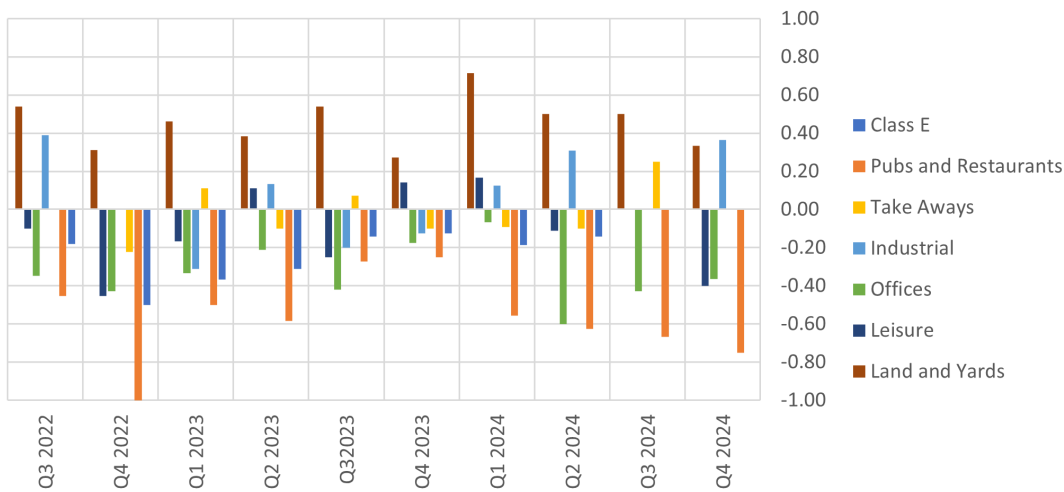
Capital values

ALL SECTORS

We asked our members whether they expect capital values to increase, decrease, or stay the same over the next year. Their responses, converted to a numeric scale bounded by 1 and -1 are reported below. Positive values indicate that most respondents expect capital values to rise or remain over the next year. Negative values indicate that most respondents expect capital values to fall or stay the same*.

Sentiment trends have persisted in key sectors. For example, in the Land and Yards Sector and Class E Sector, sentiment continues to remain positive. However, sentiment in the Pubs and Restaurants Sector remains negative and has further declined against the last quarter. (Figure 9).

Figure 9: Capital value expectations over the next 12 months (all sectors)



Source: Propertymark

* ITZA levels in the case of the Class E sector.

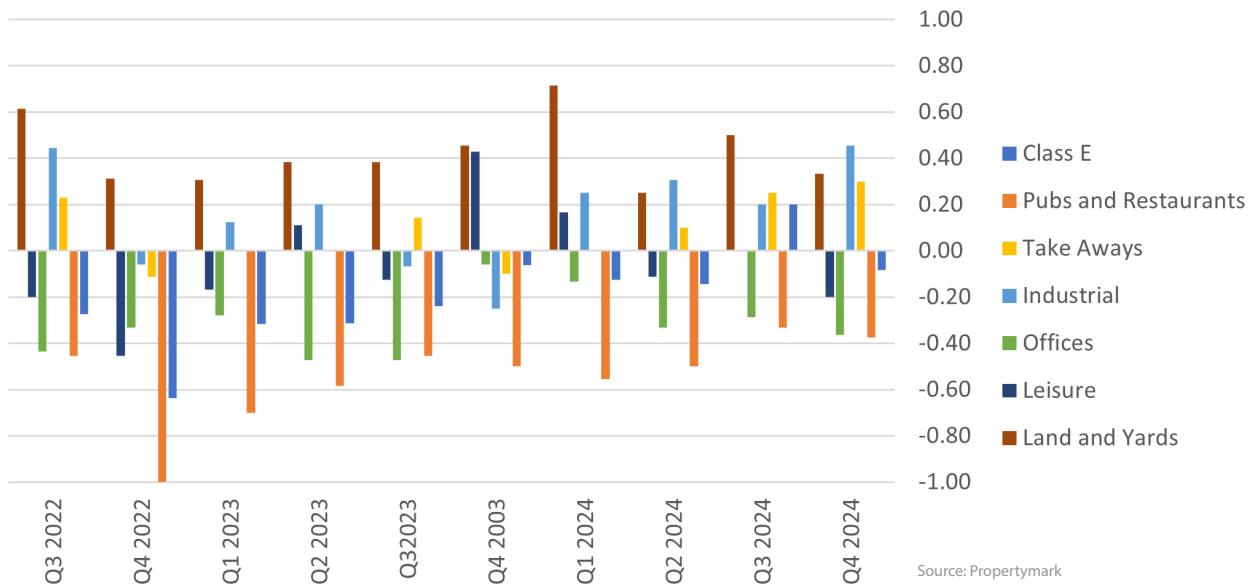
Rent levels

ALL SECTORS

We also asked our members about their expectations for rent levels in the coming twelve months.

Members continue to be optimistic about rents in both the Takeaway and Class E Sectors. However, sentiment in the Pubs and Restaurants Sector remains negative and agents remain pessimistic about rents in the Leisure Sector. (Figure 10).

