UK CRE Quarterly Review

Q2 2023

A quarterly review of the UK commercial real estate market.

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Economic update

Global and UK economy

CONTACT: VICTORIA ORMOND, CFA

Global economy

Economic update

WORLD GDP OUTPUT

Global macro economic headwinds remain. However, in July, the IMF revised its 2023 global GDP growth forecast up by +20bps to 3.0%, compared to its April 2023 forecast.

Economic growth expectations for the US have also been upgraded for 2023. The IMF forecast US GDP to grow by +1.8%, up from +1.6% last forecast in April. Meanwhile the IMF's Euro Area GDP growth outlook for 2023 remained unchanged in July at +0.9%.

Despite macro economic headwinds, labour markets across many geographies remain tight with low levels of unemployment. US unemployment fell to 3.5% in July, remaining below the long term average (LTA) of 5.7%. German unemployment edged down to 5.6% in July, also below the 8.3% LTA.

BUSINESS ACTIVITY

The Global Services PMI fell to a four-month low of 52.7 in July, from 53.9 in June, however remaining in expansionary territory (figure above 50) for the seventh consecutive month.

Meanwhile, the Global Manufacturing PMI was unchanged at 48.7 in June, its 11th successive month in contractionary territory (below 50).

INFLATION

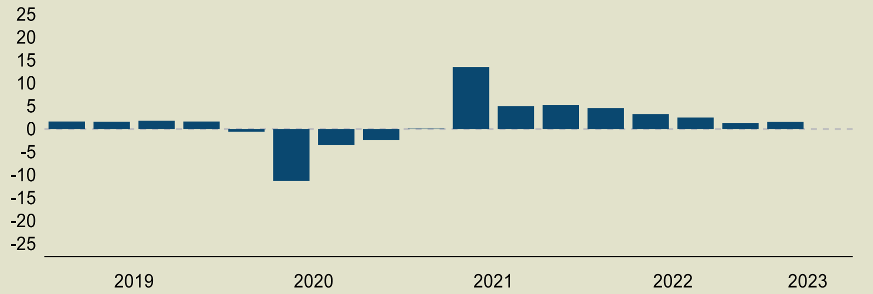
Headline inflation continues to ease across most economies, due to declining energy prices, weaker global demand and easing supply-chain pressures. However, there remains broad variation at the country level.

In the eurozone, inflation fell for the third successive month to 5.3% in July, its lowest level since January 2022.

Meanwhile, in the US, inflation accelerated slightly for the first time in 12 months to 3.2% in July, from 3.0% in June. China has already moved into deflation, with prices falling by 0.3% y/y in July, the first decrease since February 2021.

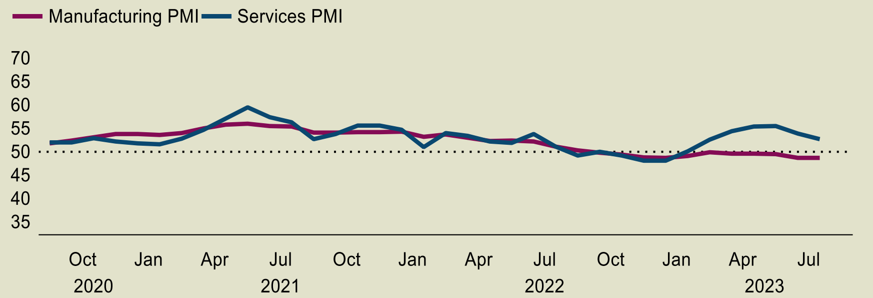
Gross Domestic Product

Quarterly OECD countries GDP growth, % change y/y, seasonally adjusted



Source: Macrobond, OECD

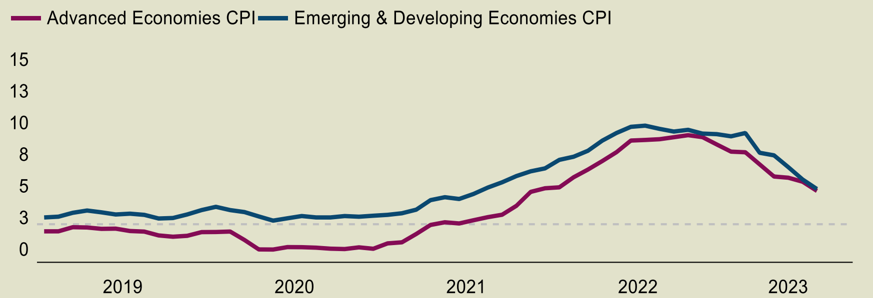
Business Activity Index



Source: Macrobond, S&P Global /CIPS

Inflation

%



Source: Macrobond, World Bank

UK economy

Economic update

UK GDP OUTPUT
UK GDP expanded by +0.2% in Q2 2023, following +0.1% growth in Q1 2023, and above market expectations of a flat reading. On a monthly basis, GDP expanded by +0.5% in June 2023, up from a -0.1% contraction in May.

The Bank of England (BoE) upgraded its GDP forecast for 2023 in August. GDP is now expected to rise by +0.50% in 2023, an improvement on the +0.25% last forecast in May.

The UK's unemployment rate increased by 0.3ppts to 4.2% in the three months to June 2023, its highest level since September 2021 and above forecasts of 4.0%. The BoE forecasts UK unemployment to rise to 4.5% in 2024.

BUSINESS ACTIVITY
The UK Services PMI declined to 51.5 in July, from 53.7 in June. However, the Services PMI has remained in expansionary territory (above 50) since January 2023.

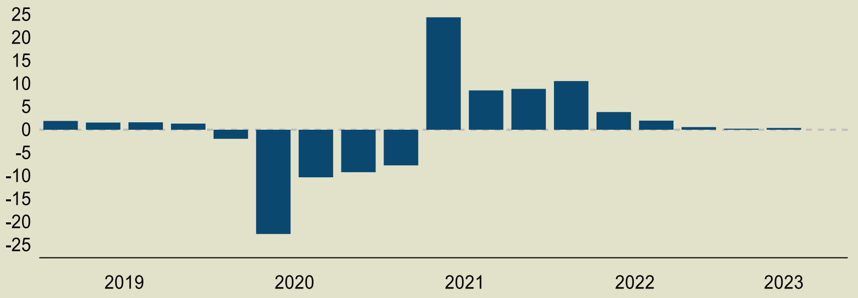
Meanwhile, the Manufacturing PMI has been contractionary (below 50) for 12 months, declining to its lowest level since May 2020 at 45.0 in July.

INFLATION
The UK annual inflation rate fell to 6.8% in July, from 7.9% in June, its lowest level since February 2022 and in line with the Bank of England's forecast.

Overall, the central bank expects inflation to decline to 5.0% by the end of this year, and reach its 2.0% target by early 2025.

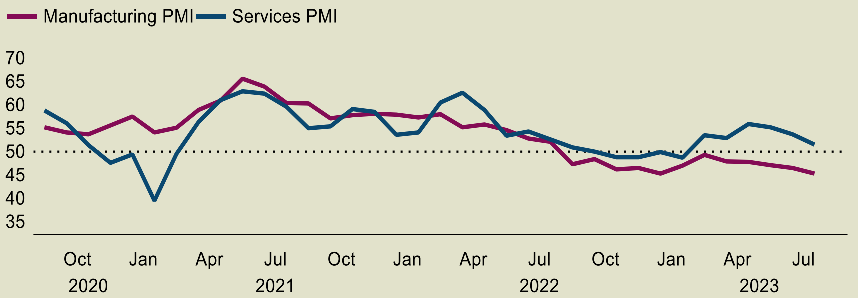
Despite inflation falling to a 17-month low, economists widely expect at least one more rate hike from the BoE. Meanwhile, money markets are currently pricing in a 25bps rate hike on 21st September and a further 50bps of tightening through March, taking its base rate to 6.0%.

Gross Domestic Product
Quarterly UK GDP growth, % change y/y, constant prices, seasonally adjusted



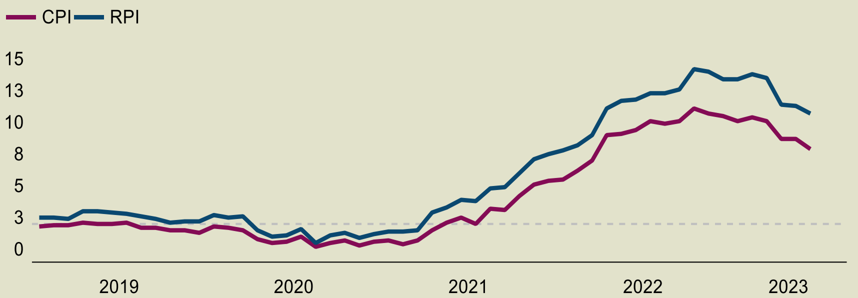
Source: Macrobond, ONS

Business Activity Index



Source: Macrobond, S&P Global /CIPS

Inflation
%



Source: Macrobond, ONS

Capital markets

UK commercial real estate

CONTACT: VICTORIA ORMOND, CFA

Capital markets

UK commercial real estate

INVESTMENT

Preliminary numbers suggest UK commercial real estate (CRE) investment totalled £7.3bn in Q2 2023, which was a -25% contraction on Q1 2023, and -51% down on investment in Q2 2022. However, global CRE investment has recorded similar declines (-56% y/y) and the UK remained the second most invested market globally in Q2.

The Office and Specialist sectors were the most invested sectors in Q2 with 28% (£4.9bn) and 27% (£4.8bn) of total investment. This was followed by Industrial and Retail with a 24% and 21% share, respectively.

Cross-border investors contributed to 48% of UK CRE volumes in Q2 2023, down from a 53% share in Q2 2022.

OUTLOOK

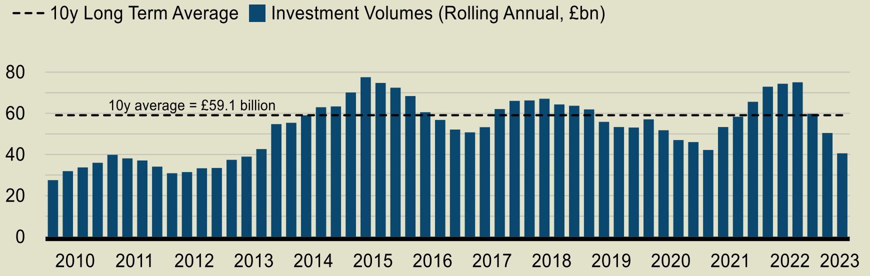
Real estate performance is expected to continue to polarise over the coming months. Increased investor demand combined with the financing landscape could mean that the spread between prime and non-prime yields widens. This may have already started. In July, 25% of MSCI sector yields softened on a three-month rolling average basis. In comparison, 10% of prime yields in our Investment Yield Guide softened in July.

Overall, 2023 is likely to see increased focus on smaller lot sizes, refinancing led activity, and a refocus on private and other investors. Liquid sectors that capture structural changes, from data centres to residential sectors, could also benefit.

Our Knight Frank Capital Gravity forecast expects the UK to be the top market for cross border investment within the EMEA region this year and the second most invested market globally for cross border investors, behind the US.

UK quarterly investment volumes

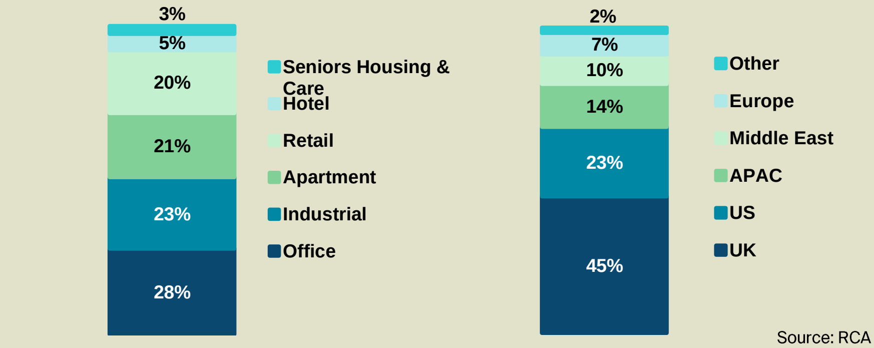
Quarterly investment volumes, rolling average



