

# RICS UK Commercial Market Survey

Q3 2014

## No Sign of Momentum Easing as Demand Outstrips Supply Further

- **Imbalance between occupier demand and supply increases**
- **Available space in the London office sector hit hard by residential conversion**
- **Outlook for rents and capital values remains robust**

The Q3 2014 RICS UK Commercial Property Market Survey results show the recovery, in both the occupier and investment sides, retains plenty of momentum. Furthermore, progress continues to be widespread across all sectors and throughout most parts of the country.

In the occupier market, growth in tenant demand accelerated across the board, with the industrial sector again demonstrating the strongest results. In keeping with the trend reported over the past twelve months or so, this rise in demand was accompanied by a significant reduction in available space to let. What's more, the gap between fresh demand and supply has widened over the quarter, with the disparity most pronounced in the office and industrial sectors. Indeed, although leasable office space is falling right across the UK, it is becoming a particular issue in London.

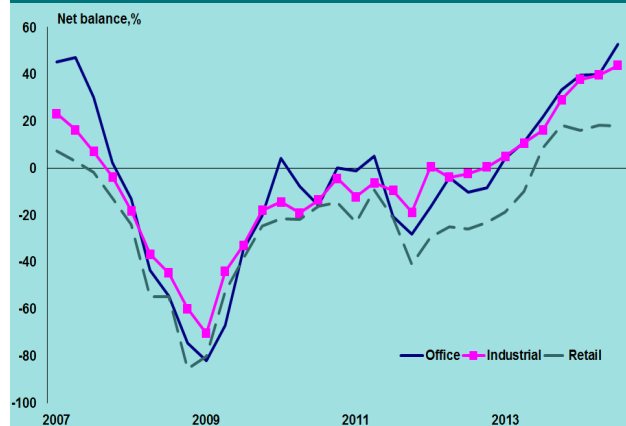
Critically, around one in five London respondents noted that, since the introduction of Permitted Development Rights, over 10% of office space has been earmarked for residential conversion (whereas under one in ten reported this same rate of conversion at the national ex-London level). In addition, more than half of the London sample stated this conversion is taking place in secondary quality office stock, with 30% citing a tertiary focus.

Given tightening occupier market conditions across all sectors, rent expectations remain buoyant, albeit not quite as elevated in the retail segment. Significantly, office and industrial sector rents are expected to rise, over the next quarter, at the fastest pace on record (series started in 1998). In terms of the regional breakdown, the strongest rental gains are expected in London, while solid increases are also anticipated in the South and Midlands/Wales regional grouping. Meanwhile, rents are only projected to see marginal growth in the North, despite tenant demand continuing to rise at healthy rate.

Turning to the investment market, enquiries continue to increase at a significant pace, with the scale of the improvement broadly consistent across each area of the market. Interestingly, the largest rise in overseas enquiries was reported in the industrial segment, though both the office and retail sectors also recorded an uptick. All sectors experienced a reduction in the supply of property for sale, with the biggest contraction occurring in the industrial segment while retail units felt a more modest dip. Against this backdrop, capital values are expected to register strong growth in each sector over the coming quarter. Likewise, commercial property prices are anticipated to rise, to a greater or lesser extent, throughout all four broad regional aggregates.

Over the next twelve months, prime office sector rents and capital values are both projected (by contributors) to increase by around 5%, making it the leading market in this respect. At the other end of the scale, secondary retail is only expected to see marginal rental growth of 1% and capital value gains of around 2%. The remaining subcategories are all forecast to see rents and prices rise more than 3% over the year ahead.

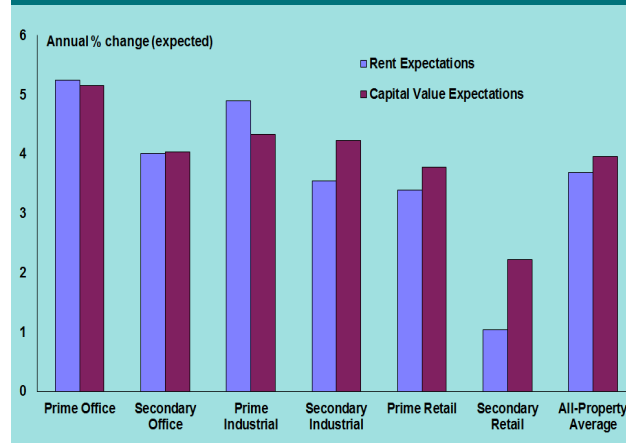
**RICS Rent Expectations across the commercial sectors**  
 (1 quarter ahead) % Balance, non seasonally adjusted



