# Allsop Market Update

June 2020

**As the UK has moved towards the release of lockdown the market remains active in certain areas and transaction volumes are showing signs of picking up. Material Uncertainty Clauses are being lifted for some asset classes and as businesses start to reopen investors are awaiting June quarter rent collection performance with trepidation.**

On Tuesday 16th June we concluded our June commercial auction, an additional online auction sale inserted into the calendar post lockdown to boost liquidity in the market. It was our 3rd successful commercial sale since lockdown which has helped our residential and commercial auction teams raise over £166 million since 31st March.

**The key takeaways from our June commercial sale have been:**

- Nearly £25 million sold with a success rate of approaching 85%
- A more challenging catalogue with more leisure and secondary retail featuring
- The theme of strong appetite for certain sectors has continued, particularly long income and uses which have remained successful during the crisis; convenience stores, supermarkets and bank units.
- Encouraging to see demand for pubs and restaurants with alternative uses.

Liquidity remains strong in certain parts of the market, generally those properties/markets with sustainable income streams or asset management potential, as demonstrated by the above auction result. The auction teams will be holding further auctions in July and the theme of smaller but more frequent online sales will continue for the rest of the year.

In terms of other news our investment teams are busy preparing private treaty sales to launch into the market over the summer months on behalf of funds and property companies with a focus on saleable assets correctly priced.

Our central London agency teams are busy helping office occupiers reassess their requirements for space as the debate as to the need for office space continues post Covid-19. The market is softening but will bounce back in the medium term.

Material Uncertainty Clauses in valuations have been lifted for a number of asset classes including long income, supermarkets and convenience stores and most recently for industrial and logistics and residential BTR. Next to be lifted is expected to be Central London offices at the beginning of July. The full list, which is updated weekly, can be found here: https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/rics-material-valuation-uncertainty-leaders-forum-uk/

The most problematic areas remain retail and parts of the hospitality sectors and here transactional volumes have been very low particularly for secondary stock. Rent payment is a key question which will be analysed closely in early July and whilst the very best assets will hold up well some values are likely to have fallen substantially and repurposing considered.

Where larger corrections are necessary investors are trying to absorb in many instances the multiple issues of; non-payment of rent / arrears; weakened or failed tenants' covenants ; reduced trading potential of the asset; reduction in rental value / voids / poorer cashflow projection; and yield softening to reflect increased risk. There is also repurposing to be considered. Once these are accounted for there will likely be some big mark downs to be digested. Vendors will need to accept the landscape has changed further and Valuers will need to get real.

We at Allsop have a better view than most as to what is saleable and what is disfavoured in this market so please feel free to get in touch.

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