Source: RCA

Investment volume breakdown

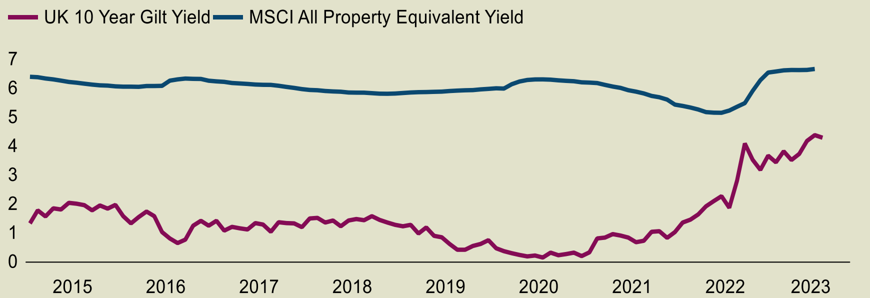
% of YTD 2023 volume



Source: RCA

Property equivalent yield & gilt yield

%

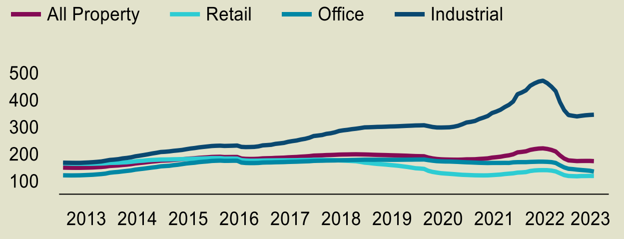


Source: Macrobond, MSCI

Capital markets

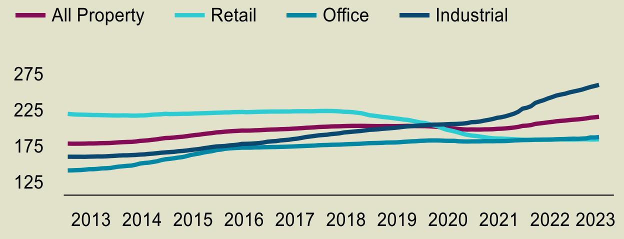
UK commercial real estate

MSCI Capital Value Growth Index
Dec 1986 = 100



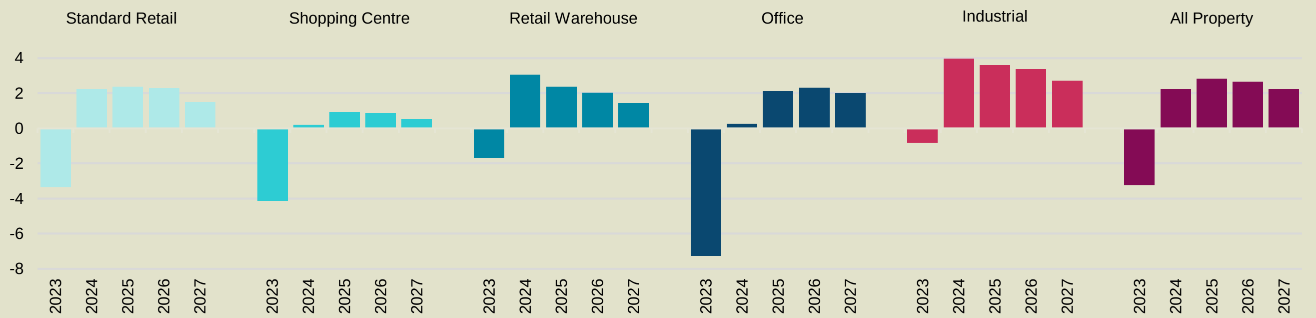
Source: MSCI

MSCI Rental Value Growth Index
Dec 1986 = 100



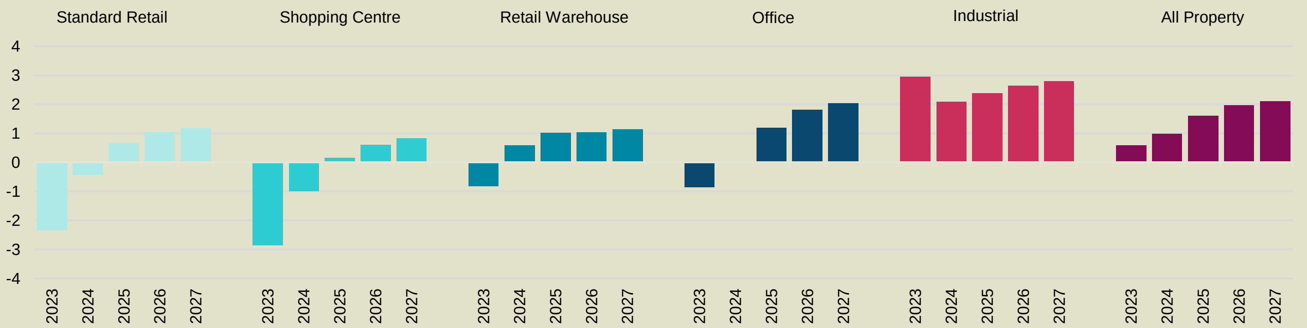
Source: MSCI

IPF Consensus Capital Value Growth Forecast
%, May 2023 forecast



Source: IPF

IPF Consensus Rental Value Growth Forecast
%, May 2023 forecast



Source: IPF

Offices

The City, West End, Docklands, South East & UK Cities

CONTACT: LONDON – SHABAB QADAR, SOUTH EAST & UK CITIES – DARREN MANSFIELD

City offices

Investment market

INVESTMENT SLOWS

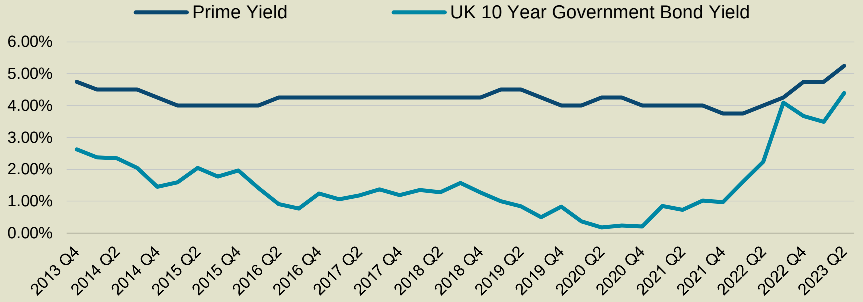
The investment market for assets in the City & Southbank suffered from lower levels of liquidity as sentiment was weighed down by higher interest rate risk. Transaction volumes fell by 61%, resulting in a total of £0.53 bn for the quarter.

The largest deal of the quarter was the sale of Sancroft, Newgate Street, EC1 which was acquired by Greycoat and Mitsui Fudosan for £315m. The development is located within the amenity-rich Paternoster Square neighbourhood and was also home to two out of five of the largest leasing transactions seen during Q2.

Investors from APAC were the most active group of buyers with 59% of transaction volume during the quarter, followed by North America (19%) and the United Kingdom (18%). Listed property companies represented 61% of acquisitions, while private investors and property companies accounted for almost a fifth of total volumes. The majority of transactions were for assets where investors were willing to underwrite a degree of near-term leasing risk, indicating investor confidence in the outlook for the prime leasing market.

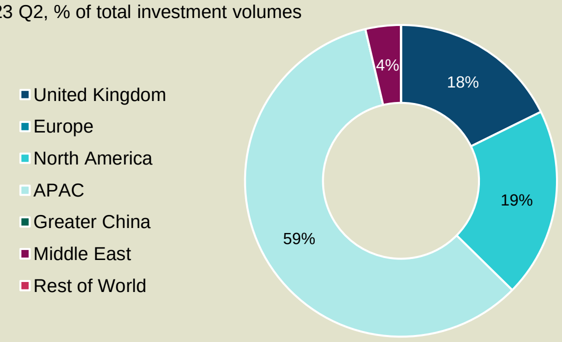
Higher interest rates have led to a further repricing of City & Southbank assets in Q2. Prime yields have moved out by a further 50bps to 5.25%.

City & Southbank - Prime yield & 10 year government bond yield
% per annum



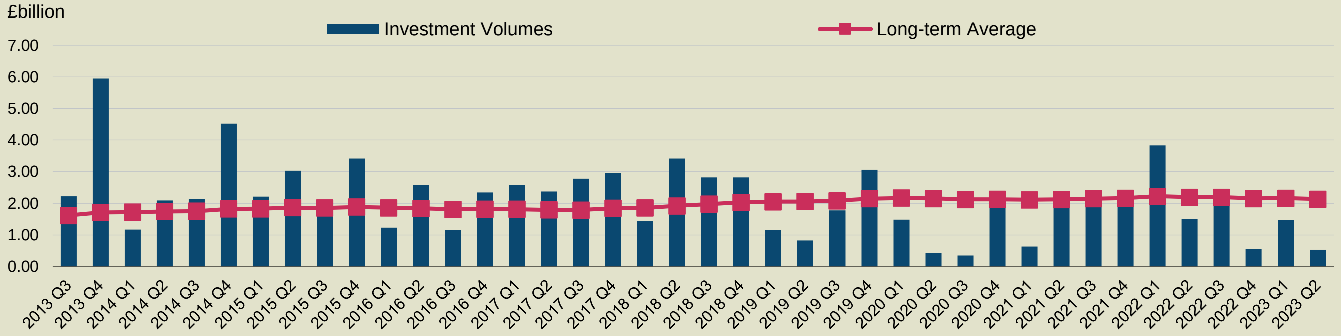
Source: Knight Frank Research

City & Southbank - Investment volumes by nationality
2023 Q2, % of total investment volumes



Source: Knight Frank Research

City & Southbank - Investment volumes relative to trend
£billion



Source: Knight Frank Research

City offices

Occupational market

QUARTERLY RISE IN TAKE-UP

Q2 saw 1.28m sq ft of take-up in the City & Southbank, an increase of 24.2% on the quarter, although below the long-term quarterly trend of 1.65m sq ft. The largest transactions were for new and refurbished space, demonstrating continued demand for best-in-class buildings. More than 70% of transactions during the quarter were for prime space.

Near-term demand is supported by 4.42m sq ft of active requirements, down 3.1% on the previous quarter, but 2.3% above the long-term trend. Whilst space under-offer in the City & Southbank is 2.3m sq ft.

Professional and financial occupiers continue their dominance of take-up, representing 26.5% and 29.0% of the total, respectively. The largest deals of the quarter were Goodwin Proctor (UK) LLP acquiring 89,645 sq ft at the redeveloped Sancroft building, and Dentons LLP leasing 66,372 sq ft at 1 Liverpool Street.

During the quarter, prime rents were unchanged across the City. In Southbank Core, prime rents have risen by £2.50 to £77.50 per sq ft, as lettings at the Shard and Arbor (Bankside Yards) raise the rental tone in the submarket.

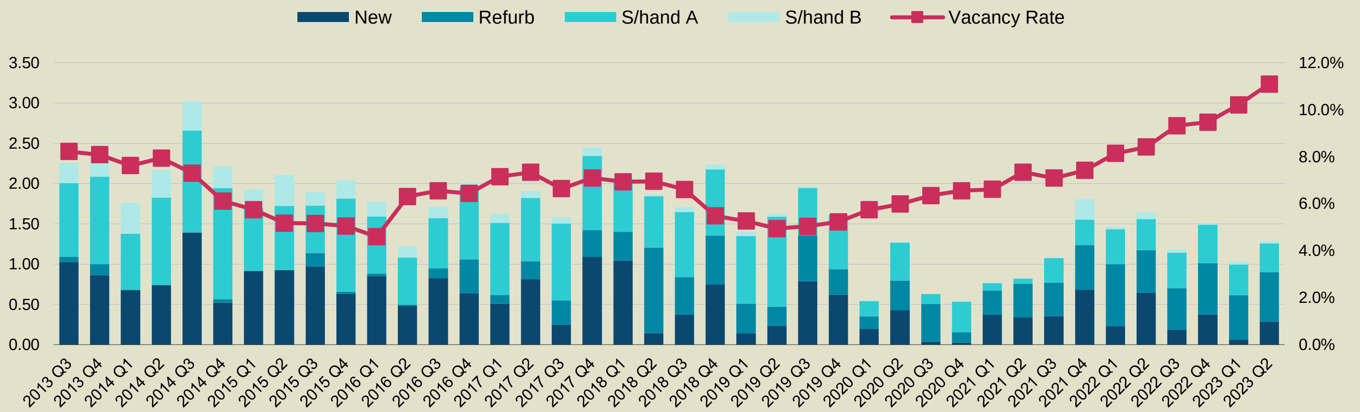
NEAR-TERM COMPLETIONS RAISE AVAILABILITY

Availability rose by 9.5% over Q2 to 15.12m sq ft and has taken vacancy rates to 11.1%. Almost 60% of available floorspace is new and refurbished, driven largely by 1.6m sq ft of speculative completions in the market over the next six months.

In terms of number of buildings, prime availability as a share of all availability has fallen to 46% and is particularly low in higher size band buildings. For example, in the City Core, there are only three available buildings between 60 – 80,000 sq ft and only 11 above 80,000 sq ft.

Just under 1m sq ft of speculative space was completed in Q2, whilst 10.08m sq ft currently remains under construction. Almost 30% of this space is already leased. Notable completions include 8 Bishopsgate EC2, The Carter EC4, and the Northcliffe EC4, with 8 Bishopsgate comprising just over half of the completed speculative space. Six new schemes were started during Q2, totalling 0.9m sq ft.

City & Southbank - Take-up by quality and vacancy rate
Million sq ft, % of stock (RHS)



Source: Knight Frank Research

West End offices

Investment market

INVESTMENT TRANSACTIONS RISE

There was £0.9bn of investment transactions in Q2, which is an increase of 16.9% on the previous quarter but 38.2% below the quarterly long-term average.

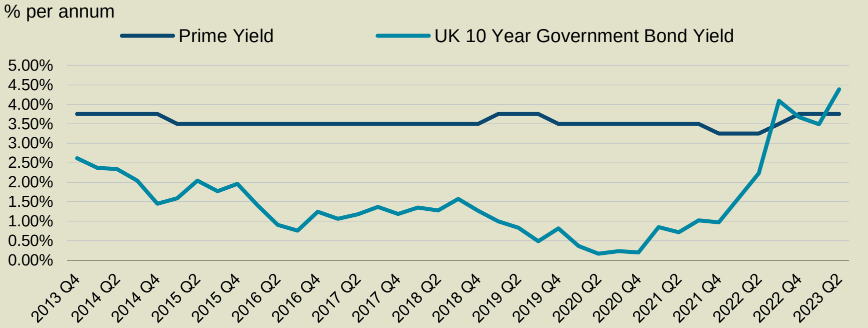
The largest deal of the quarter was Hines acquiring Film House, W1, for £130m from WeWork's Investment Arm, Arc. The second largest transaction was 20 Rathbone Place, W1, which JP Morgan Chase & Co acquired for £61m.

There has been less activity from European and APAC purchasers, with buyers from the UK (25%) and North America (21%) being more active in the second quarter. Private capital (high net-worth individuals and private property companies) was the main investor type, accounting for almost one-quarter of all transactions. Over half of transactions can be categorised as assets that require some capital expenditure, signalling confidence in the future leasing market.

Prime yields in the West End have remained stable at 3.75% as a result of sustained investor demand for long and secure income streams.

West End - Prime yield & 10 year government bond yield

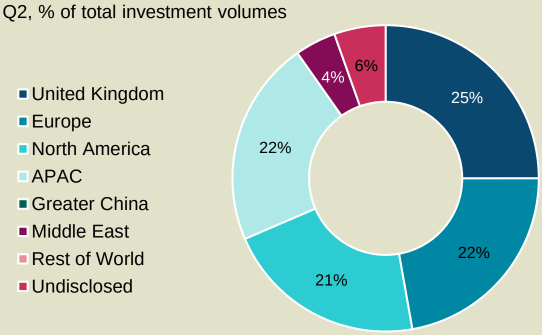
% per annum



Source: Knight Frank Research

West End - Investment volumes by nationality

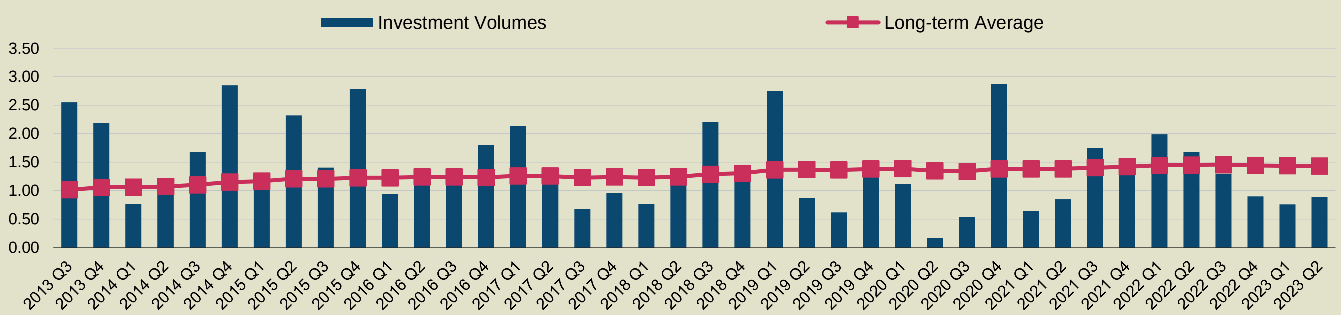
2023 Q2, % of total investment volumes



Source: Knight Frank Research

West End - Investment volumes relative to trend

£billion



Source: Knight Frank Research

West End offices

Occupational market

TAKE-UP MODERATES

Take-up totalled 0.76m sq ft in Q2, a mild decrease on the previous quarter and 32.7% below the quarterly long-term trend. Take-up was above trend levels in only two West End submarkets – Knightsbridge/Chelsea and West End Core.

Transactions for the best quality space were 0.43m sq ft, 7% below the quarterly long-term trend and representing 57% of all lettings. The largest transaction of the quarter was Chanel Ltd pre-letting 88,327 sq ft at 36-38 Berkeley Square, W1J, 12 months ahead of completion. The second largest transaction was at the Lucent building, 1 Sherwood Street, W1D, where a confidential financial occupier pre-let 49,287 sq ft.

