

UK property in a period of political and economic transition

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Professional Conferences

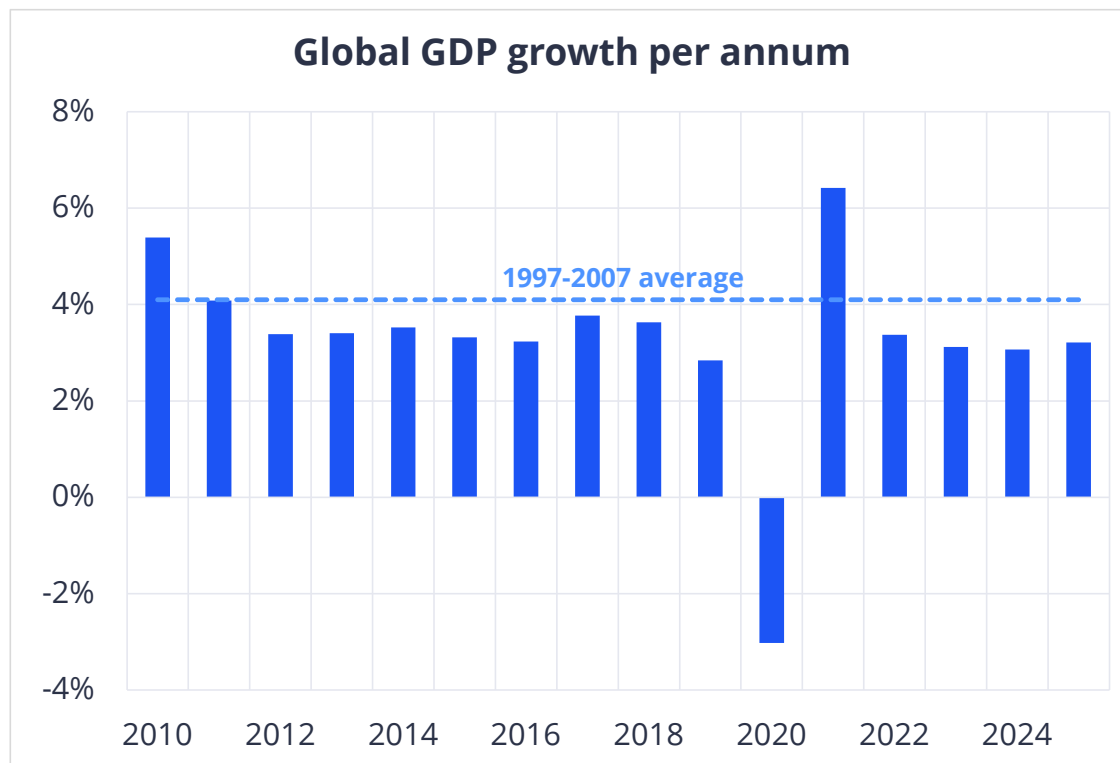
London, 19th November 2024

Colliers' briefing – Q3 2024

- 1 UK economy in a global context
- 2 UK economy and interest rates
- 3 Recent property trends
- 4 Regional development notes

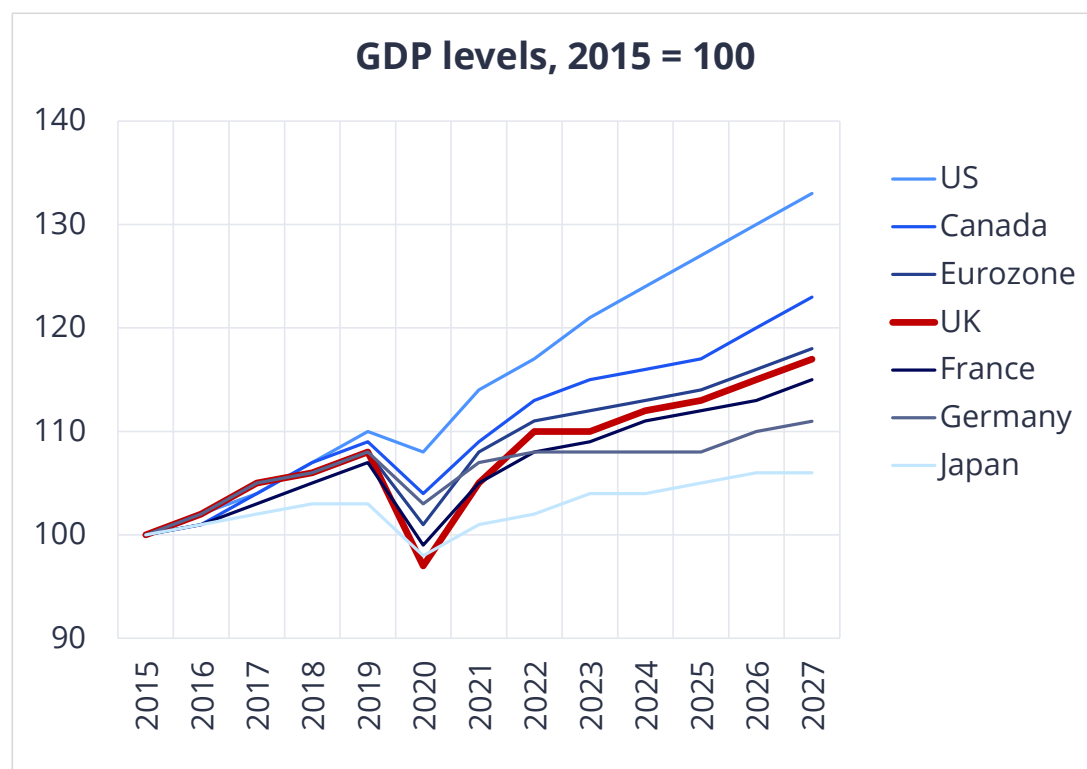


The global economy is adjusting to a 'new normal' Growth to stabilise at 3%+ (non-recessionary)



- Global economy is adjusting to lower interest rates
- GDP growth rates remain below historic standards
- Growth in China to slow from an average of 10% pa to around 4% pa (\$1.4 trillion support announced)
- Despite lower 'new normal', economic growth should strengthen as interest rates fall further and real incomes rise and support spending

Global economies continue to recover UK not a 'laggard'



Source: Oxford Economics

2021

UK business [+ Add to myFT](#)

UK economists' survey: recovery will be slower than in peer countries

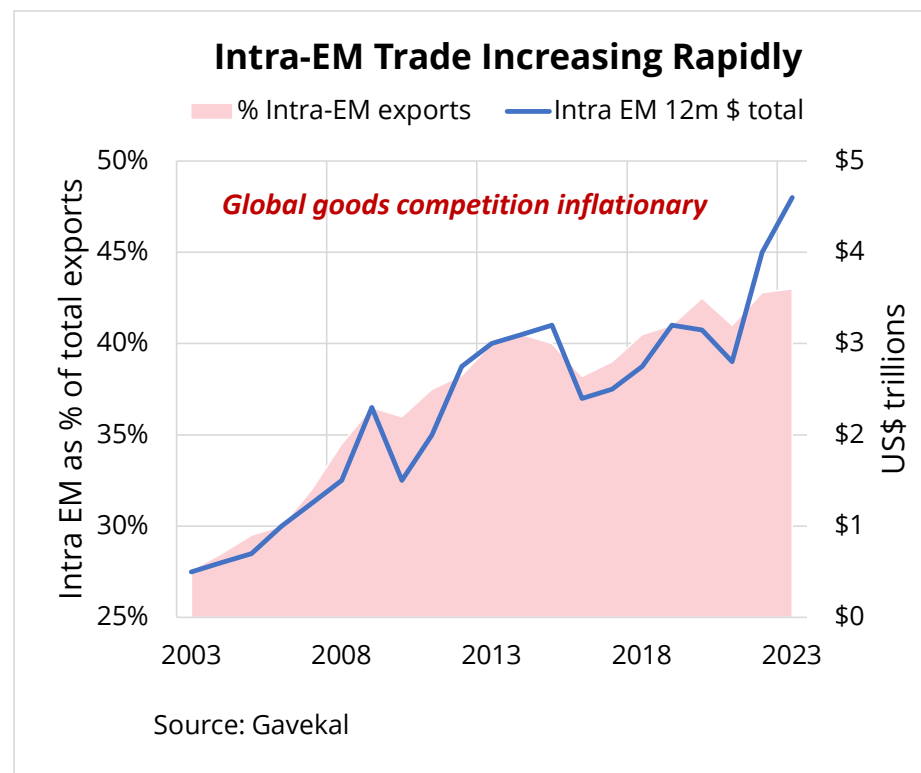
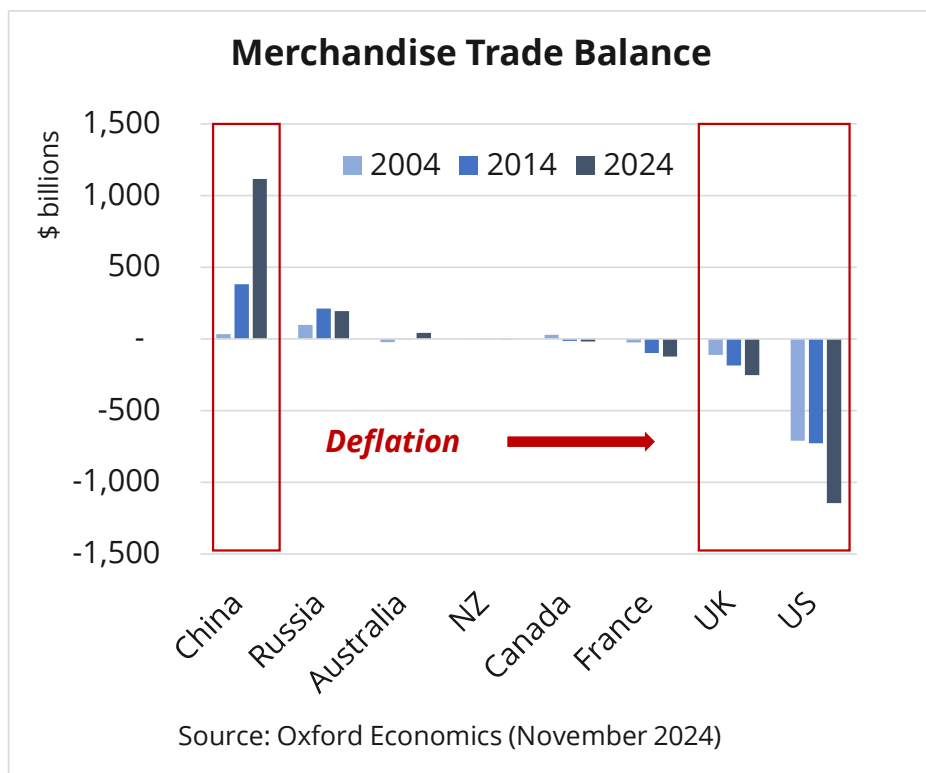
2024

UK economy [+ Add to myFT](#)

