Innes England: Tough East Mids commercial property market could bounce-back after shock of ‘Trussonomics’

Management at one of the region’s leading commercial property agencies are hopeful the market will start to improve this year following the economic meltdown caused by the short-lived Liz Truss Government.

According to the 16 th annual Innes England Market Insite report, 2023 could see the [green shoots of recovery](#) after total regional investment in commercial real estate dropped 44 per cent last year to around £1.36 billion.

In a virtual presentation to industry professionals, Ben Robinson, head of the company’s investment consultancy, said: “As we begin 2023 we are cautiously optimistic that despite the re-rating of commercial property yields at the end of last year, transaction activity will return as investors quickly become acclimatised to the new norm.”

Transactions across the region in the first half of 2022 had continued at much the same level as the previous year, when volumes ended at record highs.

He said: “However, this [strong investor momentum started to fade](#) in the second half of the year as the market began to absorb the effects of the first significant rises in interest rates since the financial crisis, before falling away sharply following the further shock of ‘Trussonomics’.”

“As the era of cheap money came to a rather abrupt end towards the latter part of the year many investors adopted a wait-and-see approach whilst commercial property yields re-rated across all sectors."

That was reflected in the drop in transaction volumes in the second half, with only £239 million worth of deals across the whole East Midlands market.

He added: "However, we expect the market to recover following a quiet start to the year as investors look to take the opportunities of a thinner market while it lasts."

Innes England director Peter Doleman said a record start to the year for warehousing and distribution properties gave way to a decline in the second half – but it was not at crisis levels.

Leicestershire saw a 39 per cent rise in logistics deals last year thanks to its central England location, with notable sites including Magna Park and the Leicester Distribution Park.

Across the East Midlands in 2022, the report highlighted:

• The industrial and beds sector again dominated, accounting for 80 per cent of all investment transactions

• Nottingham bucked the regional trend with total investment at nearly £500 million) – up 68 per cent on the previous year's £306 million – thanks mainly to purpose-built student accommodation deals

• Leicester saw 'strong' levels of industrial take-up at 4 million sq ft, almost 39 per cent higher than last year

• Investor demand for city centre offices in Nottingham continued, with notable deals featuring Corum IM's purchase of EON's Trinity House for £28 million

• The East Midlands had the third lowest net decline in shop closures – and saw retail space take-ups dominated by food and beverage operators

• Total investment in Derbyshire in 2022 was just over £300 million, slightly down (23 per cent) on the previous year but still 26 per cent up on the five-year rolling average

• Industrial investment dominated in Derby – more than a third up at £243 million. Deals included ICG's £101 million purchase of two logistic units at Mercia Park, Swadlincote

Fellow director Craig Straw, head of Innes England's business space agency team, said office take-up transactions were down across the region by about 25 per cent but that followed a bumper post-pandemic 2021.

Nottingham's office take-up was the most robust with a strong focus on the city centre. Activity in Leicester and Derby was high on the edge of city and out of town, but big transactions were thin on the ground.

Innes England managing director Matt Hannah said shop landlords and tenants had had to make big changes in a year which saw 17,000 UK shop closures.

He said: "A third of all closures came from a reduction in branch networks by the nationals and a further third, unfortunately, from the independent sector.

"The East Midlands had the third lowest net decline in these numbers which reflect a 50 per cent increase across the country over 2021. The reduction of government support and removal of the rent moratorium played significant roles."

The most significant boost to city centres is the long-anticipated rating reassessment this April which will see an immediate reduction of retailers' occupancy costs.

Mr Hannah said: "Some units we are marketing are showing a 65 per cent drop in the rates payable or, for example, a reduction on one unit from £70,000 a year to £25,000.”

This year’s Market Insite report includes Birmingham data, reflecting Innes England’s expansion to the city in 2022.

Total investment in commercial real estate in the West Midlands was almost £2.2 billion, down a third on 2021 volumes.

Read More

Related Articles

- Britain’s biggest homebuilder hoping better mortgage deals could stimulate UK housing market

Read More

Related Articles

- Europe’s biggest brick factory ready to go online as owner Forterra reports slowing sales