Financial firms remain the dominant occupier group in the West End, accounting for 42.4% of transactions. Short-term demand prospects are underpinned by almost 2m sq ft of active requirements, which is up by 1.4% during the quarter and in line with the long-term trend. Almost one-third of active requirements are from financials, followed by professional services (21.3%) and other corporate occupiers (18.8%) .

The shortage of prime space has driven further rental growth in the West End Core, with rents rising by £5 to £135.00 per sq ft. Rent-free periods are unchanged at 24 months on a typical 10 year lease.

AVAILABILITY RISES FOR A SECOND SUCCESSIVE QUARTER

Availability rose for a second consecutive quarter, by 4.1% to 6.6m sq ft. This implies a vacancy rate of 7.1% which is 1% above the long-term trend.

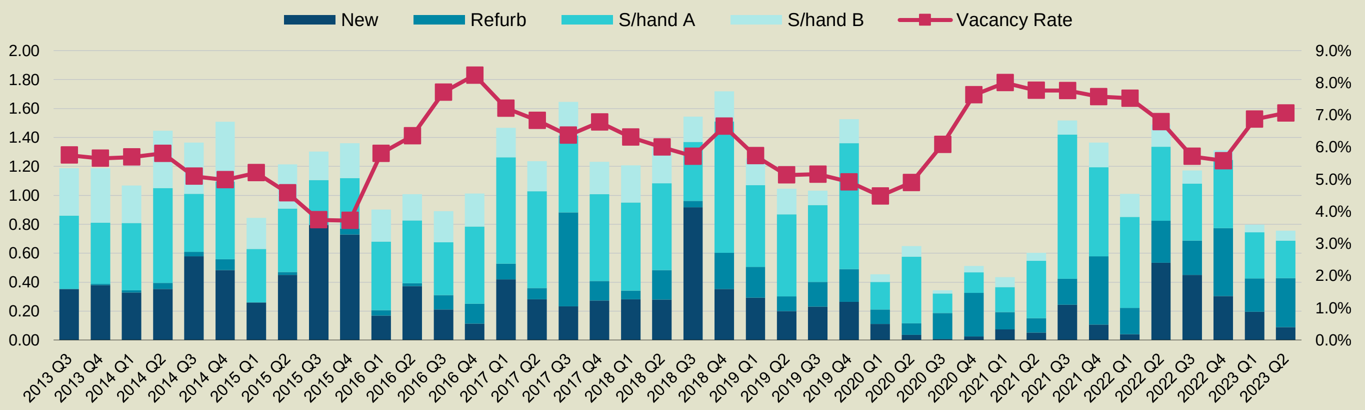
New and refurbished space accounts for almost two-thirds of availability, due in part to c.400,000 sq ft of speculative completions in Q2. The availability of new and refurbished buildings is much lower at 38%.

Notable completions last quarter include N2 Victoria, SW1, and One Wood Crescent, W12. The former comprises nearly 159,215 sq ft, of which 63% has been pre-let to financial occupiers. The latter is the latest completion in White City, and half of its 109,844 sq ft has been pre-let to global fashion company PVH.

The under-construction development pipeline has 3.94m sq ft of speculative space. Almost 1.5m sq ft of space under construction has already been pre-let. The largest schemes under construction include the 650,000 sq ft Google Campus in King's Cross/Euston, Future Olympia (508,705 sq ft) in Knightsbridge/Chelsea, and Portland House (264,387 sq ft) in Victoria.

West End - Take-up by quality and vacancy rate

Million sq ft, % of stock (RHS)



Source: Knight Frank Research

Dockland offices

Occupational market

TAKE-UP SOFTENS

There were six lettings in Docklands & Stratford totalling just over 70,000 sq ft. This is down 37% on the previous quarter and almost 70% below the long-term quarterly trend.

Five of the six transactions occurred in Docklands (Canary Wharf) and included BP International relocating its trading operations from 20 Canada Square to Cargo, 25 North Colonnade, E14 (24,506 sq ft). Other corporate occupiers accounted for 71% of transactions last quarter, followed by financials, and technology, media and telecoms, both accounting for 14% each.

Active requirements have reduced to 220,000 sq ft, with the public sector (42%) and financial services (38%) being most active. Near-term demand from the technology, media and telecoms sector has risen substantially during the quarter, but is not sufficient to offset lower levels of requirements from professional services and the public sector.

RISING AVAILABILITY

Availability rose by 8.3% during the quarter to stand at 4.38m sq ft. The increase is due, in part, to 214,333 sq ft of speculative space completing in the next six months, together with 1.9 m sq ft of tenant release space. This latter grouping represents 46% of total availability.

Accordingly, the vacancy rate has risen by 0.9 percentage points to stand at 16.5%, 7 percentage points above the long-term trend. Availability in this submarket is almost evenly split between new and refurbished and second-hand space.

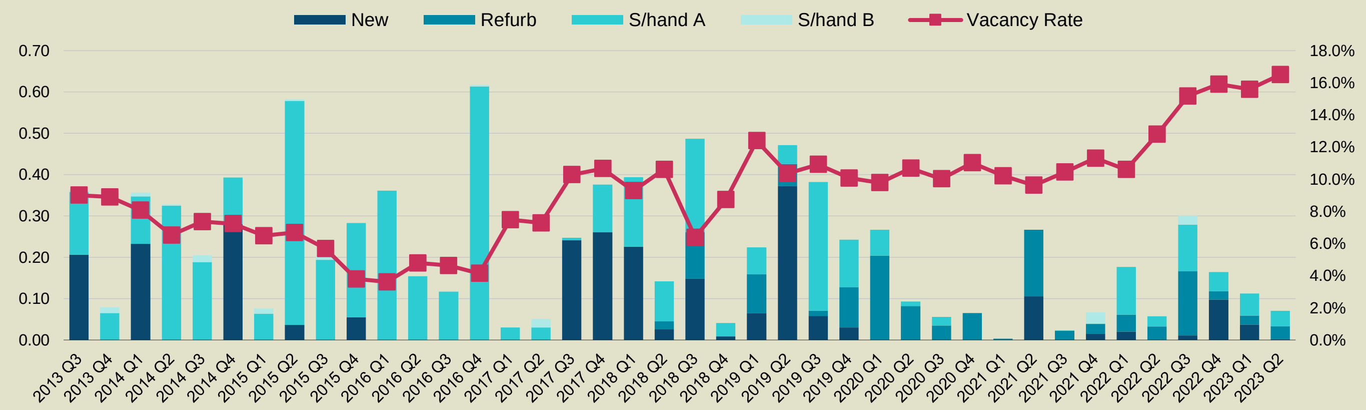
Completions during the quarter include YY London, 30 South Colonnade in Canary Wharf, which comprises 414,812 sq ft of speculative space. There are no further schemes under construction in the Canary Wharf submarket. There are two schemes currently under construction in Stratford – the Turing Building (343,890 sq ft) which is expected to complete in 2024, and the Chimney Walk development which will deliver just under 200,000 sq ft of speculative space later in 2023.

FURTHER RISE IN YIELDS

AEW's purchase of Harbour Island, E14, for £18.5m, was the only investment transaction in the market in Q2. The rise in interest rates and lack of liquidity in investment markets where debt plays an important role has led to a further 50bps rise in yields to 6.5%.

Docklands & Stratford - Take-up by quality and vacancy rate

Million sq ft, % of stock (RHS)



Source: Knight Frank Research

South East offices

Investment market

INVESTMENT ACTIVITY STALLS IN Q2

The continued rise of borrowing costs and the gap between purchaser and vendor pricing expectations proved a hurdle to the completion of deals. The second quarter registered transactions totalling £354 million, 35% below the volumes for Q1. Market polarisation is evident, with continued investor interest in income deals, especially smaller lot sizes where all equity deals are more likely, and opportunities to buy prime assets in strong locations. In contrast, secondary assets in weaker markets are proving increasingly challenging. UK Funds remain the biggest seller of South East offices in 2023, accounting for over 66% of sales as they continued to exit non-core assets.

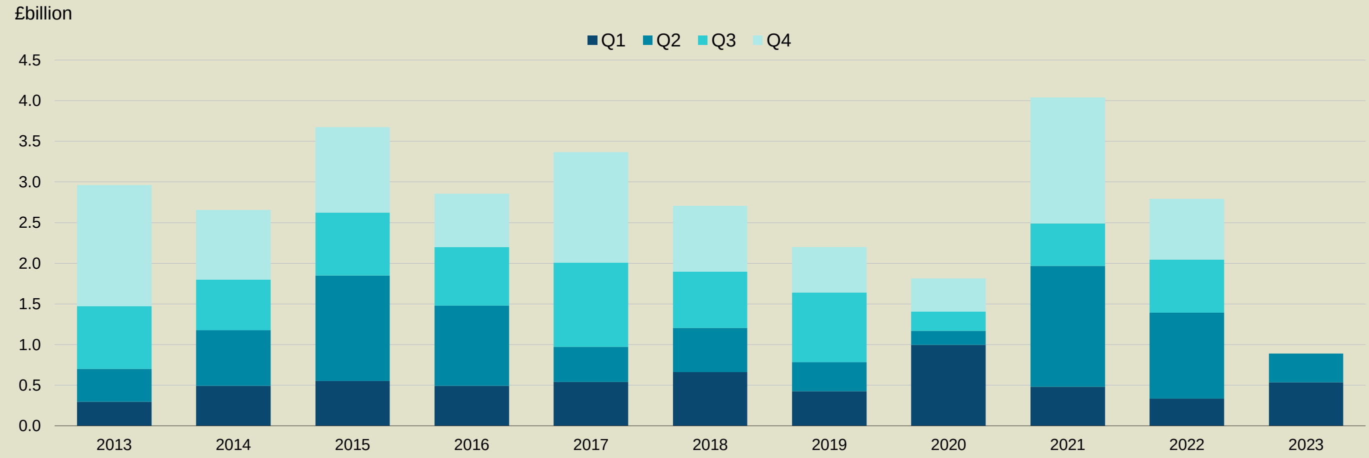
PRICING DISCOVERY CONTINUES

Pricing remains under pressure in response to rising swap rates and the erosion of the gap between UK Gilts and office yields. Prime office yields stood at 6.50% in Q2, albeit there has been little transactional evidence to confirm pricing at this level. Shorter income and prime multi-let yields continue to move out, with pricing for secondary assets drifting to yields of 10%+.

DOMESTIC INVESTORS UNDERPIN LIMITED ACTIVITY

The majority of acquisitions in Q2 were domestic investors, accounting for 64% of total investment volumes. Property companies and private buyers were particularly active, focussing on core-plus and value add opportunities. Institutions and overseas investors were largely absent, reflecting the challenging market conditions. With inflation forecast to fall over the next 24 months, interest rates and the cost of debt should settle which will provide a much needed stable benchmark to set market pricing.

South East – Investment volumes



Source: Knight Frank Research

South East offices

Occupational market

OCCUPIER ACTIVITY WAS SUBDUED IN Q2 2023

Although leasing volumes in Q2 registered improvement, occupier activity in 2023 has reflected a marketplace of greater caution. Take-up for Q2 was 671,000 sq ft, 33% higher than recorded in the first quarter. However, the rise during the quarter was principally due to strong activity in Cambridge and Oxford, with the two markets accounting for 44% of space let and a third of deals completed during the quarter. With Oxford and Cambridge excluded, activity in the rest of the South East market laboured, with take-up 51% below the 10-year quarterly average for the region.

Consequently, total take-up in the South East for the year-to-date was 1.2m sq ft at the end of Q2, 25% below the 10-year average for an H1 period.

MARKET BOUNCE IN H2?

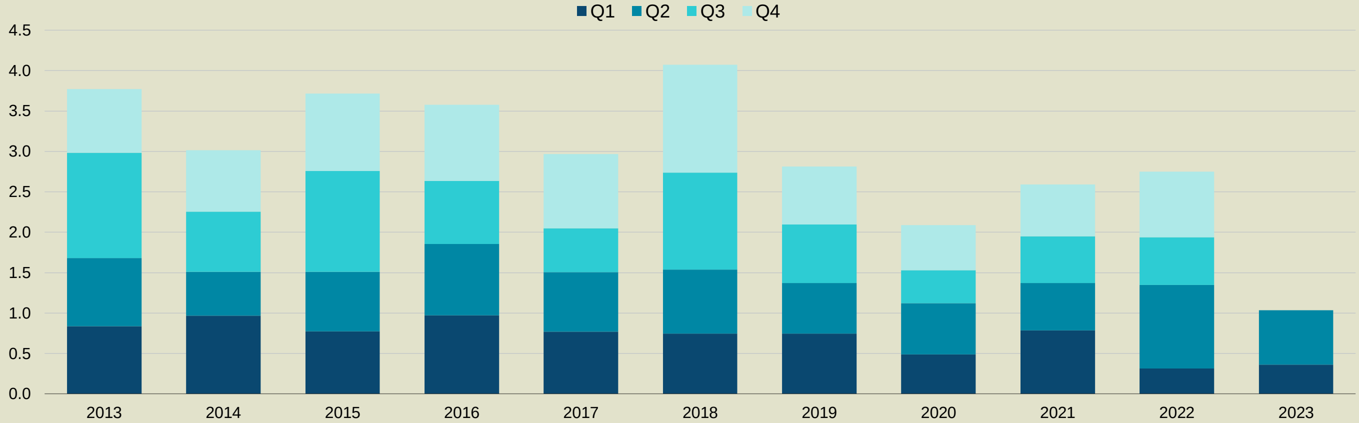
The next six months present a more positive picture. At the end of Q2, the amount of space under offer was above 1m sq ft for the first time since 2018. A further 5m sq ft of active named demand was present in the market at quarter end, the highest level since January 2022. Principally, lease events continue to dictate market interest across the broader market, with demand manifesting from earlier market engagement ahead of break or expiry dates.

VACANCY IS RISING, BUT THE BEST QUALITY SPACE REMAINS SCARCE

Market vacancy increased to 7.8% in the second quarter, principally because of depressed transactional activity. At the end of Q2 2023, total office availability was 12.6m sq ft, representing a 5% rise over the past 12 months. Grade B space accounts for 26% of this total, well above the 10-year trend. However, the vacancy rate for new and Grade A space was 5.8%, which is still below the long-term market average.

At the time of writing, 3.6m sq ft of speculative development will be completed within the next 36 months. Of this total, 1.2m sq ft is in Oxford or Cambridge. With the pipeline schemes under increasing scrutiny regarding build cost inflation, finance costs, and shifting yields, the future development landscape in the South East beyond this current cycle is expected to be thin and increasingly targeted.

South East – Occupier take-up
Million sq ft



Source: Knight Frank Research

UK Cities offices

Investment market

INVESTMENT VOLUMES REMAIN MUTED

Investment volumes remained low in Q2, reaching a total of £169m across the regional cities, 68% below the 5-year quarterly average. Although the number of deals has continued to fall below the long-term average, it is the lack of high-value transactions that is responsible for the sustained fall in investment volumes.