**Tenant Demand and Available Space across commercial sectors**  
 % Balance, non seasonally adjusted

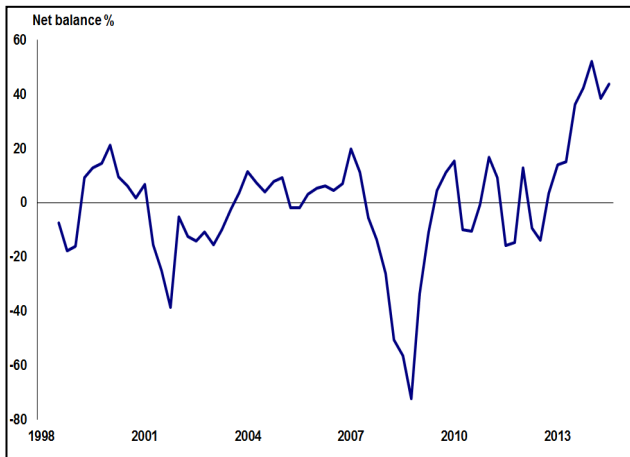


**Twelve Month Rent and Capital Value Expectations**  
 % point estimate

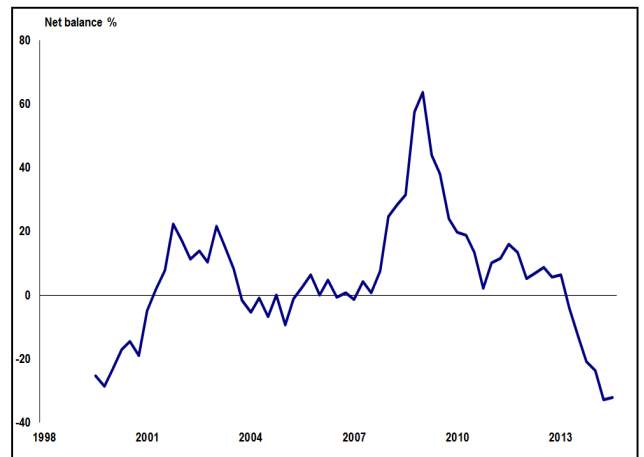


Commercial property - all sectors

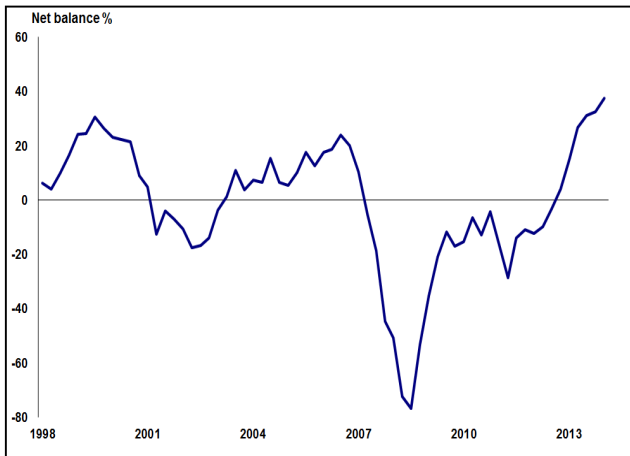
Occupier Demand



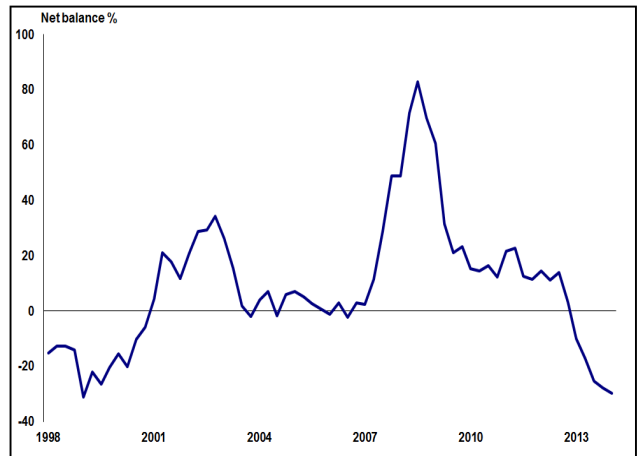
Available Space



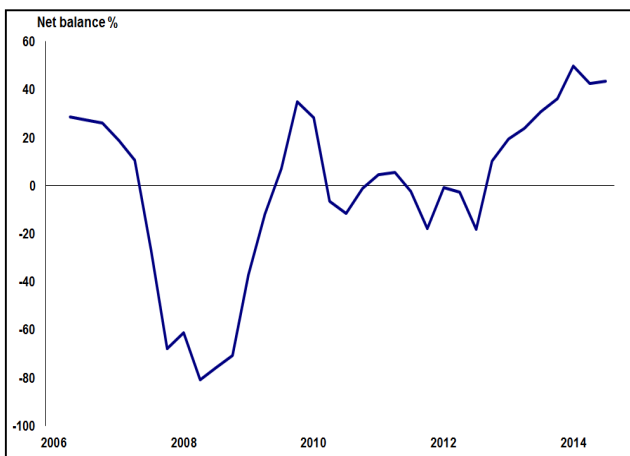
Rent expectations



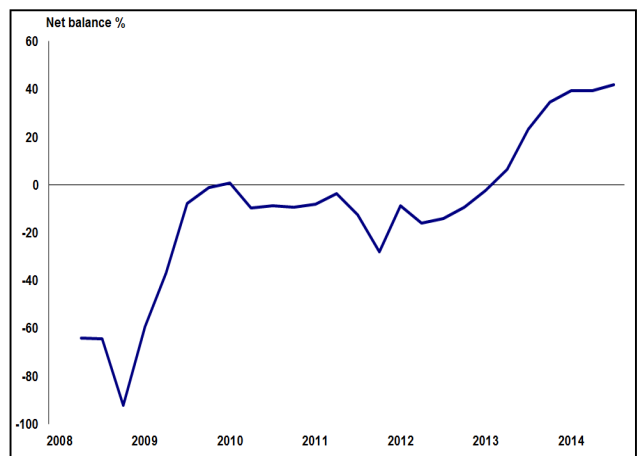
Inducements



Investment enquiries

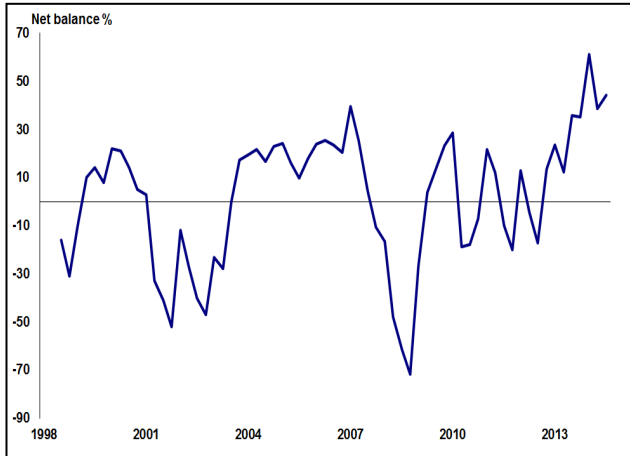


