

UK Commercial Property Auction Data Report

Q2 2022

The Acuitus cPad report reviews activity in the UK commercial real estate auction market. The report is produced by Acuitus Research and is powered by analysis of the long-running cPad data series.

The latest sales data for this Q2 2022 review has been provided by The Essential Information Group. It is a subset of commercial property auction sales and focuses solely on investment-grade assets and income-producing property with development potential.

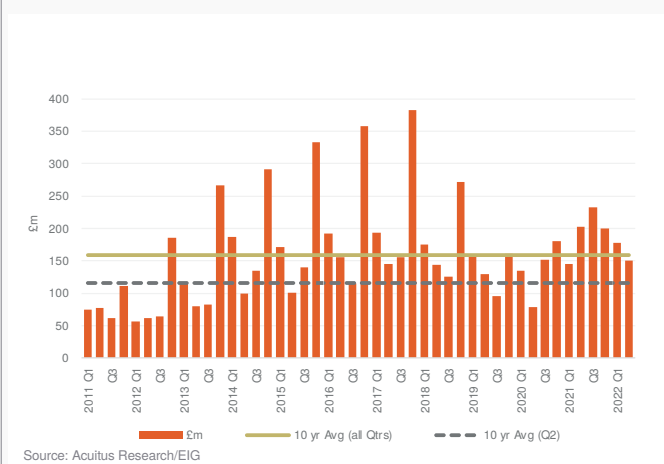
Overview

Total sales at auction for Q2 2022 were almost £150m. This was 16% down on Q1 but this dip is consistent with the 'typical' auction calendar when there are invariably fewer auctions held in the second quarter. More importantly, when compared with the 10-year Q2 average, the Q2 2022 sales were 29% higher.

The number of properties sold in Q2 was 204. This was the lowest quarterly figure since Q2 2020 but the lot sizes were materially larger. At £735,000 in Q2, the average lot size was only marginally behind the recent peak lot size of £766,000 which was recorded in the final quarter of 2015.

Lot sizes of more than £1m accounted for 23% (46) of all Q2 properties and cumulatively raised £87.3m which was almost 60% of the total sales volume by value.

Quarterly value of commercial auction transactions



Retail renaissance?

There has been growing press commentary about the plans of various local authorities to revive town centres, and encourage new businesses to move into the High Streets. The rental cycle looks to have reached its low water mark and this could be the start of the renaissance of the High Street.

Retail lots sold account for 74% of overall activity in Q2. This was the highest level since 2019 – suggesting a renewed interest in investing into the retail sector.

However, from the supply side perspective, some sellers are recognising that after a long time of trying to manage assets through a period when values have continually fallen there are not many further levers left for them to pull.

Finance is also a factor for some sellers who are highly leveraged and are coming under pressure from lenders because loan-to-value covenants are being breached. These situations can be caused by falling values or when lenders are simply not prepared to re-finance at the end of a loan.

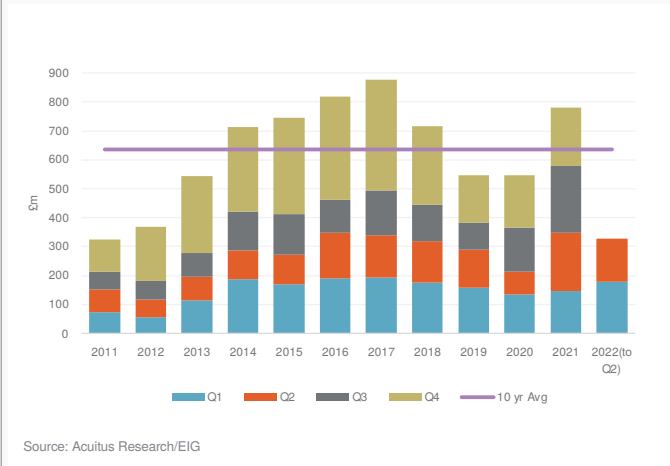
What investors are looking for

Properties in Greater London which are eagerly sought-after continued to feature highly, accounting for 28.5% of overall sales by value.

The attraction of “long lease, good covenant investments” still holds true. Property sectors that tend to exhibit these characteristics include supermarkets, restaurants/licensed premises and petrol stations.

However, naturally, owners will wish to retain these assets and therefore, the few investments that do come to market are in strong demand and prime yields have remained firm.

Annual value of commercial auction transactions

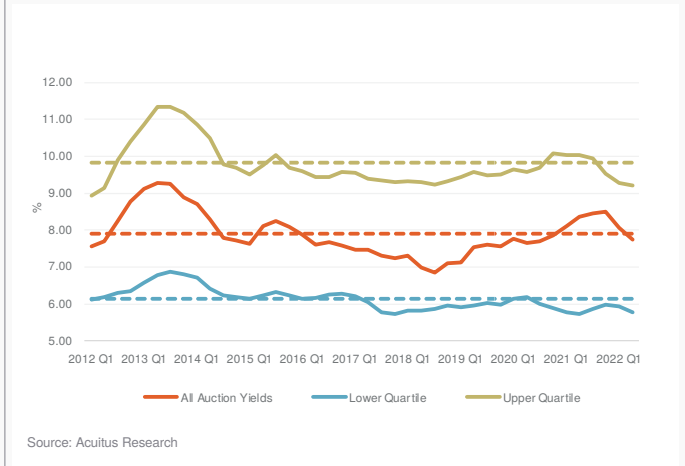


Moving up the risk curve

For investors wishing to place funds into real estate this has meant that they have had to move up the risk curve and there is continued strong interest in assets where there is potential to change the use of redundant space to residential. Lending for residential development remains good.

Most investors are high net-worth investors and as such, are cash buyers. Some may seek to take out a loan in due course. The rise in interest rates has had no noticeable effect on yields as of yet.

Average net initial yields



Yields continue to sharpen

The Acuitus cPad All-Property average yield hardened 32 basis points from Q1 2022 to now stand at 7.75%, its lowest level since the early stages of the pandemic.

The Acuitus cPad All-Property average yield for Greater London also fell slightly from the Q1 figure to 5.60%

The Acuitus cPad All-Property Prime yield hardened to 5.77% from Q1 2022, with the Acuitus cPad All-Property Secondary yield following suit, down to 9.22%. It is notable that this is its lowest level since Q2 2012.

Larger lot size yields have also been reacting to the strong activity in this portion of the market with the Acuitus cPad All-Property average yield for £1m+ lots falling to 7.68% in Q2 from Q1 – again the lowest levels since the start of the pandemic.



For further information on this research or to discuss auction strategy, please contact:

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