Auctions comment:

A hive of activity erupted at the UK's major commercial auctions at the end of March, raising £103m in two days of competitive bidding across all sectors.

The buzz was underpinned by demand for residential investments, whether tenanted or vacant, and resulted in success rates of 93% and 85% for Acuitus and Allsop respectively.

A "blind man on a galloping horse" could have sensed the sheer verve in the room, as investor confidence and greater financial fluidity edges upwards to levels not seen for eight years.

This time it included a new audience of first-time elderly bidders with the capacity to release significant sums of their pension equity and reinvest it in bricks and mortar if they wish, thanks to the pension freedom reforms introduced on 6 April. They found themselves jockeying alongside foreign bidders and established buyers, all of them hungry for long-term secure income with capital growth potential.

As a barometer of wider investor sentiment these two highly influential sales demonstrated that there is a huge appetite among private investors for both single-let and multilet investments and management-intensive assets across the sectors.

Encouragingly, while London remains the buyer's favourite location, as much as £30m was raised in regional transactions at Allsop's auction. This reflects a greater geographical spread as bidders look further afield for investments and grab some of the traction in the market, with value moving into secondary and even tertiary markets.

Over the course of the last year, sums raised at commercial auctions rose by 15% from £1.1bn to £1.3bn, according to figures from market analyst Essential Information Group. That was despite volumes being squeezed as sellers held on to properties while interest rates remained at a historically low level.

VIEW FROM THE ROOM

John Townsend

Head of auction advisory service, Harold Benjamin Solicitors

The latest *CPad Report* (produced by Acuitus/IPD/EIG), released in February, showed the substantial difference in performance between London and regional high street assets. It said: "Growth for UK retail as a whole in Q4 2014 was driven by standard retail assets in London. Standard retail capital values grew by 20.6% year-on-year in London against 4.9% for the rest of the UK."

It found that through 2014, retail yields on both secondary and prime assets hardened, driving the prime-secondary yield gap down to 362bp and compressing the average retail yield from 9.1% (Q3) to 8.3% (Q4). Its prediction that should investor sentiment continue to rise, demand for higher-yielding assets would also rise, is now being felt in the room. Certainly the omens are good for those now looking to invest in the retail sector at commercial auctions as the latest IPD UK Retail Property Auction Index rose by 10.9% in 2014 with shops sold under the hammer outperforming the wider retail sector (tracked by the IPD UK Monthly Shops Index) by 4.5%.

Last year was a pivotal one for the retail sector: it was the first to see continuous monthly growth for four years during which time it has been dogged by uncertainty. High streets in all locations, including those on prime sites, have been hammered by disproportionate business rates and by rapidly mounting pressure from the growth in online retailers.

So looking ahead it will be interesting to see what happens to investor demand for high street properties at auction following chancellor George Osborne's announcement of a welcome and long overdue wide-ranging review into iniquitous business rates.

Business rates are currently calculated according to the rental value of the property the company uses. But this has been based on 2008 prices, shortly after the height of the property boom, and the system has failed to take into account the effect of the recession, crippling small businesses.

Economists predict the benefits of any change as a result of the review will be unlikely to filter through until well into the next parliament, but it will still be one sector to watch.

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