

Invest in Happiness

PLACEMAKING SUMMIT

Wednesday 26 February 2025 | The Haymarket Theatre, Basingstoke

Basingstoke
#InvestInHappiness

southcoastcps
property investment & development



Basingstoke
and Deane

Meet...



Jon Neale

Head of Research & Strategic Insight
Montagu-Evans

“A commercial property market overview”



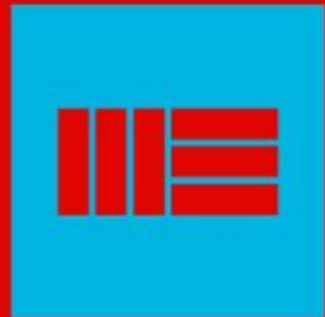
MONTAGU EVANS PRESENTS...

STATE OF THE MARKET

Q1 2025

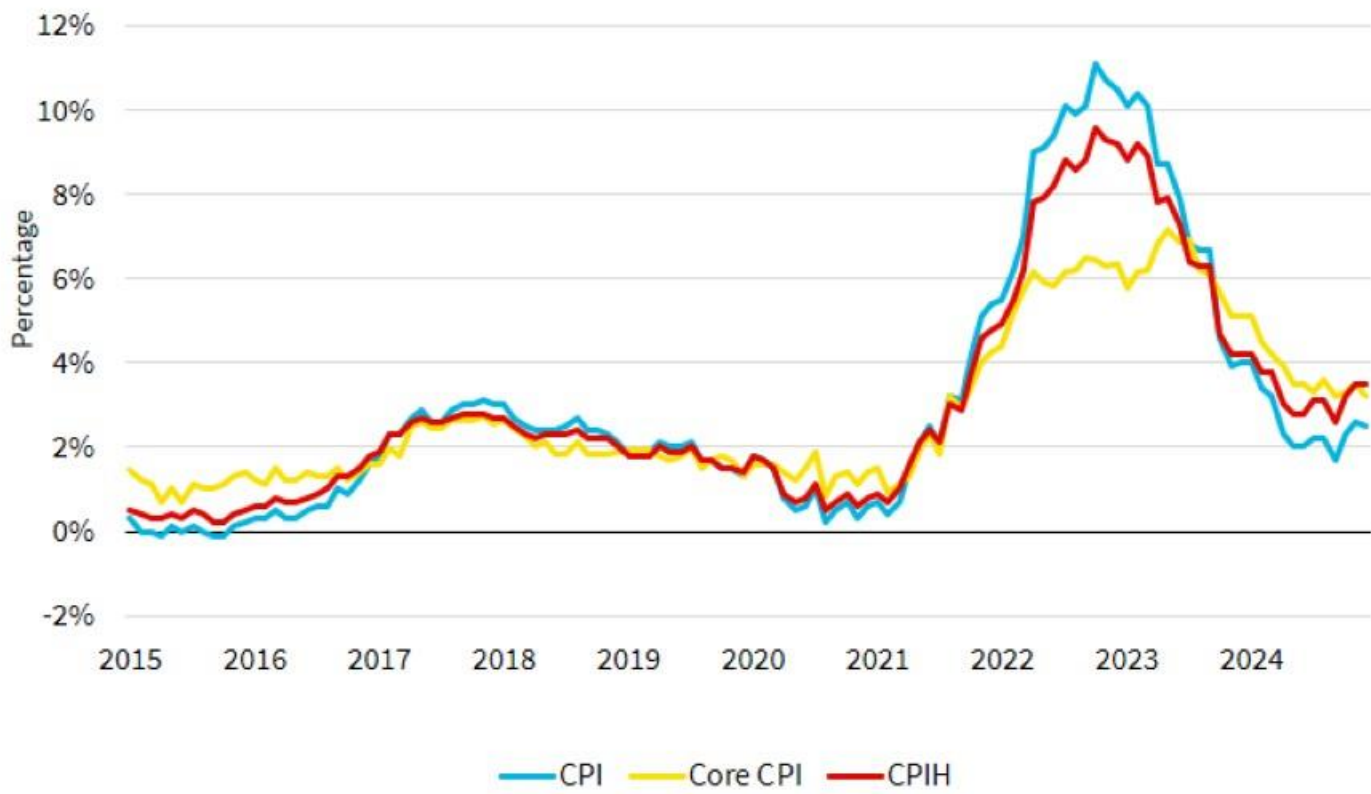
JON NEALE, HEAD OF RESEARCH AND INSIGHT

ECONOMIC CONTEXT



UK INFLATION WAS FALLING BACK

Partly a result of base effects - inflation will probably now tick up slightly



- Alcohol & Tobacco
- Communication
- Health
- Hospitality
- Recreation & Culture
- Education
- Food & Beverages
- Clothing & Footwear
- Miscellaneous
- CPI Overall**
- Transport
- Furniture & Household
- Housing & Energy