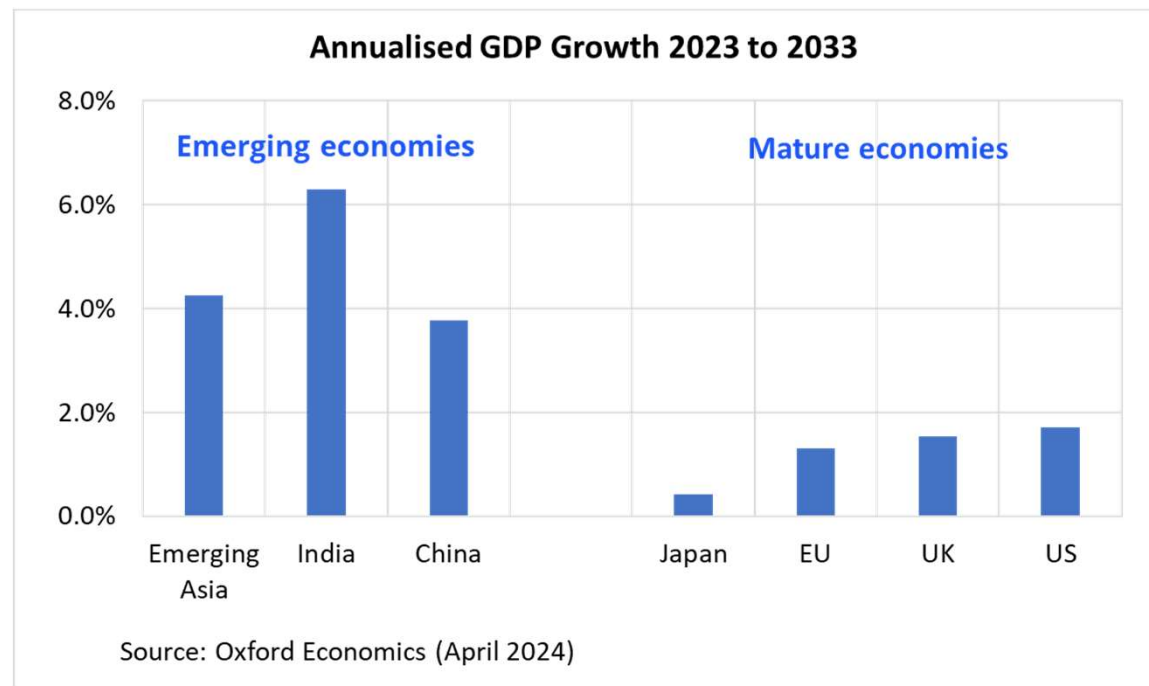
FT economists survey: 'anaemic' economy needs 'investment, investment, investment'

- Of the developed world, UK saw steepest decline in GDP during the pandemic...
- ... followed by the strongest recovery
- US/Canadian economies always the strongest due to longer working hours
- Germany suffering from weak exports

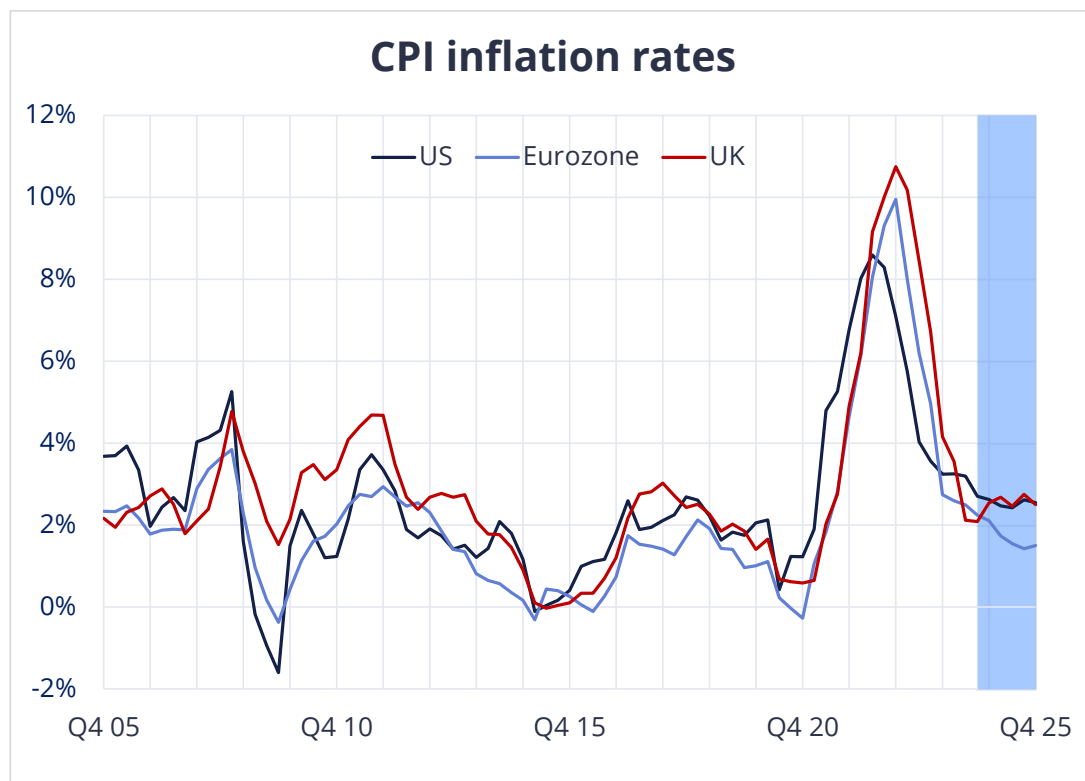
China knows where its bread is buttered, but . . . Trade and geopolitics – sides of the same coin



. . . but China has other options
Asian EM growth potential will remain strong



Global inflationary spike looks historical, for the moment . . . Inflation in abeyance?



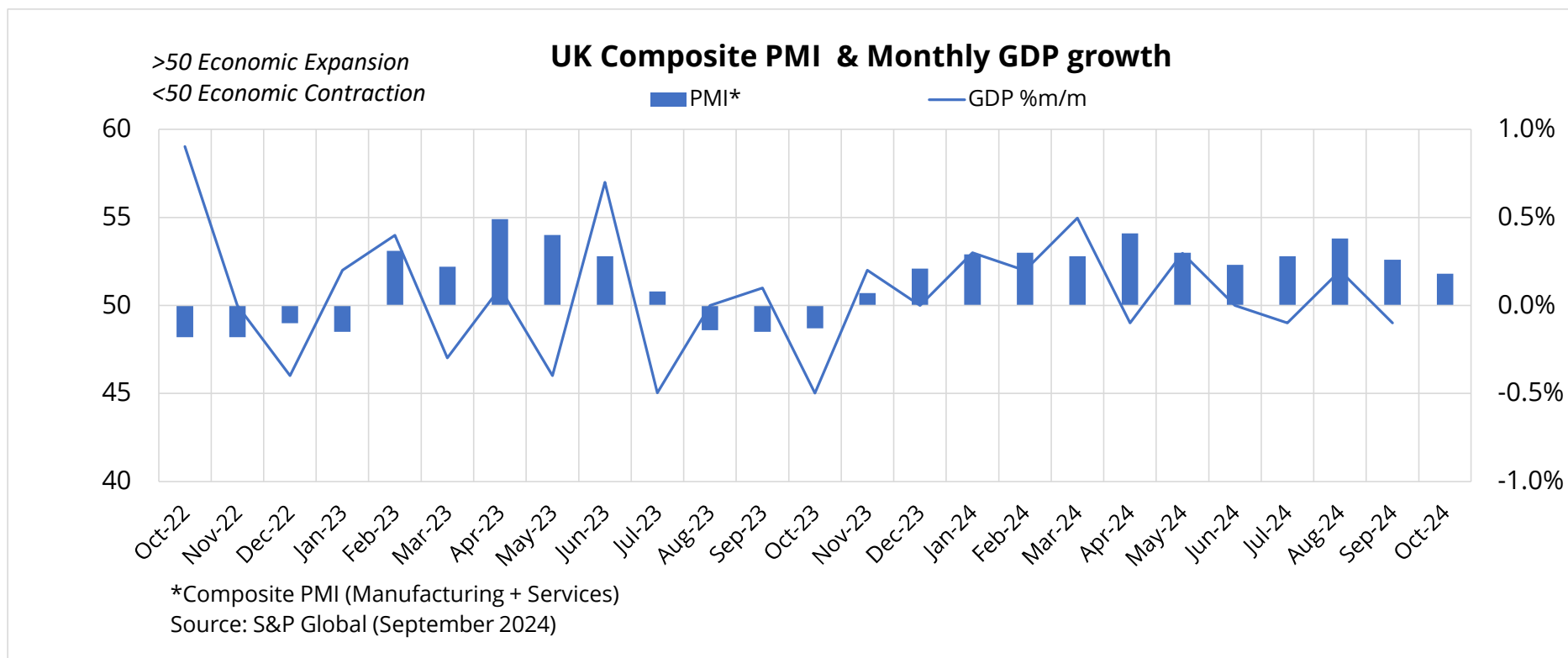
Source: Oxford Economics + local statistical agencies

CPI inflation rates	Post Covid max	Latest
Australia	7.8	2.8
Canada	7.6	1.6
China	5.0	0.3
France	6.1	1.2
Germany	8.6	2.0
India	7.3	5.5
Japan	3.9	2.5
Russia	16.9	8.6
South Korea	5.8	1.3
Spain	10.1	1.8
UK	10.8	1.7
US	8.6	2.4

Section 2

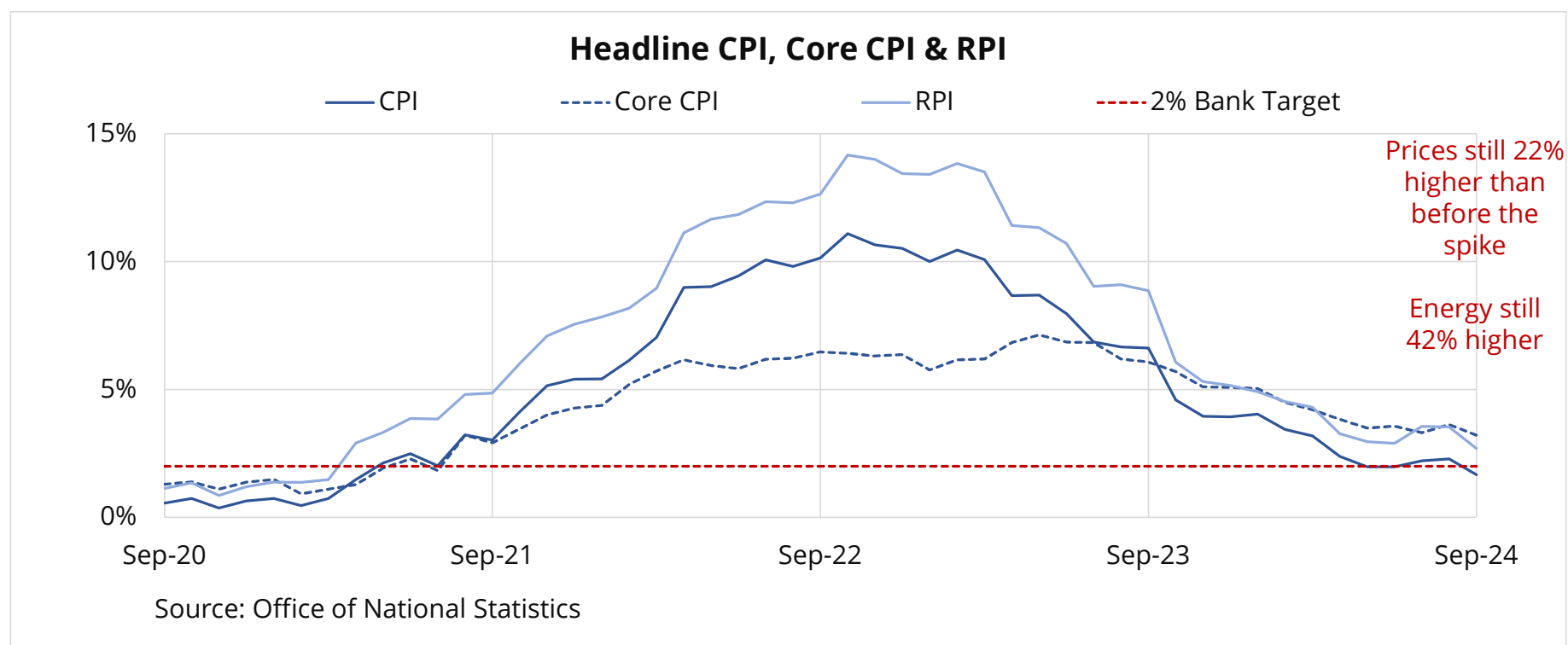
UK economy and interest rates

Reasonable performance in 2024 despite high rates, but slowdown still possible 'Soft landing'?

