



UK's costliest office block up for sale

In the heart of the City of London, 100 Bishopsgate is set to become the UK's most expensive office block after being put on the market for £1.8bn, by Canadian asset management company Brookfield.

Despite the shift towards home working, and a raft of large companies either closing or reducing their office space in the capital, the sale is expected to exceed the £1.3bn paid for the Walkie Talkie building four years ago. The most likely buyers are expected to be Far Eastern investors, who have continued to be active in London during the pandemic.

Property advisory firm Colliers recently reported that the amount of vacant office space in London increased by 75% (2.3m sq.ft.) year-on-year to a nine-year high in March. Expectations are that London vacancies will stabilise and peak this year at 10%, a level not seen since 2008. However, the pace of office exits did slow in February and March, in a signal that demand for working in urban centres may return as restrictions ease.

UK commercial rental payments continue to be impacted

It has been reported that, as COVID restrictions took hold over the winter months, UK commercial property tenants paid only a fifth of the rent owed in the latest quarter. Commercial rents are usually paid quarterly in advance, with payment due on 25 March for the period until 24 June.

Commercial property management platform Re-Leased, detailed that, across all sectors, rental payments at the start of the quarter were just 21% of the amount owed, down from 27% in the previous period. Retail businesses paid just 15% of their rental bill, down 7% on the previous quarter. There is an expectation, that rental payments will pick up in the coming

weeks, but for the hardest hit sectors, rental income is likely to remain below normal levels.

Although concerns exist as to whether firms will be able to pay off arrears built up during the pandemic, Commercial Analyst at Re-Leased, Caleb Dunn, commented on the data, *"Many of our landlord clients are still negotiating rent that was due in March last year... There is light at the end of the tunnel as restrictions ease, businesses collect more revenue and rent collections increase, but normality is still a way off."*

Positive signs for the UK hotel industry?

Savills recently released 'UK Hotel Insights' outlines that during the year to February 2021, occupancy for open hotels in the UK was 26% (down 61%). Regional UK markets reported occupancy at 28% (down 58% year-on-year) against London at 22% (down 70% year-on-year).

Due to the ongoing restrictions and uncertainty, the situation remains highly fluid, considerable downside risks remain. Support has been provided to the sector by way of extensions to business rates holidays, reduced hospitality VAT rates and the Coronavirus Job Retention Scheme, all valuable, but unlikely to mitigate all of the headwinds over the coming months.

Government confirmation of the reopening of self-contained accommodation from 12 April followed by all other accommodation as of 17 May, prompted an immediate increase in bookings. Some UK regional hotel markets are likely to experience exceptional performance over the prime summer months, as the staycation market remains buoyant. Key events scheduled for this year, such as the UN Climate Change Conference in Glasgow during November, have seen positive increases in business. Glasgow shows occupancies of nearly 90% for the duration of the conference, with nearby Edinburgh expected to accommodate overflow attendees.

Commercial property currently for sale in the UK

- Regions with the **highest** number of commercial properties for sale currently are the **South West** and **North West of England**
- **Northern Ireland** currently has the **lowest** number of commercial properties for sale (**30** properties)
- There are currently **1,261** commercial properties for sale in **London**, the average asking price is **£1,394,511**.

Region	No. properties	Avg. asking price
London	1,261	£1,394,511
South East England	1,194	£618,585
East Midlands	798	£991,493
East of England	685	£559,810
North East England	798	£393,339
North West England	1,468	£426,629
South West England	1,601	£550,323
West Midlands	1,178	£484,887
Yorkshire and The Humber	1,176	£331,885
Isle of Man	50	£461,187
Scotland	1,171	£303,737
Wales	740	£395,946
Northern Ireland	30	£350,359

Source: Zoopla, data extracted 22 April 2021

Edinburgh office take-up encouraging

According to Knight Frank, despite the pandemic, demand for office space in Edinburgh has been robust. In Q1 2021, around 90,000 sq.ft. of office take-up was transacted. Although 281,000 sq.ft. of new space is under construction, the development pipeline is currently restricted.

In 2020, regardless of the overriding economic uncertainty, 490,585 sq.ft. of space was taken-up and a headline rent of £37.00 per sq.ft. was set in the city.



Office Agency Partner at Knight Frank Edinburgh, Simon Capaldi commented, it has, *“Largely been an encouraging start to 2021 for Edinburgh office take-up. Some of the larger deals this quarter were held up due to ongoing uncertainty, but their conclusion is indicative of pent-up demand and, with many businesses beginning to re-open...there is an air of positivity. Part of that is because there is still a steady stream of active requirements coming from companies as they start to look beyond COVID-19. Even though few people have spent much time in an office in the last 12 months, they are still playing a central role in many occupiers’ strategies. If anything, the flight to quality that took hold last year has only increased as occupiers look to best-in-class space to accommodate the return of staff and provide them with the working environment they need.”*

All details are correct at the time of writing (22 April 2021)

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