

Pegaus Group  
C/o Phil Robison  
Queens House  
Manchester  
M2 5HT

Date: 5th November 2024

Dear Mr Robinson,

RE: Charlestown Works, Charlestown Road, Glossop, SK13 8LB

We are a firm of Commercial Property Consultants covering all main commercial sectors and are extremely active in the Stockport, Tameside and High Peak areas. We transact on average 200 commercial properties a year. Our activity is weighted heavily towards Industrial/Warehouse disposals, office transactions are resilient in some locations but activity within satellite locations is extremely weak.

Broadly speaking the commercial property market is extremely uncertain at this moment in time. However, we are finding that certain sectors and locations are extremely robust. The industrial/ storage/logistics and workshop sectors are extremely buoyant due to the continuing shift to online. This trend was apparent pre March 2020 but has been drastically accelerated due to covid. Consequently, the market experienced an unprecedented level of demand in a market where supply is limited.

Rents and Capital Values have grown significantly as a result. We have seen a cooling in these conditions due to inflationary pressures and the cost of borrowing money. Values and rents in the sector have flatlined since but the market is still underpinned by lack of supply.

In terms of the retail & office market. There have been limited transactions since the end / middle of 2022 which is reflective of, the investment market as a whole and specifically out of town retail and offices. The out-of-town market still remains very challenging as investors navigate a market with higher interest rates and a backdrop of uncertain occupational conditions, working from home and investment pricing.

### Market Conditions

The market has been broadly flat across all commercial sectors for the last 18 months, largely attributable to higher borrowing cost and stagnant growth.

The outlook looks more optimistic if we consider the Q1 2024 RICS UK Commercial Property Monitor results which show tentative signs that the market is shifting towards a recovery phase, albeit the current back drop remains challenging given the relatively restrictive interest rate setting alongside structural headwinds. In keeping with this, the largest share of respondents now view the market as either having reached a floor for this cycle (35%) or having entered the early stages of an upturn (38%).

For the coming twelve months, prime office rental projections were also upgraded, with a net balance of +42% of respondents now anticipating an uplift in rents vs +30% previously.

A net balance of +6% of contributors saw an increase in occupier demand across the office sector in Q1, marking the first positive reading for this metric since early 2022. Critically, this rise was entirely driven by Central London, where the net balance moved from +3% in Q4 to +40% in Q1. Elsewhere, virtually all other parts of the UK exhibit either a flat or slightly negative trend in office tenant demand.

Drilling further into the sector, in response to an additional question included this quarter, 52% of contributors stated that they have witnessed an increase in the volume of office tenants looking to downsize over the past twelve months.

Alongside this, close to 90% of respondents report seeing either significant or modest levels of office re purposing to other uses of late (up slightly from 86% when this question was last included in 2021).

In terms of the outlook for capital values, respondents appear to have solid conviction in prime industrial assets. However, at the weaker end of the spectrum, respondents expect capital values to continue to slip across secondary office and retail markets over the next twelve months.

The trends highlighted above, are reflected in the transactional activity within the glossop office market. We are the most active agent in the area and have not transacted any office lettings in the recent past. According to costar, there have been 2 recorded office deals over the last 3 years. The most recent of which was an office letting of 473 sqft at £16.50 per sqft. The subject property provided for a range of smaller offices from 414 sqft with a quoting rent of £20 per sqft.

The demand for space within this location is extremely limited. It is our understanding that there currently exists vacancy rate of 74%. Conversely, the Stockport office market has been extremely active in the last 18 months. In 2023 alone, we were directly involved in 30 office lettings. According to Costar, office vacancy rate sits at around 22%. We have seen a clear trend since Covid, where by tenants are flighting to quality. There has been a clear trend for tenants to take smaller, better quality office space in better locations. This has enabled Businesses to bring down occupational costs but, above all, attract employees & prospective employees back into the office environment. This has resulted in higher take up in those satellite locations that benefit from strong transport links. It is our view that, post covid, the market for isolated market towns like Glossop is extremely limited.

### **Economic Outlook**

At its meeting ending on 6 November 2024, the MPC voted by a majority of 8–1 to reduce Bank Rate by 0.25 percentage points, to 4.75%. One member preferred to maintain Bank Rate at 5%. There has been continued progress in disinflation, particularly as previous external shocks have abated, although remaining domestic inflationary pressures are resolving more slowly.

CPI inflation fell to 1.7% in September but is expected to increase to around 2½% by the end of the year as weakness in energy prices falls out of the annual comparison. Headline GDP growth is expected to fall back to its recent underlying pace of around ¼% per quarter over the second half of this year. The MPC judges that the labour market continues to loosen, although it appears relatively tight by historical standards. Monetary policy has been guided by the need to squeeze remaining inflationary pressures out of the economy to achieve the 2% target both in a timely manner and on a lasting basis.

CPI inflation is projected to fall back to around the 2% target in the medium term, conditioned on the usual 15 day average of forward interest rates, as a margin of slack emerges later in the forecast period that acts against second-round effects in domestic prices and wages.

The Budget is provisionally expected to boost CPI inflation by just under  $\frac{1}{2}$  of a percentage point at the peak, reflecting both the indirect effects of the smaller margin of excess supply and direct impacts from the Budget measures.

We consider these economic factors will continue to affect affordability and affect transaction volumes until which time finance is more freely available, interest rates settle or property values find a new level. In terms of the occupational market, we anticipate that the Autumn Statement will have a severe impact on SME's and their occupational requirements. We consider that, due to the additional costs of the workforce, occupiers will look to mitigate cost by adopting smaller workforce and streamlining their property requirements.

Signed: *Michael Blackshaw*

Michael Blackshaw  
Email: mb@mbre.space  
Mob: 07792201467  
Office: 0161 850 1111  
www.mbre.space