

UK Commercial Property Auction Data Report

Q1 2024

The Acuitus cPad report reviews activity in the UK commercial real estate auction market. The report is produced by Acuitus Research and is powered by analysis of the long-running cPad data series.

The latest sales data for this Q1 2024 review has been provided by The Essential Information Group. It is a subset of commercial property auction sales and focuses solely on investment-grade assets and income-producing property with development potential.

Overview

The first quarter of the year marked a robust start for the commercial auction market, setting a record with total auction sales reaching £217m across 343 lots sold. This performance surpassed the previous peak of £193.9m achieved in Q1 2017 where 331 lots were sold, indicating a promising year to come.

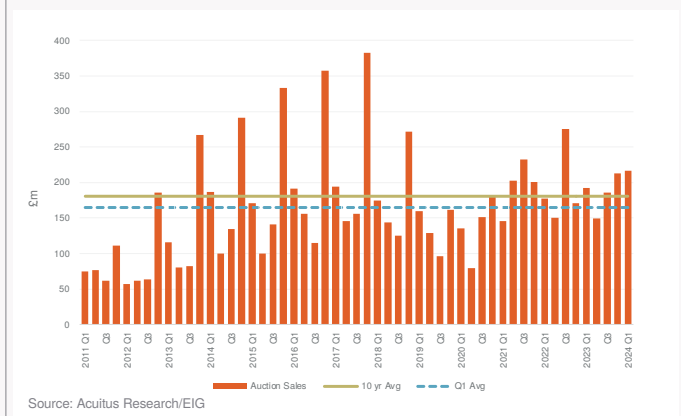
Larger lots priced at £1m+ and above remained a dominant feature in the market, constituting 55 of the lots sold and contributing £117.1m, which represents 54% of overall sales. This trend underscores the significance of high-value transactions in driving market activity and revenue.

The average lot size of £632,615 showed a slight decrease compared to previous quarters, primarily attributed to a widening of the dataset which included a greater number of sub-£250,000 lots.

As we saw in the backend of last year, the number of institutional owners turning to the auction room has continued over into the new year. In addition, local authorities look to be large contributors for sales in the commercial auction market, with a number of authorities looking to sell assets which have been held for decades.

There is still a desire to invest in commercial property for long-term hold or to use expertise to add value and then hold or trade on. Although, about 60% of UK real estate loans will need to be renewed within the next two years there is still debt available. Having said this, most acquisitions are initially made with own funds/cash and then financed at a later stage. The anticipated reduction in interest rates towards the year end should provide a boost to values and investor confidence.

The pattern of auction activity has changed



Location

London demonstrated a strong presence in the latest quarter's auction activity, with £80.7m raised from the sale of 77 lots. This highlights London's continued importance as a key market area driving substantial transaction volumes and revenue generation, representing 37.2% of total sales volume.

Location and asset quality are two of the most important factors for investors. Those properties that are situated in strong trading locations for their class, have strong covenants, and/or potential development potential, often come under sustained bidding from buyers. What is of course self-evident, is that the seller's pricing expectations have to be realistic and accord with market valuations.

Outside the capital, the proportion of assets sold slipped from previous quarters to 62.8% in Q1, this is significantly below the long-term average since 2010 of 78.7%. Such data need not worry investors, such a divergence can be easily explained by the dominance of the capital in the property market during periods of economic stress.



City-centre retail and ancillary office parade, Nottingham

Sold for £2.125m



**Motor trade investment,
Croydon, London**
Sold for £1.16m

Sectors

This analysis is calculated from the rolling averages of the spot yields for the previous four quarters (RAY). This smooths the data and any impact from the varying composition of different auctions. Spot yields are the actual yields for the current quarter and, as such, are often an early indicator of market change.

Retail

During Q1, 223 properties were sold at auction. These represented 61.2% of the total sold by number, and equated to £132m of assets sold. Yields have moved out and the Acuitus cPad Average Retail spot yield stands at 11.04% – having moved out 106 bps from Q4.

Offices

In the office sector, 22 assets sold during the quarter and raised £18.4m. The Acuitus cPad Average Office yield stands at 11.99% – having softened 85 bps since Q4.

As we saw throughout last year, commercial offices are increasingly coming to the market as a result of a combination of high holding costs, vacancies, disproportionate management effort, or the expenditure to improve energy performance of the buildings. A new generation of owners, many of whom are entrepreneurial, are looking at refurbishment opportunities to tap into the demand for short term office space or for residential.

Industrial/trade counters

Trade counters experienced a small dip in comparison with the previous two quarters, registering a total of 19 lots sold, with a total of £12.8m raised. There is still good investor demand for the strong covenants, long-term occupiers and low site cover that come with the sector.

Yields have remained firm with the Acuitus cPad Average Industrial spot yield currently standing at 7.64%, a hardening of 78 bps.

Leisure

Leisure investments continue to be popular as they tend to have a large footprint in the town centre. The leases are longer than the standard shop lease and often have RPI-linked rental uplifts.

The Acuitus cPad Average Leisure spot yield stands at 8.04% hardening 171 bps since Q4 2023. £27.2m was realised from the sale of 29 leisure properties during the previous quarter.

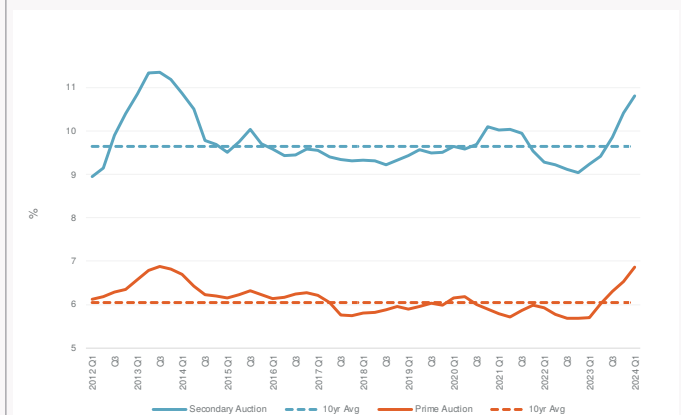
Yields continued to shift out on average, with Acuitus ALL Property Average initial ‘spot’ yield rising to 10.17%, the highest level on record. Notable shifts in spot yields were observed in the retail and office sectors, with yields rising 106 bps and 85 bps, respectively.

Spot yields in other sectors experienced hardening, particularly in leisure (falling by 172 bps). These fluctuations highlight sector-specific dynamics influencing yield trends.

Geographically, London saw a hardening of ‘spot’ yields, falling by 29 bps to 7.16%, while yields for the Rest of the UK rose by 144 bps to 11.85%. This divergence in yield trends, much like the proportion of assets sold (above), between London and the rest of the UK reflects regional variations in market dynamics and investor preferences.

Interestingly, lots trading at yields above 9% accounted for 53% of lots sold, marking an increase from the average of 45% across 2023. This suggests a continued interest in higher-yield investment opportunities, albeit with fluctuations over time.

Primary and Secondary auction yields



Source: Acuitus Research/EIG

Acuitus cPad Average yields (RAY)

- **All-Property yield: 9.10% in Q1 (Q4: 8.39%)**
- **Prime All-Property yield: 6.86% (Q4: 6.52%)**
- **Secondary All-Property yield: 10.81% (Q4: 10.41%)**
- **All-Property Greater London yield : 6.92% (Q4: 6.52%)**
- **All-Property Rest of UK yield: 9.96% (Q4: 9.09%)**



**Town centre supermarket
investment, Ivybridge, Devon**
Sold for £1.57m



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