

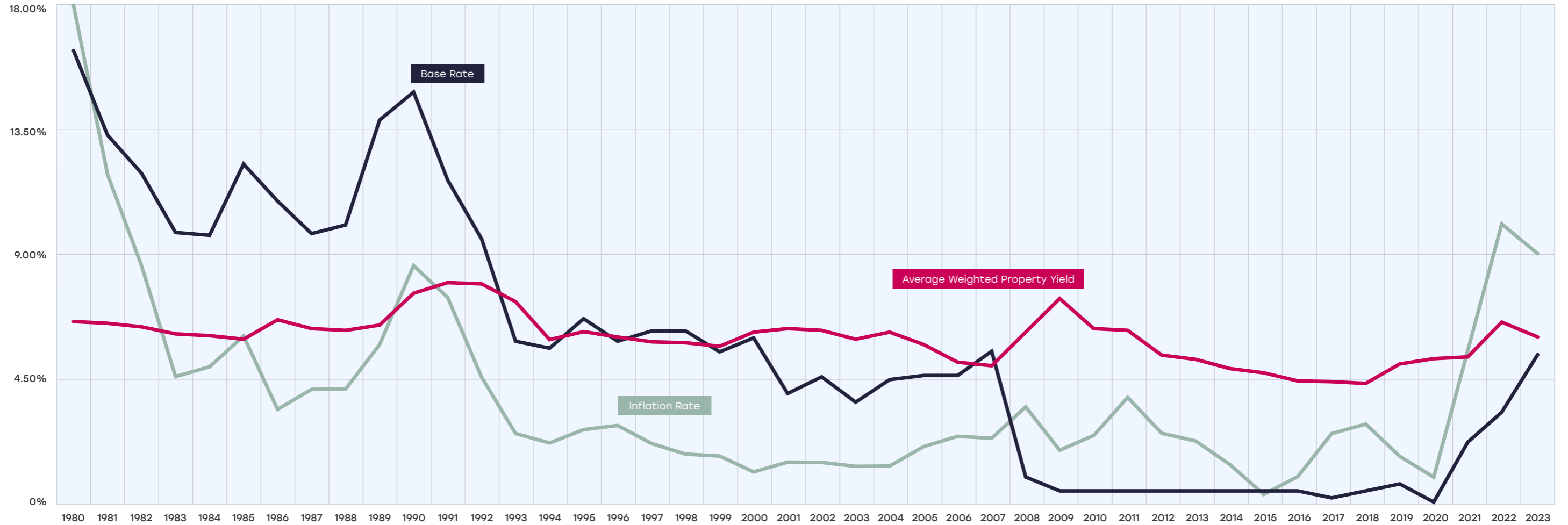


INVESTMENT MARKET UPDATE

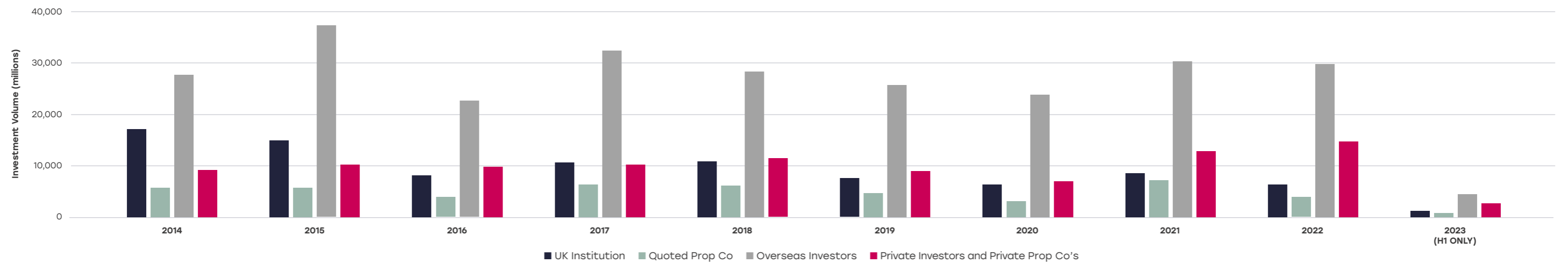
H1 2023

National

40 YEARS - BASE RATE, INFLATION RATE VS PROPERTY YIELDS



INVESTMENT VOLUME BY INVESTOR TYPE



What does the past tell us?