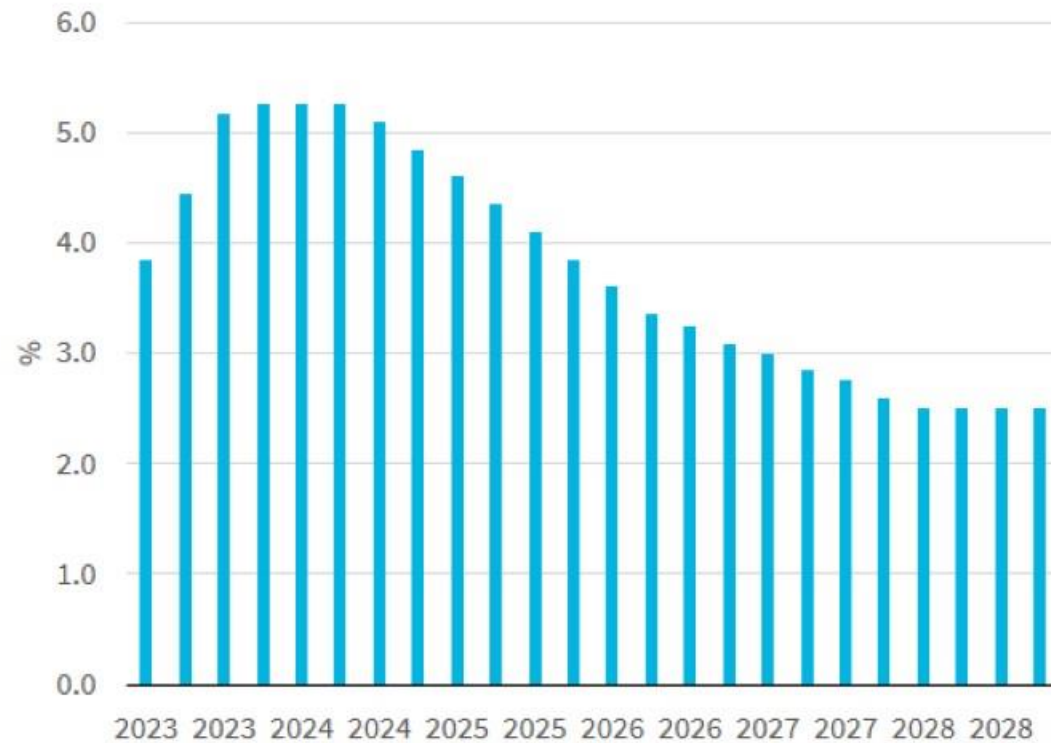
Dec 2024	Nov 2024	Nov 2023
5.3	6.8	10.2
6.1	4.8	8.1
5.6	5.5	7.7
3.4	4.0	7.6
3.4	3.6	5.5
5.0	5.0	4.5
2.0	2.0	9.2
1.1	2.0	5.7
3.5	3.0	4.5
3.5	3.5	4.2
-0.6	-1.1	-1.4
-0.3	-0.5	-1.1
6.0	5.8	1.9

