

The market in 2015 for office and warehouse/industrial property was a strong one and we see things continuing in a similar manner in 2016, subject of course, to the possibility of any major global changes dampening the UK economy.

Barring such change, we believe the parallel trends in each sector will continue:

- Sustained rental growth coming through from new lettings and driving the case for uplifts at rent review.
- Lengthening lease terms with landlords resisting three/five year lease breaks that would have been commonly available two years ago.
- Tenant rent free incentives shortening to commonly one month or less per year of lease term - certain, from what might have been two months as recently as 2014.
- In the face of limited options, occupiers will show willingness to be more flexible in their requirements and, in particular, to consider new locations that would previously have been regarded as too off-pitch.

Specifically in the office sector:

- Developers' commitment to new schemes two plus years back will bolster a supply side that was lacking new stock, but competition for the best buildings will be strong and lettings significantly in advance of practical completion will be more common.
- Secondary office buildings will continue to be eroded from the available pool by conversion to residential thereby reducing options and pushing up rents on the remaining stock.

In the warehouse/industrial sector:

- Retailers and e-tailers will continue to be active drivers of the distribution market throughout the UK, particularly as a consequence of sustained internet sales growth.
- Home delivery and click and collect will press the need for facilities closer to market in larger metropolitan areas with the scarcity of stock bringing secondary/older buildings back into frontline use, particularly if they have good yardage.
- In larger urban conurbations, the demand for and political focus on providing more housing will bring further erosion of previously "protected" employment land.
- In extra-urban locations throughout the UK, there has been significant speculative warehouse development but not on the large scale of the previous cycle. We regard the market to have greater balance going forward in that developers holding enabled land are more commonly agreeing design and build deals with occupiers who are keen to secure buildings more closely suited to their operational requirements.

In summary, more of the same in 2016 as we had in 2015.

Please contact the above for further information or advice regarding this update.



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