



Commercial Property Market Report

The market background

The increase in base rates towards the end of 2006, in early November, was expected well ahead of its announcement.

It came against a background of increases in both consumer expenditure and also business investment, significant increases in broad money and strong economic growth in UK export markets and continuing increase in asset prices. By contrast, the annualised increases in wages for 2006 were marginally less than either 2005 or 2004 at 3.7%, which indicates that there is still a healthy level of spare capacity in the labour markets.

The service and financial sectors continue to experience further growth as the UK benefited from a strong global economy and a continuing demand for its 'world class' financial and professional services. At the same time, the manufacturing sector showed the greatest level of increases in manufacturing exports for over a decade.

Whilst concerns do exist at the potential for the world economy to continue its upward path – particularly arising from a depressed housing market in the US and concerns about the US economy generally which led to a deterioration in the value of the Dollar compared to the Pound/Euro, the expectation of the IMF is that the global economy will have grown by 5.1 in 2006. Against this background of continuing growth, it is concerning to note the increase in the Retail Price Index which is heading towards 3.7% at the end of 2006 and which is likely to lead to a further increase in UK base rates in early 2007.

In the commercial property markets, rents in the retail and industrial markets showed some signs of improvement in October indicating that the worst may now be past. During the same period, the only sector in which rental growth really picked up was the office market which benefited from the sustained increase in service sector employment levels.

Reducing the costs of property occupation

According to recent research undertaken by the Royal Institution of Chartered Surveyors, the expenses of businesses premises are likely to be the second greatest expense after staff costs – accounting for between 10 to 40% of the overall cost base, according to the CBI's Property Guide 2005.

Whilst the CBI's Guide is directed at larger corporate organisations many smaller medium sized enterprises can also secure significant savings from better utilisation and management of their buildings.

Many UK based businesses together with the UK arms of overseas corporate organisations do not readily appreciate that surveyors act not only for landlords and also undertake work other than pure valuations and property searches, but that they can in fact really provide cost effective value!

So whether you are the owner-occupier of business premises or a leaseholder, contact a Chartered Surveyor who could surely be able to assist in this process. ■

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about Alpha Browett Taylor
Richard Hutt BSc MBA Dip Prop Invest FRICS is a Director of Alpha Browett Taylor - advising commercial property owners and occupiers. If any member of the Chamber would like to discuss any aspect of the above then feel free to contact him for an initial consultation - without cost - on (020) 7471 0420 or email richard.hutt@alphaproperty.co.uk