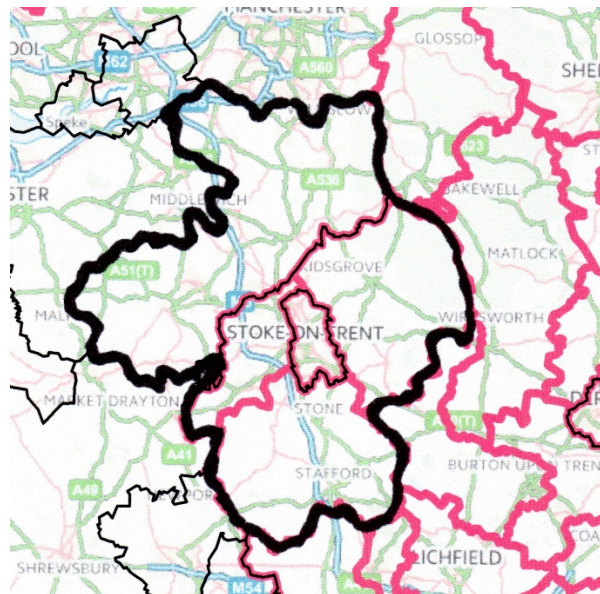


Sub-regional Trends in Commercial Property 2011-20

The information contained in this report has been researched and compiled by Knud Møller at **KVM Research**. If you want to know more please look at my website www.kvmresearch.co.uk, give me a ring on 01782 499384 or send me an email on knudvmoller@gmail.com © 2021

Introduction

The following note concerns the market in commercial properties within the sub-region of North Staffordshire (the local authorities of Newcastle-under-Lyme BC, Stoke-on-Trent City Council, Staffs Moorlands DC, and Stafford BC) and Cheshire East Council as shown below.



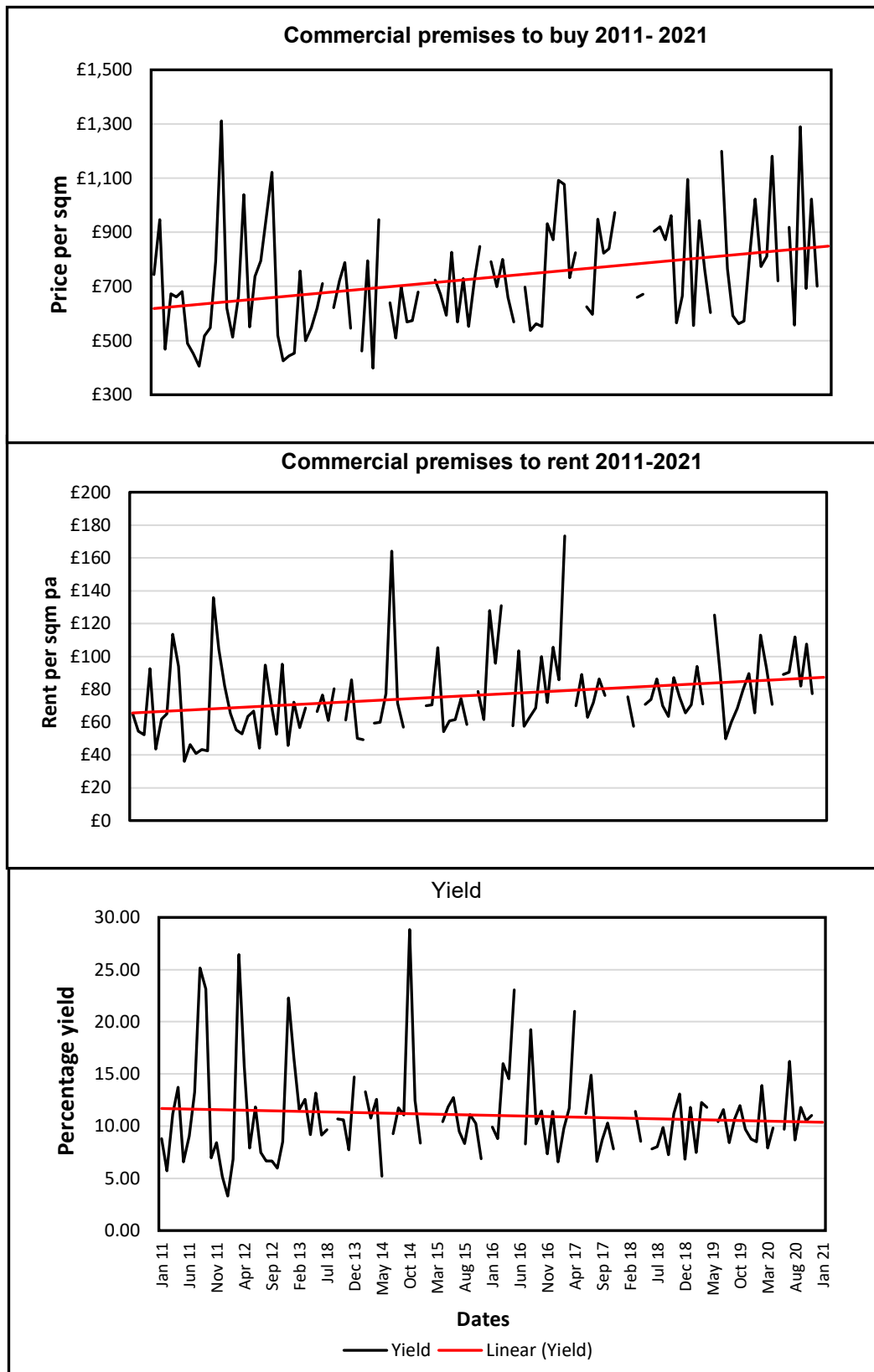
Copied from www.ordnancesurvey.co.uk/election-maps