Year		Office		Industrial	Retail Warehouse	Retail		Inflation Rate	UK Bank Base Rate Yields (Average)*	
		Prime Regional	South East	Prime	Prime Retail Warehouse	Prime Shops	Secondary Shops	Source: Bank of England	Source: Bank of England	
1980	Mount St. Helens volcano erupts	5.00%	5.25%	7.25%	10.00%	4.00%	9.00%	17.97%		16.33%
1981	Recession - IBM launches the PC	5.00%	5.50%	7.25%	10.00%	3.75%	9.00%	11.88%		13.29%
1982	Recession Falklands War	5.00%	5.50%	7.75%	9.00%	3.75%	9.00%	8.60%		11.92%
1983	Recession - US invade Grenada	5.00%	5.50%	7.75%	8.00%	3.75%	8.00%	4.61%		9.79%
1984	Coal miner's strike	5.00%	5.50%	7.50%	8.00%	3.75%	8.00%	4.96%		9.69%
1985	Live Aid rock concert	5.00%	5.50%	7.50%	7.50%	3.75%	7.00%	6.07%		12.25%
1986	Chernobyl reactor disaster	6.50%	6.00%	8.50%	7.50%	4.00%	7.00%	3.43%		10.92%
1987	World Stock Market Crash + The Great Storm	6.00%	6.50%	8.00%	7.00%	4.25%	7.00%	4.15%		9.75%
1988	George Bush Snr wins Presidency	6.00%	6.50%	7.50%	7.00%	4.50%	7.00%	4.16%		10.06%
1989	World Wide Web created	6.00%	6.50%	8.00%	6.75%	5.00%	8.00%	5.76%		13.83%
1990	Recession - Iraq invades Kuwait	8.00%	8.50%	9.50%	7.00%	5.75%	10.00%	8.60%		14.84%
1991	Recession - Gorbachev resigns as last USSR President	8.50%	9.00%	8.75%	9.50%	5.00%	9.00%	7.46%		11.68%
1992	Recession - Clinton elected as President	8.50%	9.00%	8.94%	9.00%	5.13%	9.25%	4.59%		9.56%
1993	Single European Market begins	8.00%	8.50%	8.25%	7.81%	5.00%	8.19%	2.56%		5.88%
1994	Nelson Mandela becomes president of South Africa	6.50%	7.50%	6.56%	6.38%	4.25%	7.50%	2.22%		5.63%
1995	Barings Bank collapses	6.25%	7.00%	7.13%	6.50%	4.94%	8.50%	2.70%		6.69%
1996	President Clinton re-elected	6.00%	7.00%	7.25%	6.31%	4.50%	8.50%	2.85%		5.88%
1997	Beginning of Asian economic crisis	6.50%	7.25%	7.00%	5.88%	4.00%	8.25%	2.20%		6.25%
1998	Russian Crisis	6.25%	7.00%	7.00%	5.75%	4.50%	8.00%	1.82%		6.25%
1999	First balloon flight around the world	6.25%	7.25%	6.25%	5.50%	4.50%	7.75%	1.75%		5.50%
2000	DNA sequencing of the human genome	6.25%	7.75%	6.50%	5.75%	5.25%	7.60%	1.18%		6.00%
2001	9/11	6.50%	7.50%	6.75%	5.75%	5.75%	7.50%	1.53%		4.00%
2002	Euro becomes legal tender	6.75%	7.25%	6.75%	6.00%	5.25%	7.00%	1.52%		4.60%
2003	England Wins Rugby World Cup	6.50%	7.25%	6.25%	5.00%	4.75%	5.75%	1.38%		3.69%
2004	Facebook was launched	6.25%	7.00%	6.00%	4.75%	4.50%	5.50%	1.39%		4.50%
2005	Hurricane Katrina	5.50%	6.50%	5.75%	4.50%	4.25%	5.50%	2.09%		4.65%
2006	Saddam Hussein is executed	4.50%	5.75%	5.25%	4.25%	4.50%	5.25%	2.46%		4.65%
2007	The iPhone	4.75%	5.50%	5.50%	4.75%	4.25%	5.50%	2.39%		5.52%
2008	Recession - Financial Crisis	6.00%	7.00%	7.25%	6.25%	5.50%	6.75%	3.52%		1.00%
2009	Barrack Obama is elected 44th President of the USA	7.00%	7.50%	8.75%	7.75%	6.00%	7.50%	1.96%		0.50%
2010	Sachin Tendulkar first international ODI double century	6.25%	7.00%	7.50%	6.25%	5.25%	7.25%	2.49%		0.50%
2011	Osama Bin Laden killed by US special forces	6.00%	6.50%	7.50%	6.25%	5.25%	7.25%	3.86%		0.50%
2012	London Olympics	5.50%	5.75%	6.25%	5.25%	4.50%	7.00%	2.57%		0.50%
2013	Andy Murray wins Wimbledon	5.25%	5.75%	5.75%	5.15%	4.75%	6.50%	2.29%		0.50%
2014	Russia Annexes Crimea	5.00%	5.25%	4.75%	5.35%	4.50%	6.75%	1.45%		0.50%
2015	NASA finds water on Mars	5.00%	5.00%	4.75%	4.50%	4.50%	6.00%	0.37%		0.50%
2016	Recession - EU referendum	5.00%	5.00%	4.35%	4.25%	4.25%	6.00%	1.01%		0.50%
2017	Donald Trump inaugurated	5.25%	5.25%	4.25%	4.25%	4.00%	5.75%	2.56%		0.25%
2018	Prince Harry and Meghan marry	4.75%	5.00%	4.00%	4.50%	4.25%	6.00%	2.90%		0.50%
2019	Notre Dam Cathedral fire	4.75%	4.75%	4.00%	6.00%	5.50%	6.00%	1.74%		0.75%
2020	Recession - Covid-19 Pandemic	5.00%	5.25%	4.00%	7.00%	5.00%	6.75%	0.99%		0.10%
2021	NASA Rover lands on Mars	5.00%	5.25%	4.00%	6.00%	6.25%	7.00%	2.52%		0.10%
2022 - Q1	Russia invades Ukraine	5.00%	5.25%	4.00%	5.00%	6.25%	7.00%	2.52%		0.10%
2022 - Q2	Boris Johnson Partygate	5.00%	5.25%	4.00%	4.25%	6.25%	7.00%	2.52%		0.10%
2022 - Q3	Boris resigns - Liz Truss becomes PM	5.75%	6.00%	4.75%	5.25%	6.50%	8.50%	9.50%		2.25%
2022 - Q4	Rishi Sunak becomes PM	7.00%	7.25%	5.25%	6.00%	6.75%	9.00%	11.10%		3.50%
2023 - Q1	SVB collapse	6.50%	6.75%	5.00%	6.00%	7.00%	9.50%	10.10%		4.25%
2023 - Q2	King Charles coronation	6.00%	6.50%	4.75%	5.75%	7.25%	10.00%	10.10%		4.50%