YIELDS SOFTEN IN RESPONSE TO MARKET PRESSURE

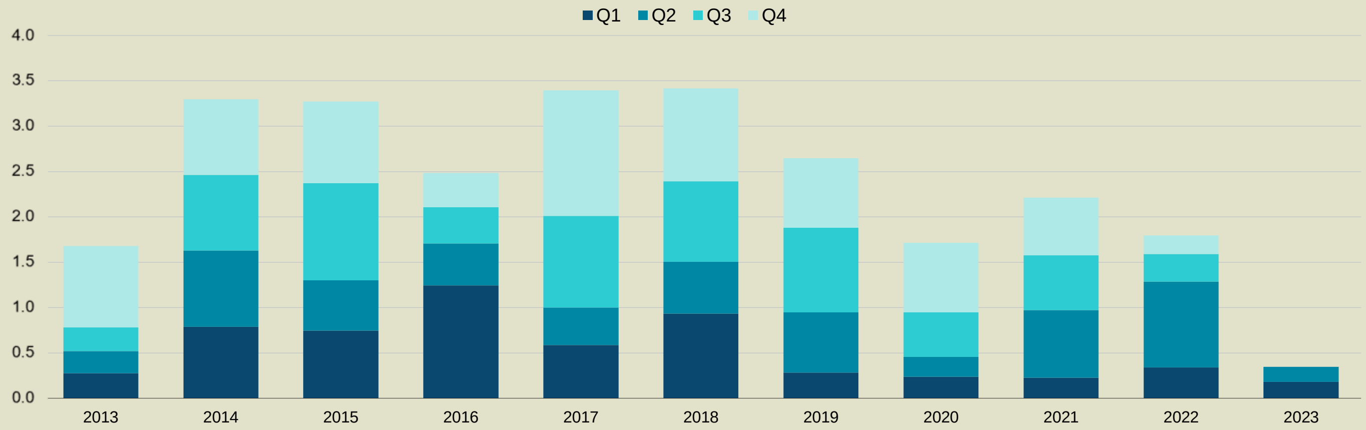
In Q2 2023, 5 out of the 10 UK cities saw their prime yields move out between 25 and 50 bps since last quarter. When compared to Q2 of the previous year, this increases to between 50 and 150 bps.

According to Oxford Economics, government bond yields are forecast to fall from Q4 2023. This will relieve pressure on pricing, resulting in greater market activity and a consequent compression of office yields.

PROPERTY COMPANIES UNDERPIN UK CITIES INVESTMENT

Property companies were responsible for more than half of total investment across the regional cities in Q2 2023. In terms of deal numbers, this increases to two-thirds of all transactions for the quarter. As the UK economy begins to stabilise, overseas investors are expected to return to the UK, bolstering investment activity across the UK cities.

UK Cities – Investment volumes
£billion



Source: Knight Frank Research

UK Cities offices

Occupational market

OCCUPIER ACTIVITY REMAINS STABLE

Take-up across the regional cities reached just short of 1.02m sq ft. Although this is 31% below the 10-year average, it is just 7% below Q2 of the previous year. In fact, the number of deals was the highest in Q2 since 2018, signalling greater market activity but for lower space requirements. It was the professional services sector that underpinned demand across the UK cities, responsible for 24% of total take-up in Q2 2023.

Occupier demand is set to be driven by the flight to quality, coupled with a fairly limited development pipeline across the regions. Occupiers are having to look for space far before their next lease event, in order to avoid missing out on the quality and quantum of space they require.

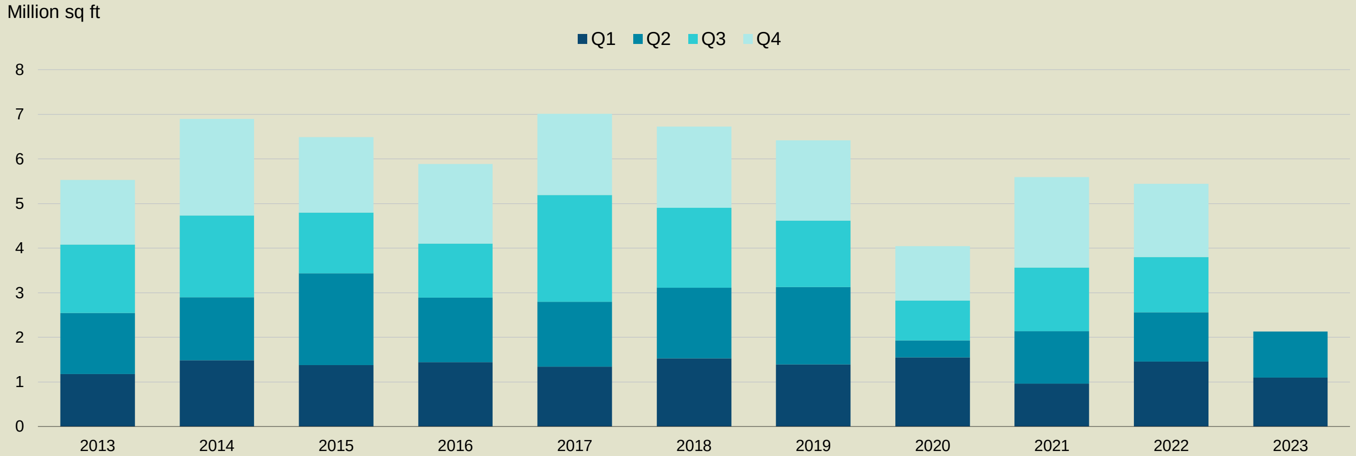
THE DEVELOPMENT PIPELINE IS THIN

There is currently a total of 3.6m sq ft of speculative office space under construction in the regional cities, due to complete over the next 36 months. Of this, 1.56m is expected to complete by the end of 2023, meaning a current lack of supply coming to market in 2024 and beyond. With inflated build costs and the cost of debt making many projects economically unviable, this is hardly surprising.

SUSTAINED RISE IN HEADLINE RENTS

Whilst headline rents across the regional cities remained largely stable, Birmingham, Edinburgh, and Newcastle all registered rental increases. This demonstrates sustained rental growth for Birmingham and Edinburgh, who also experienced an uplift in Q1 2023. Despite economic uncertainty, the lack of supply of high-quality stock continues to drive rents upward.

UK Cities – Occupier take-up

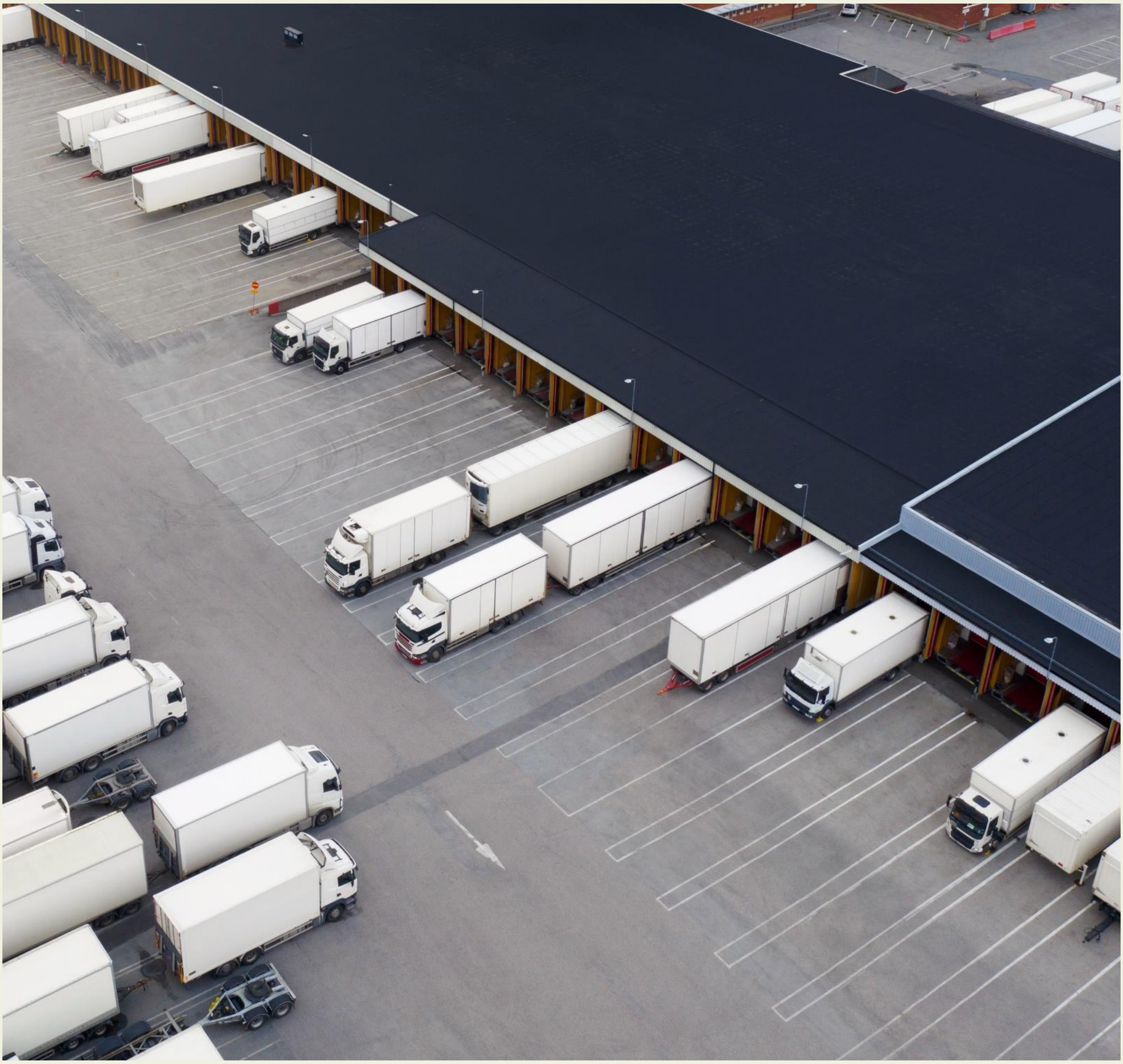


Source: Knight Frank Research

Industrial & distribution

Investment and occupational markets

CONTACT: DEIRDRE O'REILLY



Industrial & distribution

Investment market

MARKET OVERVIEW

Annual UK Industrial capital growth continues to fall. In the year to June, -26.6% was recorded, down from -26.3% in May (MSCI).

Annual total returns also declined, standing at -23.4% in June, down from -23.1% in May (MSCI).

However, monthly total returns remain in positive territory, with 0.7% growth in June, a decrease of -10bps from 0.8% in May. Monthly income return for the UK Industrial sector remained unchanged at 0.4% in June, equating to 4.4% over the year.

INVESTMENT

Q2 2023 investment totalled £2.2 billion, bringing investment for the first half of 2023 to £4.1 billion. Though this is down compared with the £10.4 billion transacted in H1 2022, it has exceeded the ten-year pre-pandemic average (2010-2019) of £3.3 billion.

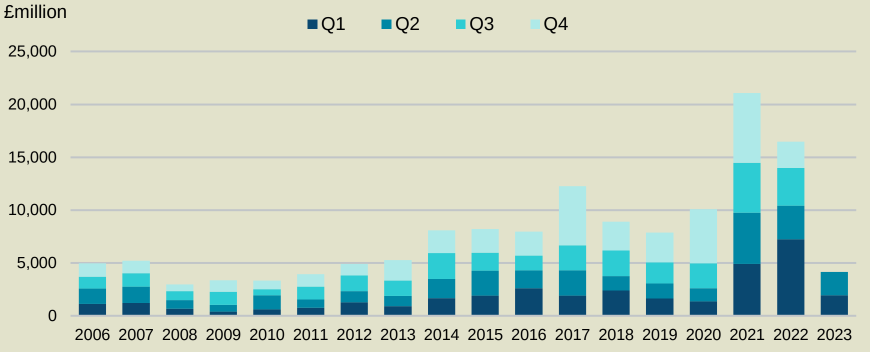
Cross-border capital continues to be the driving force in the market, accounting for 63.4% of the total invested so far this year. Private capital has grown its share, accounting for 17.3% of the market so far this year, up from 10.5% in 2022. Institutional investors and REITs have been far less acquisitive this year, respectively accounting for 14.1% and 3.0% of the market, compared with 23.3% and 5.6% last year.

YIELD TONE

Prime Distribution / Warehousing with 15-year income on open market rent reviews were 5.25% at the end of Q2 2023, stable on the previous quarter. Repricing has been rapid, with prime yields moving out 175bps over the past year.

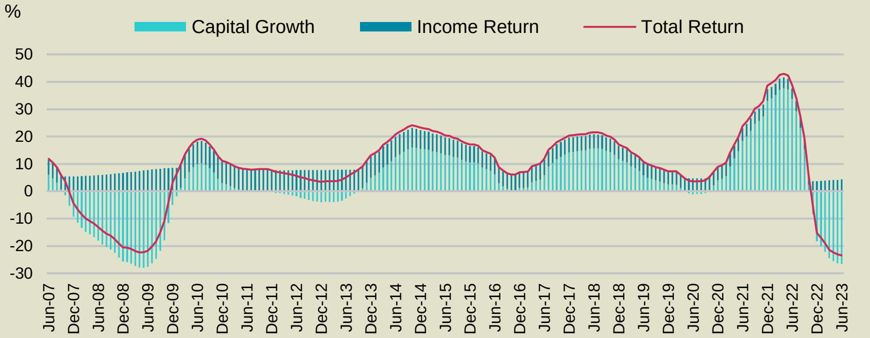
For SE Estates (excl. London and Heathrow), yields were at 5.00% at the end of Q2 2023.

Investment volumes



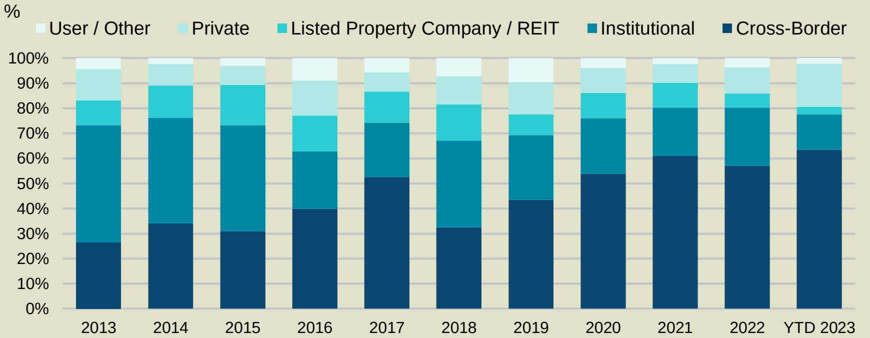
Source: Knight Frank Research, RCA

Total return (annualised)



Source: Knight Frank Research, MSCI

Capital composition



Source: Knight Frank Research, RCA

Industrial & distribution

Occupational market

MARKET OVERVIEW

Average rents for UK Industrial continue to grow, though the rate of growth has moderated. Annual growth in the year to June 2023 was 7.6%, down from a peak of 13.2% in the year to August 2022 (MSCI).

The latest occupier data shows the growing diversity of the occupier base, demonstrating resilience from distribution firms and a growing share of take-up by manufacturers. Manufacturing firms represented 29% of all floorspace taken in the four quarters to Q2 2023. This compares with 20% in the comparable period last year, and 14% in the previous year (four quarters to Q2 2021). Similarly, demand from distribution firms accounted for 43% of annual take up to Q2 2023, up from 36% in the comparable period last year.

