



North West Commercial Property Market Commentary: Our View

The Q1 2016 RICS UK Commercial Property Market Survey shows overall conditions in the sector remain firm at national level. We would opine that this accurately reflects the North West commercial property market. The primary cities of Liverpool, Manchester and Preston appear to be performing to superior standards when compared to the satellite towns of the region.

Rental levels and capital values all appear to be rising albeit tentatively due, in the main, to a rising demand and continued lack of supply. Although steady growth has been noted, we believe this is likely to be protracted for the remainder of 2016.

Many property professionals are discussing the uncertainty surrounding the EU Referendum, we are yet to see the local markets directly responding to this in a tangible fashion.

Although we feel that an eventual Brexit will be felt in a generally neutral fashion 'on the ground', all the departments within Parkinson report little to no impact. A Brexit will have ramifications nationally which will filter into the North West market.

It is predicted that any impact to the central London investment market will have repercussions in the provinces, therefore creating a stagnation to demand due to reduced numbers of purchasers from outside of the capital. We can, however, form a view that a Brexit is unlikely to have significantly positive impacts upon the local property market in the North West.

Similarly to the uncertainty of the 2008 – 2010 years, the uncertainty of Britain voting to leave the EU has forced considerable number of larger institutions to delay decision-making until the outcome is known.

Occupier demand within the North West is considered to be strong for industrial accommodation, rising for office accommodation and stagnating for retail accommodation. There are specific occupiers and properties that are performing outside of these generalities.

Our expectations are that there should be slow rental growth for the proceeding quarters and this growth will be at a slower rate than 2015. Similarly to the occupier market, the investment market has seen sustained demand within the North West region whilst still seeing a decrease in supply. We have noticed an influx of foreign investors to the area, seeking more secure and higher returns. Investment yields are softening for the more prime investments and appear to be stable for the more risky/less desirable investments. Capital values for vacant property are steady and whilst not significantly increasing, enquiry levels do appear to be higher than in the same period in 2015.

A more robust tone of value does seem to be establishing within all counties of the North West for specific types of property, however we are still noticing a number of vendors who do not recognise this tone of value and have aspirations above these levels. This causes issues within the acquisition, disposal and the valuation professions throughout the North West.



WEALTHY SWITCH INVESTMENT HORIZONS TO COMMERCIAL PROPERTY

Parkinsons have recognised demand from wealthy investors looking to diversify their portfolio significantly increase over the past 12 months. The main change has been diversifying away from residential investments into commercial property investments due to a mixture of Government Policy and the low yields provided in prime residential investments. Shrewd investors are viewing the flexibility in equity stakes within commercial property investment vehicles as preferable to the more illiquid & riskier investment options.



AVERAGE YIELDS START TO CLIMB

The northwest have seen increases to commercial property investment yields over the first quarter of 2016. Average prime yields are now at their highest level since July 2015. We attribute this minor softening in yields as a result of limited capital growth over the period and uncertainty of the EU referendum viewed by institutional investors. Transactional numbers have definitely increased for the first quarter of 2016 with the SDLT changes in April contributing to an unusually significant surge. Rental growth is increasing and does not appear to be abating and can be ascribed to a noticeable increase in occupier demand – encouragingly this is no longer confined to London and the Southeast.



TEMPORARY PERMITTED DEVELOPMENT RIGHTS BECOME PERMANENT

The 2013 regulations allowed developers to bypass stringent, costly and lengthy planning processes in order to redevelop offices into residential accommodation. Although the developers still had to complete the prior approval process, these regulation significantly sped up the process of redevelopment. These processes were due to expire on 30th May 2016 but new regulations have been introduced which broadly reflect the older regulation along with the addition of a time specific completion period from the date of prior approvals, all area specific exemptions will expire on 31st May 2019 as well as the increase of impact assessments (noise etc).

Parkinson's appoints Damien Gibbs to head the Preston office

Damien Gibbs recently joined Parkinson to head up our Preston office and will continue his client focused, high quality service whilst expanding Parkinson's presence into Lancashire & Cumbria. Tony Bellis, Director comments " We are delighted to be able to secure the services of such a credible and experienced surveyor. Damien has a wealth of experience and can add much more than technical knowledge required to provide the high quality of advice we are recognised for. Damien brings a commercial foresight that adds value to us as a firm and complements the other senior members of the team and clients alike.



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