

The UK market offers the best value for commercial real estate

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Following the recent collapse of Silicon Valley Bank and the takeover of Credit Suisse, analysts at the top banks are fearful that declining real estate values could trigger more bank closures. Smaller banks with a high volume of commercial real estate might pull back due to liquidity issues, which will in turn impact the commercial real estate market.

Many believe however that the UK is ahead of the curve as it has acted quickly through repricing in the current market. Real estate does not lag behind capital markets.

According to Rob Wilkinson, chief executive of AEW in Europe:

“The UK has moved so much faster and further than any market in the world – more than the US, which is interesting. The UK open-ended fund index in the last quarter of last year lost 14%. With the third-quarter movement as well, the UK has moved by 20% in as little as four months. It is a huge decline for real estate.”

However, for investors that still have the means to deploy capital, it is also an opportunity. The scarcity of transactions seen in recent months could turn around relatively quickly, which would recharge the market.

This means that landlords will hopefully soon see a benefit in property values with the increased interest by investors.

Tenants, on the other hand, may want to tie up existing deals as quickly as possible in our view. There is an argument that increasing market interest also equates to an increase in rent.

Key contact



Lavania Xavier

Trainee Solicitor

lavania.xavier@brownejacobson.com

+44 (0)330 0452258

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