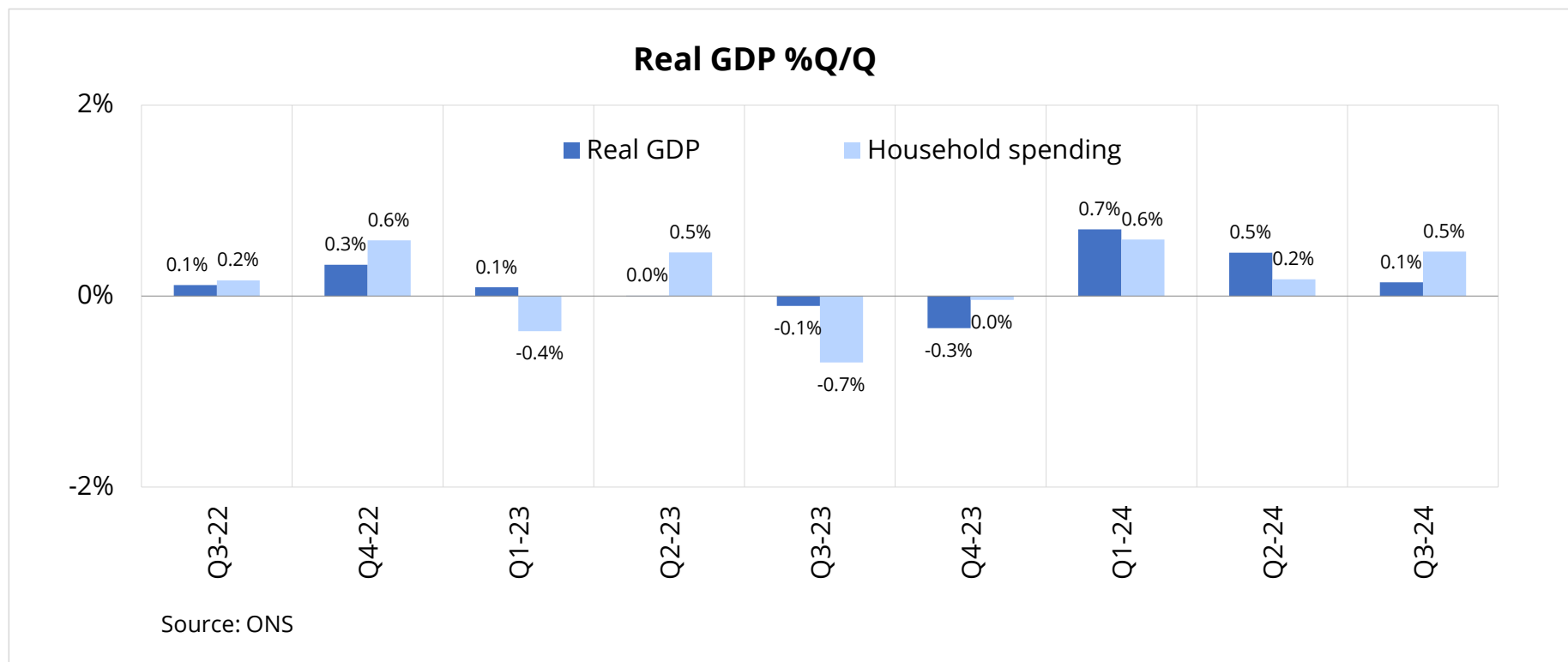


High prices will continue to buffet household spending

Inflation lower in short term but risks increasing



Household spending still **very** price sensitive
Will real wage growth translate into higher spending?

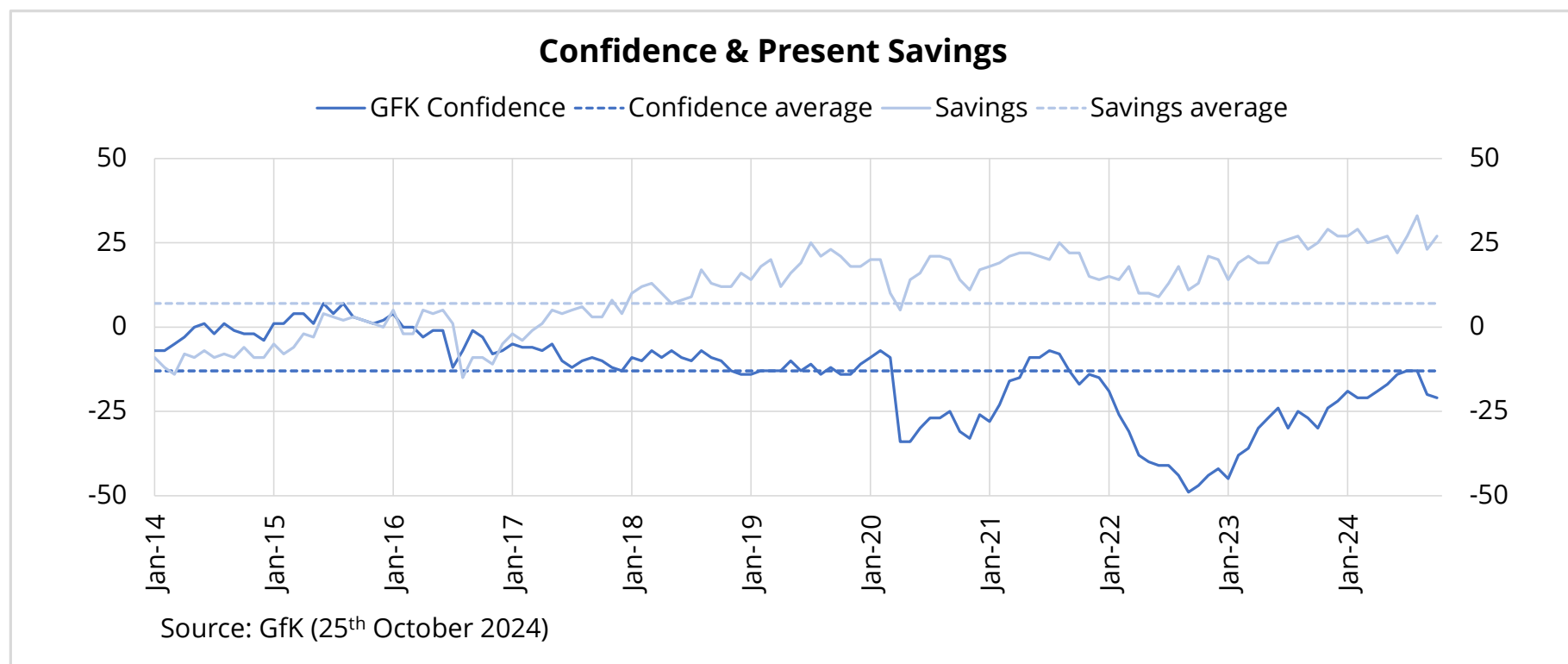


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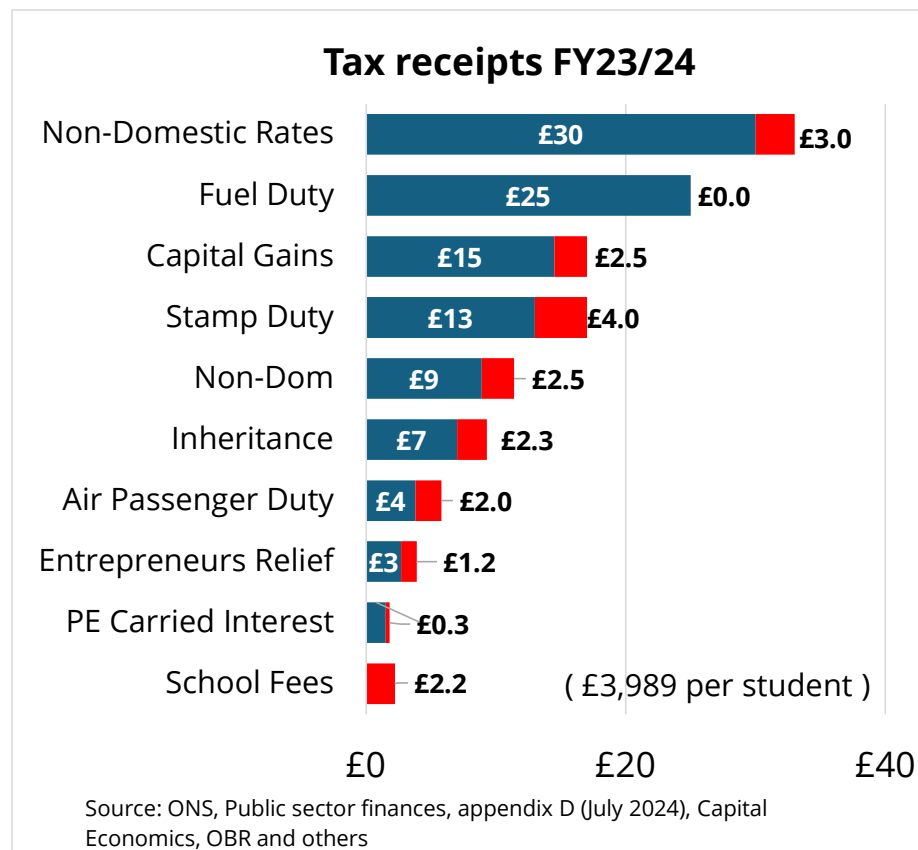
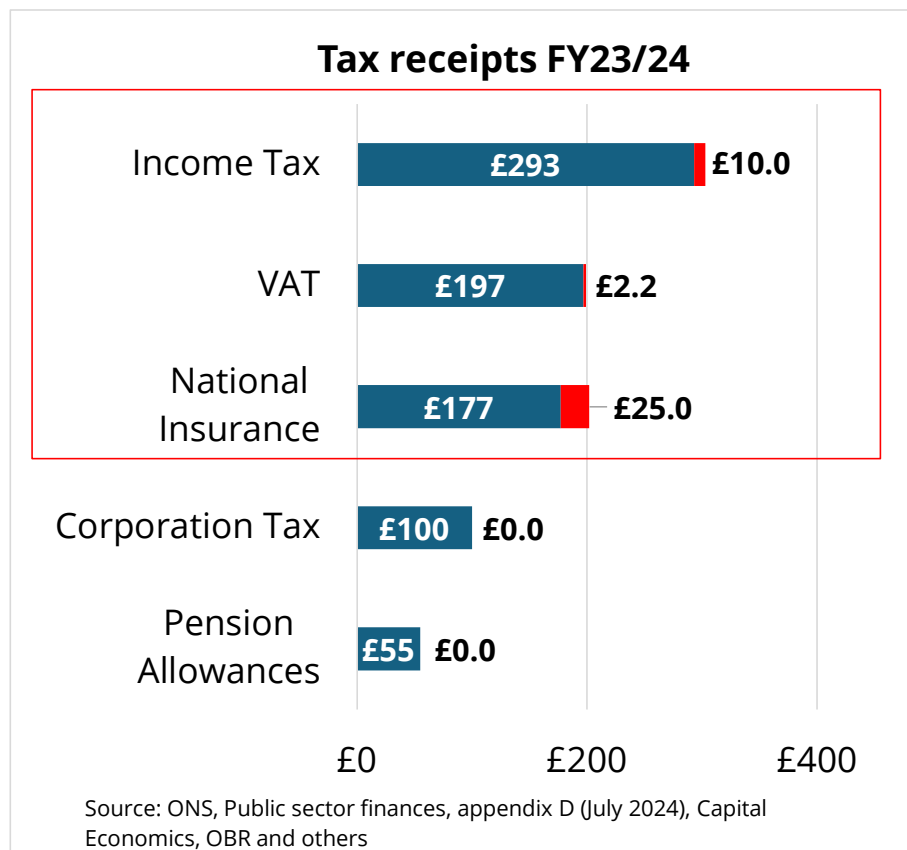


Budget verdict still out?

