

Property industry has a new spring in its step



Some 42.5% of respondents said they felt slightly more optimistic about the future of UK real estate, and 36.7% much more optimistic, than the previous quarterly survey in December. Some 14.2% felt the same and just 6.4% felt more pessimistic.

In the previous survey at the end of December, just 53% were more optimistic about the future, compared with 23% that were more pessimistic and 24% whose views had not changed since September.

More than half of respondents expected to return to offices ahead of the official projected end to working from home guidance on 21 June if they had not already. Some 26.7% said they were already fully or partly back in the office and a further 29.2% expect to return before the June date. While 33.3% said they expected to return after June this year, 10.8% said they did not expect to return to the office.

Retail was resoundingly forecast as the sector that would be hardest hit by the pandemic in the long term, (62.5%) followed by restaurants and pubs (18.3%). But property experts are nevertheless optimistic about the sectors' futures.

Sovereign Centros chief executive Chris Geaves said apart from areas overexposed to it, there remained a "very strong" future for bricks-and-mortar retail.

“We’ve got a very strong future for one simple reason: the UK is a nation of shoppers,” he said. “You can’t paint all retail with the same brush, you’ve got to look at every location differently.”

He added that the eight super regional shopping centres, which include the likes of Trafford, Metrocentre and Meadowhall, were “irreplaceable stock” and would only “expand and get bigger”.

Ted Schama, joint managing partner at leisure and hospitality agency Shelley Sandzer, told *Property Week*: “The market has been more active than we might have anticipated at the start to the middle of the pandemic. There are more experiential leisure opportunities than ever due to vacancies of retail space on the high street.”

Jonny Perkins, retail asset manager at LabTech, agreed there is a “positive sentiment in the air” for the leisure sector.

“It has undoubtedly been a difficult time for retail, leisure and restaurant occupiers in the current climate. However, with the positive sentiment in the air from the vaccine and a reduction in cases, we have experienced a noticeable increase in occupier enquiries and interest for the first part of 2021.”

He added: “Demand has appeared to be focused on the food and beverage and leisure sectors, with retail being more measured.”



Quintain chief executive James Saunders said the Wembley Park developer was optimistic that large hospitality venues would also be able to reopen this year as planned.

“We are cautiously confident that our major venues including the SSE Arena and Troubadour Theatre will adapt and find a way to welcome back audiences later this year,” he said.

The hotel sector also has a positive outlook on the coming months. “There is a huge amount of pent-up demand and we are seeing real appetite for growth, as well as people being desperate to travel,” said IHG UK&I managing director Karen Khanna.

Some 15% of survey respondents thought offices would be the hardest hit sector coming out of the pandemic.

Martin Lay, head of central London offices at Cushman & Wakefield, said: “The start of lockdown in January was a backwards step coming off a strong Q4 in 2020, which dampened optimism.”

He added that international investors were circling the London market ahead of travel restrictions lifting, but that activity was “likely to be held back” by lower levels of available stock.

“While the breadth and depth of international capital focused on London remains strong, activity is more likely to be held back by the lack of available investment stock, with 2021 seeing a 40% reduction in new stock being launched to the market compared with last year,” he said, adding that “the ESG agenda is becoming an increasingly important driver to investors’ decision-making, which we expect to translate into a significant focus on assets that are best in class”.

Most respondents believed industrial would come out of the crisis the strongest in the long term (56.7%), followed by residential at 29.2%.

AXA Investment Managers head of residential and student accommodation Joe Persechino told *Property Week* that growth in the number of young professionals supported by a burgeoning student population and the gradual recovery of the labour market would drive “modest” demand for private rental housing in the coming years.

He added: “The weight of capital seeking stable income returns together with the relative lack of depth in institutional standing stock, is driving significant investment into development. Strong occupancy and collection rates are reinforcing investor conviction, and a relatively attractive spread to comparative opportunities elsewhere in Europe is supporting pricing at today’s yields.”