Capital value expectations

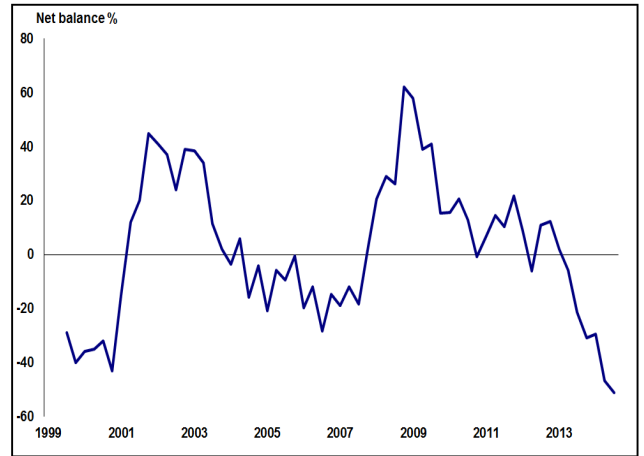


Office sector

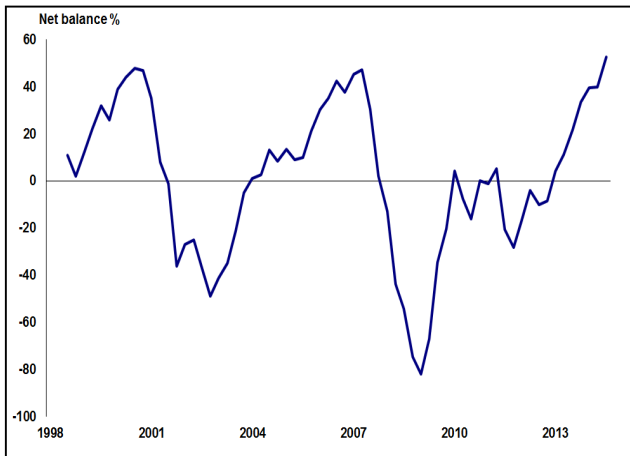
Demand



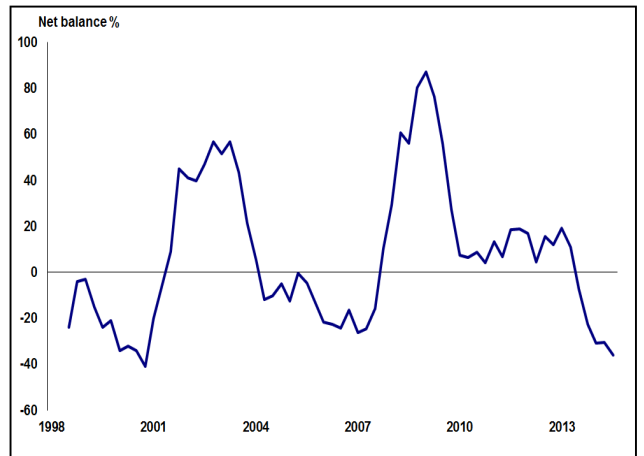
Available space



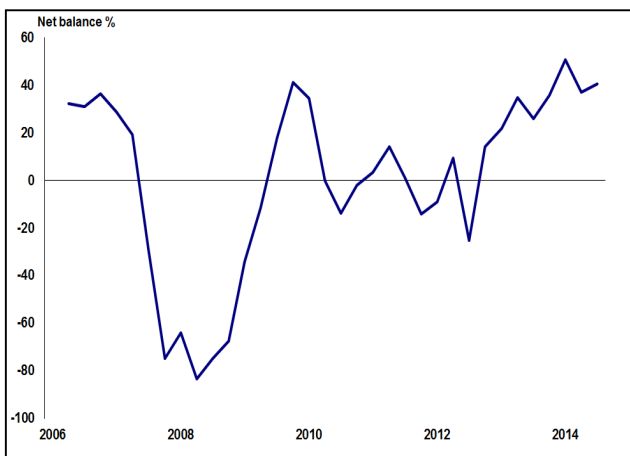
Rent expectations



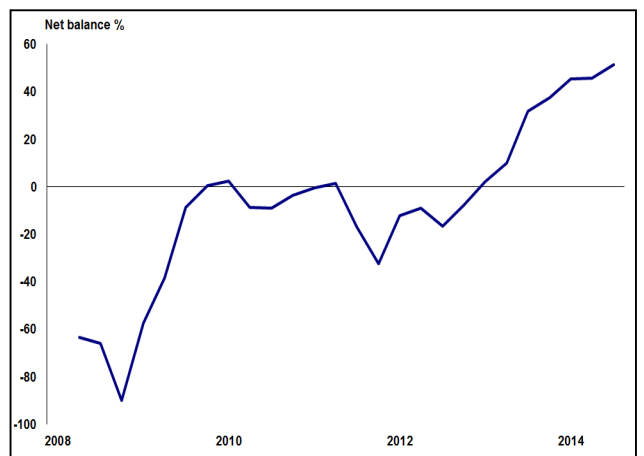
Inducements



Investment enquiries

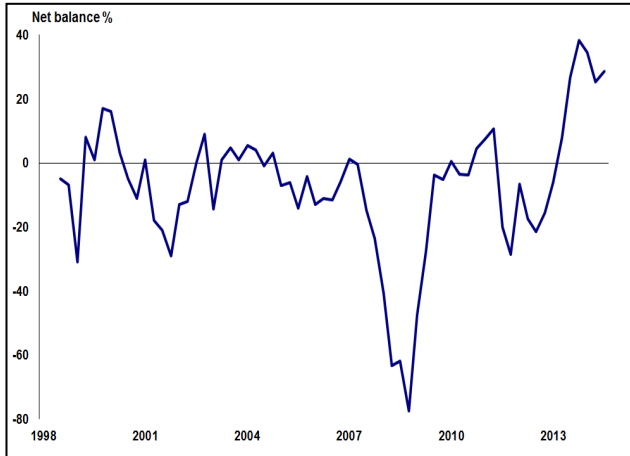


Capital value expectations

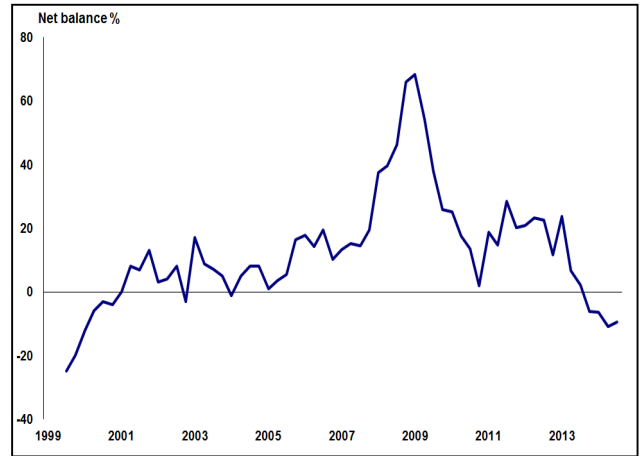


Retail sector

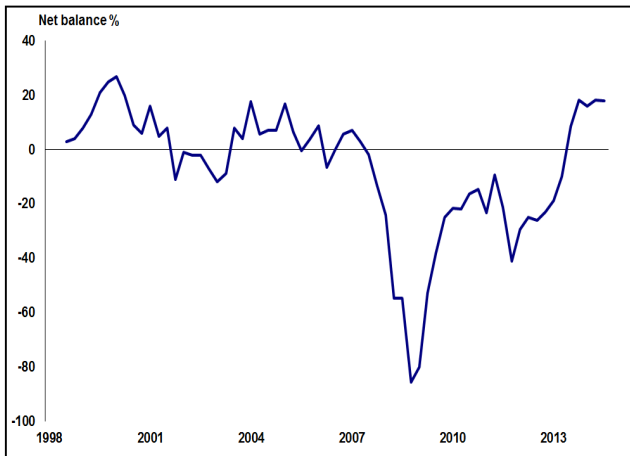
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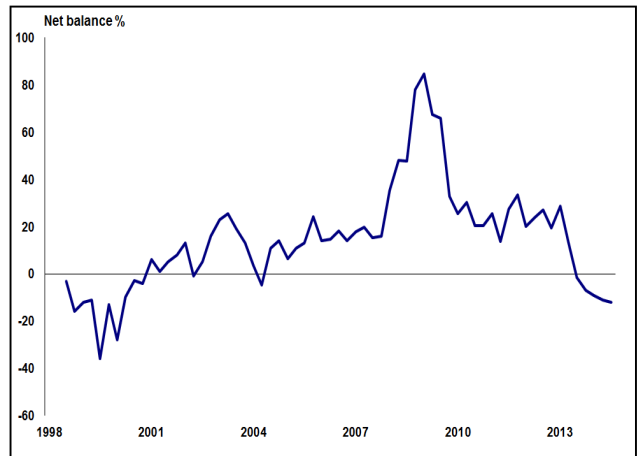
Available space