Household confidence took a hit in September/October

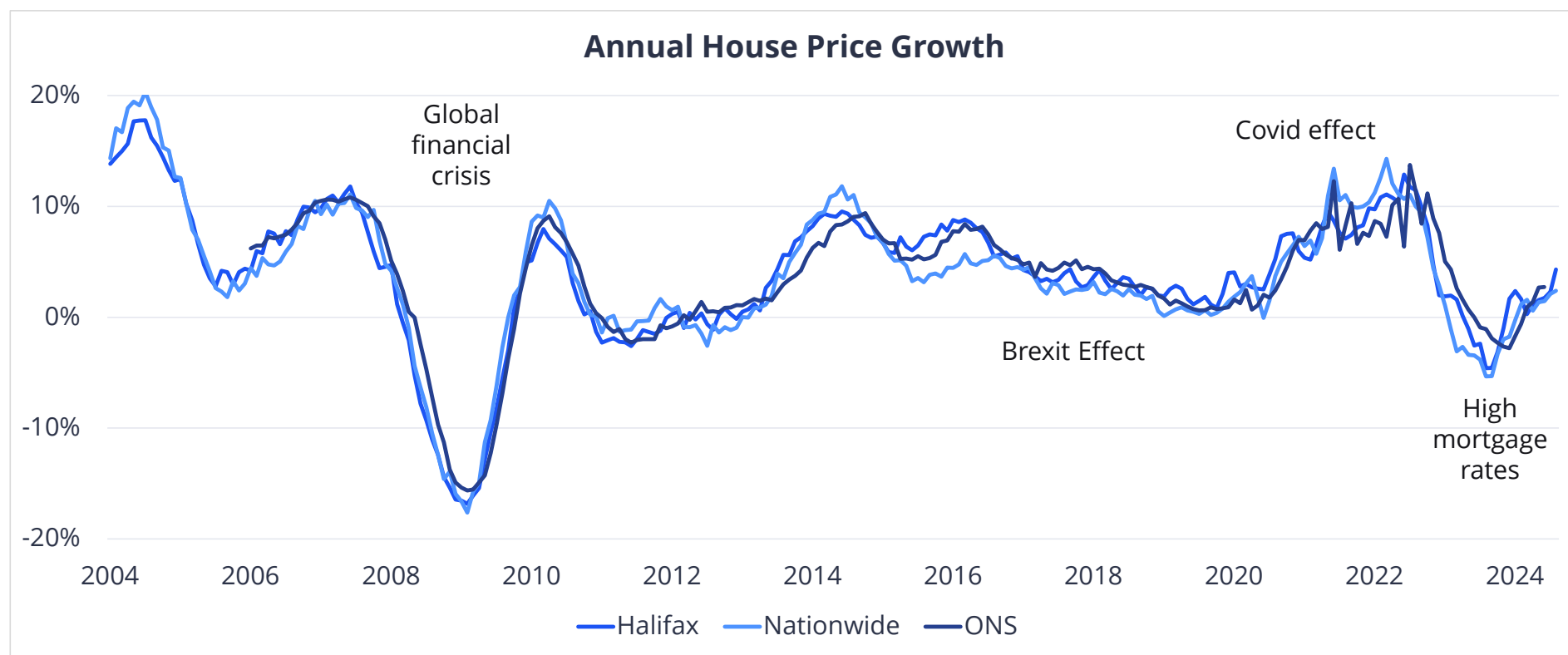


Labour's Budget interpreted as inflationary (£72 billion)



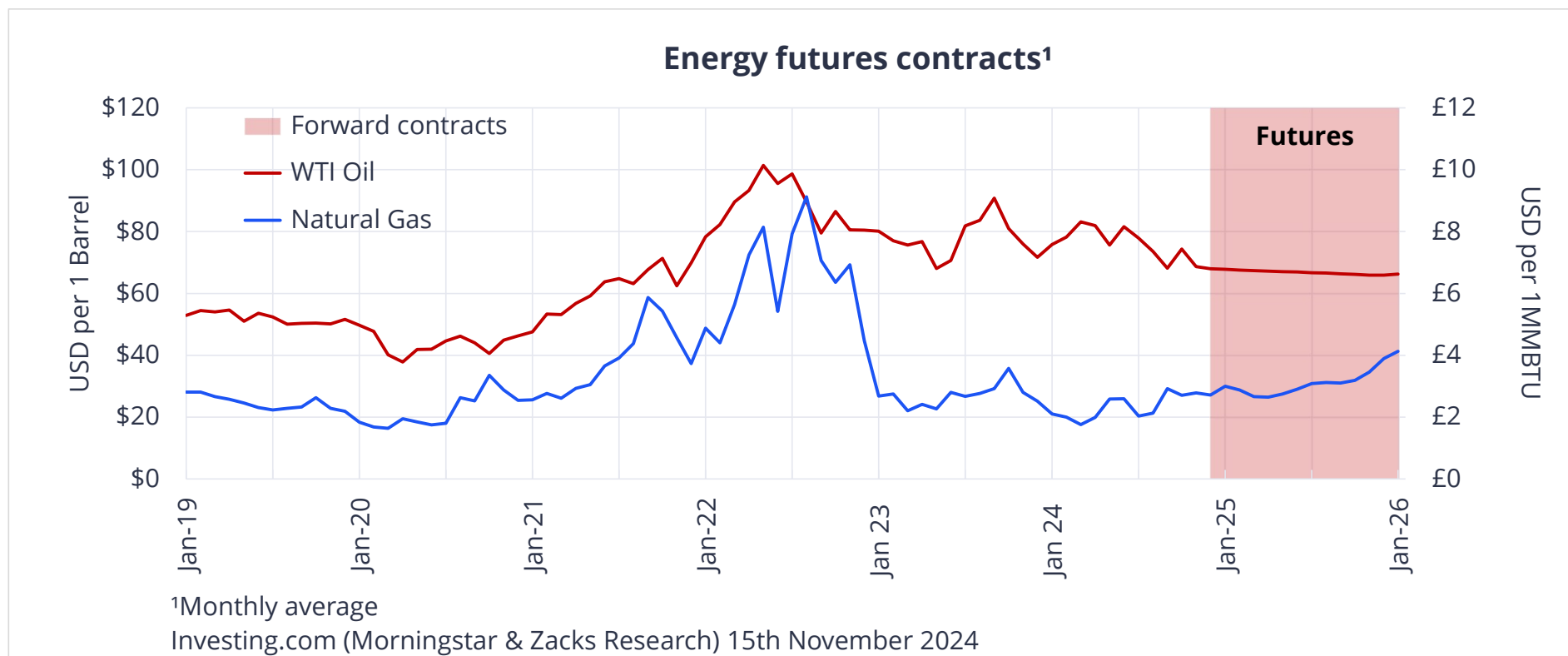
Wealth effect supporting consumer confidence

House prices rising again



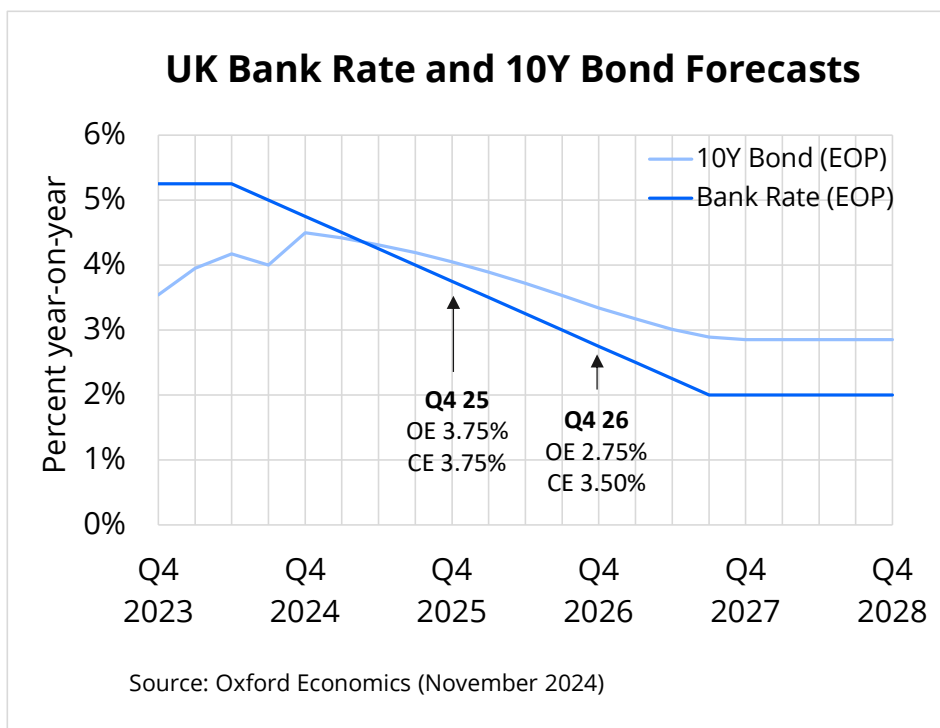
Source: Halifax, Nationwide, ONS, Rightmove

Iran oil exports (1.7mbd). Excess OPEC+ capacity (5mbd).
 Energy security



The real questions are timing and **level**

UK monetary policy on a downward trajectory



Huw Pill, Chief Economist, Bank of England

The Bayesian Vector Auto-regression model '... gave me pause for thought about the timing and magnitude of this removal of restriction.' (4th October at ICA conference).

Volatility and instability the new normal

Outlook for 2024 and beyond



US economic & foreign policy under Trump

- 'Gaming legal system'. Autocratic threat to world rules-based order (equality of sovereigns & self-determination, business regulation, etc.)
- US Federal Reserve independence. Risk premia & US treasuries. *'Dollar weaponisation'* and capital flight
- Basel III is finished in US!
- Fiscal policies leading to inflation, high interest rates and debt crisis?
- Protectionism - Isolationism? Retribution? Negotiating tool?
- Imports for consumption more expensive (Walmart 70 to 80% imported)
- Reshoring production (higher costs = inflation)
- China and world trade pattern shifts and inflation
- Tariff Act (1930). Global Depression. Tariffs require congressional approval.

Other than these . . . No problem!

