

January 2010

## Market Review

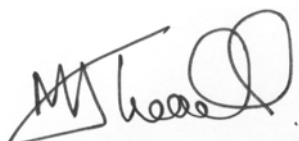
- House Prices – House prices increased for the sixth consecutive month in December. The 1.00% rise between November and December was slightly below the average increase over the previous five months. Prices have increased by 9.4% since reaching a low in April 2009.
- UK Interest Rates – The Bank of England maintained interest rates at 0.50% for the ninth consecutive month.
- Annual Inflation (RPI) – Inflation rose to 2.40% in December, from 0.30% in November. This is the biggest monthly rise since 1979.

## Retail Property Market Trends

- Investor Demand – The strength of investor sentiment and the positive inflows into retail funds seen in recent months continues. Investment volumes picked up in December and yields for many retail assets continued to fall sharply, as a result of capital value increases.
- Occupier Demand – The overriding consensus is that the larger retailers had a good Christmas. Within the grocery sector the ‘big four’ all returned positive annual like-for-like growth. Fashion retailers from the value and luxury ends of the spectrum including; Peacocks, New Look, Next and Ted Baker all posted strong figures.
- Capital Growth (Source: IPD) – The final month of the last year delivered the largest monthly capital growth in IPD’s 23 year history, at 3.00% according to December’s IPD UK Monthly Index. This figure beats the 2.90% delivered exactly 16 years earlier in December 1993, at the end of the last major property recession. The 3.00% growth in December 2009 was the fifth consecutive monthly gain. UK commercial property annual total returns for 2009 were 2.20%, while capital growth was -5.60%.
- Prime Yields (Source: CB Richard Ellis) – At the end of 2009 yields for prime shops stood at 5.00%, with good secondary shops at 6.75%.

## Summary

- 2009 was a year of two halves. Over the first six months of the year yields across all sectors (retail, industrial and office) all continued to expand, as capital values fell, albeit at a slower pace than 2008. At the start of the second half of 2009, the key driver of capital growth was yield compression as there was a significant surge in demand for commercial property. Prospects in the short to medium term in early 2010 look positive as appetite from investors continues.



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