For the purpose of the note commercial properties are defined as manufacturing including workshops, warehousing and storage, retail and catering, offices and other non-residential properties. Properties for the purpose of residential letting are not included. The note is based on average, advertised prices collected over the period 2011-20. Based on information in the adverts, the total price of the property shown in any one advert is converted to price per square metre.

Trends in the Commercial Property Market

On the following pages trends in the commercial property market in Cheshire East and North Staffordshire are summarised very briefly first diagrammatically on page 2 and secondly in three brief tables on page 3.

Diagram 1: Commercial Properties, Subregion



Year	Price per sq m
2011	£615
2013	£610
2015	£693
2017	£853
2019	£763
2021*	£937

Year	Rent per sq m pa
2011	£64
2013	£68
2015	£69
2017	£89
2019	£78
2021*	£75

Year	Yield
2011	11.4%
2013	11.4%
2015	10.1%
2017	10.9%
2019	10.5%
2021*	8.0%

*) Months of January & February only.

It is clear that the advertised price per square metre of buying premises has increased quite sharply over the 10 year period. The advertised cost per square metre floorspace of renting premises has also increased over the period, but less sharply. In conclusion therefore the final outcome has been a decline in the 'yield' – the rent as a percentage of the purchase price.

Trends in the Commercial Property Market by Usage

In the following we will compare two main groups of commercial premises with each other as well as the Subregional market as a whole. They have been advertised as available during the period and they have been the subject of some speculation as to their likely future.

The first of these groups includes premises that are advertised for industry and/or warehousing. New such premises are currently under construction all over the region especially within Stoke-on-Trent and North Staffordshire. Locations in question are the Nelson Industrial Estate near Kidsgrove, Arrowhead Industrial Estate just north of Tunstall, Trentham Lakes, the site of the former Meaford power station and at Tollgate Industrial Estate, part of the general employment area along the Beaconside road NE of Stafford.