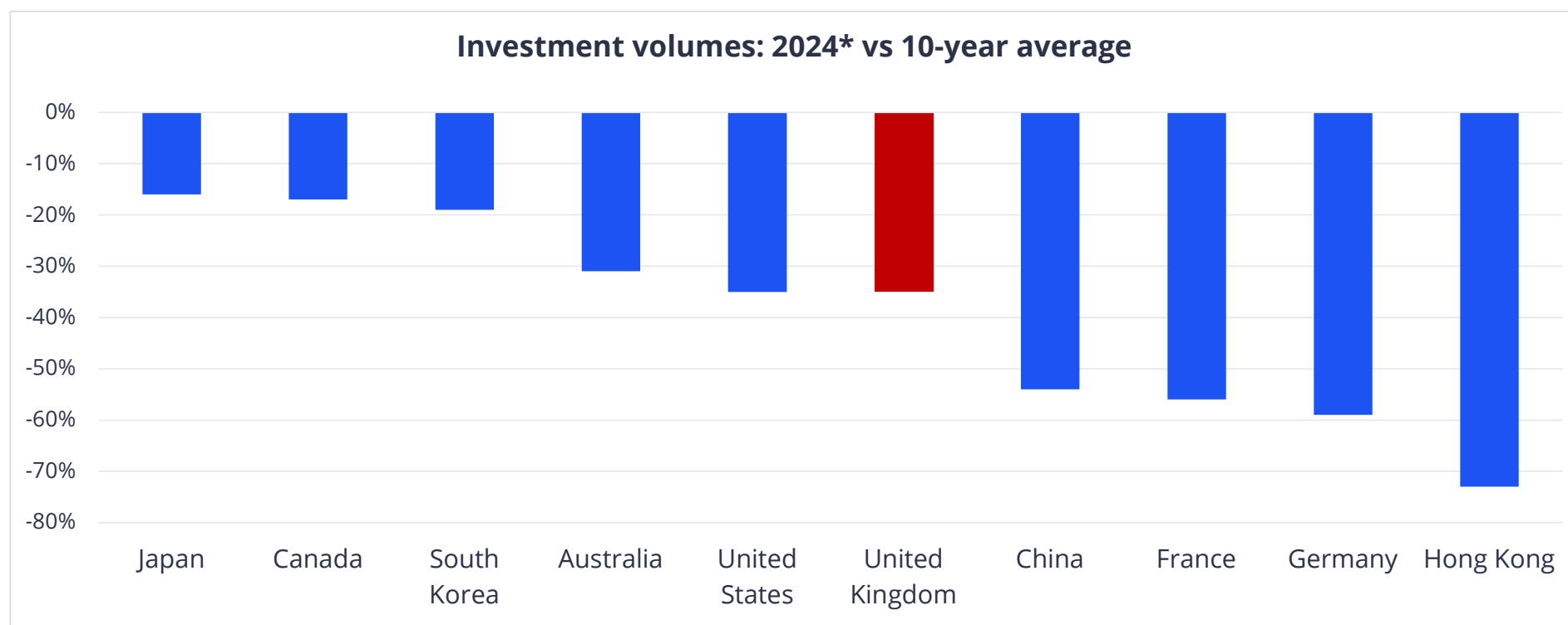
Section 3

Recent Property Trends



Global capital markets

All major markets feeling effects of higher rates

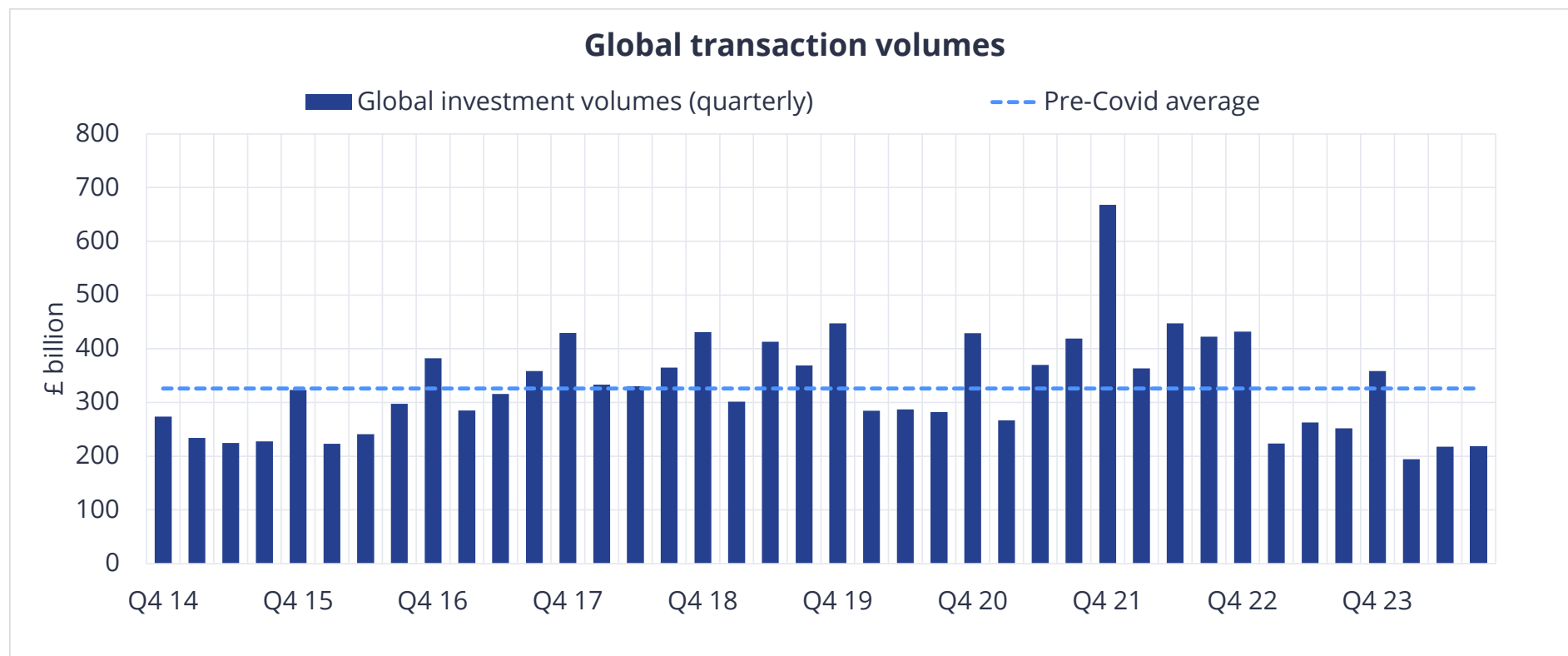


Source: MSCI Real Capital Analytics

* Predicted 2024 total

Global capital markets

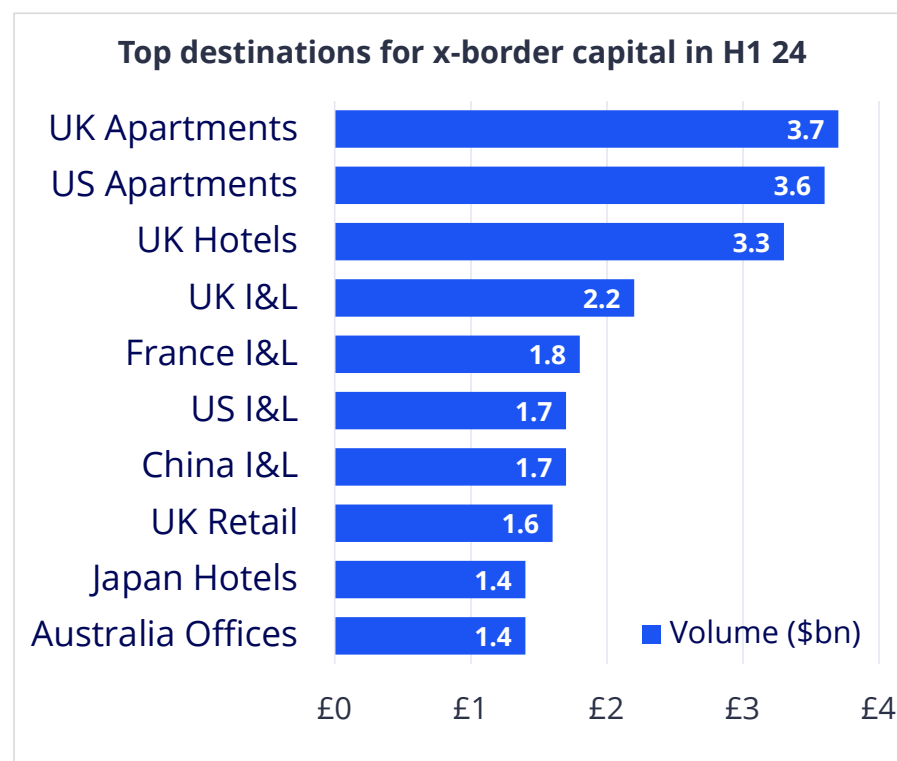
Transactional flow still limited



Source: MSCI Real Capital Analytics

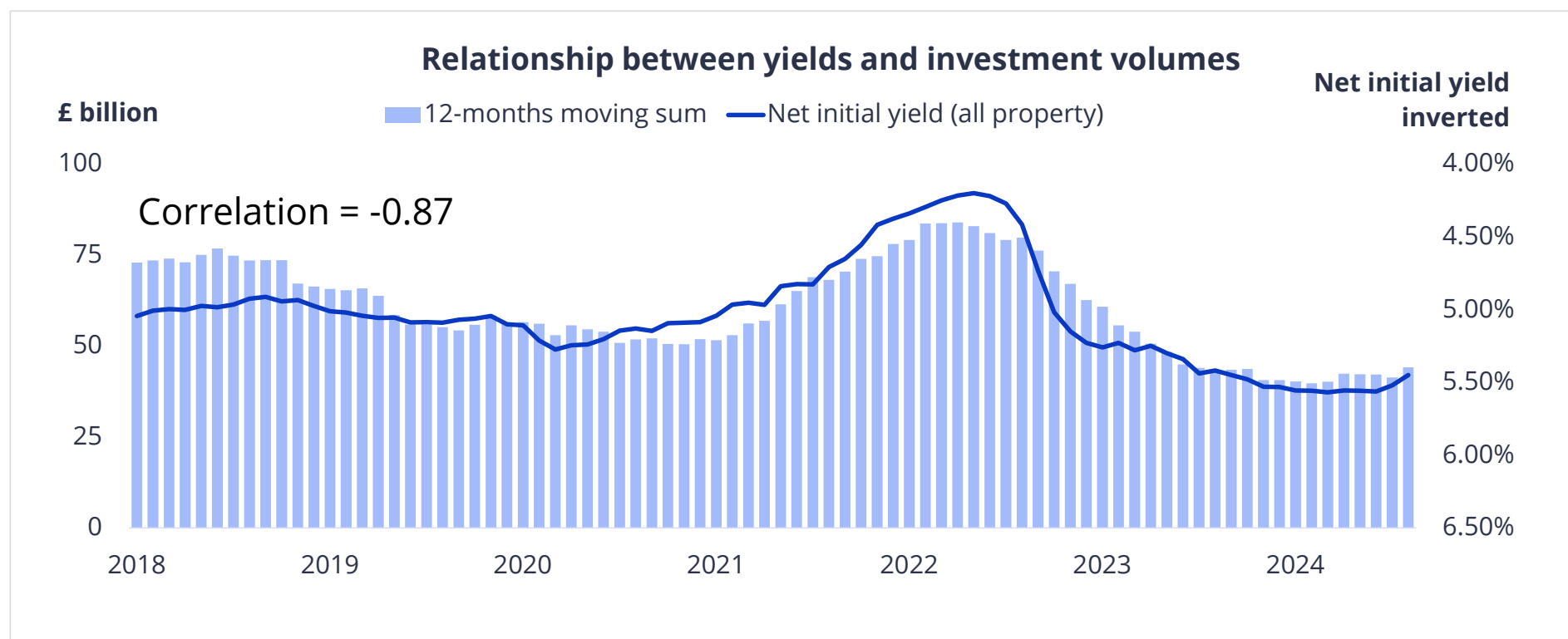
UK most rapid price adjustment (Truss/Kwarteng effect) UK on overseas investors radar (Trump effects)

Country	H1 2024 \$bn	YOY
US	138	-3%
UK	26	+8%
Japan	19	-12%
China	18	-12%
South Korea	11	+20%
Germany	11	-26%
Canada	9	-37%
Australia	9	+5%



