

Reita: confidence in commercial property plummets to new nadir

The number of financial advisers that expect commercial property prices to fall over the coming 12 months continues to increase.

Research carried out in October on behalf of Reita, the quoted property company body, shows confidence in commercial property prices faltering among independent financial advisers (IFAs).

At the start of the year only

5% believed there would be a price drop, rising to 7% in April, 21% in July and 26% in October. Most now feel prices will drop or remain static over the coming 12 months.

"The lack of confidence in the commercial property market reflects both the views of many industry specialists and the uncertainty felt in the UK economy more broadly," said Peter Cosmetatos,

director of policy at the British Property Federation.

"With close to 500,000 public sector job losses expected in the wake of the Comprehensive Spending Review, the knock-on effect in the demand for commercial property may be considerable. We would expect the effects to be felt most acutely in areas heavily reliant on the public sector or public expenditure."

Despite increasing concerns over commercial property values, investor confidence in REITs appears robust. Of those who expressed a view either way, 57% said they would be interested in REITs and funds that invested in REITs.

Cosmetatos said this was probably because of REITs' disproportionate exposure to prime property in the nation's capital and key regional

locations, which are in vogue.

Reita's survey tallies with the latest Investment Property Forum survey of IFAs, which shows sentiment has changed little over the last four months. The average recommended allocation to property remains stable at 8%. This is below the longer-term average based on data collected since May 2008, which is 9.9%.

Savills' £40m profit surge

■ Results helped by London and Asia-Pacific regions

BY JAMES WHITMORE

Savills is on track to generate more than £40m of underlying pretax profits this year, thanks to an improvement in its key Asia-Pacific and London markets.

In an upbeat interim management statement for the period from July, the listed property services firm said this week its UK and Asia-Pacific businesses had continued to outperform. Its European and US businesses, "while continuing to face challenging market conditions", had performed in line with expectations, the firm added.

An underlying pretax profit of £40m would represent an increase of 60% on last year's profit of £25.2m. It would also be significantly higher than the £33.2m profit in 2008, but only half the record £85.5m profit made at the top of the market in 2007. In the previous two years, 2006 and 2005, Savills

made profits of £75m and £57.2m.

The firm said this week that since July, transactions in the prime London residential business had continued "at a healthy level", albeit the fourth quarter will experience lower volumes than the "exceptional" fourth quarter of 2009.

Savills is the selling agent at One Hyde Park, the Knightsbridge apartment block where one home is thought to have been sold for £140m.

Without identifying developments, Savills said: "A highlight has been the sales performance of a range of luxury developments that have come to market with some material transactions outstanding, which could complete within the calendar year".

The UK commercial transaction advisory business "has also continued to perform strongly, with third quarter revenue more than 60% ahead of the same period last year", it added.



Hyde society: prime London residential, such as One Hyde Park, has outperformed for Savills

In Hong Kong the firm expects a record year in its transactions business.

"Contrary to our expectations, the third quarter continued to show strong period-on-period revenue growth at more than 65%," it said.

In continental Europe there has been some improvement in activity in Paris, certain German cities and in the Nordic region, and in the US the firm's capital markets business, although loss-

making, has enjoyed "an upturn in its transaction pipeline" in the second half of the year.

On the financial side, Savills said it was in a net cash position and had an undrawn facility of £50m. It said it "continues to review opportunities that arise for infill acquisitions and the recruitment of individuals and teams, who are attracted in part by our continued financial strength".

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