

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Commercial Cabinet Committee
Date: 8th November 2022
Reporting officer: Service Manager (Property and Regulatory)
Subject: Economic and Property Market Update

Purpose and summary of report:

To share the RICS publication 'Economy and Property Market Update' August 2022 with Members

Recommendations:

1. That the report is noted

Key Implications:	
Item	Implications
Legal	None
Finance and Value for Money	None
Corporate Plan	Links to #3 Progress
Climate Change	The vast majority of commercial leased property must have an Energy Performance Certificate banding of C by 1 st April 2027 and be a band B by 1 st April 2030.

1. Background

- 1.1 The RICS's published their most recent Economic and Property Market Update in August 2022 and this is attached to this report. A brief summary of the document is set out below.

2. August 2022 update

- 2.1 The Economy
 - 2.1.1 The Bank of England raised the base rate to 1.75% at its August meeting, with further increases predicted. Inflation was predicted to reach 13% from

9.4% before easing in the second quarter of 2023 and returning to target levels in the latter half of 2024.

- 2.1.2 There has been a significant drop in consumer confidence with spending beginning to reduce and personal savings balances reducing.
 - 2.1.3 Against this backdrop a recession is likely with the Bank of England predicting that there will be a decline in GDP of around 2.2% spread over 5 quarters. Whilst vacancies still outnumber people looking for work this is likely to change over the coming months with the unemployment rate rising to circa 6%.
- 2.2 Commercial Property
- 2.2.1 Overall market sentiment is still positive albeit it has fallen from +17 to +6. However there are significant variances within that number with industrial / logistics remaining strong but with the retail sector beginning to stall. 50% of respondents considered that the market is now entering a downturn.
- 2.3 Residential Property
- 2.3.1 In respect of sales a number of demand indicators have fallen albeit price levels remain resilient currently due to demand outstripping supply currently. Rents are expected to rise as a result of reduced supply in the sector as a result of changes to the tax regime and regulatory environment.
- 2.4 Construction
- 2.4.1 Output has increased by 5% over the last 12 months with it predicted to rise by 2.5% this year and 1.6% in 2023. The key drivers in these rises over the last couple of years have been private housing, industrial and infrastructure.
 - 2.4.2 The immediate challenges for the industry relate to building materials (prices rising in excess of 25% over the last 12 months) and labour (wage inflation now above 8%). 15% of respondents identify lack of demand as an issue. Insolvencies are beginning to increase with financial constraints an increasing factor, to what extent this rises in the coming months will depend on whether firms feel able to pass on increasing costs in tender prices.

3. Appendices.

- 3.1 The following documents are to be published with the report: Economic and Property Market Update - August 2022

Lead Officer: Elizabeth Thornton

Email: elizabeth.thornton@gravesham.gov.uk

Secondary Implications	
Risk Assessment	N/A
Data Protection Impact Assessment	<i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i>
	<p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>No</p>
	<p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p>
	<p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>N/A</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
Crime and Disorder	N/A
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A