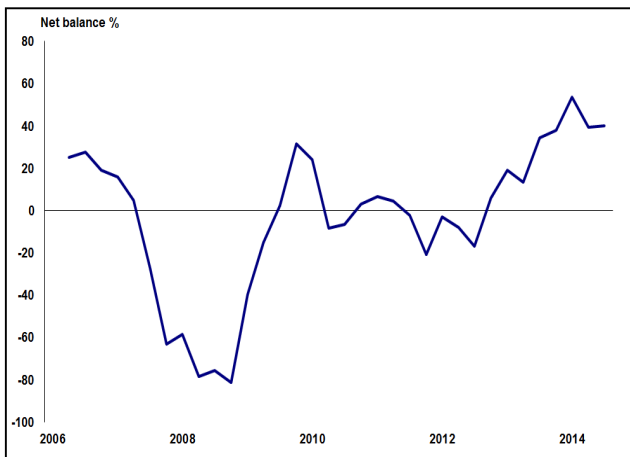
Rent expectations



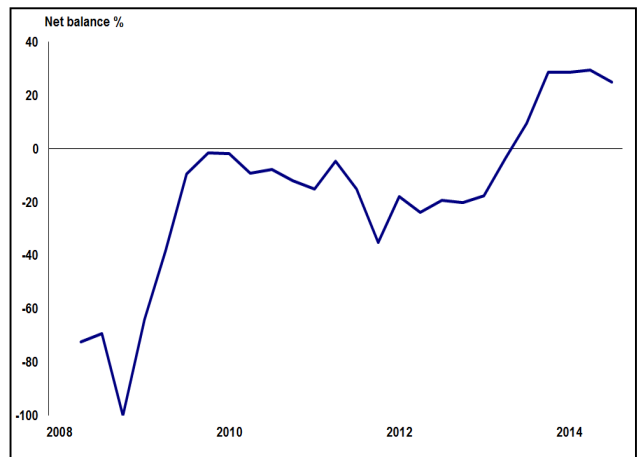
Inducements



Investment enquiries

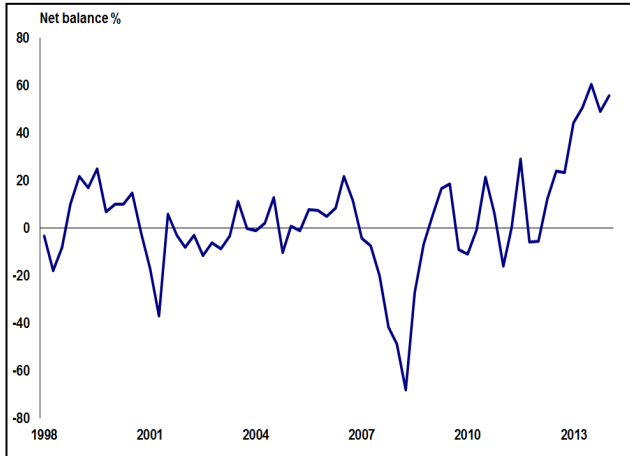


Capital value expectations

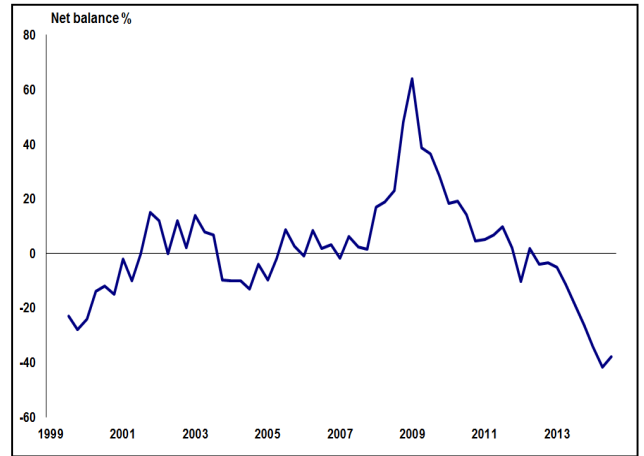


Industrial sector

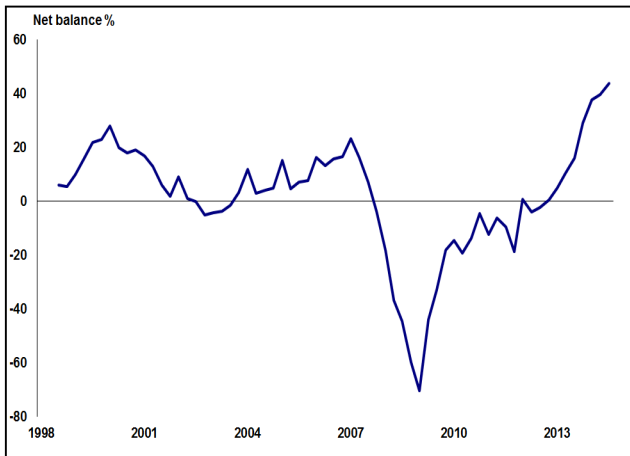
Demand



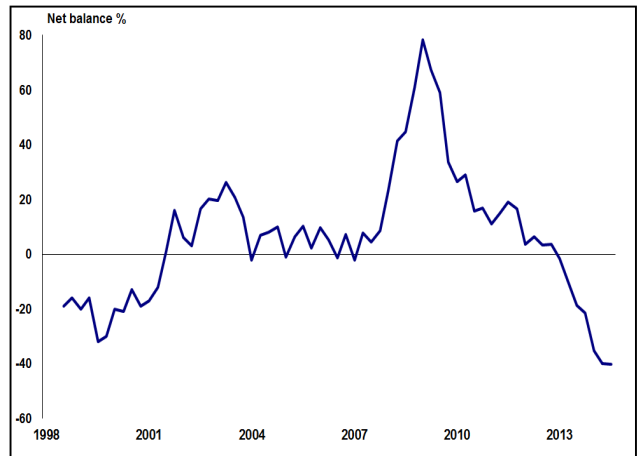
Available space



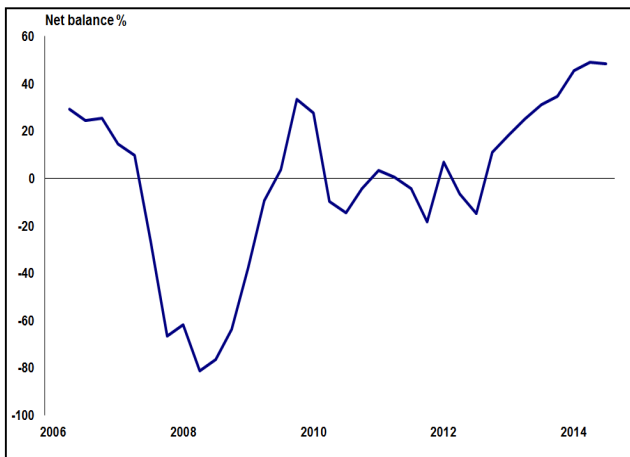
Rent expectations



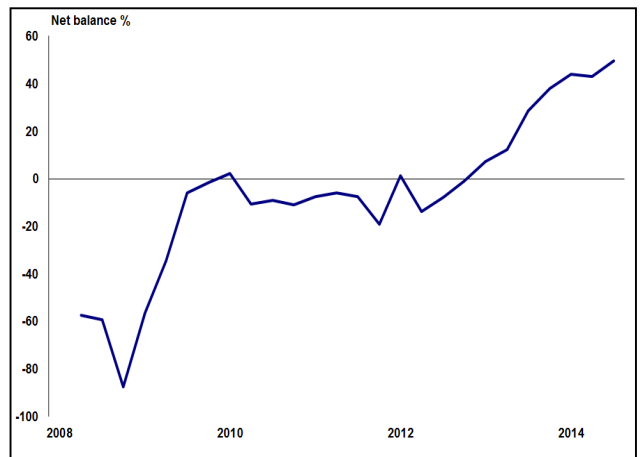
Inducements



Investment enquiries



Capital value expectations



## Chartered surveyor market comments

**East Midlands**

Ben Coleman, Ben Coleman Associates, Northampton - Shortages are beginning to appear in all sectors and the lack of speculative space is bound to worsen over the next 12-18 months.

Brendan Bruder BSc MRICS, Abbey Ross Chartered Surveyors, Northampton - Northampton is already seeing growing signs of a shortage of good quality space across the property sectors but in particular central/professional offices, smaller industrial, good quality warehousing and good secondary retail. The redevelopment Castle Station is scheduled to open in October and this will join North Gate Bus Station providing much needed infrastructural capacity for the town. Indeed, everywhere you look there are infrastructure works being undertaken with often severe congestion ensuing. So much space has been forever lost, particularly in central office property conversions, that there is a severe shortage of good quality central professional office stock.

Brendan Bruder BSc MRICS, Abbey Ross Chartered Surveyors, Kettering - Major schemes in the Kettering area now include Cohens Yard, East Kettering and also the junction 10/ Lattimer Business Park development. Cohens Yard is now being renamed Cransley Park and will offer B2, B8 and hotel space on a 32 acre site adjacent to the A14, whilst the giant East Kettering urban extension comprises 800 acres offering up to 5,500 homes, 1,000,000 sq.ft. of commercial space including health facilities and leisure.

Brendan Bruder BSc MRICS, Abbey Ross Chartered Surveyors, Daventry - Daventry's occupational market is steady, whilst particularly buoyant for smaller leasehold or freehold space. Some agents report severe shortage particularly of Grade A office or industrial space, with prices on good quality smaller freeholds advancing accordingly. Retail in the town centre is still pretty difficult whilst the market braces itself for the outcome of the consultation on the Mulberry Place development.

David Grove BSc (Hons) MRICS, Lambert Smith Hampton, Northampton - Confidence seems to continue to improve along with demand.

David Moore, Harwoods, Wellingborough - There has been a significant increase in market activity for retail and light industrial units.