Source: National Statistics

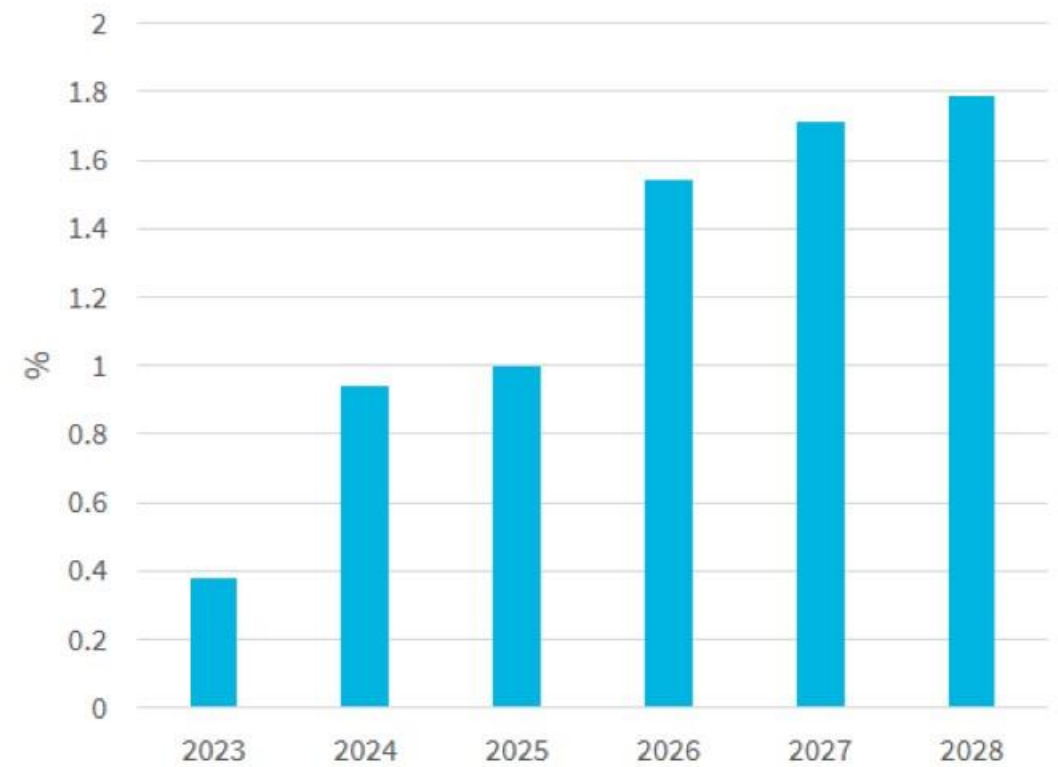


INFLATION AND BANK RATE EXPECTATIONS

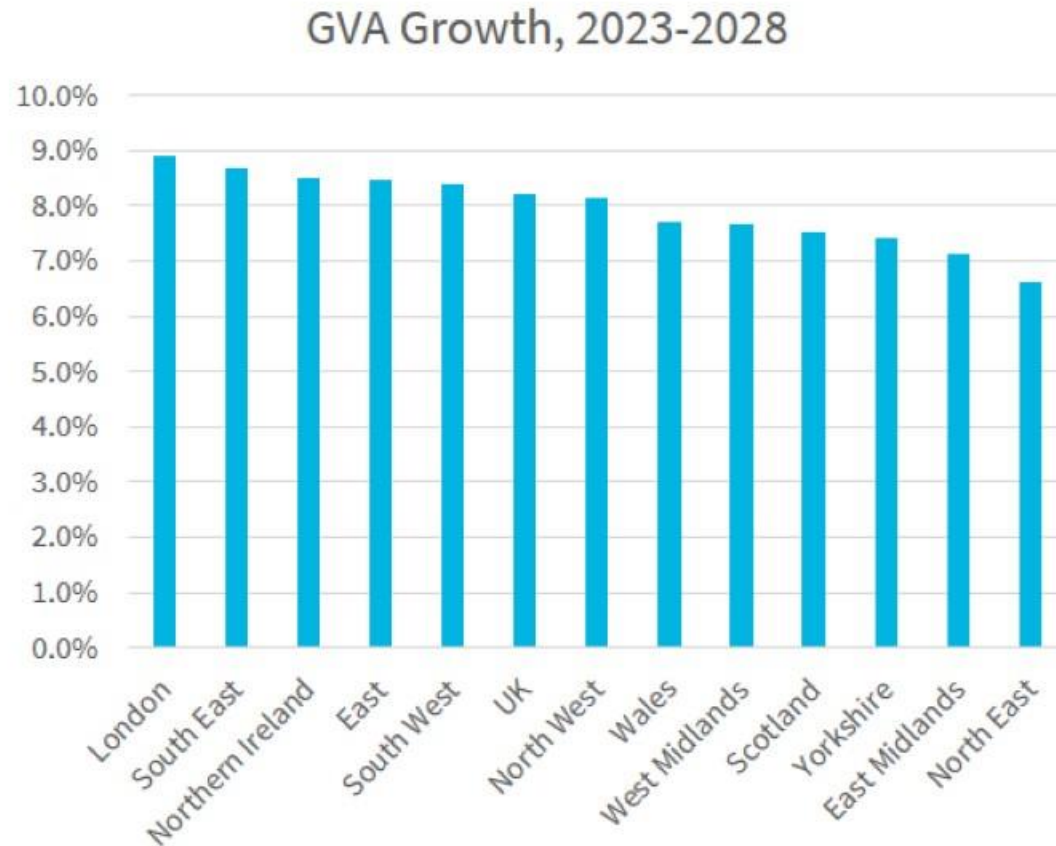
BANK OF ENGLAND BASE RATE



GDP GROWTH FORECASTS



REGIONAL ECONOMY



- London and the greater South East will continue to drive UK growth
- This should mean that the commercial property recovery will be skewed to areas such as Hampshire & Basingstoke

WHAT DOES THIS MEAN FOR PROPERTY?

1

Risk-free rates and debt costs will fall – but more slowly than many were anticipating (or hoping...)

2

Activity – both development and investment – will gather pace over 2025 but it will a slow grind back to previous levels

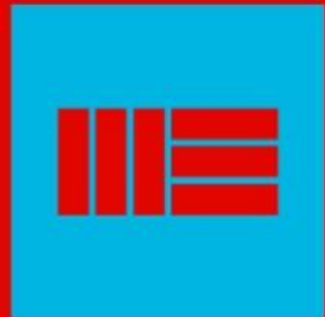
3

... here is a possibility that the bank of England could cut rates quicker than expected...

4

but there are geopolitical risks (to say the least)

INVESTMENT MARKET



HOW HAS THE MARKET PERFORMED?



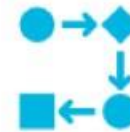
The rapid increase in risk free rates and debt costs after the pandemic has led to the lowest level of investment activity since the financial crisis



Development has been constrained by much higher construction costs – which have left many sites unviable



Office leasing has fallen to low levels as occupiers adopt a “wait and see” approach regarding the economy and working practices



There is some sign that this is beginning to reverse as employees come back to the office (although this is still a slow process)



This market was already changing as occupiers focussed on the more accessible locations and the better quality buildings

TRENDS IN COMMERCIAL PROPERTY



Focus on “beds, sheds and meds” –
institutional residential, logistics, retail warehousing, life
sciences and healthcare

Strong demographic and megatrend-driven
tailwinds



Concern over the office market

Partly driven by hybrid/home working...
But also driven by occupier focus on quality

