

COMMERCIAL REAL ESTATE INSIGHTS

APRIL 2020

TALE OF TWO CITIES IN LONDON AS COMMERCIAL BUYERS SPEND £89BN ON PROPERTY LAST YEAR ACROSS ENGLAND AND WALES

- 12 local authorities register £1bn+ of property transactions by commercial buyers in 2019, down from 14 in 2018
- Despite pockets of growth – led by City of London – overall market shrinks from £101bn in 2018 to £88.7bn in 2019 in the face of economic and political uncertainty
- Covid-19 will reinforce downward trends in 2020, with longer term implications for the recovery into 2021 and beyond
- Regional growth led by Wokingham, but local pressures highlight the need for Government's 'levelling-up' strategy to take effect

Twelve local authorities across England and Wales saw commercial property investors spend over £1billion on property transactions during 2019. This is a drop from 14 local authorities who passed the £1bn investment mark in 2018 and 15 during 2017.

Across all of England and Wales, annual investment in property by commercial buyers totalled £88.7bn according to the latest HM Land Registry (HMLR) data, down from £104bn in 2017 and £101bn in 2018.

These declines can be explained by the political and economic uncertainty that shrouded much of 2019 due to moving Brexit deadlines, only for the clouds to part at the end of the year following the snap December 2019 election.

The full impact of the Covid-19 lockdowns taking hold from March this year makes it a certainty this downward trend will continue in 2020, with implications for the market recovery into 2021 and beyond.

There are however silver linings. Despite overall commercial activity falling in 2019, many of the 12 leading councils - led by the City of London - enjoyed annual market growth.

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Caroline Robinson,
Commercial Real Estate
Business Development Manager,
Search Acumen

TALE OF TWO CITIES FOR COMMERCIAL INVESTMENT APPETITE ACROSS GREATER LONDON

The City of Westminster ranked top for commercial property investment in 2019 for a third successive year. However, it also exemplified the wider market decline, with £4.9bn of commercial spending compared to £8.2bn in the previous year. Tower Hamlets – among the biggest risers of 2018 – also saw buyer activity drop back from £2.5bn to £1.6bn, while Southwark also fell from £2.2bn to £1.3bn.

In contrast, spending in the City of London soared from £2.1bn to £3.3bn over the same period. Hammersmith and Fulham also enjoyed a commercial investment increase of nearly £1bn year-on-year, rising from £1.0bn in 2018 to £1.9bn last year.

Other Greater London property hotspots that saw commercial spending increase year-on-year included Camden, Kensington and Chelsea, Newham and Lambeth.

REGIONS ON ALERT AS ‘LEVELLING UP’ A LONG WAY FROM REALITY

The figures also highlight the need for the UK government’s “levelling up” strategy to deliver a tangible boost to regional economies, as the country grapples with potential exit and recovery strategies from the current coronavirus lockdown.

While Manchester, Leeds, Birmingham and Nottingham all recorded over £1bn of commercial buyer spending during 2018, only Birmingham passed the £1bn mark in 2019 based on the latest available data, and itself saw a reduction from £1.7bn to £1.1bn.

Alongside Birmingham, Wokingham in Berkshire was the only other local authority outside Greater London to see commercial buyers spend over £1bn in total on property transactions last year – registering almost a four-fold increase from £265m in 2018.

Other areas to see significant growth of commercial spending across England and Wales in 2019 included Bournemouth, Christchurch and Poole; North Warwickshire; Somerset West and Taunton; West Suffolk; East Suffolk; and Folkestone and Hythe.

Although the current Coronavirus lockdown will continue to have a significant short-term impact on the property market, a [recent forecast from Savills](#) suggests that pressures should ease towards the end of the year, with growth returning between Q4 2020 and Q2 2021. While the recovery is forecast to be stronger and quicker than that which followed the 2008/9 financial crisis, greater efforts will be needed to ensure that the benefits of property investment appetite from commercial buyers are shared beyond the capital.

“THE GOVERNMENT
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INVESTMENT IN
REGIONAL
INFRASTRUCTURE.”