J A Smith, R Longstaff & Co, Spalding - The market remains challenging - office occupation particularly slow at present.

James Hill MRICS, Lambert Smith Hampton, Kettering - Quality supplies in office and industrial sectors is diminishing.

**Eastern**

Alan Barrett, Brookgate, Cambridge - Cambridge going from strength to strength.

Andrew Bastin FRICS, Bastin Steward Ltd., Norwich - Industrial demand for smaller units continues to outstrip supply. A shortage of Grade A space in the sector should encourage some speculative development activity. The oversupply of secondary office space has led to interest in alternative uses, notably student accommodation and budget hotels.

Anthony Barker BSc FRICs, Barker Storey Matthes, Peterborough - Yet another positive quarter with an improving take up of both industrial and office floor space with a reducing amount of prime office accommodation now available. Larger enquiries may only be satisfied by either prelets or presales. Improving take up in the city centre has now reduced the vacancy rate to below 6% of retail units.

Ben Green, Barker Storey Matthews, Cambridge - Supply across all sectors continues to fall. There are no existing office buildings over 10,000 sq.ft. available in the city centre. Speculative development starts have occurred at Cambridge Research Park, Waterbeach (office and mid-tech) and The Lakes, St Ives (industrial).

Mike Phoenix BSc MRICS, Brown & Lea, Stevenage - Office supply side continues to fall with Permitted Development Rights but occupier demand in offices is still fairly flat. Secondary retail demand is good. Industrial demand continues to rise with availability falling.

Philip Woolner, Cheffins, Cambridge - The market around Cambridge remains very strong and is characterised by a significant shortage of available commercial property across all sectors. This is driving rental growth and is leading to an increase in new development starts.

Sam Kingston, Roche Chartered Surveyors, Norwich - The market continues to improve across certain sectors, but not all. Industrial requirements are up, especially for freehold opportunities, across Norfolk. The office market remains relatively depressed as occupiers are still cautious, but with a number of larger offices being converted under permitted development, supply is reducing which assists landlords. Investment and development enquiries are higher.

**London**

Charles McClean BSc MRICS, C J McClean Associates Ltd., Westminster - Shortage of office stocks in central London and fringes is now very severe, and rents are rising fast. Landlords, where able, are even serving break clauses to renegotiate rents to higher levels.