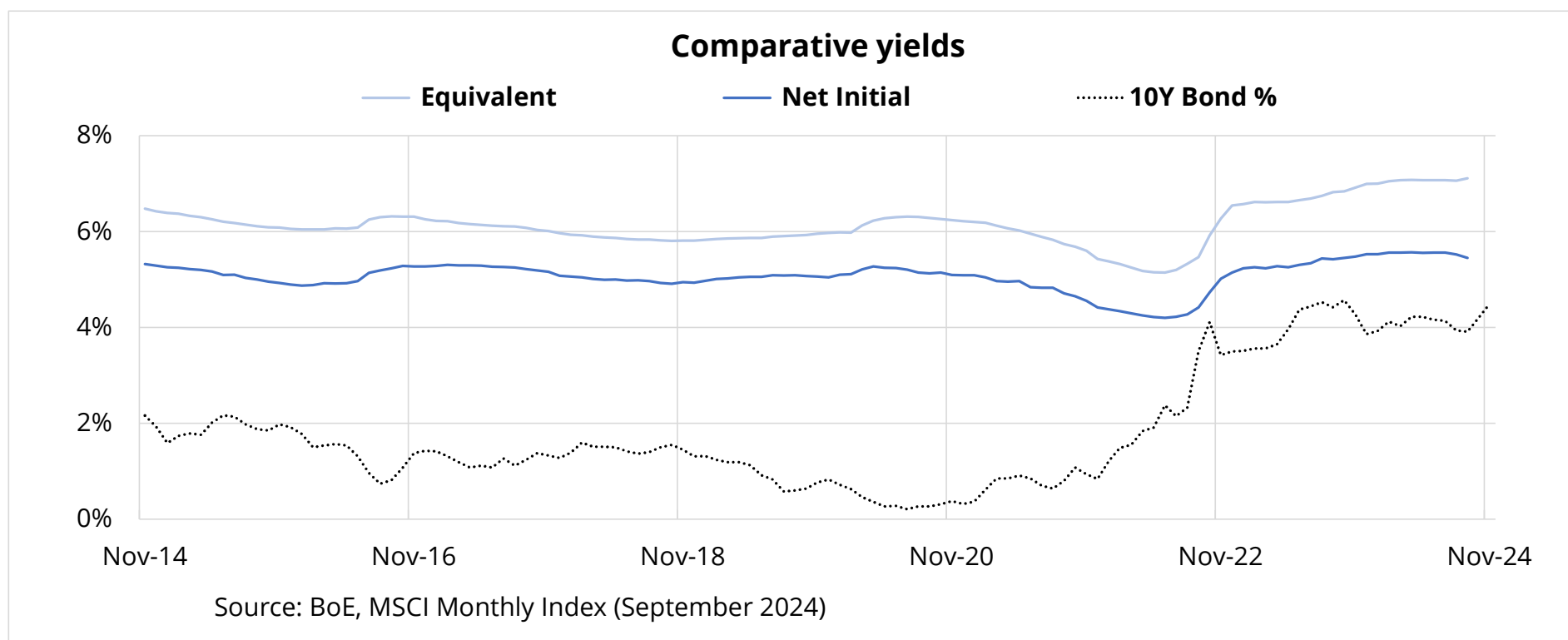
But the market may have turned?

UK transactional flow still limited



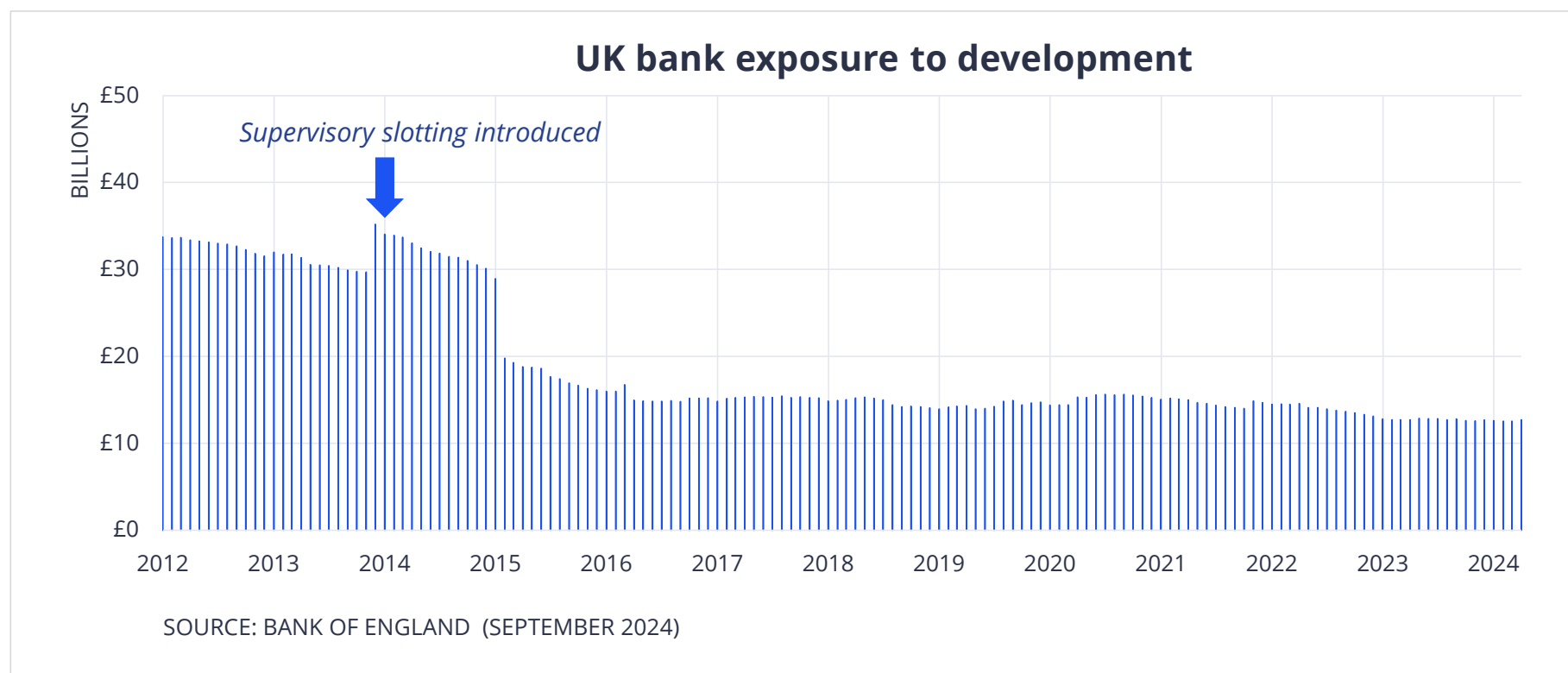
Source: Colliers, MSCI

Especially for USD denominated investors. Exit yields strained !
Higher bond yield – less scope for re-compression

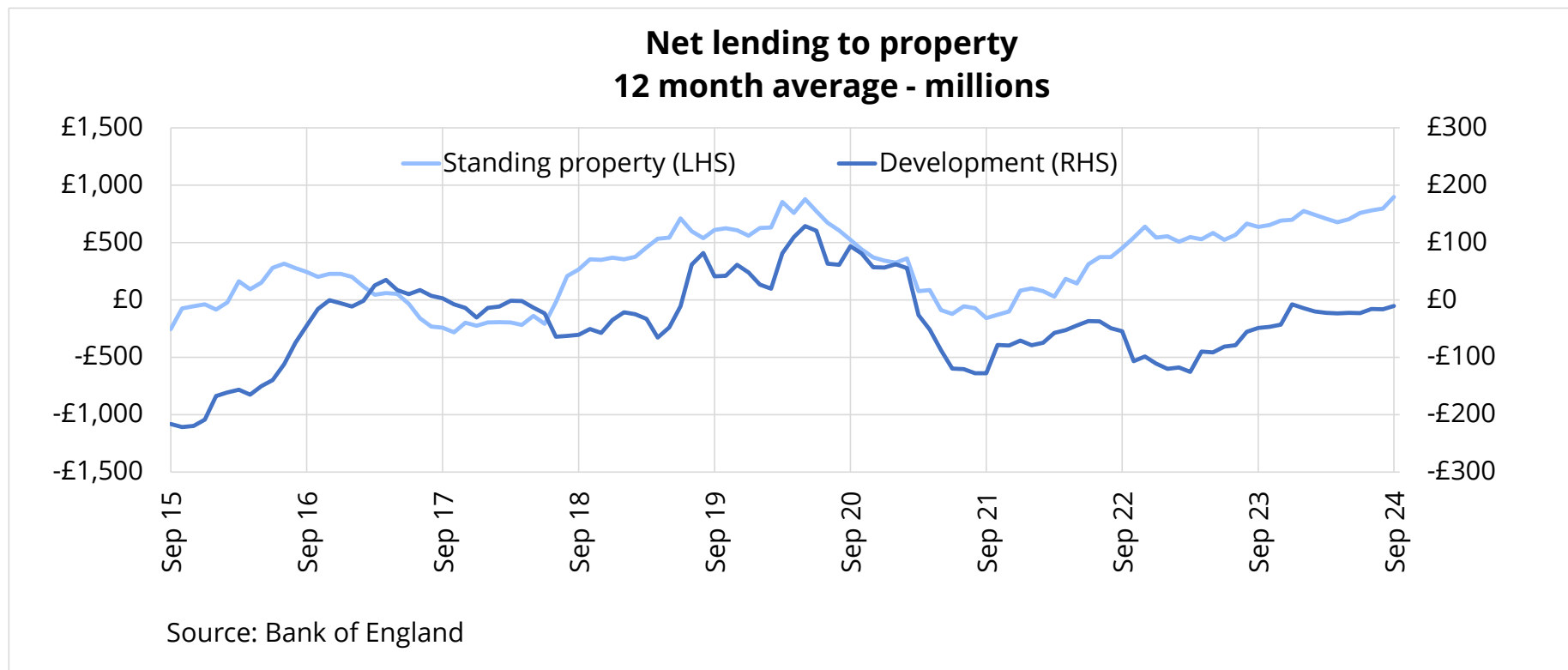


Still down by 65% against 2014

Development debt conditions not improving

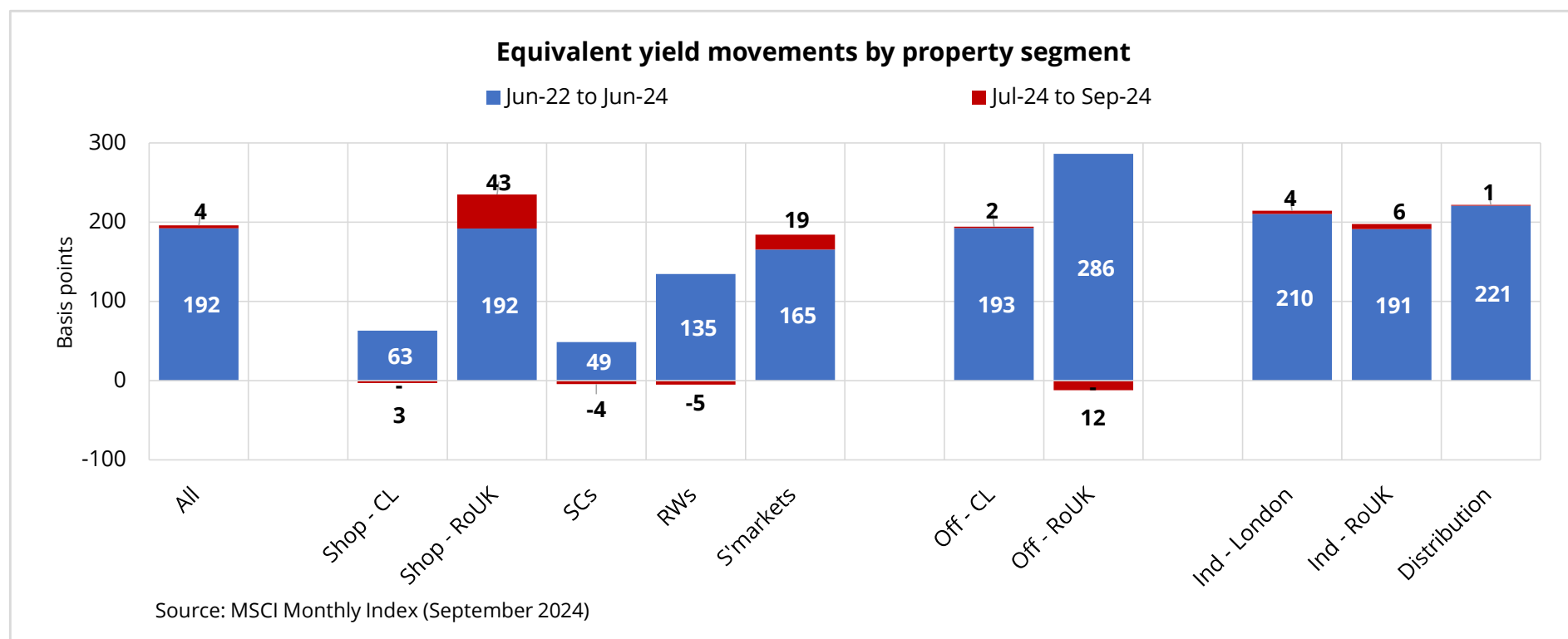


Up by 25% against 2014 but CPI up by 34% and RPI 51%!
 Standing property debt conditions improving?



