



Our predictions for 2013

Last January we said we would be set for another difficult 12 months and our predictions were certainly true.

In recent months we have seen some increased levels in activity, but as will be seen from the below, many sectors – particularly High Street retail - continue to suffer.

We expect 2013 to be much of the same as 2012, but whilst a full blown recovery is some way off there will be some interesting opportunities presenting themselves in 2013.

Our predictions are:

FOOD RETAIL

The majority of larger stores will be focussed on the South, with continuing demand for prime locations, except for the large formats, i.e. over 80,000 sq ft.

The race for space in convenience stores will continue.

Because of a squeeze on margins, it is improbable that rents will grow significantly in the next 12 months.

Foodstore investments will remain in demand as trophy assets.

OUT OF TOWN NON FOOD RETAIL

Many retailers will continue to struggle, but the value retailers will continue to flourish.

Rents will remain flat or fall.



HIGH STREET RETAIL

There will be further receiverships adding to an already over-supply of retail space, particularly outside of the top 100 centres.

Internet sales will rise which will further damage the High Street.

Local authorities and landlords will need to realise that many locations will suffer a permanent over provision of retail space and have to consider alternative uses/regeneration schemes.

Rents will fall other than in prime locations.



PETROL FORECOURTS

There will be further consolidation as convenience retailers enhance their position.

Pricing for large well positioned forecourts will continue to strengthen.

Smaller rural and isolated forecourts will see further closures.

New to industry forecourt sites will gather momentum as convenience retailers drive the market.

MOTOR DEALERSHIPS

With some exceptions, dealers are likely to remain cautious and there will be a limited upturn in the appetite for new sites, not least because of the difficulty in raising funding.

The introduction of new franchise agreements from May will create a more stable platform for dealers to invest in new and improved facilities.

There will be a modest upturn in associated property activity, particularly in the premium brand sector of the market.

BUSINESS SPACE

Rents generally will remain under pressure as a result of lack of demand in office and warehouse/industrial sectors.

Exceptions will be in prime locations, particularly for offices in the South East and in key distribution hubs throughout the UK, where new stock has been substantially taken up, with little or no stock being developed.

COMMERCIAL DEVELOPMENT

Development finance will remain extremely difficult to obtain.

It is unlikely that schemes other than those which are significantly pre-let to good covenants will proceed.

There will be limited activity except in prime locations.



RESIDENTIAL DEVELOPMENT

London and the South East will continue to prosper. Other areas of the UK will remain very challenging and, in many cases, development will be unviable.

New build starts are likely to be at even lower levels than 2012.

There is a major risk of even less development following the introduction of the Community Infrastructure Levy.

Medium to long term strategic sites will be pursued in anticipation of an uplift in 3-4 years time.



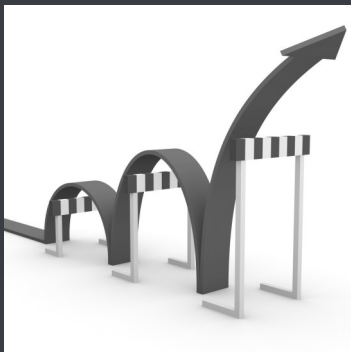
INVESTMENT

While interest rates will remain low borrowing rates, in relative terms, will be high.

Investors will seek safe havens of good covenants and long leases, particularly with fixed uplifts. Overseas investors will continue to seek trophy assets.

Prime yields will remain much as they are at the moment, but secondary and tertiary investments will deteriorate in capital terms further.

Cash buyers will continue to dominate.



TOWN PLANNING

The Growth and Infrastructure Bill will become enacted, meaning that there is likely to be on-going tension between the localism and pro-growth/economic agendas.

Many Councils, in England, will introduce the Community Infrastructure Levy which, it is anticipated, will have a significant adverse affect on land values and stall developments.

The Government will need to bring in a number of new initiatives to remove obstacles to growth.

CORPORATE PROPERTY

There will be a continued focus on minimising costs by occupiers.

Many will take advantage of re-negotiating leases on shorter terms, reduced rents with capital contributions etc.

Landlords will focus on retaining income and securing long term stability.

An increasing number of landlords and tenants alike will outsource for a more cost effective approach to management.

RATING

Despite intense lobbying the Government will confirm that rating revaluation is to be postponed until 2017 in England and Scotland. The Welsh Assembly may follow. The Northern Ireland Assembly will carry on with the 2015 Revaluation.

In Scotland empty rates will be an increasing burden.

In England there may be some further changes to the empty rates provisions.

With the introduction of the Rates Retention scheme Local Authorities will take an increasing interest in the assessments of commercial property.

The Uniform Business Rate will rise by 2.6% in April and the Small Business Supplement will also rise increasing the burden on the business community.



BUILDING CONSULTANCY

Building tender prices dropped by 0.45% during 2012 according to BCIS Forecast of Tender Prices. The Forecast for 2013 is + 2.27%, 2014 +3.11% and 2015 3.02%.

Building insurance reinstatement costs should, in theory, be based on actual tender/construction forecast costs using the BCIS indices in the same way. However, whether the same can be said for insurance premiums remains to be seen bearing in mind insurance premiums are all based on risk, location, nature of business within the building and fire protection methods incorporated into the building.

In summary, our prognosis is much the same, but well managed businesses will succeed and there will without doubt be attractive opportunities to be pursued in 2013. Hopefully in 2014 we will be able to look forward with a great deal more optimism.

We wish all our contacts and clients a prosperous and healthy New Year.

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