Caroline Robinson,
Commercial Real Estate
Business Development
Manager, Search Acumen

FIGURE 1 – VALUE OF COMMERCIAL REAL ESTATE TRANSACTIONS, 2017-2019

£1bn+ commercial property markets – 2019		Transaction value – 2019	Transaction value – 2018 (%)	Transaction value – 2017 (%)
1	City of Westminster	£4,909,653,667	-40%	-34%
2	City of London	£3,292,134,606	57%	43%
3	Camden	£2,816,840,829	7%	6%
4	Kensington And Chelsea	£2,122,164,849	6%	46%

5	Hammersmith And Fulham	£1,910,911,369	87%	55%
6	Tower Hamlets	£1,642,339,118	-34%	-7%
7	Southwark	£1,308,746,823	-42%	-39%
8	Newham	£1,132,623,965	35%	-2%
9	Wokingham	£1,112,189,627	319%	392%
10	Birmingham	£1,087,541,148	-34%	-23%
11	Islington	£1,071,055,898	-1%	24%
12	Lambeth	£1,067,221,770	58%	4%

Source: Search Acumen analysis of HM Land Registry data

MARKET COMMENTARY

Caroline Robinson, Commercial Real Estate Business Development Manager, Search Acumen, comments:

“The commercial real estate sector has undergone some serious tests, with Covid-19 following hot on the heels of many months of Brexit uncertainty in 2019. Despite this, we cannot dwell in the doom and gloom and instead urge the sector to pragmatically assess the long-term impact of the pandemic and how best to prepare to bounce back in late 2020 and 2021.”

“While housebuilders and construction companies are making plans to re-open sites in early May, we should not be lulled into thinking that these sectors will continue to operate as normal. The pandemic has prompted widespread shifts in how individuals and businesses conduct their daily activities, with an overall move towards digital and remote working practices, which are likely to persist long after lockdown measures are relaxed.”

“The commercial sector should think realistically about the longer-term impact on office spaces as more people advocate working from home in order to strike a better work life balance, not to mention the positive environmental effects these practices have generated. This may prompt a drop in investment in offices as instead the focus shifts to renovations and creating more flexible working spaces in communities and at home. Commercial real estate developers need to adapt their offering – including by putting environmental considerations front and centre in their development plans going forward.”

“Our analysis reveals clear regional disparities and also indicates how the government needs to do more to support regional developers and to encourage investment in regional infrastructure and real estate projects beyond London.”

“During these uncertain times, we encourage firms to not take their eye off the future recovery and, in doing so, take stock of how better and more efficient ways of working will impact the commercial real estate sector’s financing and infrastructure development in the longer-term.”

NOTES TO EDITORS

METHODOLOGY

Search Acumen's Commercial Real Estate Insights examines trends in transactions of non-residential properties in England and Wales using HM Land Registry's public Price Paid Data (PPD). The insights focus on PPD Category type 'B' transactions, the "Additional Price Paid entry" which includes transfers under a power of sale/reposessions, buy-to-lets (where they can be identified by a mortgage) and transfers to non-private individuals. Note that category B does not separately identify the transaction types stated. HM Land Registry has been collecting information on Category B transactions since October 2013.

The insights have been designed by Instinctif Partners. While care is taken in its compilation, no representation or assurances are made as to its accuracy or completeness.

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ABOUT US

We are a property data insight and technology provider to conveyancers, solicitors and commercial property lawyers across the UK. Since taking our first order in October 2013, we have become the data supplier of choice for many leading residential and commercial firms.

Our business is dedicated to transforming the information processes to enhance and accelerate the practice of property law by delivering organised and prioritised property data. Our growth and success rests on working with data owners to understand, shape and deliver datasets that are essential and insightful for the next generation of property lawyers.

Our leadership team pioneered the original concept of property searches and built an entire industry in the process. Today we provide legal professionals with digital access to over 20 layers of essential property data on-demand, and we work closely with HM Land Registry and other forward-thinking organisations to revolutionise the experience of buying and selling property. Our Managing Director Andrew Lloyd is a founding member and board director of the UK PropTech Association and featured prominently in LendInvests' most recent Top 25 PropTech Influencers.