TAKE UP

Take-up volumes have fallen, with just over 6 million sq ft occupied in the UK in Q2 2023 (units over 50,000 sq ft). This is down 15% on the previous quarter.

A total of 13.2 million sq ft was occupied in H1 2023, compared with 26.5 million sq ft in H1 2022 (-50%). In contrast to the previous few years, when logistics operators and online retailers sought to expand their capacity rapidly, economic uncertainty and inflationary pressures are now leading to a more cautious approach and decision-making is taking longer.

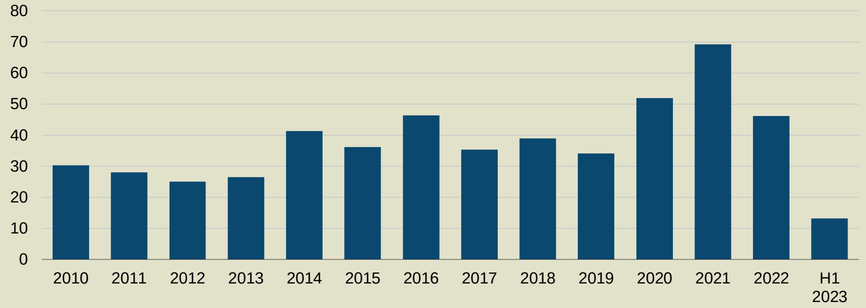
SUPPLY

Q2 2023 figures show the vacancy rate has increased from 4.0% in Q1 2023 to 4.6% in Q2 2023 and is expected to rise further throughout the second half of the year. The rise in vacancy results from a combination of both development completions and the return of second-hand space to the market.

Inflationary pressures continue to impact build and financing costs, and although development is ongoing, fewer speculative developments are commencing. Approx. 21 million sq ft of space was under construction at the end of Q2, down 11% on the previous quarter (units 50,000 sq ft+).

Take up (units over 50,000 sq ft)

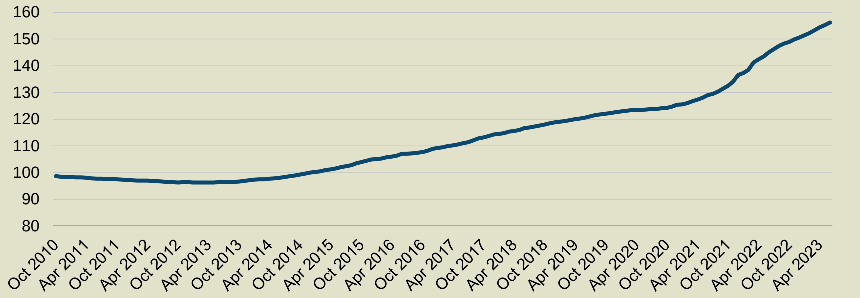
Million sq ft



Source: Knight Frank Research

Average market rental growth

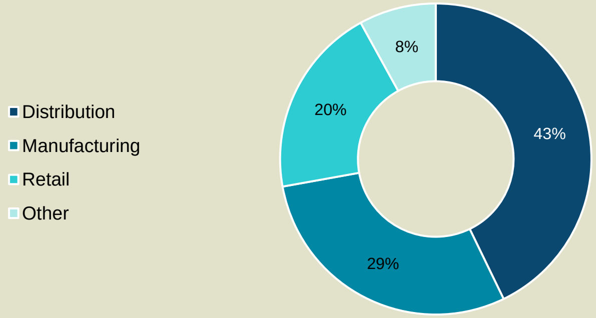
Jan 2010 = 100



Source: Knight Frank Research, MSCI

Take up by occupier type

Units over 50k sq ft, four quarters to Q2 2023



Source: Knight Frank Research

Retail & leisure

Retail, high street, shopping centres, out of town, leisure and foodstores

CONTACT: EMMA BARNSTABLE

Retail

Market overview

CONSUMERS

Consumer markets displayed remarkable resilience in Q2. Retail sales accelerated +2.8% versus Q1, and confidence dramatically improved, with June (-24 pts) marking the fifth consecutive monthly increase.

Sentiment and spending upticks can be attributed to several quantifiable factors, including a) +7.3% increase in householders' disposable income in the three months to May (ONS), and b) easing of utility prices, resulting in the diversion of essential spend (down -1.1 ppts) to more 'feel-good' discretionary items (+4.9 percentage point increase, according to Deloitte).

OCCUPIERS

Retail occupier fallout was minimal, with distress concentrated amongst online retail 'pureplayers'. Just 31 retail failures affecting 523 stores have been registered during H1 2023 by the CRR, versus 49 retailers and 2,318 stores in 2022.

This trend is expected to continue for the remainder of 2023, with most retailers having taken steps to strengthen their balance sheets. As a result, vacancy rate rises have not been particularly significant (Q1: 13.8% vs. Q2: 13.9%) with LDC forecasting only minor gradual future increases.

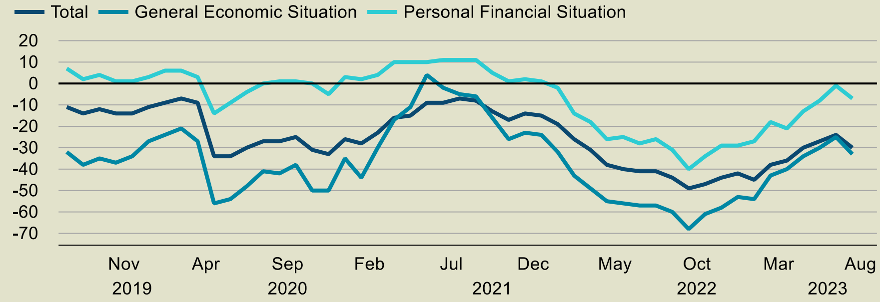
In fact, mainstream operators revealed better-than-anticipated sales performance - albeit against moderated forecast expectations, but nonetheless supported by solid consumer demand. Easing energy and shipping costs also supported improvements in product margins and profitability.

INVESTMENT

In line with wider capital markets, investment volumes remain challenged, totalling £2.89bn in H1. Stripping out Foodstores, transaction volumes were down -43% vs. H1 2022. However, stability has been building with demand, liquidity, and sentiment improving.

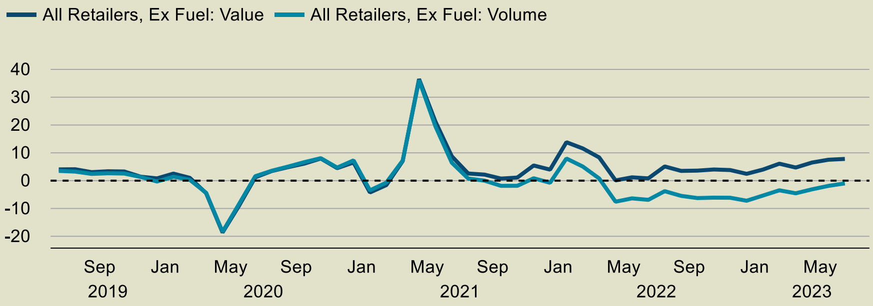
Foodstores and Retail Warehousing are the current bright spots of the sector and most attractive to investors, making up the bulk of H1 Retail volumes.

Consumer confidence
Confidence over the next 12 months



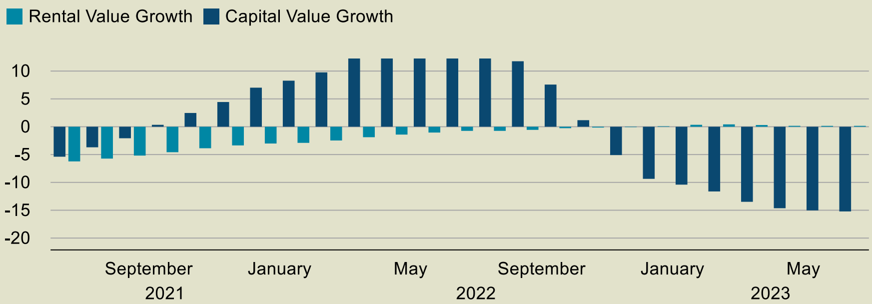
Source: Gfk

ONS retail sales
Monthly YoY change, %



Source: ONS

All retail – rental/capital value growth



Source: MSCI

High street retail

Market overview

CONSUMERS

High Streets were particularly busy in June thanks to high temperatures, which attracted shoppers outside. Versus 2022 levels, footfall improved +0.6% YoY according to the BRC, outperforming wider UK Retail (-1.9%), Retail Parks (-2.6%) and Shopping Centres (-4.2%).

On a city basis, tourist locations such as Edinburgh saw some of the strongest footfall, growing +4.7% YoY in June. London was the second best performer at +0.6%, indicative of the scale of recovery in international tourism.

OCCUPIERS

The general mood amongst High Street operators was one of improving profitability supported by solid consumer demand. For instance, Pret returned to profitability for the first time since 2018; Superdrug reported surging profits (+71%) and sales (+17%); and Uniqlo increased profit guidance on the back of a +21.4% increase in sales.

Vacancy rates increased by a minor 10 bps to 13.9% in Q2, in line with the All Retail rate (13.9%). This negligible increase is reflective of limited distress. Only a handful of high street operators with substantial regional coverage registered as distressed in Q2 by the CRR (e.g. Hotter Shoes, Planet Organic).

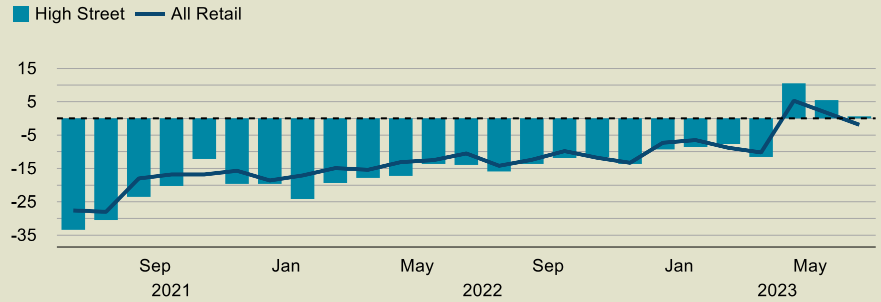
INVESTMENT

The investment case for High Street assets in core markets is still perceived attractive, with Prime yields at 6.75% and Good Secondary at 9.00%. However, stock selection is critical with careful due diligence required across factors such as pitch, retailer covenant and ERV affordability.

Low stock levels held back deals despite reasonable demand chasing the sub-sector. High Street deals accounted for 12% of total retail investment in H1, with volumes totalling £352m.

Overall, demand principally stemmed from domestic and overseas buyers (namely Hong Kong and Israel), with cash buyers making the most of counter-cyclical buying opportunities.

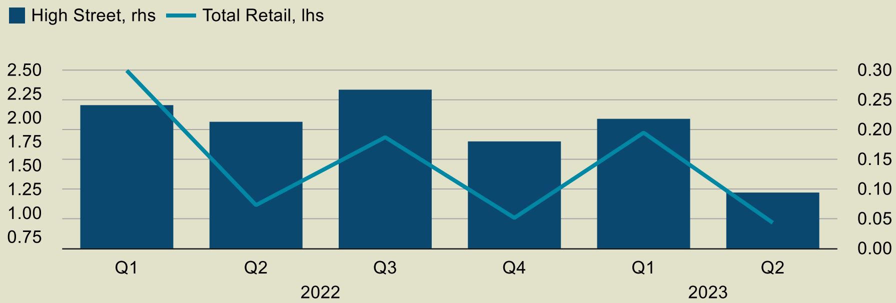
High street footfall
Monthly YoY change, %, vs. 2019 levels



Source: BRC / Springboard

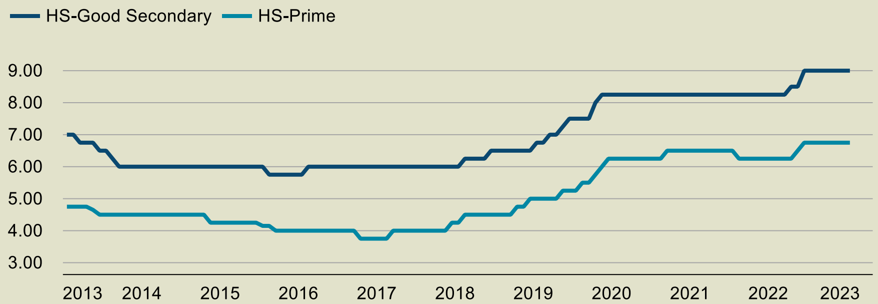
*March 2021 – March 2023 figures are compared to 2019 levels

High street investment volumes
£million



Source: Knight Frank

High street yields
%



Source: Knight Frank

Shopping centres

Market overview

CONSUMERS

Footfall in Shopping Centres fell -4.2% in June versus 2022 levels, registering the weakest performance of all retail sub-sectors (High Streets +0.6% / Retail Parks -2.6%). The rolling 3-month average (+2.9%) indicates June may have been a blip, with recovery to date outperforming High Streets (+1.1%) and Retail Parks (+1.8%) .

Q2 Non-Food retail sales were strong (+4.8% YoY), with solid performance amongst many supposedly 'discretionary' categories. Several categories outperformed the wider market with double-digit spending growth: Footwear (+23.1%), Cosmetics (+28.2%).

OCCUPIERS

Major retail players selectively expanded their portfolios, targeting 'best in class' locations. Mango announced 13 new stores across the UK's biggest shopping centres, which it highlighted as pivotal to brand consolidation and strengthening. Zara upsized into Trinity Leeds from its current pitch on Briggate, and Space NK announced its first Welsh store in St David's, Cardiff.

Vacancy rates were stable at 17.8% in Q2, following several consecutive quarters of improvement. Since Q2 2022, vacancy has improved 110bps, but registers 350bps higher than pre-pandemic (Q2 2020).

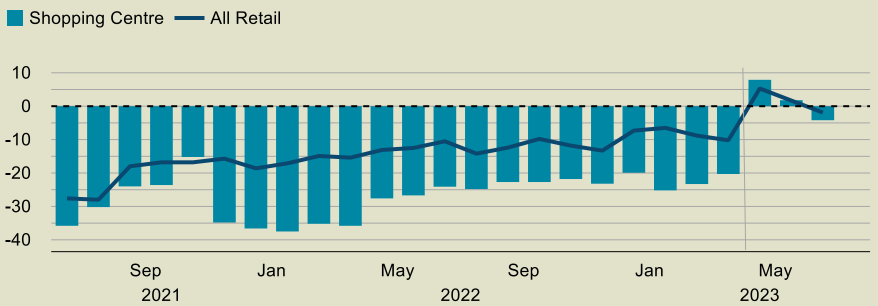
INVESTMENT

The realities of managing complex retail investments under current economic conditions started to dawn for many prospective buyers – resulting in a slight contraction of the buyer pool. Local Authorities (previously the buyer of last resort), and opportunistic investors, were increasingly active.

H1 investment volumes were subdued at £467m. This marked a -43% deceleration on H1 2022 levels. Liquidity was confined to smaller lot size sales (<£15m), although H1 did see some bigger £50m+ ticket transactions take place. Notable activity included Landsec's off-market acquisition of the remaining 50% in St David's, Cardiff (£113m) and Frasers' acquisition of The Mall, Luton (£58m).