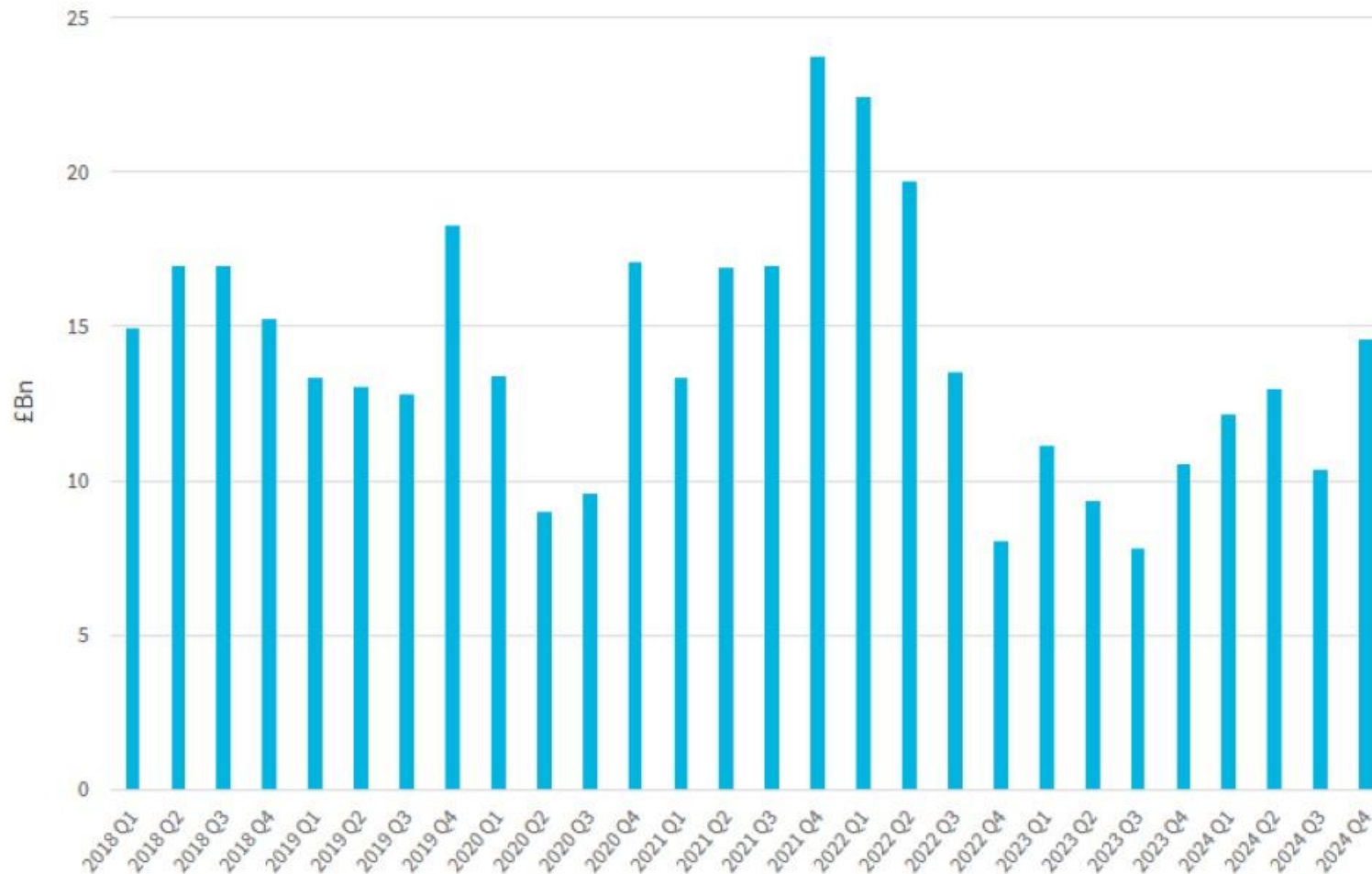


Retail recovery

Values have readjusted
Focus on the most viable parts of the
market

INVESTMENT VOLUMES

INVESTMENT VOLUMES ROSE BY ALMOST £5BN IN Q4



Source: MSCI Real Capital Analytics

Some £14.6bn changed hands in Q4.

This is 40.7% up on the previous quarter and 37.7% up on the same quarter in the previous year.