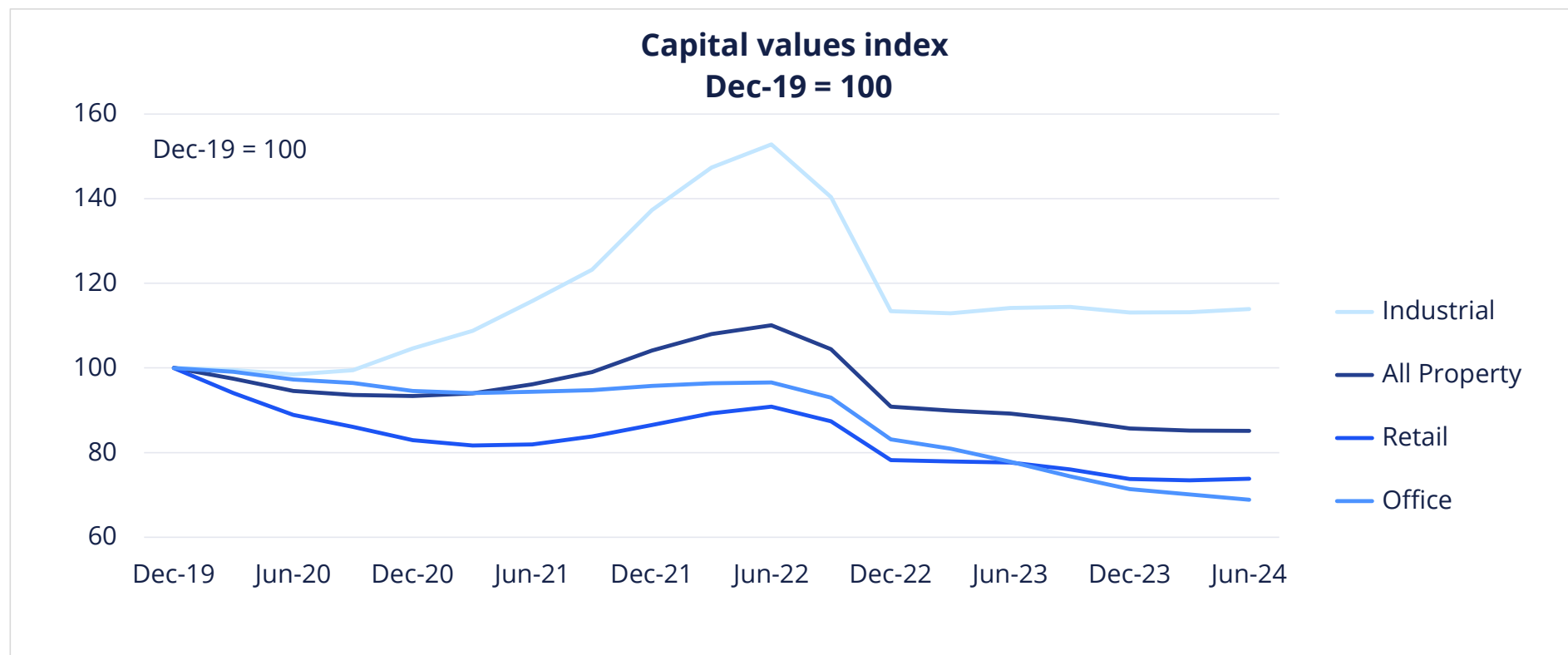
Further price movements likely as transactional flow resumes

Commercial property pricing stable



Scope of value recovery in selected sectors

Industrial is the outlier



Source: Colliers, MSCI

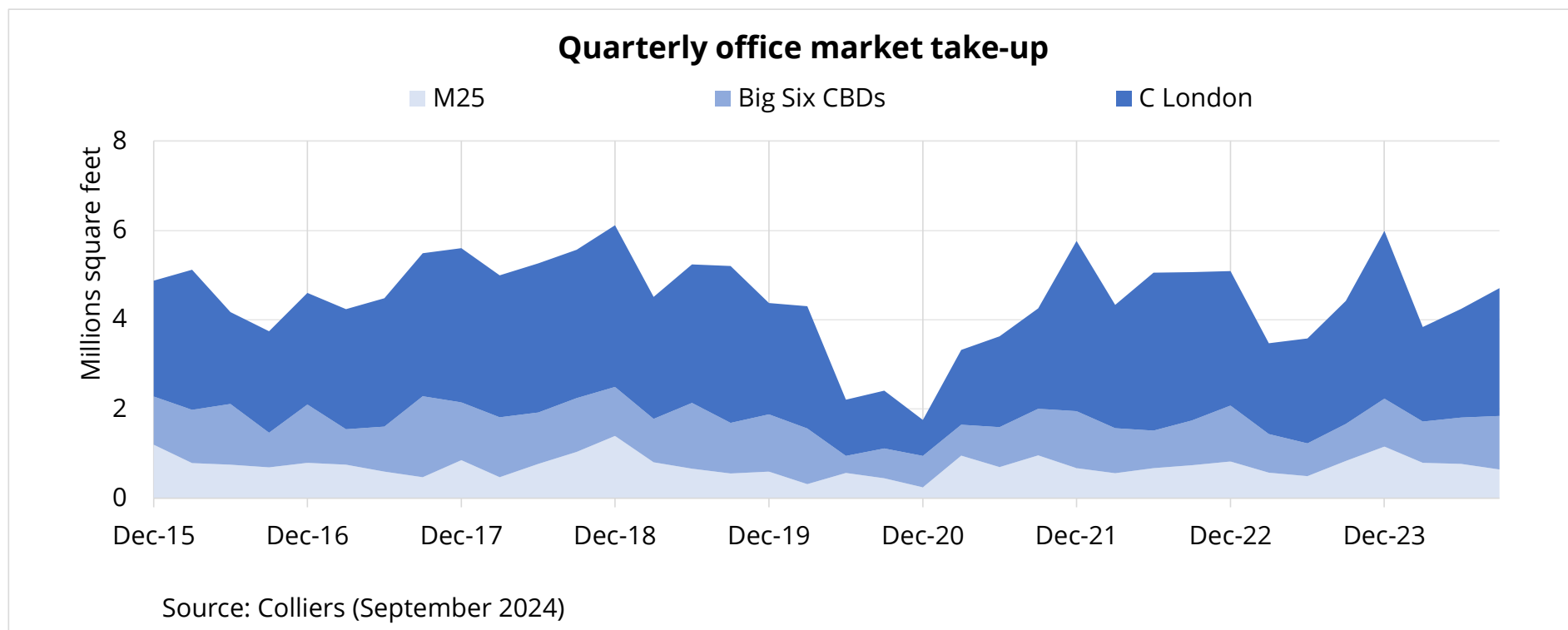
Stabilising near pre-Covid levels

Demand dynamics



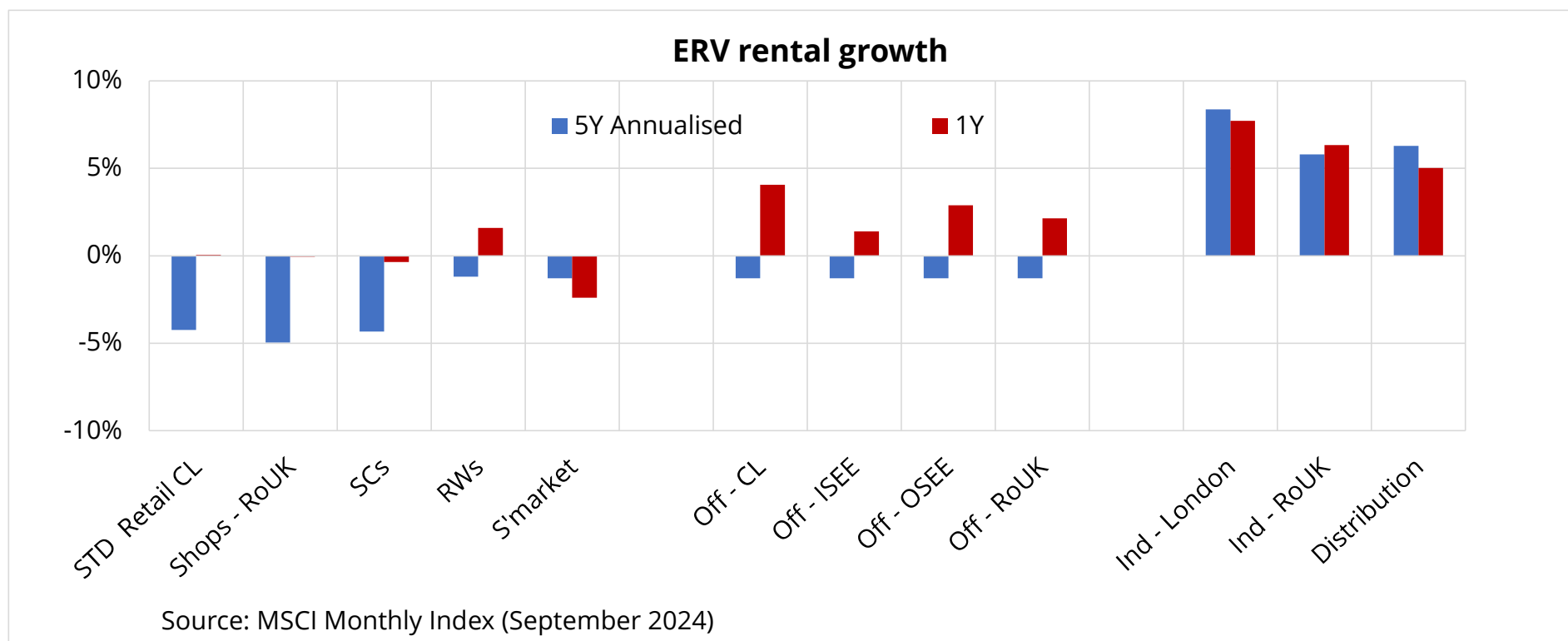
UK office take-up jumps to a three-year high

Some big lettings push leasing up 25% year-over-year as business confidence grows