Shopping centre footfall

Monthly YoY change, %, vs. 2019 levels

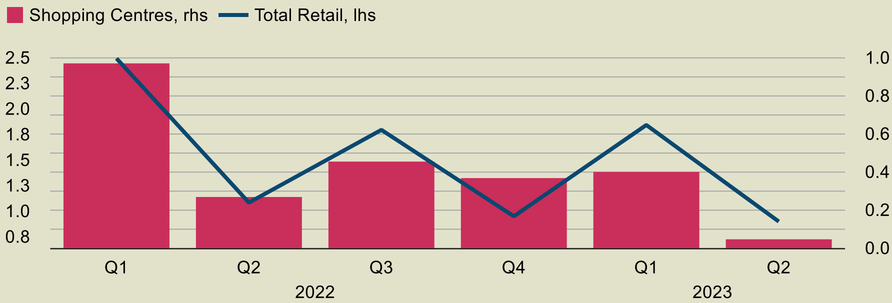


Source: BRC / Springboard

*March 2021 – March 2023 figures are compared to 2019 levels

Shopping centre investment volumes

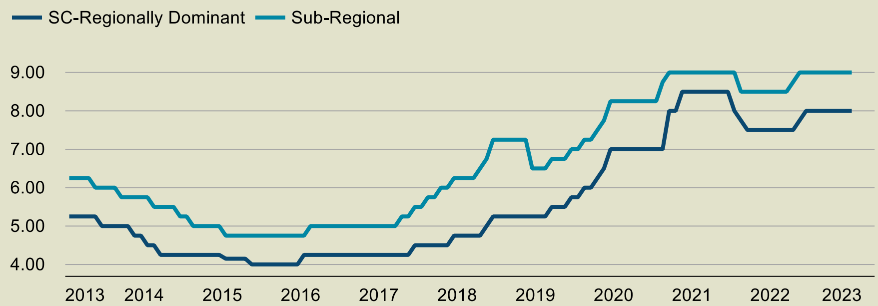
£million



Source: Knight Frank

Shopping centre yields

%



Source: Knight Frank

Out of town

Market overview

CONSUMERS

Retail Park footfall decreased -2.6% in June versus 2022 levels, below UK retail (-1.9%). The rolling 3-month average remains positive though, at +1.8%, indicating the format still proves popular with consumers.

Q1 retail sales performance was relatively strong across both Food (+11.4% YoY) and Non-Food (+4.8% YoY). Performance amongst Out-of-Town categories was mixed, with some evidence of softening demand for select 'big ticket' items: Computers (-9.4%), Electrical Appliances (-7.4%), versus DIY (+1.6%), Carpets (+2.1%) Furniture (+4.1%).

OCCUPIERS

Performance updates from bulky goods operators have been mixed, but most report steady trading, e.g. Wickes' "good trade momentum" (+3% LfL growth); and Topps Tiles "robust" trading with an expectation interim profits will now rise.

The rental affordability of the format continues to attract occupiers, alongside its omnichannel capability and lower capex requirement. British Land reported excellent occupancy rates (99%) across its parks, with sales (+6%) outpacing footfall (+1%) .

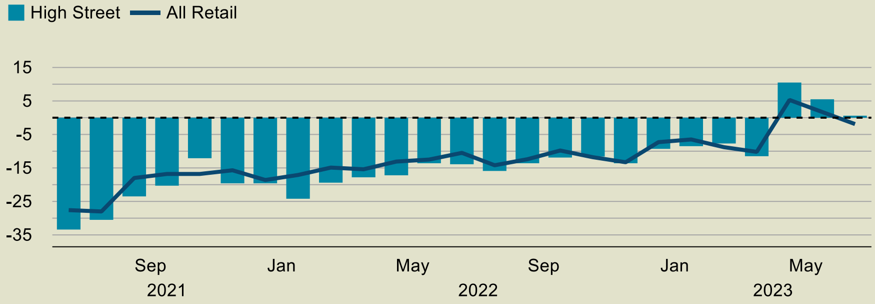
Retail Park vacancy rates improved by -60bps to 8.1% in Q2. Rates have shown the biggest improvement of all the retail sub-sectors over the last year (-210bps), vs High Streets (-10bps) and Shopping Centres (-110bps). Rates are now -20bps lower than pre-pandemic.

INVESTMENT

Retail Warehousing has been the driver of overall Retail investment performance in the past few quarters. Total returns in the three months to June registered +2.9%, above All Retail (+1.9%) and even Industrial (+2.4%).

In H1, the sub-sector accounted for 34% of total retail investment, with deals totalling £995m. Rebased rents, reduced rates liability, and low void rates continue to be the main attraction for purchasers.

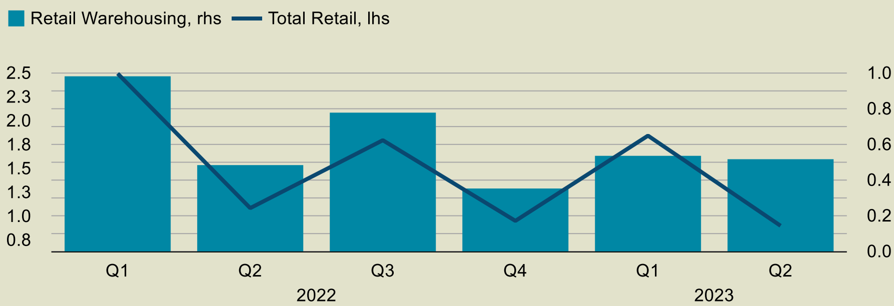
Retail park footfall
Monthly YoY change, %, vs. 2019 levels



Source: BRC / Springboard

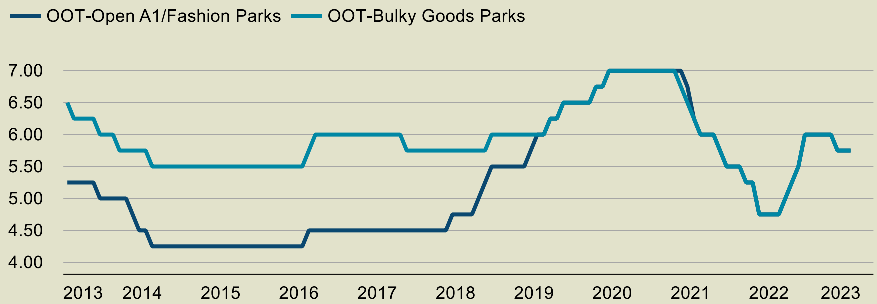
*March 2021 – March 2023 figures are compared to 2019 levels

Retail warehousing investment volumes
£million



Source: Knight Frank

Retail warehouse yields
%



Source: Knight Frank

Leisure

Market overview

CONSUMERS

Demand for leisure remains surprisingly strong, with Britons seemingly determined to treat themselves despite the challenging economic backcloth. The Coffer CGA Business Tracker has recorded YoY growth in sales across managed pubs, bars, and restaurants for every month of 2023 so far.

June marked a bumper month for the sector thanks to warm weather. Hospitality & Leisure spending grew +7.9% (June) according to Barclaycard data, with spend up across Eating and Drinking (+7.8%) and Bars, Pubs, & Clubs (+8.4%). The latter marked the strongest month of growth since January 2023.

OCCUPIERS

Conditions for operators was tough with elevated energy, food and labour costs eroding profit margins. Q2 registered a net decline of 1,895 licensed hospitality premises according to AlixPartners, continuing a long-term downward trend. However, declines were less than half that seen during H2 2022 (3,841 premises). The number of hospitality outlets has now declined by -13.0% versus March 2020, and -5.4% versus June 2022.

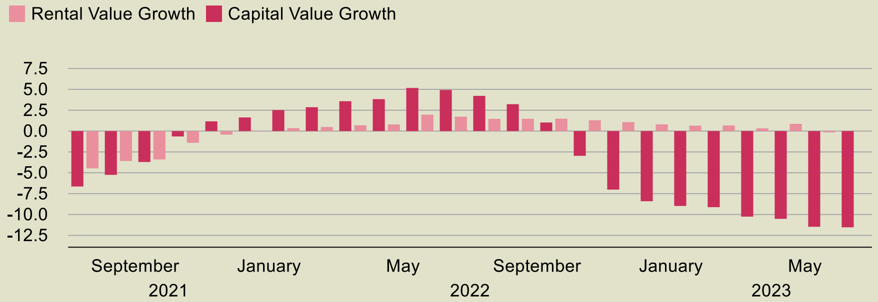
Select segments of the market are showing greater resilience than others. Casual dining (-5.6% vs. June 2022) and Nightclubs (-12.2%) have been hardest hit, versus Food-led Pubs (-2.9%) which have held up better.

INVESTMENT

Prime Leisure Park yields (7.50%) and Good Secondary Parks (9.00%) were stable across Q2. However, Secondary Leisure Parks softened considerably (ca. 300bps) to 13.00%. Total returns of leisure assets within MSCI's 25th percentile performed significantly worse (-14.4%) in Q2 than those in the 50th (-7.9%) or 75th (-1.9%) percentiles.

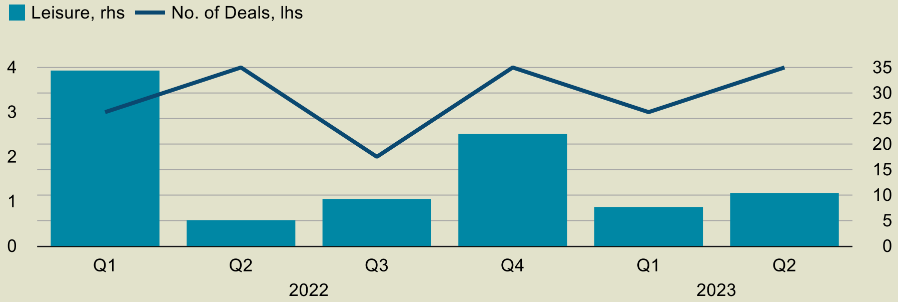
Q2 leisure investment totalled £10.4m according to RCA, taking total H1 volumes to £18.1m. Although this was below the H2 2022 total of £39.4m, leisure investment, by nature, fluctuates considerably.

Leisure – rental / capital value growth
Rolling 12 month % change



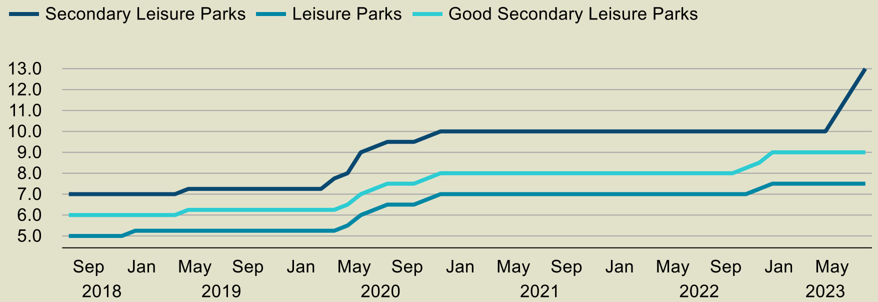
Source: MSCI

Leisure investment volumes
£million



Source: RCA

Leisure yields
%



Source: Knight Frank

Foodstores

Market overview

CONSUMERS

Q2 food sales were strong (values +11.4% YoY) with volume declines also decelerating (-2.9% vs. -3.8% in Q1). Grocery inflation fell to its lowest monthly rate since 2022 in June (16.5%), but is still in double-digit territory, and is the sixth highest monthly figure in 15 years. Benefits in the form of lower prices will take time to trickle through. In the interim, consumers have been unable to cut back grocery spend entirely, as food shopping remains essential.

As an alternative, shoppers have adopted strategies to offset the impacts of inflation, trading down to 'own label' brands. Spending on value ranges skyrocketed +41%, according to Kantar. However, the ONS reported rising Q2 sales values (+10.7%) and volumes (+10.9%) amongst Specialist Food Stores, which typically offer more expensive products.

OCCUPIERS

The market remains competitive with the leading operators witnessing market share changes across Q2, according to Kantar. Aldi remains the fastest growing retailer, acquiring share from the Big 4 players. In June, its market share reached a record 10.2%, growing +30bps. Lidl and Co-Op have also increased their market share by +30ppts each.

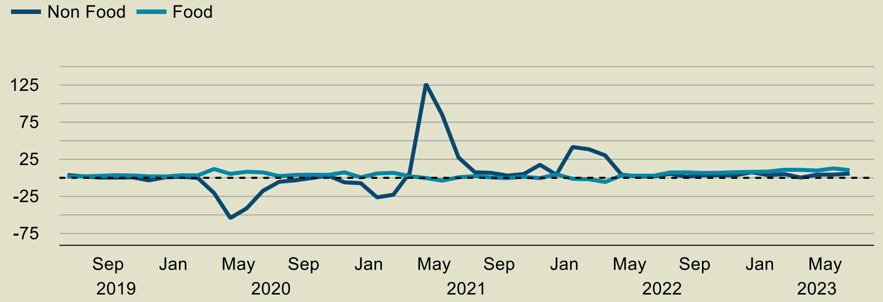
The closure of three Fresh stores in July indicated Amazon's checkout-less stores were not necessarily achieving the required levels of sales and highlights the difficulty of attempting to make inroads in a competitive landscape.

INVESTMENT

Foodstores were the only retail sub-sector to see increased transaction volumes in H1 (£1,071m). However, this was weighted towards Q1. Deal volumes were also inflated by the Sainsbury's Reversion Portfolio.

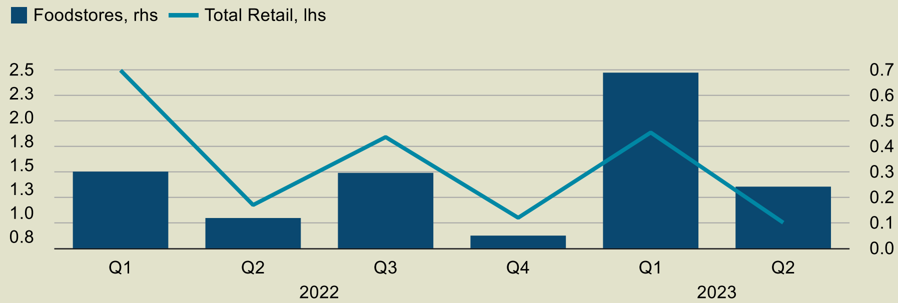
Investor appetite for the sector grows, as positive rental growth has started to emerge in some areas, something not seen in the sub-sector for 10 years. Here, elevated building costs have constrained new supply, with development schemes becoming less viable.