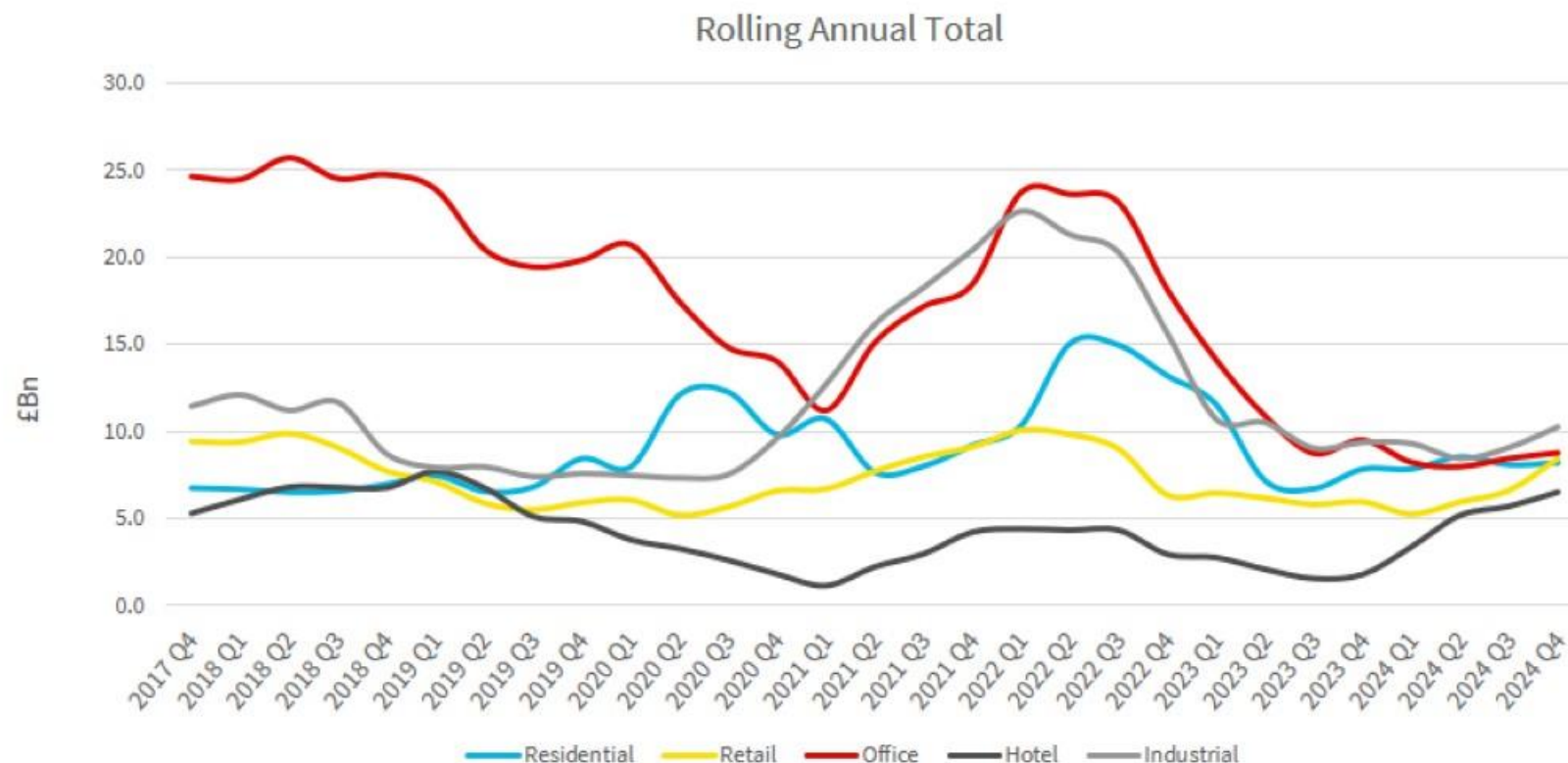
All sectors are seeing more activity than at the same point last year excluding office and residential.

	C/to prev qtr	C/to same qtr in 2023
All Sectors	41%	38%
Office	29%	12%
Industrial	44%	48%
Retail	57%	194%
Residential	64%	5%



INVESTMENT VOLUMES

SECTOR BALANCE HAS SHIFTED TO BEDS AND SHEDS

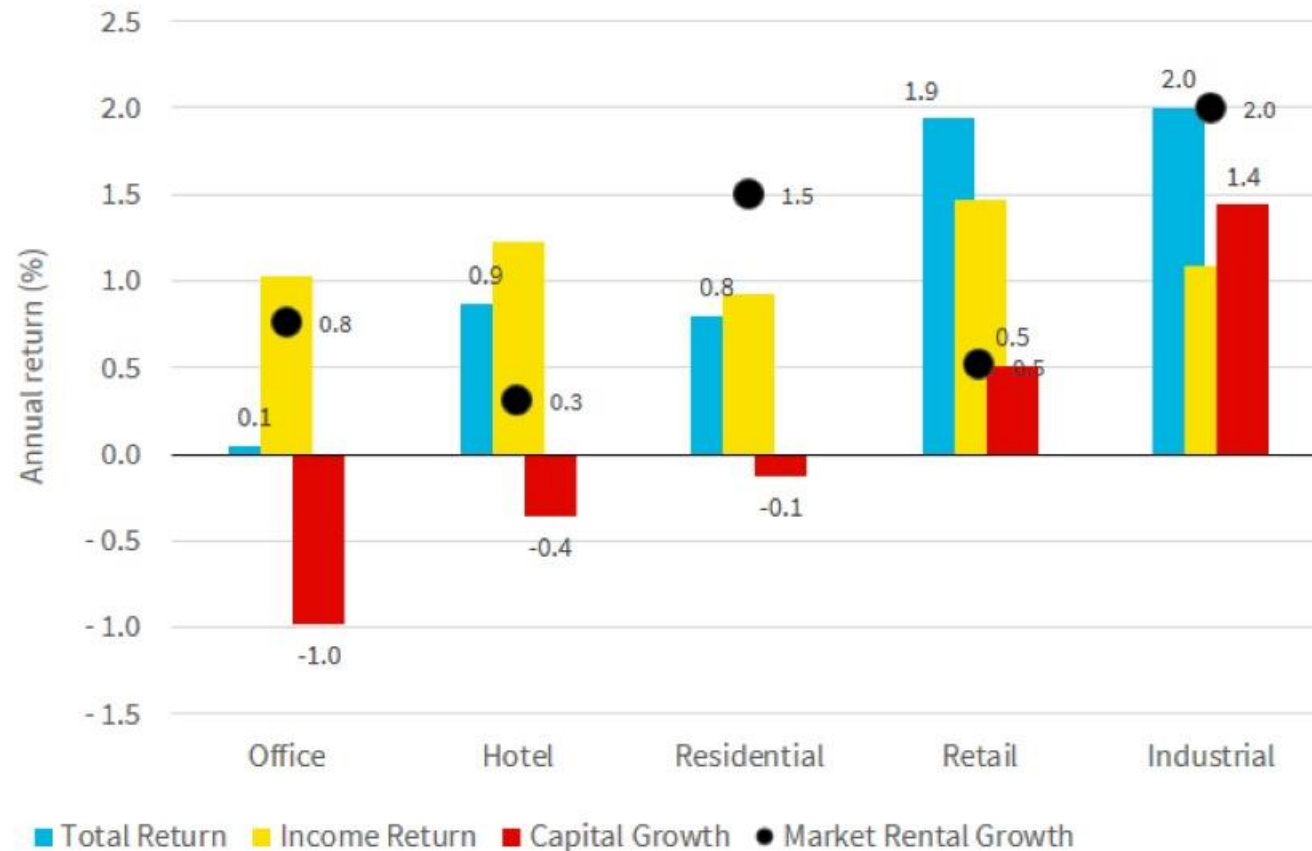


Sector	Y-o-Y
Offices	12.38%
Retail	193.64%
Industrial	205.58%
Residential	5.14%
Hotels	146.7%

Market will likely continue to recover as pricing becomes more realistic, but high risk-free rates remain an issue....