Figure 10: Rent level expectations over the next 12 months (all sectors)



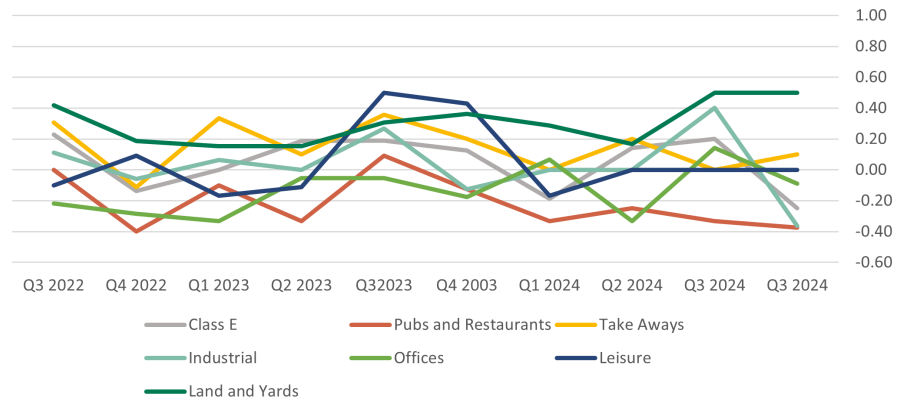
* ITZA levels in the case of the Class E sector.

Investment yields

ALL SECTORS

Expectations for investment yields in the coming twelve months vary by sector with swings in sentiment visible within the Industrial, Offices, and Takeaway Sectors. However, the Lands and Yards Sector remains static when compared to Q3 2024. (Figure 11).

Figure 11: Trends in investment yield sentiment (all sectors)

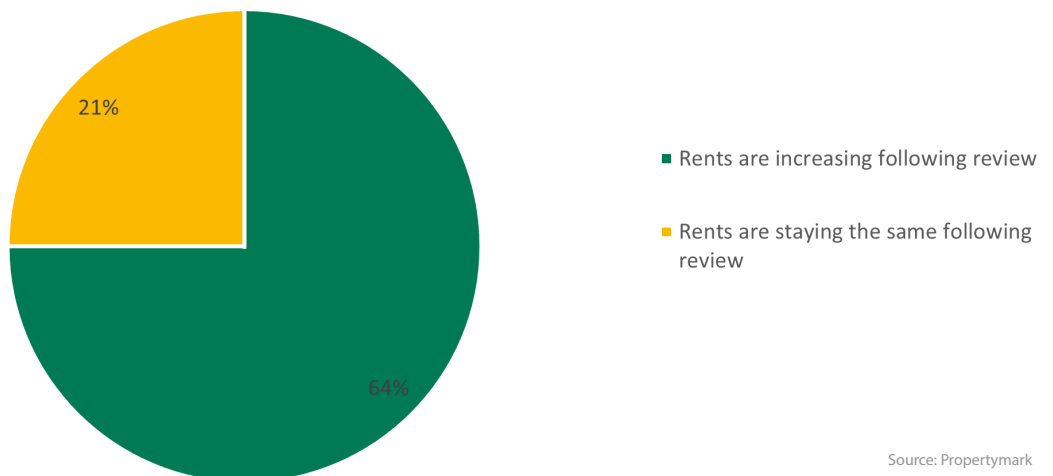


Source: Propertymark

Rent reviews

We asked our members the outcome of rent reviews undertaken in Q4 2024. 64% reported that rents were increasing and 21% reported that rents were staying the same following review (Figure 12).

Figure 12: The outcome of rent reviews undertaken in Q4 2024



Source: Propertymark

Key challenges

Each quarter, we ask our members to highlight the biggest challenges they face.

The latest budget announcement has meant a lot of clients are now selling and making buyers nervous.

Length of time for progression of leases and sales with solicitors

Stagnation, recessionary pressures on the market, uncertainty with government direction.

Shortage of Industrial/warehouse units

MEMBER INSIGHTS

Each quarter, we ask our member to provide their views on trends and developments within the commercial property sector.



With a new UK Government getting embedded and the start of new legislation looking to become a reality, the commercial sector will have a time of uncertainty and question confidence well into 2025.

Sealeys Walker Jarvis

TAKE THE NEXT STEP

The views and figures in this Propertymark Commercial Outlook refer to the UK. Specific geographic locations and markets (city centre/suburban/etc.) will vary. We strongly recommend

you contact a Propertymark commercial agent in your area to discuss opportunities that suit you. You can find your local agent at propertymark.co.uk/find-an-expert

There are several reasons why you should use a Propertymark commercial agent over any other:

INTEGRITY

As members of Propertymark, our agents have a proven dedication to professionalism within the commercial property sector.

CUSTOMER PROTECTION

Propertymark regulated its member agents. This is a nationally recognised regulatory brand and provides high standards of service.

COMPLIANCE

Our members have access to the latest legal and best practice guidance.

ENDS

ABOUT THE PROPERTYMARK COMMERCIAL OUTLOOK

This report is based on a survey of Propertymark commercial agents conducted during Q3 of 2024. It is supplemented with an analysis conducted by Propertymark of key statistics relevant to the commercial property market.

ABOUT PROPERTYMARK

Propertymark is a leading professional body comprising commercial and other property sector agents. We are member-led with a Board of practising agents, and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

The Commercial division of Propertymark represents members who practice from over 650 offices and aims to reassure the public that by appointing a Propertymark Protected agent to represent them, they will be safeguarded and receive the highest level of integrity and service for all property matters.



EDITOR NOTES

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