Food vs. non-food retail sales
Monthly YoY change, %



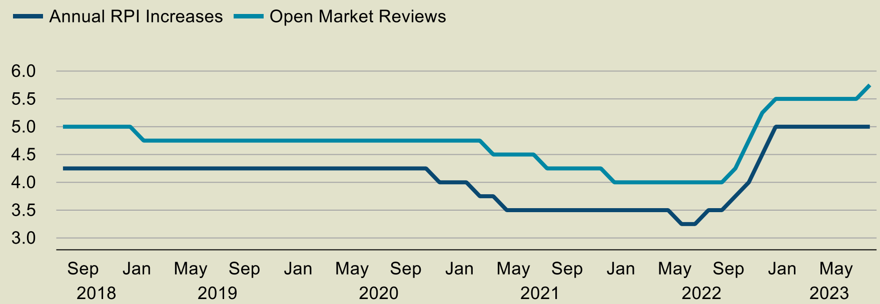
Source: ONS, Macrobond

Foodstore investment volumes
£million



Source: Knight Frank

Foodstore yields
%



Source: Knight Frank

Central London

Market overview

CONSUMERS

London continues to rank highly as a top global shopping and leisure destination, with international and domestic visitors steadily trickling back. European visits from Americans rose +55%, according to Allianz, with London the top destination ahead of Paris, Dublin, and Rome.

Footfall trends indicate renewed interest in Oxford St, fuelled by new store brand announcements (Under Armour, Footasylum, Maniere De Voir, Samsonite, HMV). Footfall activity has been outperforming Regent St / Bond St since January, up +6% YoY in June (vs. +3% and -13%, respectively).

'Purposeful shopping missions' continue to be dominant (i.e. less frequent visits, but spending the same or more). In June, West End spend (+6% YoY) tracked above footfall (-2%), continuing a post-Covid trend.

OCCUPIERS

Occupier activity strengthened in Q2, with growing interest from new and international brands, fuelled by an ongoing recovery in consumer demand, coupled with business rates reductions.

Retail vacancy rates have improved gradually as occupier activity has resumed and vacant units absorbed. High Street vacancy improved 20bps in Q2 to 10.5%.

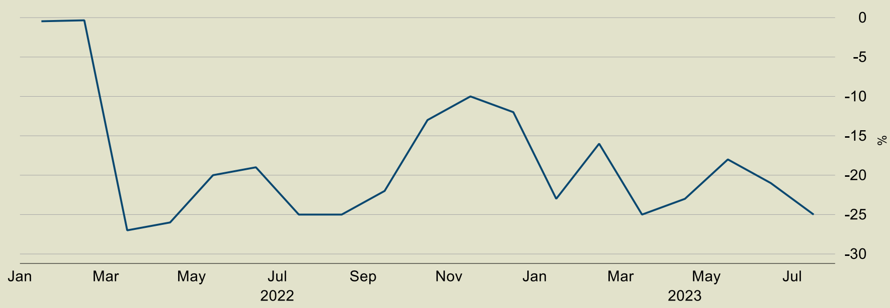
Leisure markets have been tough, with operators' margins squeezed by elevated costs. However, the major cities have been relatively well-insulated against closures vs. smaller towns and cities. In June, London lost just -0.5% of hospitality sites since March vs. -1.1% UK-wide, according to AlixPartners.

INVESTMENT

According to RCA, Central London retail investment totalled £604m in H1. The largest deals have taken place across premium pitches (New Bond St, Old Bond St, Sloane Street). Oxford St has also seen activity: Barrett House (341 – 249) acquired by Liu Chong Hing Investment for £44m.

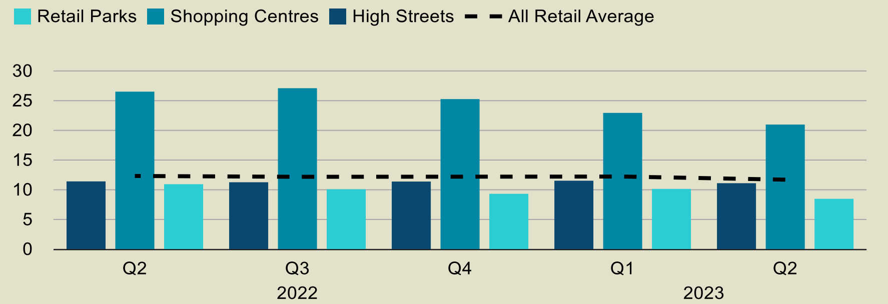
Yields on Oxford St softened 25bps to 4.50% in June, versus Bond St which remained stable at 2.75%.

West End footfall
Like-for-like change %, vs. 2019



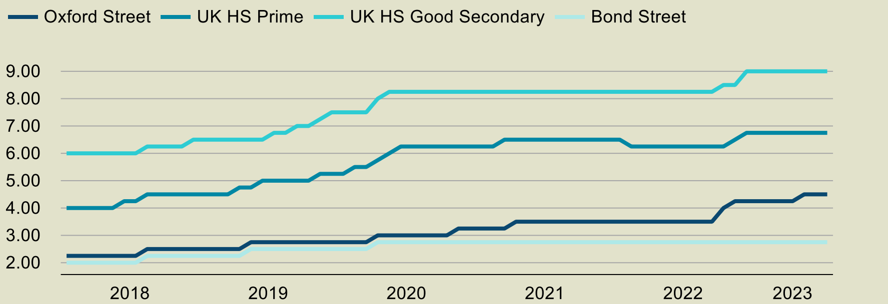
Source: New West End Company

Vacancy rates
% units



Source: Local Data Company

Yields
%



Source: Knight Frank

Specialist sectors

Healthcare, hotels, life sciences & automotive

CONTACT: HEALTHCARE – RYAN RICHARDS, LIFE SCIENCES – JENNIFER TOWNSEND, HOTELS – PHILIPPA GOLDSTEIN, AUTOMOTIVE – PAV PANESAR

Healthcare

Investment market

INVESTMENT

Reported transactions for the first six months have been fairly muted, key market participants seem to be gauging markets and pricing.

Private capital has been fairly active year to date, whilst domestic REITs have taken the vast share of market volume.

It is quite likely that H2 2023 will hold the majority of the transactional activity for healthcare. This is where we will possibly see more active overseas capital. A number of investors will likely use this time to explore asset management/value add opportunity across their portfolios whilst awaiting new opportunity at the right levels.

Prime care home yields have softened, however as always remain dependent on covenant strength.

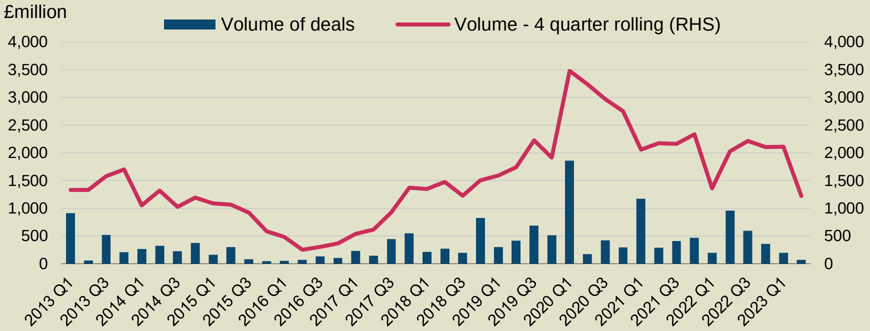
FORWARD VIEW

Interest rates have contributed to a cautious sentiment. However, it is worth noting that as per our Healthcare capital markets survey, the sector is not as exposed to rising rates as initially thought. There was an average debt term remaining of 4.6% across participants, an average loan to value of 37% and 24% of participants were not reliant on debt.

ESG credentials, along with the consistency of global ageing populations and long income capabilities, continue to drive demand for the sector.

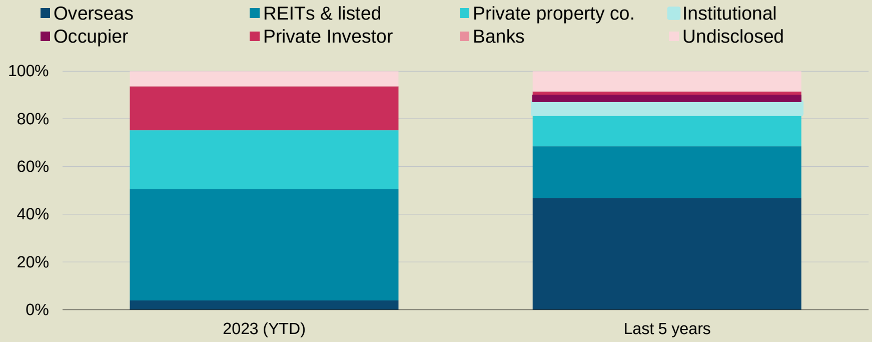
Overall, the sector is managing to maintain its positive sentiment and there is a significant amount of dry powder amongst investors awaiting deployment into the right opportunities.

Recorded healthcare property transactions



Source: Knight Frank Research

Healthcare property transactions by buyer type



Source: Knight Frank Research

Healthcare

Operational market

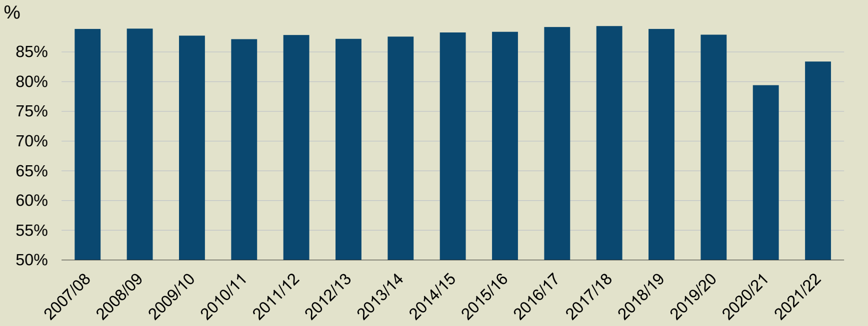
TRADING

Operator occupancies are holding around the mid to high eighties, which is promisingly fairly close to pre-pandemic levels.

Agency staff continues to normalise around the sub-10% level, however there are some cases of operators reverting to higher agency usage.

Inflation remains a factor on the operational side, with the impact on operator trading ultimately becoming an impact to consider for investors when underwriting tenants.

Occupancy



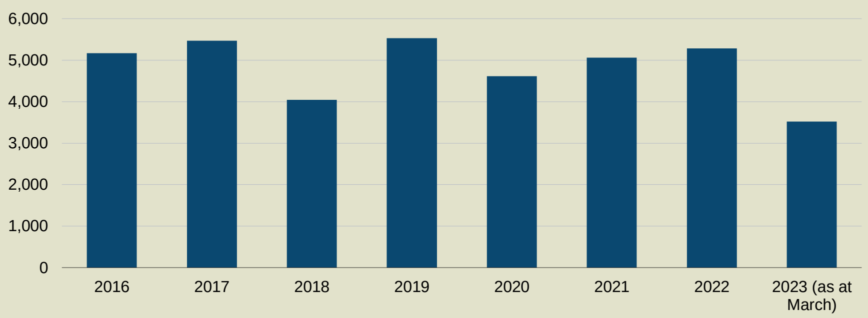
Source: Knight Frank Research

SUPPLY

2023 has likely benefitted from an overspill in completions from 2022. Therefore presenting as more promising in terms of the number of site completions.

The majority of current development pipeline is set to be achieved via refurbishment or extension to existing stock as opposed to new builds. This does, however, present investors as well as owner occupiers with the chance to consider optimisation of their respective portfolios. With growth opportunities now more likely to stem from asset management rather than acquisition, there may also be further chances to explore ESG options.

New UK care home beds completed



Source: Knight Frank Research

Hotels

Trading performance

MARKET OVERVIEW

H1-2023 performance has been strong, with many hotel operators successfully managing the inflationary environment through dynamic pricing, cost management and an increase in sustainability initiatives to help reduce utility consumption.

Taking into account the hotel market's seasonal patterns, m-m trading performance has improved throughout Q2, June saw strong occupancy levels rise to 82% in London and 81% in Regional UK. Yet there is still a lag in occupancy versus 2019, as many operators pursue a strategy of rate maximisation in lieu of full occupancy recovery, during this high inflationary environment.

H1-2023 Occupancy in London was 16 basis points above the Omicron-impacted H1-22, and Regional UK was ahead by over 8 basis points. ADR growth of 9% was achieved in London during this period, with Regional UK achieving a 5.5% uplift.

A strong recovery in top-line performance has supported the recovery in profits, with GOPPAR in London up 42% versus H1-2022 and Regional UK recording an uplift of 16%.

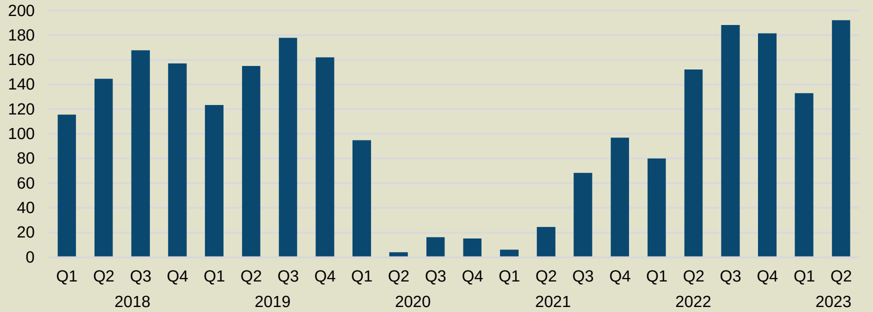
During H1-2023, both London and Regional UK have made a full recovery in GOPPAR versus H1-2019, ahead by 2% and 3%, respectively. Hotels in the top 12 regional city destinations have yet to make a full recovery, with H1-2023 GOPPAR lagging by 9% versus 2019.

OUTLOOK

Visit Britain are forecasting 37.5 million inbound visits for 2023, 92% of 2019 levels and 20% higher than 2022 total inbound visits. The forecast envisages a return to pre-COVID visit volumes by the end of 2024.

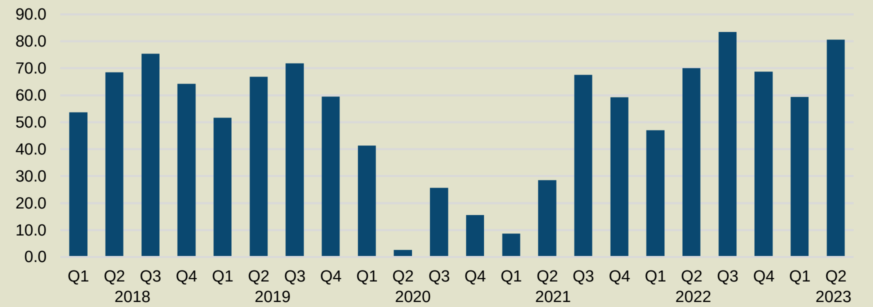
With inflation now forecast to fall more slowly and with continued robust levels of demand, there is momentum to continue to drive room rates upwards, albeit at a slower pace. Continued strong revenue growth, combined with evidence that certain cost hikes have now reached their peak, will help keep profit margins in line with historical performance.