OFFICE

	Q2 2023	
West End Offices	4.00%	▶
City Offices	5.00%	▲
Prime South East Offices	6.50%	▲
Prime Regional Offices	6.00%	▲

“ The market continues to polarise between longer income, high quality offices and shorter income more secondary buildings. The former is stabilising and the latter will continue to move out with the ongoing headwinds of capex and office occupancy levels.

• There is more overseas money entering the market, particularly from the Middle East and this will start to create competitive tension for 10+ year HQ buildings. ”

Dale Johnstone



INDUSTRIAL

	Q2 2023	
Prime Industrial/Distribution	5.00%	▶
Prime London Industrial	4.00%	▶
Prime Multi Let Industrial	4.75%	▼

“ Improved clarity over interest rates and the economy is now leading to a growing sense that the pricing correction has completed. There have been notable transactions completed in H1 suggesting that prime industrial yields have sharpened, demonstrating the resilience and continued investor confidence in the sector.

• A significant weight of capital has been sitting on the fence in H1 2023. However, with ongoing positive fundamentals in the occupier market (forecasting an average rental growth of 3.7%) and increased commercial tension amongst investors, there is the likelihood that yields will sharpen further in the second half of 2023. ”

Richard Gale



RETAIL WAREHOUSE

	Q2 2023	
Prime Retail Warehousing	5.75%	▼
Prime Solus Retail Warehousing	5.75%	▼
Secondary Retail Warehousing	7.50%	▶

“ Confidence in the sector has returned following a fall in transactional volumes. There is currently limited supply in stock formally coming to the market and evidence of yield compression being driven by the return of institutional buyers.

• Despite the threat of recession and squeeze on disposable income, the occupational market remains strong with national vacancy low and a continued rise in alternative occupiers considering RHW accommodation. ”

Archie Stead



HIGH STREET

	Q2 2023	
Prime High Street Retail	7.00%	▲
Secondary High Street Retail	9.50%	▲
Convenience High Street Retail	8.00%	▼

“ Whilst transactional volumes have fallen in the high street retail sector, a price correction from the previous year has meant a stable start to 2023 for the sector. We expect yields to remain stable, but unlocking prime stock will be challenging.

• The latest interest rate rise is unlikely to drastically impact the retail sector, as debt has been difficult to obtain for High Street retail since the pandemic. Smaller lot sizes continue to trade well where private investors see an opportunity for strong returns on their cash, when comparing to alternative sectors. ”

Gergo Petrovics



FOODSTORE

	Q2 2023	
Foodstores (RPI)	5.00%	▼
Foodstore (OMV)	5.50%	▼

“ Demand has remained good for prime long let for prime long let supermarkets with those that are well located and benefit from good residual value and particularly those let to Tesco and Sainsbury's. It would appear that funds and institutions' activeness in this sector is currently being held back by the lack of stock, rather than their lack of appetite. There is greater availability of stock secured to Morrisons and Asda covenants, with rebased yields enticing investors.