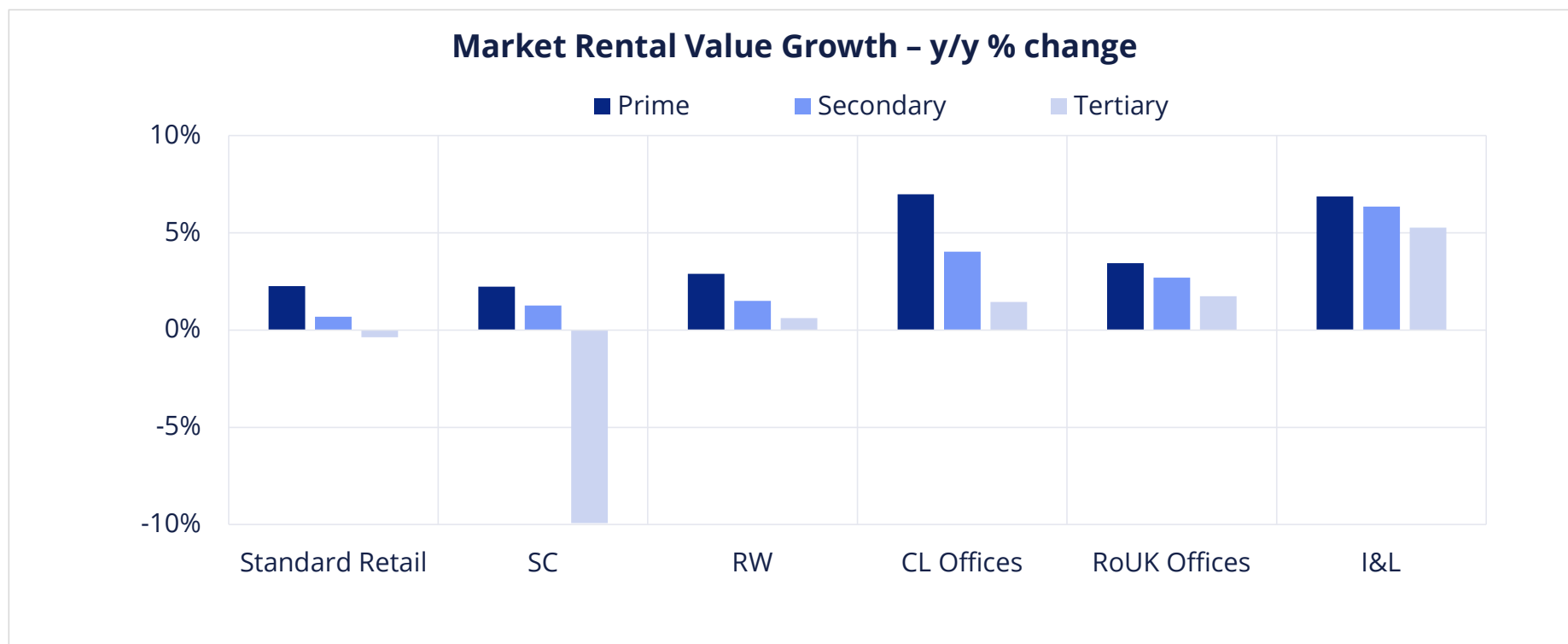


Limited supply is the key ingredient

Rental growth stable



Even for sub-prime assets Rental growth sustained across most asset types



Source: MSCI

UK forecast to lead recovery in Western Europe Total Returns Commercial Property



Source: Capital Economics

Section 4

A few notes about regional development



The slogan goes but the song remains the same?
'Levelling up' out, 'MHCLG' in ???



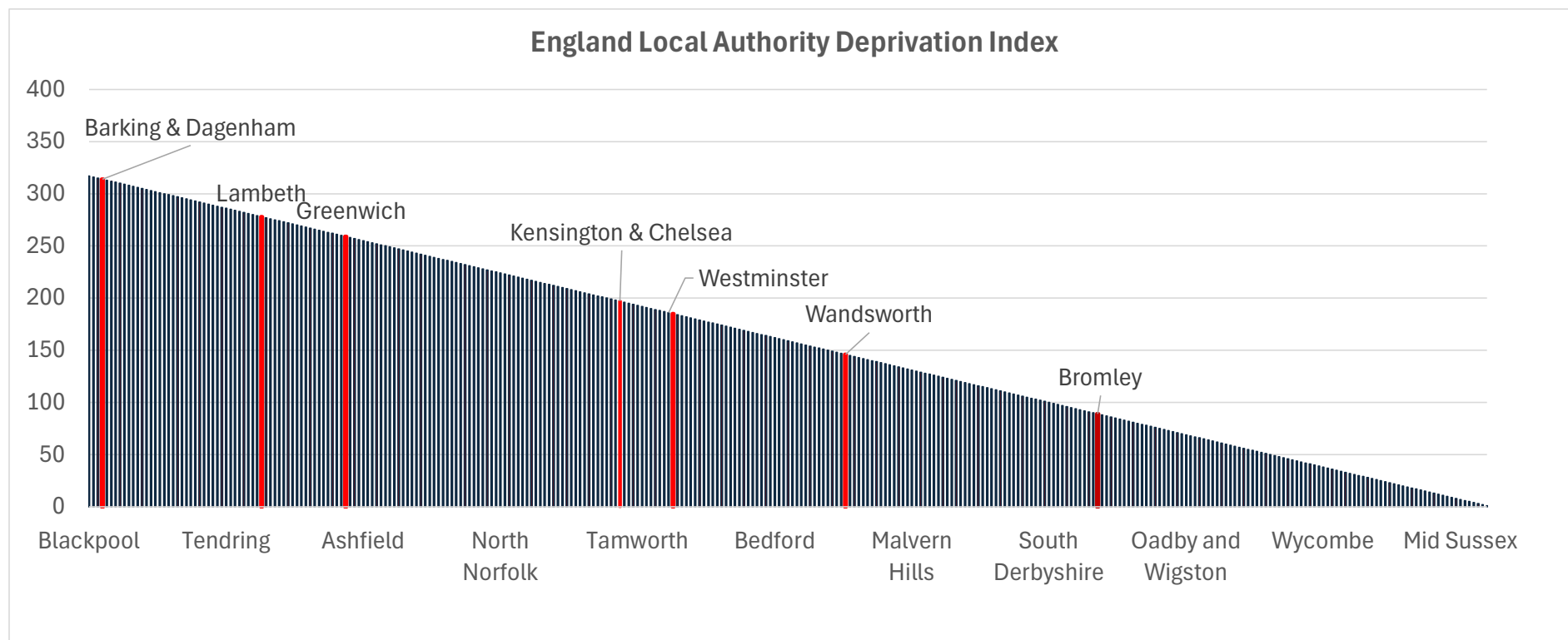
OUT



IN

Government priorities may focus on West Midland CA

MHCLG Government Deprivation Index



Remediation and regeneration is key

Levelling up? ✓

POWERED BY
**LEVELLING
UP**



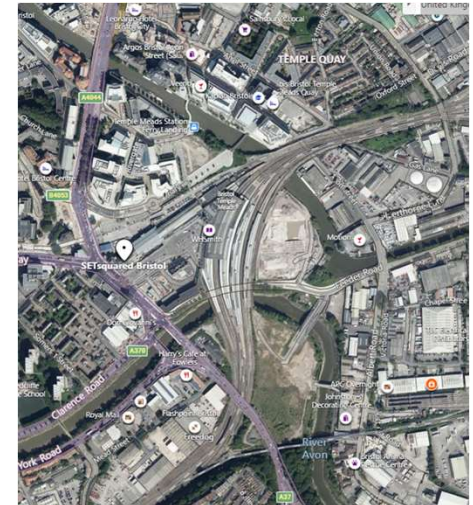
NOMA Manchester



Paradise Birmingham



Bristol Temple Quarter



Leeds South Bank



Peterborough Station Quarter

If by 'levelling up' you mean regeneration, then evidence is abundant of projects across the UK enabled by local combined authorities, central government seed funding, and private investment.

Remediation and regeneration is key

Levelling up? ✓

POWERED BY
**LEVELLING
UP**

Colliers

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Sir Howard Bernstein

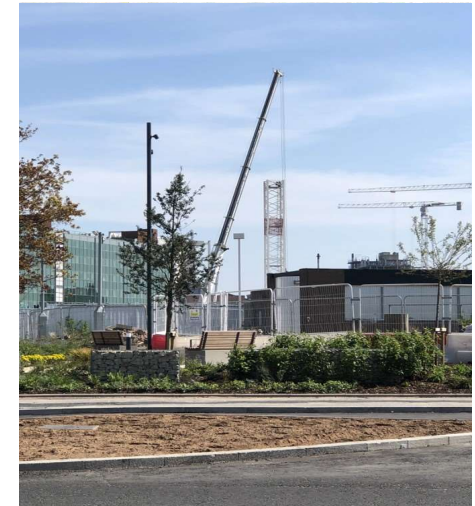
NOMA Manchester



Smithfield Birmingham £1.9bn regeneration



Bristol Temple Quarter UOB Tops Out TQ Enterprise Campus



Leeds South Bank Aire Park



Fletton Quays & Passport Office Open

If by 'levelling up' you mean regeneration, then evidence is abundant of projects across the UK enabled by local combined authorities, central government seed funding, and private investment.

MNWRL Initiative Private railway to Manchester



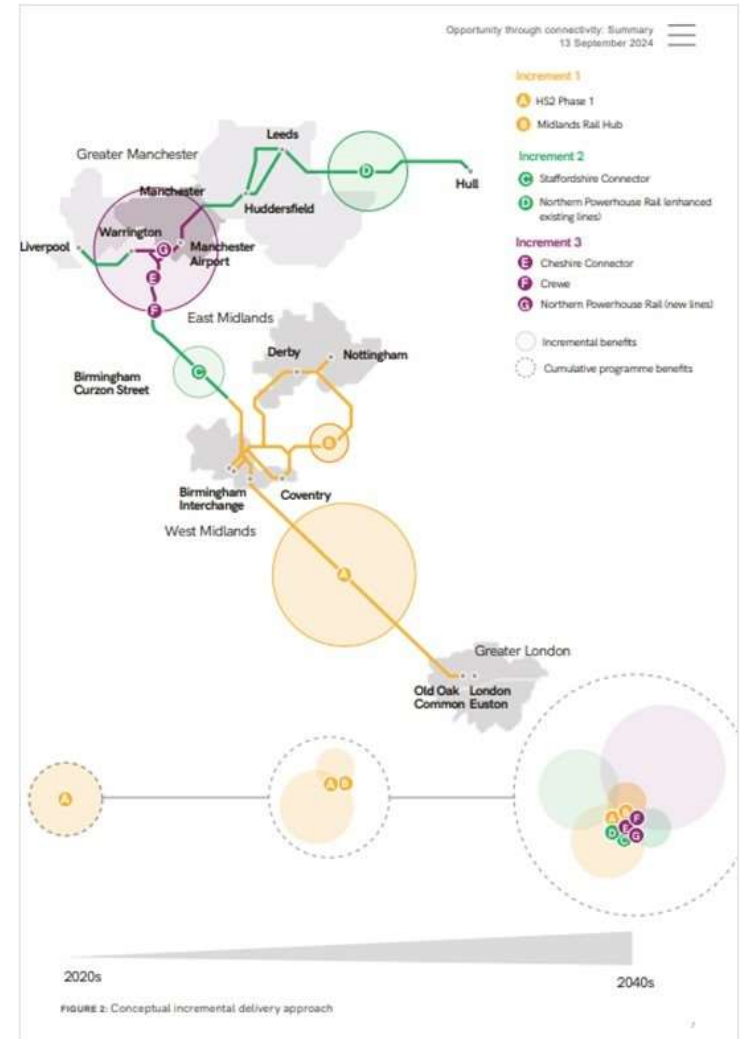
David Higgins
United Utilities
Gatwick Airport



Andy Burnham
Mayor GMCA



Richard Parker
Mayor WMCA



Teesworks Development site for BP led net zero consortium
Ground Zero of Net Zero





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