John Kent FRICS, CBRE, London - West End - In the leasing market sentiment remains good with vacancy rates down to 2.7% and demand not only from lease expiries but also company growth. Capital markets stock levels are down in relation to overseas and indigenous demand so pricing remains strong with an element of profit taking occurring. With credit conditions improving, confidence in the commercial development market continues to grow but it is lessening around residential schemes. Office rent reviews are generally seeing increases on levels agreed in 2009.

Justin Clack, Frost Meadowcroft, London - The office market west of the West End continues to be a story of lack of supply and rising office rents as demand remains steady but supply remains low. A record rent for Hammersmith of £50 per sq.ft. was reached at Development Securities' 10 Hammersmith Grove this quarter with the letting to Phillip Morris. This is the only new building over 10,000 sq.ft. being built in the London Borough of Hammersmith and Fulham (H & F). Substantial supply is being converted to housing in both H & F and in Chiswick because of the Permitted Development legislation. The supply in H & F is at an all-time low with a vacancy rate of 1.9% of all stock. The Royal Borough of Kensington & Chelsea also has a low vacancy rate of 3.6% as does the West End at 4.7%. This compares to 9.4% in the City and 8.8% in Docklands where, ironically, the largest office buildings are being constructed.

Nicholas Maunder Taylor, Maunder Taylor, London - Although optimism remains, activity has slowed over the summer period and has not yet picked up as we would normally expect at this time of year.

Simon Kibble, Frost Meadowcroft, London - The Permitted Development initiative was conceived to stimulate the economy, reduce the number of 'underused' or 'vacant' buildings and provide much needed housing stock. But in London where there is a shortage of offices, businesses are being forced out of perfectly viable offices as developer cash in on significantly higher residential values. A national "one policy fits all" is not the right solution for London. In the capital, the need for housing must be balanced with the need for offices and industrial too. The Local Government Associations' survey has revealed that a significant number of local authorities have genuine concerns about the continuation of these rights.

**North East**

Bill Naylor, Naylor's Chartered Surveyors, Newcastle Upon Tyne - There is generally a feeling of optimism and a better level of take up but the market remains fragile.

Kevan Garrick, JK Property Consultants LLP, Newcastle Upon Tyne - The demand for office and industrial space is increasing. The availability of Grade A office space is reducing and there is a limited supply of new build; this has started to decrease incentives and will lead to increased levels of rent. Similar circumstances exist in industrial. The improving economy and the next 7 months leading up to the election will see an improvement in economic activity but this will tighten after the election. The implementation of the Strategic Economic Plan and availability of loans from the NELEP will continue to help grow the regional economy.

Neil Thomas, Thomas : Stevenson, Middlesbrough - After a surprisingly busy July/August enquiries for new lettings for Retail, Office & Industrial have dropped off in September which is the reverse of the historic trend. Demand is patchy and unpredictable from one week to the next.

Peter Blackett, Davison Blackett Ltd, Newcastle - Within convenience food retail, which is my main area of expertise, we have seen rapid increase in competition and rents over the last 3 years but rental values have peaked and there is likely to be more selective acquisition based on demographic profile which will result in a spread of rents over different neighbourhoods.

#### North West

Andrew Buckingham BSc FRICS, Buckingham, Crewe - Crewe town centre is in decline pending a shelved redevelopment scheme which is affecting retail values in the area generally.

Antony Hill FRICS, Antony Hill Partnership, Southport - A lot of the premises that are currently on the market have been so for some time. The market is slow, although there are signs of improvement.

Brian Ricketts, Hitchcock Wright & Partners, Liverpool - Market sentiment continues to gather pace but this has yet to result in tangible improvements in rents and capital values generally. However, this is usually a precursor to more actual improvements ahead.

Charles Fifield, Fifield Glyn, Cheshire - We are seeing a return to the normal pre 2008 seasonal pattern of demand, although the levels of demand are more in line with the early 2000s than the mid 2000s. Tenants are looking at longer leases, albeit with break options to give flexibility.

Martin Walton, Waltons, Tameside - Occupier demand has increased but it is only slowly affecting capital values as the slack in the market slowly reduces.

Mike Redshaw MA (Cantab) FRICS, Nolan Redshaw, Bolton - Confidence together with investment activity is improving throughout the sectors.

Mike Redshaw MA (Cantab) FRICS, Nolan Redshaw, Wigan - The investment market is improving and we are seeing more activity generally.

Neil Hiyson, Nolan Redshaw, Rochdale - Rochdale has benefitted from new developments over the past few years. such as Kingsway, Crown Business Park and Axis Point. Since this new supply, demand is being satisfied, and now landlords of secondary accommodation are looking at refurbishment. Investment enquiries are increasing for multi-let industrial and prime offices, and in particular, for opportunities where the investor can look to add value.

Paul Nolan BSc (Hons) FRICS, Nolan Redshaw, Bury - A busy September after a quiet summer period. Large office lettings in the pipeline for next month. May increase office rentals.

Simon Adams FRICS, Peill & Co., Penrith - Penrith and north country market towns generally have seen improving sentiment in the last 3-6 months.

Simon Adams FRICS, Peill & Co., Kendal - Kendal and South Lakeland has seen a significant increase in activity in the last 6 months with 20+ retail units being let or sold by our practice. Both occupier and investor sentiment seems to be improving.

#### Northern Ireland

Henry Taggart MRICS, O'Connor Kennedy Turtle, Coleraine - More buyers and bidders in the market at last. Lets see how that demand translates to prices.

#### Scotland

Andrew Cartmail, BNP Paribas Real Estate, Edinburgh - There was a period of inactivity leading up to the referendum. We anticipate a return of investor and occupier confidence and activity.

Chris Ion, Knight Frank LLP, Aberdeen - Referendum had large impact on investment market in last 3 months.

#### South East

Adrian Dolan MRICS, Duncan & Bailey - Kennedy, High Wycombe - Stock in all sectors is reducing.

Allan Pickering, Goadsby, Winchester - Shortage of office space of all qualities and increased demand. Residential values are so high Permitted Development Rights has taken stock and office space that has been vacant for some time is now being let due to lack of availability.

Andrew Archibald, Keygrove Chartered Surveyors, Southampton - The holiday season is over and business has picked up, but confidence is still fragile and flexibility is key.

Chris White, White Commercial Chartered Surveyors, Banbury - Substantial development and planned development for the North Oxfordshire and South Northamptonshire region generally in terms of industrial, retail and residential. Demand has curtailed somewhat in the third quarter however. Many businesses feeling more confident but yet to see improved order books particularly in the SME sectors.

Colin Brades MRICS, Cluttons, Brighton - Prime retail location Churchill Square Shopping Centre has seen the opening of its newly created Top Shop store, along with openings by Boux Avenue.