• We expect demand is only going to increase for long let supermarket investments as more investors return to the market. In the last quarter alone, some of the smaller supermarkets have benefited from yield compression due to competitive bidding. ”

Liam Stray

Latest Deals



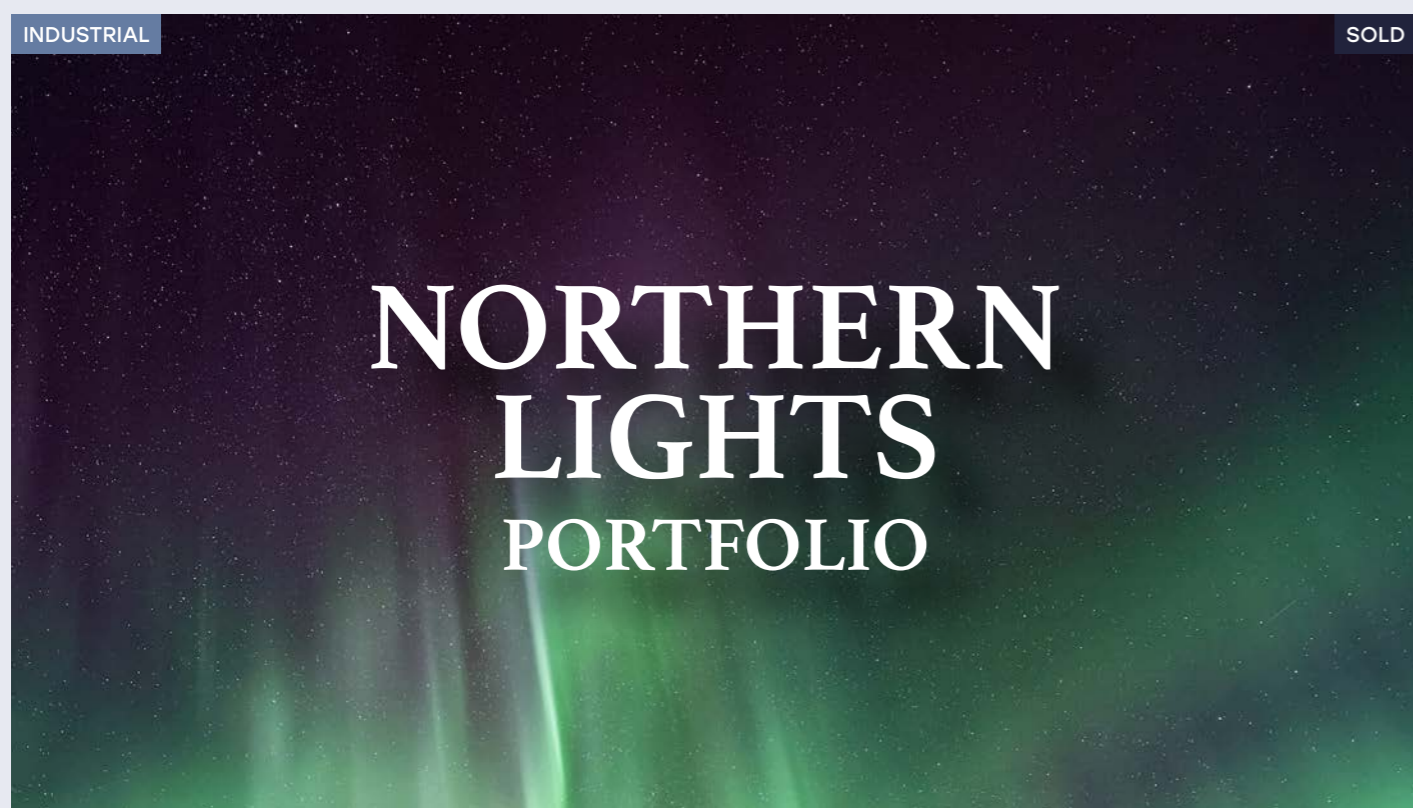
Verisure, Newcastle-upon-Tyne

£18.3M



Seven Portfolio

£31M



Northern Lights Portfolio

£24.1M



The Powerhouse, Dartford

£26M

Latest Deals



RETAIL

SOLD

232-234 High Street, Exeter

£5.25M



INDUSTRIAL

ACQUIRED

Bishop Portfolio

Bishop Portfolio

£17.5M



FOODSTORE

ACQUIRED

Aldi, Droitwich

£4.3M



RETAIL WAREHOUSING

ACQUIRED

Calcot Retail Park, Reading

£7.1M

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