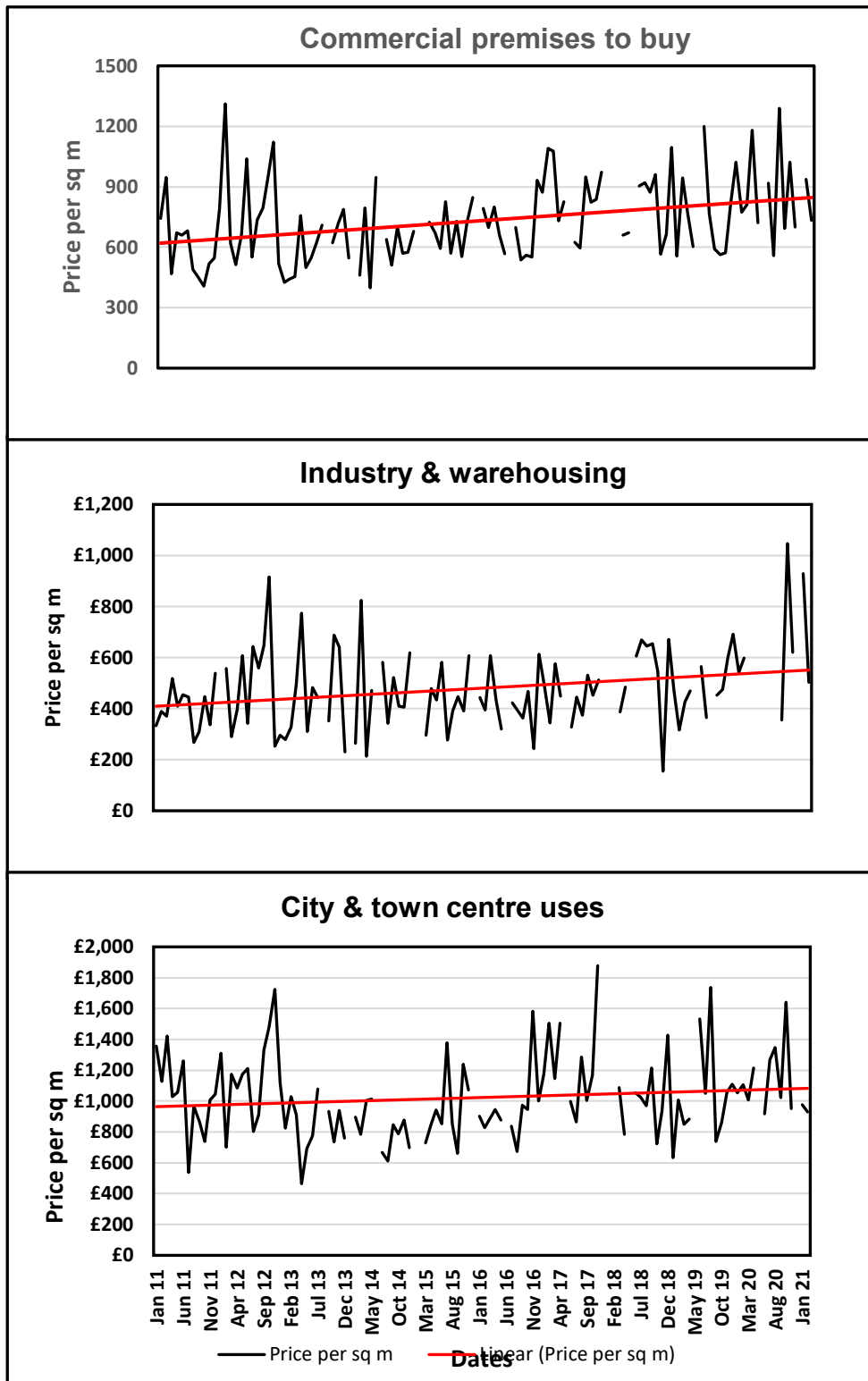
Many will agree that the future of mankind and our communities locally and nationally, not to mention internationally has become and maybe is becoming more and more uncertain. Climate change, the COVID-19 pandemic and the manmade Brexit all add to this. In order to be prepared for this more warehousing facilities may be needed and in increasing demand as time passes.

The second group is named 'City & Town Centre uses' and includes retail (corner shops, supermarkets, department stores, furniture outlets, take-aways for food consumed off the premises, restaurants, drinking establishments, clubs and other premises for social and cultural activities etc.), offices (offering professional services, assistance and advice, administrative branches and headquarters etc.).

Of these retail premises are generally found in centres, either traditional city and town centres or free standing retail parks such as Festival Park in Stoke-on-Trent or the Trafford

Centre. However, the thinking is that more and more trading in physical goods, food as well as non-food, will take place over the internet with subsequent delivery from a warehouse direct to the recipient's home; the consequence inevitably being the decline of such centres.

Diagram 2: Commercial Properties to buy by usage



The development seems to have gathered strength by the policy of so-called 'lock-downs' in dealing with the COVID-19 pandemic.

New office developments are mostly found in smaller groups such as Stafford Technology Park at Beaconside just north of Stafford Town, Riverside Park off Campbell Rd south of Stoke Town or at Alexandra Way west of Congleton. Another type is the refurbishment of former industrial buildings such as textile mills of which there are many examples throughout Cheshire.

However, it is now possible to work from home and keep in touch with colleagues by digital media and for the prospective client to obtain the required information similarly. It may therefore be the case that also all these traditional office developments will become surplus to requirements within a not too distant future.

Premises to buy

What is immediate obvious from diagram 2 above, page 4, is that in terms of buying outright the advertised price for premises for 'Industry & warehousing' is less than the same price for premises for 'City & town centre uses'. Closer analysis will reveal that in the beginning of the period the average advertised price for premises for 'Industry & warehousing' was slightly less than half that for premises for 'City & town centre uses'. At the same time average advertised prices for the first type of premises rose by 34% from approximately £410 per square metre to £550 while for the second type the rise was 11% from an average of approximately £966 per square metre to an average £1075.