David Martin BSc MRICS, Stiles Harold Williams, Brighton / Hove - Enquiry levels have remained steady but there is starting to be a shortage of available stock across the office, retail and industrial sectors.

Graham Jacobs, Trafalgar Property Consultancy Ltd, Portsmouth - The market surrounding Portsmouth has seen a significant number of dated secondary and tertiary office buildings converted to residential. We have sold 20% of the stock within Gosport.

Iain Steele, Park Steele, Farnham - The market has steadily improved over the last quarter with a particularly busy August. Most surprising is the turn around in the office market with a steadily improving level of enquiries, which are frustrated owing to lack of stock as there are no new builds and older stock is being converted to higher value residential.

Ian Sloan, Bankier Sloan, Banbury - The industrial market remains strong. There is very little available property. Further development on rural industrial sites proposed under the latest planning framework in North Oxfordshire should help alleviate this issue over the coming few years.

James Waghorn, Martine Waghorn Chartered Surveyors, Maidstone - The supply of available industrial space has fallen as a result of the strong take-up rate in 2014. The interest in freehold offices for residential conversion remains strong.

Jeremy Braybrooke, Osmond Brookes, Southampton - Strangely enough, although we could not be further removed from Scotland down here, I am convinced the recent uncertainty caused a short term hiatus in the market, as the August sluggishness extended into mid September which is very unusual. However with that now behind us I expect a busy run up to Christmas with retail property, the main problem being a lack of good quality, well located units, both in the prime and secondary markets. We are letting all the good units we have and have waiting lists for some areas.

John Fowler BSc FRICS, Lambert Smith Hampton, Milton Keynes - Industrial take-up increasing, supply decreasing. Severe lack of Grade A. Very active investment market. Take-up has been slower this quarter.

John McGuffog, John L McGuffog FRICS MCI Arb Chartered Surveyor, Horsham - Improving, but expect a slow down pre General Election.

Jonathan Mack, Crickmay Chartered Surveyors, Horsham - Increased demand for smaller commercial property investments has shown itself through strengthening yields. This reflects greater confidence in the lettings market, should properties fall vacant, with general shortages of stock being experienced over a number of sectors.

Matthew Le Seelleur, Flude Commercial, Chichester - Regionally, occupier demand is strong across all three sectors, although rental growth has been not been universal. Landlord's incentives continue to harden. Capital value growth appears sustainable, and has been tempered by a continued lack of funding availability, and concerns over political and interest rate uncertainty.

Nick Berrill, Savills, Botley - Reducing supply of grade A office and industrial space.

Phil Eggerdon MRICS, Eggerdon & Holland Ltd, Weybridge - We are now beginning to see a shortage of office and industrial space particularly for SME's 500 - 2,500 sq.ft. Aug/Sept. very busy.

Philip Littlewood, Homes and Communities Agency, Reading - Development activity has picked up markedly, with a number of large office schemes starting in Reading in recent months and a new prime office rent achieved on a building under construction in Bristol after many years of stagnant rent growth. The only notable office to residential conversion that comes to mind in Reading is a virtually unlettable, dated, secondary office building on Friar Street, which is being refurbished for student accommodation.

Richard Venables BSc Hons MRICS, Venables Sherrett Lockhart & Partners Ltd., Oxford - Much higher levels of positive sentiment particularly by tenants and other occupiers. An anticipation that occupiers need to make a decision rather than sit on hands.

Roger Yates, Bidwells, Milton Keynes - Significant rise in enquiry levels and conversion rates for office and industrial. More modest movement in rental sector.

Russell Mogridge, Hughes Ellard LTD, Southampton - Severe shortage of industrial stock, with developers coming forward to develop out schemes on the Solent Corridor. Office supply is also falling throughout the region, creating a problem for business seeking Grade A /B stock.

Tim Parr, Parker Parr, Oxford - Transactions have been down a bit over the summer but encouragingly we have seen new enquiries hold up well. We expect to see increased activity over Q4 and a reduction in supply of Grade A space. There are noticeably more contract-led requirements for warehousing and good take-up of flexible storage such as Culham and Steventon. Demand for offices is principally for business park space, with a weaker appetite for town centre accommodation. Local landscape changing with new mixed use development near Milton Interchange and proposed redevelopment of former power station land. Further developments at Harwell and Milton Park will target a lively Oxfordshire demand from bio/pharma industries.

Tom Holloway, Holloway Iliffe & Mitchell, Portsmouth - Stock levels are decreasing, which is increasing the pressure on rents and capital values in the office and industrial market. Developments sites are starting to look more viable.

Stephen Power MRICS, Dunster & Morton, Reading - Demand from investors looking to change offices to residential remains high, and increasingly they are looking at larger and more recent office properties for conversion.

Will Andrews, JLL, London - Out of town retail investment market is strong and steady, so currently, I expect an active last quarter.

#### South West

Alan Treloar, Vickery Holman Ltd, Truro - Limited supply of new instructions coming on to the market across all sectors means increasing confidence can not be fully converted into more deals. This may have a modest positive impact on prices and rents being achieved - but the recovery in the far south west is still far from complete.

Alistair Edgcumbe, Larkman Edgcumbe, Taunton - A general easing of market conditions is noticeable, although deals still seem to take ages to complete. South west rental levels are unlikely to see any early uptick, although market sentiment now appears more positive than for some time.

Andrew Hosking BSc MRICS, Stratton Creber Commercial, Barnstaple - Activity/take-up have now largely recovered to pre 2008 levels.

Andrew Hosking BSc MRICS, Stratton Creber Commercial, Exeter - Increased take-up of industrial units leading to worrying shortage of stock. Similar situation with offices except lower take up levels.

Andrew Hosking BSc MRICS, Stratton Creber Commercial, Torbay - Demand is still very much concentrated within the industrial/warehouse sector with offices and retail lagging behind.

Chris Wilson BSc FRICS Minst D, Goadsby, Poole - Larger D & B enquiries from industrial/warehouse companies has noticeably improved.

David Cowling, Cowling & West, Bournemouth & Poole - The continued reduction in stock levels across most sectors is putting pressure on values.

Doug Finlay, Muse Developments Ltd, London - Generally slow outside M25.

Michael Oldrieve, Vickery Holman, Exeter - Steady as she goes.

Michael Ripley, Stephen & Co, Weston-Super-Mare - Market remains difficult locally but increased demand/activity in Industrial Sector. No recent speculative Development.

Simon J Pontifex, Spa Chartered Surveyors, Cheltenham - This last quarter has seen an improved take up of space across all sectors. Not necessarily generated by more applicants but applicants that have decided to move and bite the bullet. Hopefully this period will be seen to have been the turning point in the market but I am yet to be convinced.