MSCI (IPD) QUARTERLY INDEX Q3 2024



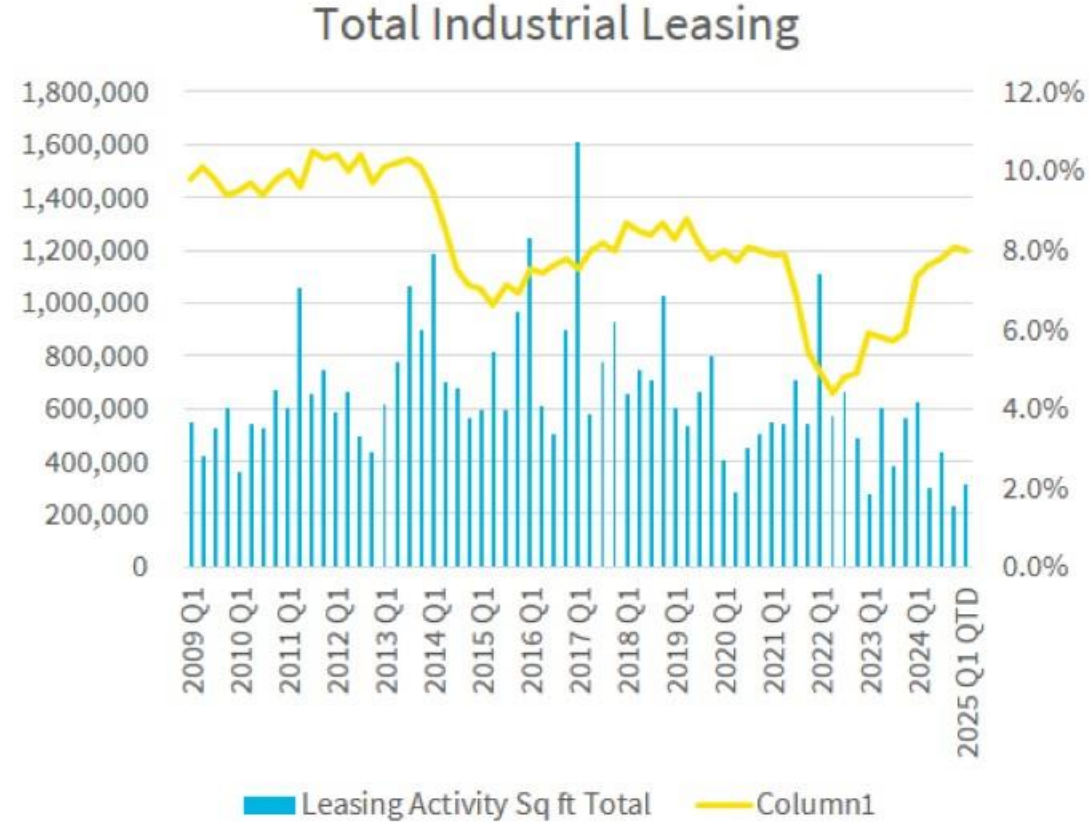
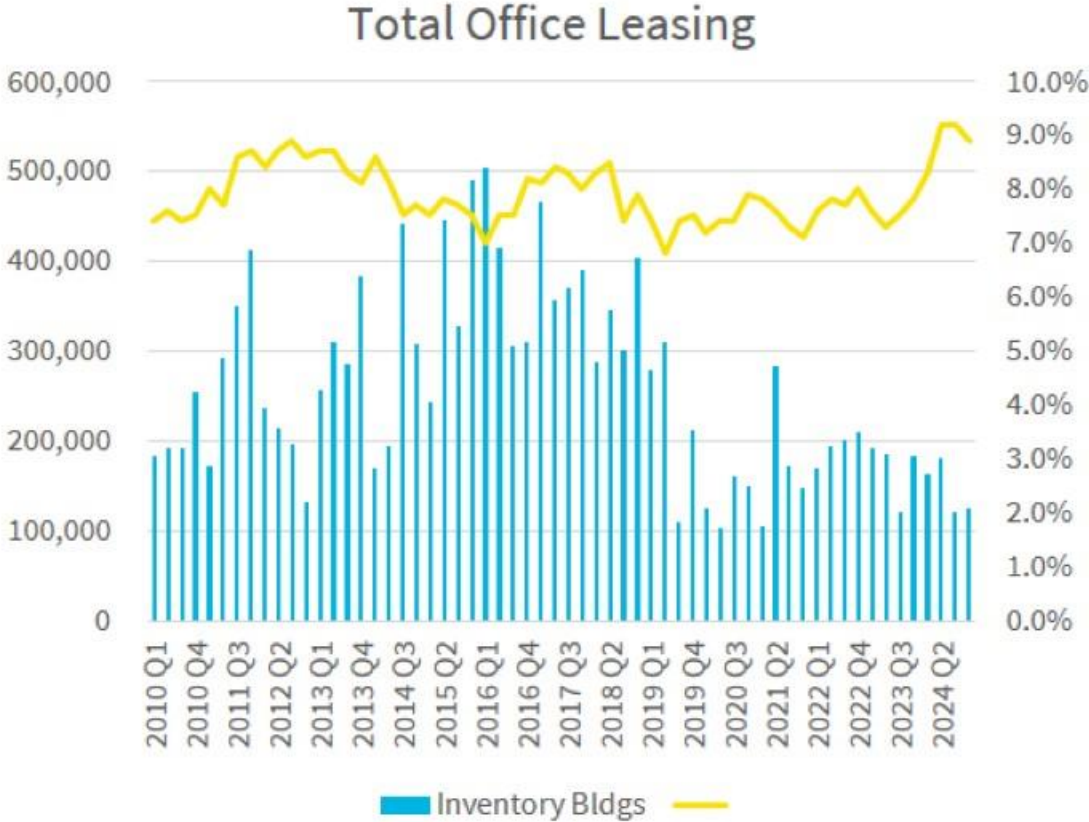
Industrial showing the strongest returns over the past 12 months (+2.0%) – marginally higher than retail (+1.9) owing mainly to better capital value performance.

