

UK Commercial Real Estate - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The UK Commercial Real Estate Market size is estimated at USD 149.67 billion in 2024, and is expected to reach USD 184.80 billion by 2029, growing at a CAGR of 4.31% during the forecast period (2024-2029).

Key Highlights

High inflation is putting more pressure on companies to cut costs, prompting them to focus on increasing productivity and reducing costs. More than seven in ten (75%) respondents to the Quarterly Industry Survey (Q3 2023) of the Research, Information and Consulting Society (RICS) predicted that corporate cash flows would continue to deteriorate over the next 12 months. This, combined with the long-term effects of the “work from home” revolution, means many companies are still evaluating their real estate footprint – though the extent of downsizing is very business-specific.

According to Remit Consulting, office occupancy levels stabilized at around 30% over the past year, and a three-day workweek appears to be the new norm. However, there needs to be more evidence for any long-term changes in office attendance. Employee demand for hybrid working continues to grow. For instance, according to a recent Remit Consulting survey, 69% of staff say they enjoy working from home, but almost 60% say they would consider quitting if they were required to work from home. Similarly, a Deloitte study found that more than 75% of the Gen-Z generation would consider looking elsewhere if asked to go back to the office five days a week.

While corporate real estate is second only to salaries for many companies, the need for high-quality space continues to drive recruitment, retention, productivity, and staff health

and well-being. This is why there continues to be a strong need for high-quality space.

Due to a combination of evolving occupier needs and legislation, the overall amount of office space required will be lower in the future, with a greater emphasis on high-quality buildings meeting these corporate and regulatory needs. Life sciences and technology have played a key role in sustaining market growth. New technologies such as AI will further enhance the importance of offices as a high-quality environment.

UK Commercial Real Estate Market Trends

Office Segment Showing Significant Growth in the Market

In 2023, there was a strong flight to quality, with demand far outpacing supply. This was partly due to occupiers utilizing their buildings to draw in employees into a hybrid working environment, and it is anticipated that this trend will continue into 2024 and the coming years.

The increased demand for high-quality space has exhausted the development pipeline, with 38% of the UK office space projected to be occupied by occupiers by 2025. As the pipeline continues to deplete, there will be increased competition for the highest-quality buildings, resulting in higher rents at the premium end.

At the top end of the market, rental growth is expected in 2024 across all UK office markets. The full-year forecast for rental growth is 3% in most UK markets, continuing the strong growth seen last year.

In most markets, new record headline rents were achieved in 2023, and this is expected to continue in 2024. Buildings in prime locations with high-quality amenities and outdoor space are expected to register extremely high rental growth in 2024.

Retail Segment Expanding Rapidly

Retail sales are expected to remain muted in 2024. Some retailers will continue to expand, while trading conditions will remain difficult with modest increases in vacancy rates. Retail investment will continue to diversify, with retail parks continuing to be the go-to option for many. However, the recent growth in other sub-sectors will continue in

2024.

UK retail sales volumes remained lower than in 2019 throughout 2023. The subdued performance is expected to persist this year, with significant growth expected to return later in the year.

Retail online penetration has returned to the trend of the years before the pandemic (2015-19). Based on projections of the drivers of online penetration, it is anticipated that there will be moderate growth to reach 28% by the end of this year.

Profits are expected to take a hit in the coming year as occupiers continue to push consumers to use their physical stores as much as possible to increase profitability. For some, expansion is likely, although the emphasis will be on more 'safe' spots. With trading conditions expected to remain difficult in the coming year, there will be a slight increase in the vacancy rate.

Pricing in the retail sector was expected to remain competitive compared to other commercial sectors in 2022. While retail parks will continue to be the preferred option for many consumers, there will continue to be an appetite for grocery stores and shopping centers.

UK Commercial Real Estate Industry Overview

The commercial real estate market in the United Kingdom needs to be more cohesive due to a low level of market share concentration. The industry is highly competitive. The UK property market is extremely attractive to investors at the domestic and international levels. Property tech is a growing sector in the country, as it is easier to invest, buy, and sell than the usual process. Some players in the market are Land Securities Group PLC, Segro PLC, British Land, Derwent London, and Hammerson.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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