RevPAR in London
Quarterly, £



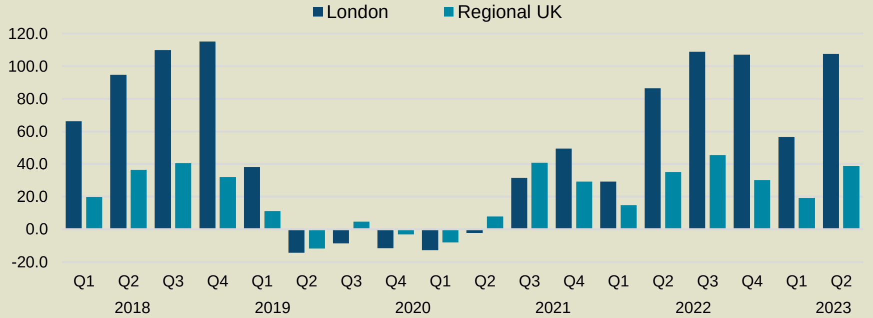
Source: HotStats

RevPAR in regional UK
Quarterly, £



Source: HotStats

Gross Operating Profit PAR
Quarterly, £



Source: HotStats

Hotels

Transactional market

INVESTMENT

Hotel transaction volumes totalled c.£900 million in H1-2023, 60% below investment volumes for H1-2022, reinforcing the challenge to successfully execute and complete deals.

Specialist hotel-focused investors, as well as HNWIs and family-offices, accounted for 70% of the transaction volume. Well capitalised and non-reliant on the debt markets, these buyers have continued to source quality, sizeable assets, creating sustainable growth opportunities for their existing portfolios.

Overseas investors were responsible for 41% of the transaction volume during H1-2023, with much of this investment originating from Europe, the Middle East and Asia.

In terms of institutional investment, more capital exited the sector than was invested in H1. While the large insurance and pension funds remain heavily invested in the sector, their investment has stagnated. The upward movement in gilts, the uncertainty regarding interest rates, compliance to meet new fire and safety regulations, and ESG criteria becoming far more rigorous make the asset selection for institutional-grade stock far more restrictive.

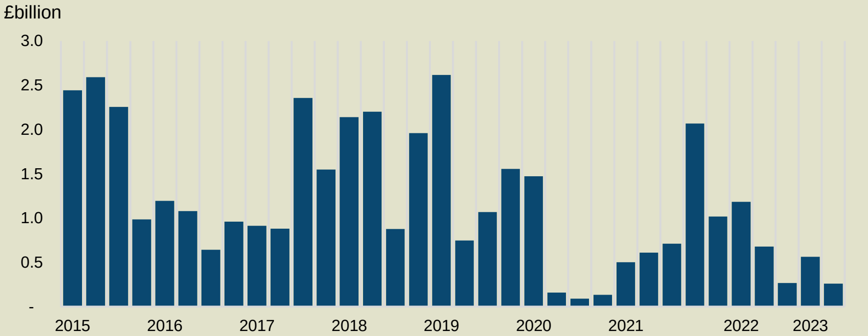
OUTLOOK

H2-2023 should see more robust levels of investment activity, with several hotel deals known to be under offer. The level of activity will depend on how much further tightening of monetary policy is required in the short term.

Interest rates will remain high. As such, lenders will exert greater pressure on their borrowers to calibrate debt covenants. Where additional equity is not forthcoming, selective asset sales are likely to increase, to lower gearing across portfolios.

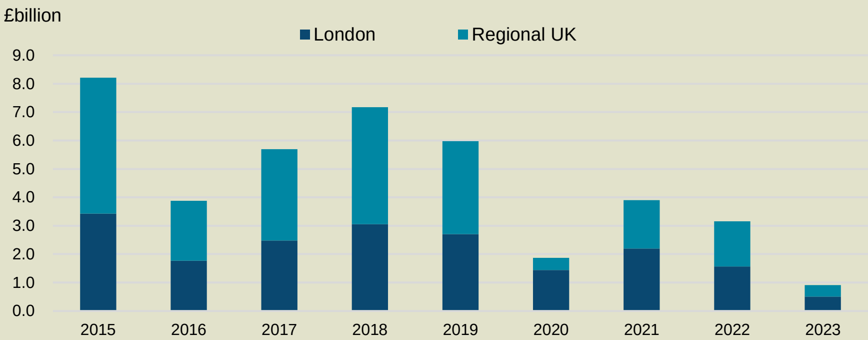
Private equity investors, mostly absent during the first half of 2023, are set to re-emerge once the economic outlook becomes more certain and the cost of debt moderates.

Investment volumes



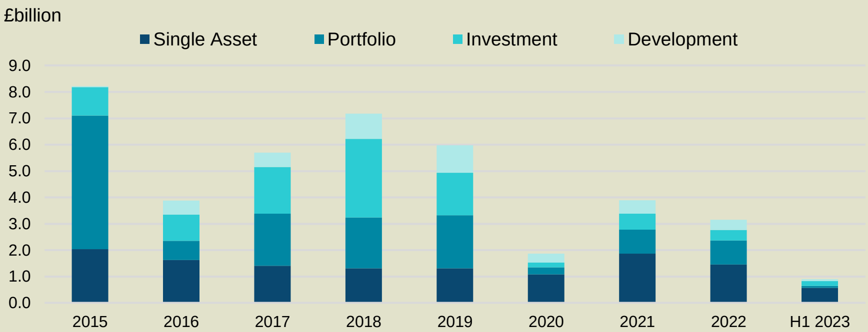
Source: CoStar Group, Real Capital Analytics, MSCI, Knight Frank Research

Investment volumes



Source: CoStar Group, Real Capital Analytics, MSCI, Knight Frank Research

Investment volume breakdown



Source: STR, a CoStar Group Company; Real Capital Analytics, MSCI, Knight Frank Research

Life sciences

Market overview

SECTOR PERFORMANCE

UK life sciences venture capital funding reached £1.3bn in Q2 2023, a 144% increase quarter-on-quarter and a 38% increase year-on-year. It should be noted that this was largely attributed to a record £602m fundraise.

The number of life sciences companies incorporated in the UK totalled 253 in Q2 2023, a decrease of 11% from the previous quarter. Despite this, H1 2023 was the highest H1 on record for UK life sciences company incorporations.

Scientific and QA job vacancies trended in line with all industries, remaining effectively flat over the quarter, with only a 0.3% decline between the beginning of April and the end of June 2023.

The UK Government made a series of pro-science policy announcements. This included the multi-faceted £650m 'Life Sci for Growth' package.

Post the quarter end, the government announced pension fund reforms designed to encourage investment into private equity and early-stage companies as well as the launch of two investment zones in the Liverpool City Region and South Yorkshire.

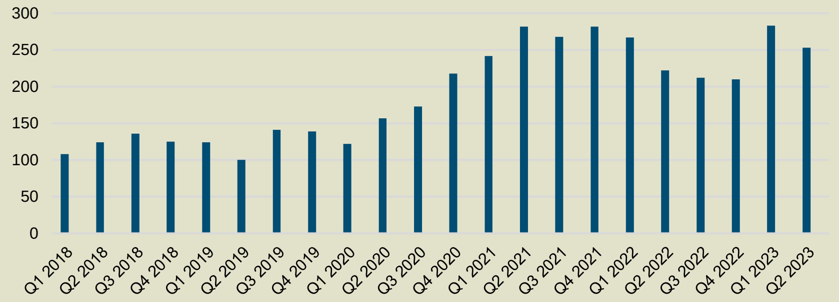
OUTLOOK

Demand for high-quality life sciences space is set to grow in the coming years in line with the increased recognition of the importance of life sciences and innovation sectors to the UK economy, as evidenced by recent government policy.

In a sign of growing investor confidence in the future of the sector, UK life sciences venture capital funding rebounded significantly compared to the previous quarter.

UK life sciences company incorporations

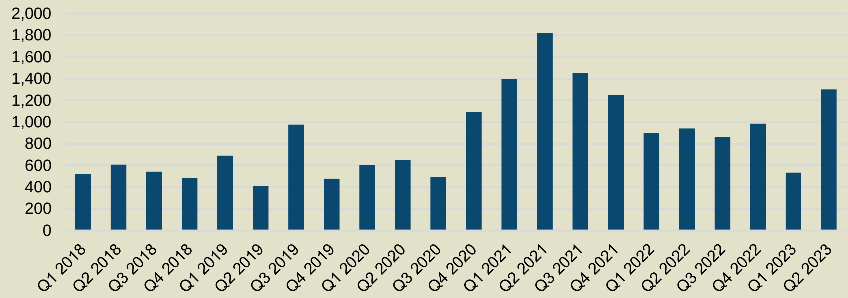
Company incorporations



Source: SFame and Knight Frank research. Data includes active companies only. BVD sector: Biotech and life sciences. Location analysis is based on registered address only. Sub market analysis is available upon request

UK life sciences venture capital funding

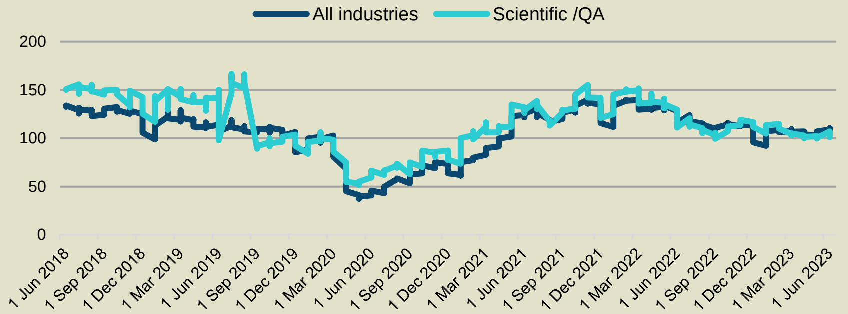
VC funding into UK life sciences companies, £million



Source: PitchBook and Knight Frank research. HQ location UK, Completed deals only. Covers: Biopharma, MedTech and Digital health. Data as at 17/07/2023. Sub market analysis is available upon request.

Vacancies for scientific and QA roles UK

Scientific & QA weekly job adverts, index 100: average February 2020



Source: Knight Frank, Adzuna

Life sciences

Market overview

INVESTMENT MARKET

Q2 life sciences transaction volumes across the Golden Triangle totalled £56.75m, down from the £511.52m recorded in Q2 2023.

Whilst there is still considerable equity allocated to life sciences real estate strategies, the market has not been immune from the considerable rise in the cost of debt and equity. Furthermore, the strong clustering tendencies of the sector limit available opportunities, as only certain locations are suitable for life sciences.

Oxford represented the largest share of investment activity across the Golden Triangle. Key deals included Kadans Science Partners' acquisition of the Windrush Innovation Centre. Kadans intends to demolish the existing building and create over 60,000 sq ft of lab and office space in partnership with the existing tenant, Oxford Biomedica.

OCCUPIER MARKET

Oxford, Cambridge and London remain the epicentre of life sciences leasing activity. Q2 life sciences office and lab take-up in these three markets totalled 314,325 sq ft – a 20% increase versus the same period in 2022 and 125% higher than the five-year average for the region.

New lettings in Cambridge and Oxford accounted for 79% of this growth. Cambridge saw c. 86,000 sq ft of take-up in Q2, almost six times greater than the same period last year. In Oxford, take-up was 16 times greater than in Q2 2022, reaching c. 162,000 sq ft.

Key deals included Moderna committing to 145,000 sq ft at Harwell Campus and Gilead acquiring 11,547 sq ft at ARC Oxford.

Automotive

Market overview

MARKET COMMENTARY

Many dealers will look to reduce their operating costs, which have come under scrutiny due to the recent elevated energy and transportation costs. Coupled with the 2023 business rates revaluation, this will ultimately further increase dealer pressure on bottom lines.

The sector is having to reinvent itself once more as the population adjusts to the seemingly inevitable transfer to EVs in the coming decade, along with the associated infrastructure changes required to charge and service the vehicles. This will create opportunities for car retailers. However, the composite mechanics of the electric vehicle, alongside the adjustment to the 'agency' retail model, may present challenges to the traditional revenue streams.

As government, charge point operators, and the automotive industry all agree, reassuring drivers means building ahead of need. To reach the government's minimum target of 300,000 charge points by 2030, the installation rate must treble to almost 10,000 chargers per quarter.

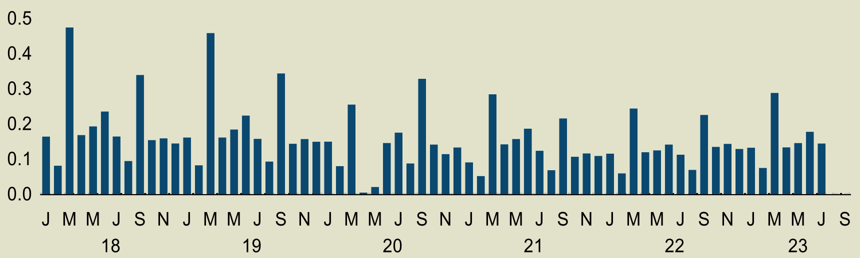
REGISTRATIONS

The new car market grew 28.3% in July with 143,921 new vehicles registered, according to the latest figures from the Society of Motor Manufacturers and Traders (SMMT). As a result, the market has enjoyed continuous growth for a full year despite challenging economic conditions, as supply chain challenges ease, production increases, and deliveries can be fulfilled.

While the growth in electric vehicles hitting UK roads is significant, it must move even faster if it is to outpace the rest of the market and enable the UK to meet ambitious but necessary environmental targets. To get even more consumers to make the switch, every means of support must be provided, from fiscal incentives to purchase reassurance – and, most obviously, in ensuring drivers have full confidence that they will be able to charge wherever and whenever required, sustainably and affordably.

New car registrations

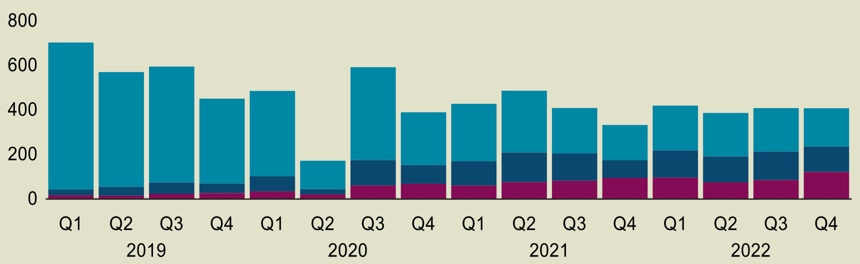
Million units



Source: Society of Motor Manufacturers and Traders (SMMT)

New car registrations by fuel type

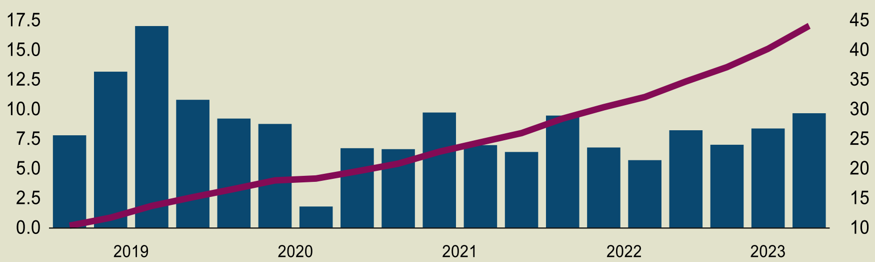
Thousand units



Source: Society of Motor Manufacturers and Traders (SMMT)

Electric vehicle public charging devices

Thousand units and q/q % change



Source: Society of Motor Manufacturers and Traders (SMMT)

Key contacts

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William Matthews
Partner, Department Head
Commercial Research
william.matthews@knightfrank.com
+44 20 3909 6842

Antonia Haralambous
Associate
Commercial Research
antonia.haralambous@knightfrank.com
+44 20 3866 8033

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