Offices saw 0.1% returns over the past year with rental growth at 0.8%, on a par with residential and higher than retail.

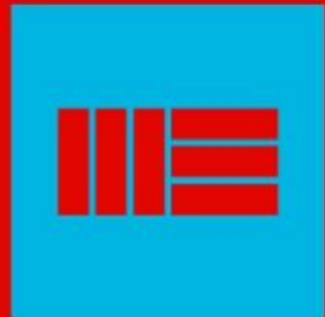
The rate of capital growth falls has moderated in all sectors. Industrial has followed a slightly different pattern.



TRENDS IN OFFICE DEVELOPMENT

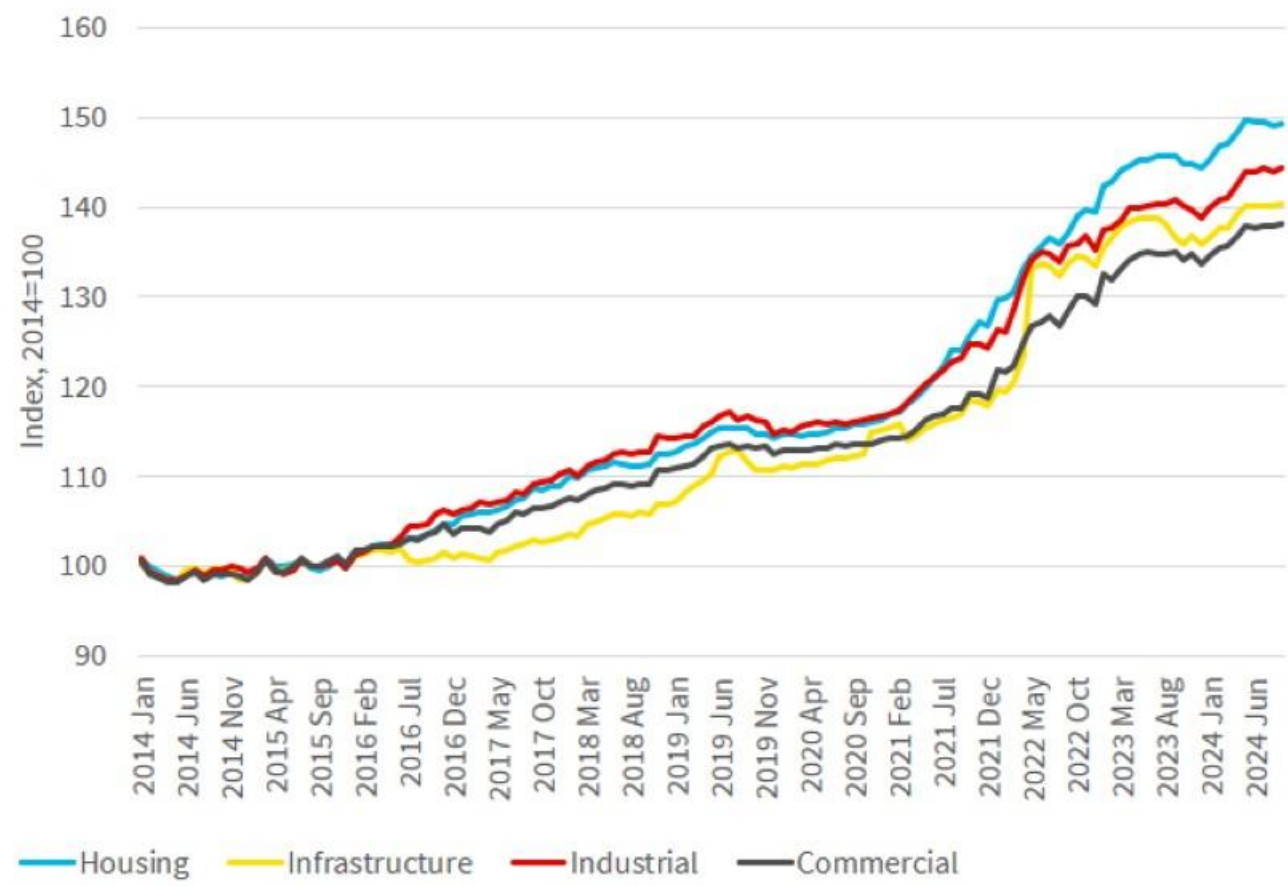


DEVELOPMENT



CHANGE IN CONSTRUCTION PRICES

INCREASES HAVE SLOWED RAPIDLY OVER THE PAST YEAR



YEAR-ON-YEAR CHANGE

	SEP 2024	SEP 2023
Infrastructure	2.9%	2.2%
Housing	2.4%	6.3%
Public	2.4%	5.1%
Industrial	2.6%	3.8%
Commercial	2.4%	5.1%

