This report looks at the following areas:

- How key sectors of the commercial property market have performed in the unprecedented disruption of the COVID-19 pandemic and how they are emerging from the crisis
- Opportunities and threats across the key sectors of the commercial property market
- How the market is expected to develop over the next five years
- Trends in investment activity across the key sub-sectors of the commercial property market

Industrial property has been the strongest-performing sector of the commercial property market over the past five years and now represents the largest single sector. In 2021 alone, the capital value of the industrial sector grew by a significant 31% to £372 million, accounting for 36% of the total commercial property stock.

In the short term, occupier performance in the office and retail sectors may be tempered by the more uncertain economic outlook and surging costs. While the industrial sector is not insulated from the economic and geopolitical headwinds, demand for high quality, well-placed warehouses (especially urban and last-mile logistics sites) is expected to remain strong. While online sales are likely to slow, they are expected to remain above pre-COVID-19 levels, resulting in continued occupier demand for fulfilment space. Global supply chain issues are also set to support demand as companies invest in warehouse space to combat supply chain disruption and to be closer to their customers in the UK.

The adoption of WFH practices during the pandemic is having a lasting impact on the office market, with many companies adopting hybrid working models post-COVID-19. This has raised uncertainties around future levels of office occupation and is expected to lead to an overall decline in office space requirements by tenants and greater demand for more flexible office leases.

“In a more uncertain economic and geopolitical environment, investors are turning risk-averse and shifting their focus to the longevity and durability of their income returns.”

– Claudia Preedy, Senior B2B Analyst

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A growing trend among occupiers and investors in the commercial property market is the heightened focus on sustainability and ESG factors. Commercial property companies are recognising the growing focus on ESG, with these factors now playing a crucial role in building design. For landlords, considerations are likely to revolve around improving the thermal performance of buildings, incorporating renewable energy generation where suitable, installing EV charging stations and investing in smart building infrastructure.
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