Simon Walsham, James and Sons, Dorset Towns - Increased level of enquiries following the seasonal summer holiday period.

Tim Wright, RMW Knight, Yeovil - The commercial property market continues to improve with gradually increasing confidence and activity.

#### Wales

Chris Sutton, JLL, Cardiff - Much improved market conditions since Q4, 2013. There is improved investor confidence in the main cities of Wales, with UK funds and institutions actively investing, together with a number of overseas investors. Cardiff is the focal point for investors. There is a return of confidence in the occupational markets with recent transactions including Pinewood Studios Wales (177,000 sq.ft. industrial, Cardiff) and Tenneco Automotive (165,000 sq.ft. industrial, Merthyr Tydfil).

David Pugsley, Hutchings and Thomas, Newport - Some slight improvement in demand for well located office and industrial accommodation. Retail still appears weak especially for secondary/tertiary properties.

Gareth Williams FRICS, Gareth Williams Commercial, North Wales - For North Wales generally we have seen encouraging improvement in demand levels particularly in the business space sector. Retail remained very sluggish and the office market awaits an awakening of public sector activity.

Jason Thorne BSc MRICS, Lambert Smith Hampton, Swansea - Public sector cutting costs dramatically. The threat of job losses in the public sector could lead to a small slowdown in growth, purely due to the number of people employed in that sector in Wales.

Robert Ladd MRICS, DTZ, Cardiff - Lack of any development will hamper business growth.

Rowland Jones, Rowland Jones Chartered Surveyors, Swansea - Improved demand, still cautious no new starts

Peter Graham BSc FRICS, Stephenson & Alexander, Cardiff - Cardiff and South Wales not top of investors shopping list compared to Cambridge, Birmingham, Leeds and Manchester.

#### West Midlands

Andy Venables, GVA, Birmingham - Office market sentiment has remained positive. Occupier activity is encouraging and supply of quality office accommodation is becoming limited in relation to prevailing demand in some locations.

Anthony Rowland FRICS, Timothy Lea & Griffiths, Evesham - The clearing banks are very unfriendly towards property deals. We are starting to look at crowd funding to bypass the clearing banks.

James Millard, JLL, Birmingham - Improving

Jonathan Carmalt, JLL, Birmingham - Good office investor demand but constrained supply. Office occupier enquiries and hence viewings sporadic, but the live enquiries that do exist are proactive and committing to opportunities.

Michael Jones FRICS, Allan Morris & Jones Commercial, Worcester - Owner/occupier purchasers still continuing to drive the commercial property market in the West and South Midlands area generally. Investors still "very low key".

Rob Ellis, Harris Lamb, Birmingham - Not enough new stock and desperately short of new industrial property.

Roger Wilkins FRICS, Halls (Midlands) LLP, Worcester - There is a feeling of improvement in the market. The supply of void offices is gradually reducing, resulting in a reduction in incentives required, although values have not improved enough locally to stimulate new construction. Industrials are steady, but there is a shortage of supply in the B8 sector, and of development land. The retail market has not worsened further, although Worcester is seen to perform better than comparators.



Simon Beedles, Barbers, Telford/Shrewsbury - There is continued activity in the market but good investment deals are hard to find and small to medium property companies are finding financing time consuming and sometimes difficult. All transactions seem to take longer to complete. Buyers and would be tenants are more cautiously optimistic. Selling prices and rents need to remain realistic to attract any attention at all.

Stelios Demetriou, CBRE, Birmingham - Market is improving, but still some way off pre recessionary levels.

Stephen Smith MRICS, Fraser Wood, Walsall - While we are continuing to agree deals on all property types, with a noticeable increase in enquiries for freeholds, completions remain generally longwinded.

Steven Haddock, Prologis UK Ltd, Birmingham - Market is improving and demand has increased for prime industrial buildings in core locations.

Stuart Mair, CBRE, Birmingham - Serious lack of supply of industrial accommodation which is unable to meet occupier demand is having a positive impact on rent increases for landlords and diminishing incentives for tenants

David Penn, Shortland Penn + Moore, Coventry and Birmingham - We are now seeing a very significant improvement in industrial and warehouse markets and development is now gearing up in a big way. The same cannot be said for offices, with the exception of Coventry's Friargate scheme. No one will start building speculative offices for at least 18 months. If it then takes a further 18 months to build, that's a minimum of 3 years, by which time, there will be a massive shortage of supply.

Graham Jones, Kingston CPC, Lichfield - The market generally has continued to improve with a rise in demand across most sectors. This has led to a decreasing supply of available properties within some sectors, especially prime office and industrial particularly on a freehold tenure as the appetite for buying has returned strongly. However, in some other sectors, such as secondary offices, the market remains difficult.

Rachel Lister, Thomas Lister Limited, Worcester - The key issue with market conditions acting as a barrier to development outside of the major cities is occupier requirements. These are generally requiring short term leases with break clauses. Such terms are generally unacceptable to developers who cannot achieve the required investment value on disposal where buildings are let on terms insufficient for the investment market.

Richard Calder, Calders Surveyors, Birmingham - The slightly "manic" market activity of the early part of the summer appears to have "tailed off" but is perhaps now more "manageable". I suspect negative world events and the Scottish referendum have had an impact. Demand remains improved in comparison with previous years but not as yet to the extent of producing significant rental or capital value growth

#### Yorkshire and Humberside

Barry Crux FRICS ACI Arb, Barry Crux and Company, York - The summer months have been surprisingly quiet with enquiries and activity resulting in low levels of transactions. There is little doubt that financial organisations have tightened up their lending criteria and pulled back from the market. This has resulted in problems for those seeking out finance with the consequential effect that activity has been suppressed. Cash buyers are in the driving seat. The market is not functioning properly without funding support.

David Marshall, Ryden LLP, Leeds - We have seen the first speculative office starts since 2007 during the last 6 months. A number of secondary or older city centre offices in Leeds have been sold for residential conversion. There are plans for larger speculative industrial development in the Lower Aire Valley area of Leeds but this has not yet commenced on site.

Graeme Haigh MRICS, Bramleys LLP, Huddersfield - Market activity has dipped notably over the summer. The supply of new instructions, particularly good freehold stock, remains an issue but a number of factors have dampened demand albeit temporarily (we hope).

Malcolm Stuart FRICS IRRV (Hons), Malcolm Stuart Property Consultants LLP, North Yorkshire - The market continues to pick up especially in warehouse/workshop sector. Renewed faith in retail especially prevalent in N. Yorkshire market towns.

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