Premises to rent

Diagram 3 below, page 6, shows how the advertised annual rent per square metre has increased between the year 2011 and 2021.

Similar to the advertised purchase price the annual rent of premises for industry and warehousing use is also less than half the rent for premises for 'City and town centre usage'. Similarly it is also noted that the increase in advertised rent for industry and warehousing is greater (48% from £40 to £59 per square metre per annum) than the increase in advertised rent for 'City and town centre uses' (44% from £90 to £130 per square metre per annum).

Yield

Diagram 4 showing the potential yield of leasing premises of the said types of usage are found on page 7 below.

Diagram 3: Commercial properties for rent by usage.

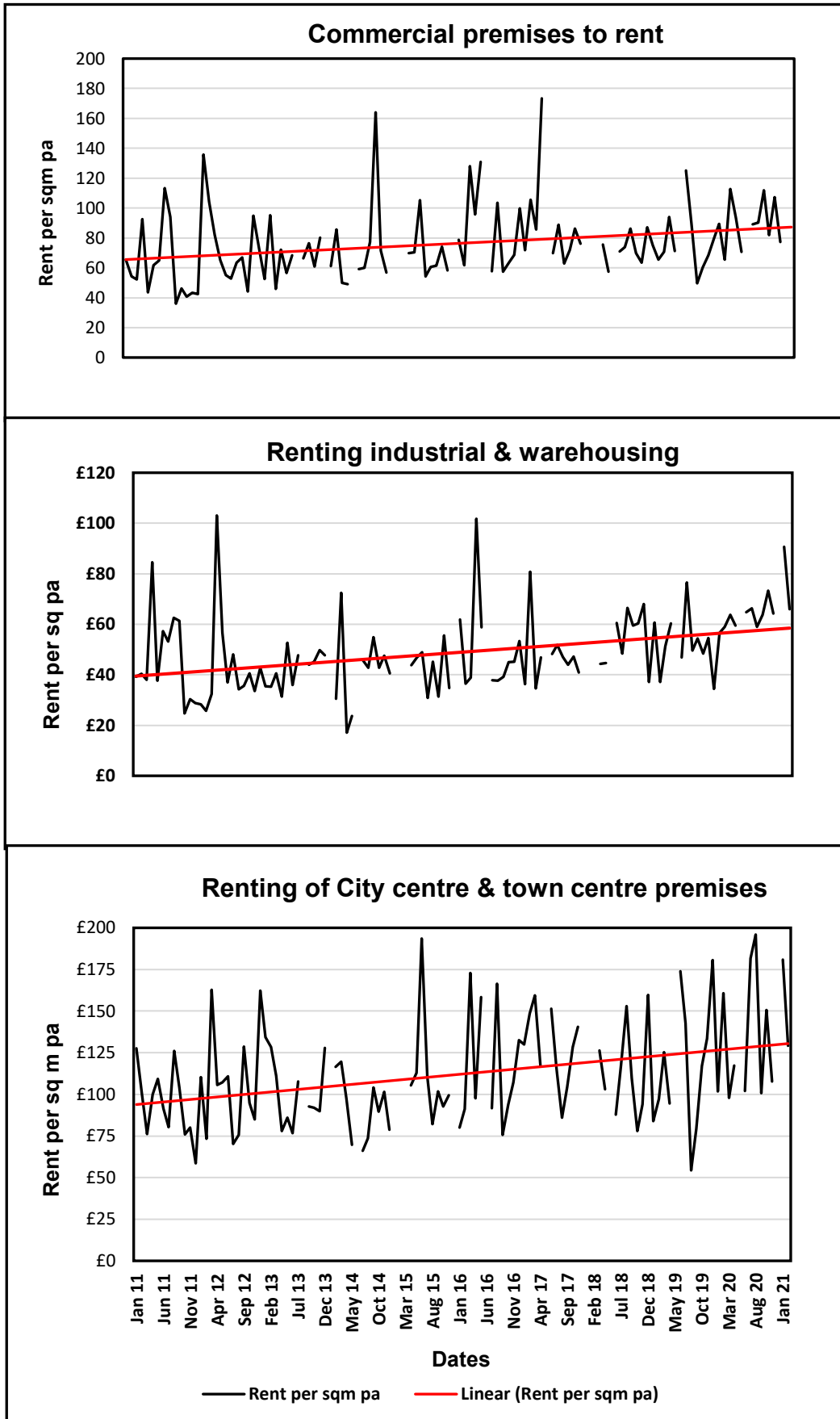


Diagram 4: Yield

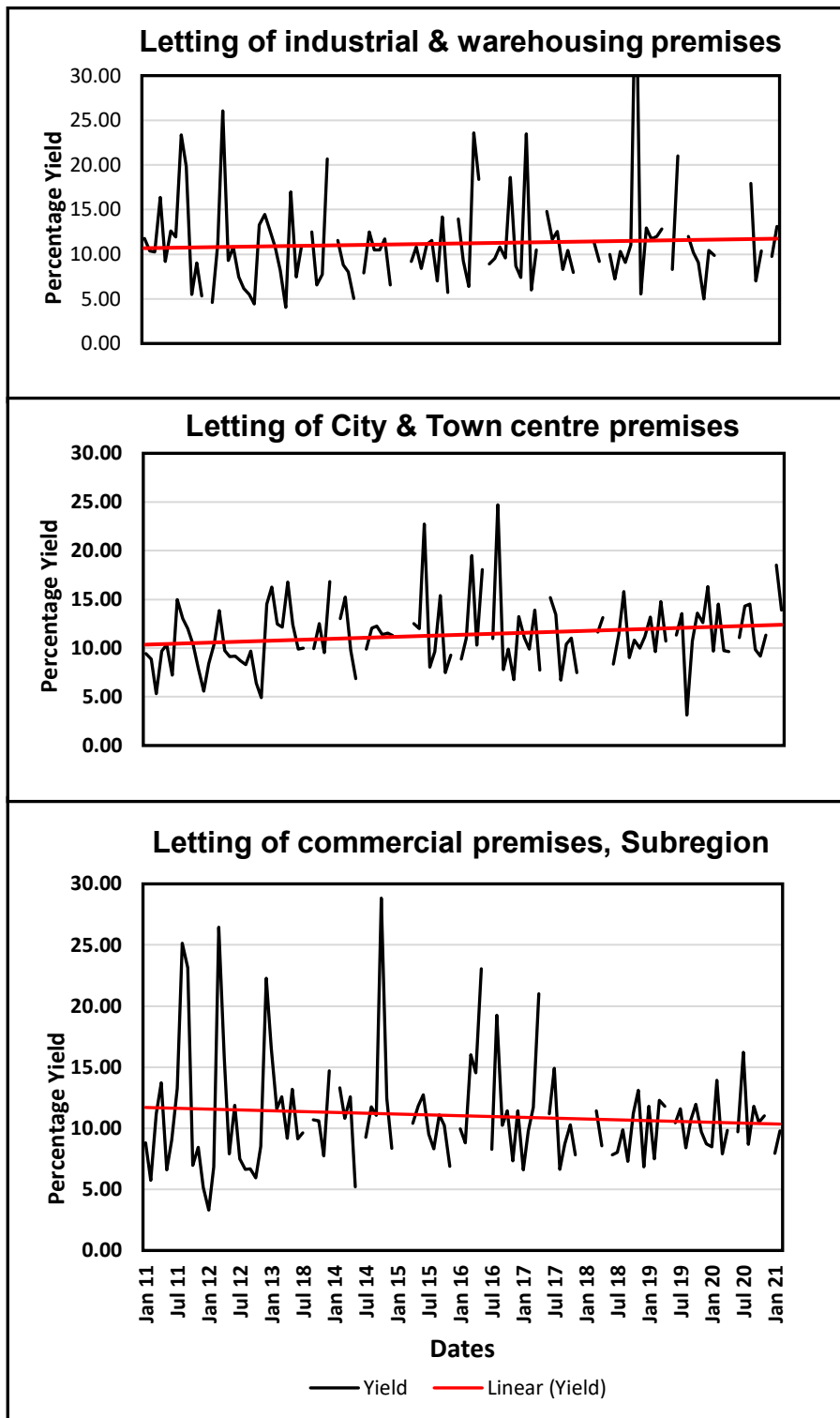


Diagram 4 shows the change in expected yield from letting commercial premises given the advertised buying price and the advertised cost of rent - or income from letting. While

fluctuating over time it is noted that the trend has actually been quite stable and has stayed with a narrow range of between 10% and 12.5%.

As already noted from the first diagram the overall trend for the sub-region over the 10 year period has been negative.

Completed 15th of March 2021

Knud V Moller