Source: National Statistics



CONSTRUCTION MATERIALS COSTS

MATERIALS COSTS ARE NOW FALLING, WHICH MEANS THAT *LABOUR* COSTS OR MARGINS ARE NOW DRIVING WIDER INCREASES



YEAR TO

New Housing

Other New Work

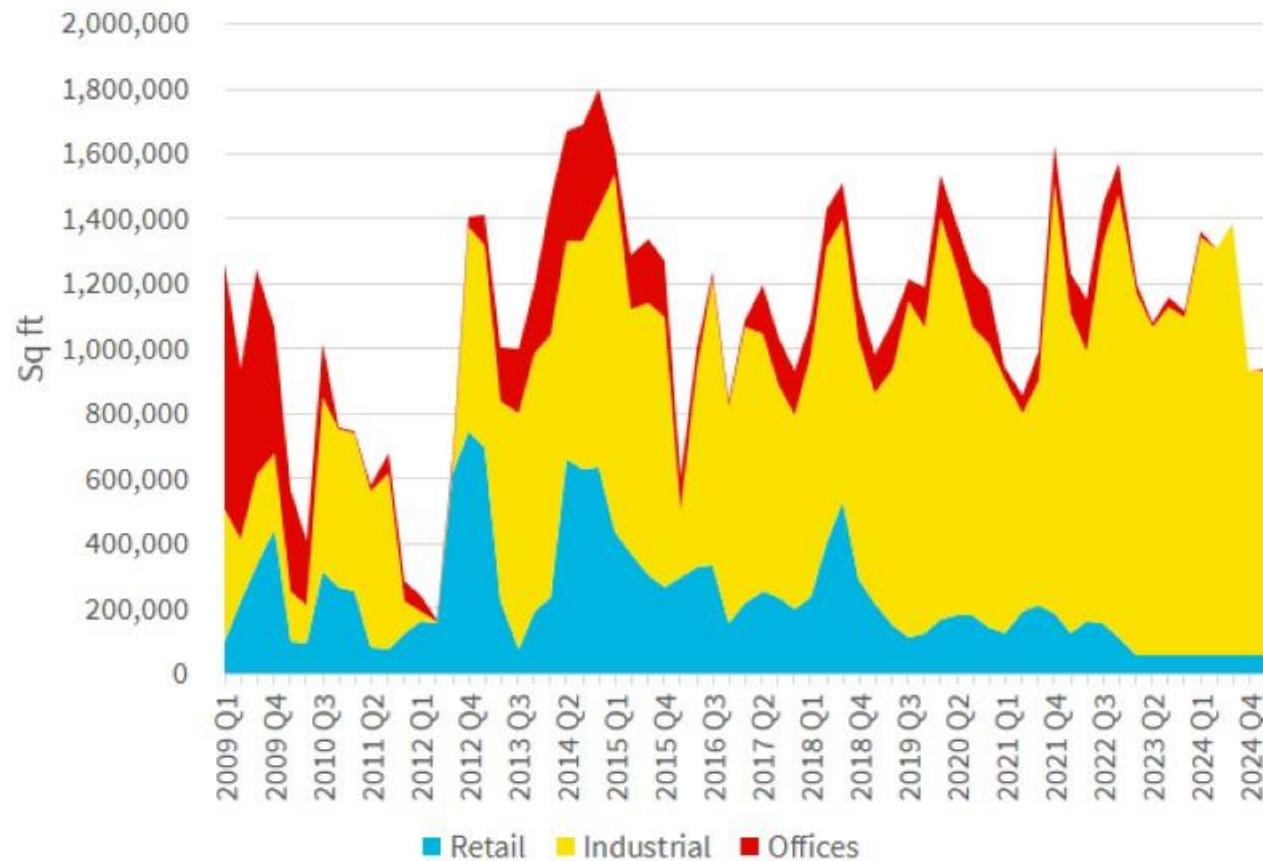
Repair & Maintenance

	OCT 2024	OCT 2023
New Housing	0.5%	0.8%
Other New Work	-1.7%	-4.7%
Repair & Maintenance	-0.1%	-1.4%

Source: National Statistics



SPACE UNDER CONSTRUCTION, BY SECTOR, HAMPSHIRE



- Offices will see a bounceback over the coming five years
- But it will be focussed on good quality new buildings
- There will be a lot of space that is redundant and will need to be converted to other uses
- The industrial market looks oversupplied but demand is strong and the market will absorb this over the cycle
- Retail is rebased and it is now a matter of understanding the new geography

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WE CONSIDER OUR CREDENTIALS, HOW WE HAVE STRUCTURED OUR BID AND OUR PROPOSED CHARGING RATES TO BE COMMERCIALY SENSITIVE INFORMATION.
WE REQUEST THAT THESE BE TREATED AS CONFIDENTIAL.