

COMMERCIAL REAL ESTATE INSIGHTS

FEBRUARY 2021

MORE THAN ONE MILLION SQUARE METRES OF OFFICE SPACE DISAPPEARS IN JUST A YEAR

- Pandemic set to accelerate contracting demand for office space, which has fallen for six successive years as firms adopt remote working practices
- Loss of office space across England and Wales is equivalent to closing every office in Manchester in just six years
- Newham experiences largest rise in office space – up 38% in one year alone

More than one million square metres of office space disappeared in England and Wales in the year before the coronavirus pandemic hit, reveals the latest edition of our Commercial Real Estate Insights series.

Office space contracted to 87.9 million square metres in 2019/20, down from 88.9 million square metres in 2018/19 (See Graph 1).

Loss of office space since 2014 is equivalent to shutting every office in Manchester

Findings show that the fall in office space over the last year marked a sixth successive year of decreasing office space, following almost a decade of expansion between 2005 and 2014. In the last six years, the loss of office space across England and Wales has been equivalent to shutting down every single office in Manchester¹.

The sharp fall in the value and number of transactions is being partly driven by a contraction in demand for offices and rental properties due to the rapid switch to home working practices and a flight of people from inner city areas.

Areas that have experienced the largest decrease in office space over the last year include:

- **Broxbourne:** Fell by over 16% in the last year, down to 60 thousand square metres in 2019/20 from 72 thousand square metres in 2018/19
- **Blackpool:** Down nearly 13% to 164 thousand square metres in 2019/20 from 188 thousand square metres the year before

“THIS RESEARCH REVEALS THAT A SUSTAINED DECLINE IN DEMAND FOR PHYSICAL OFFICE SPACE WAS UNDERWAY, EVEN BEFORE THE ONSET OF COVID.”

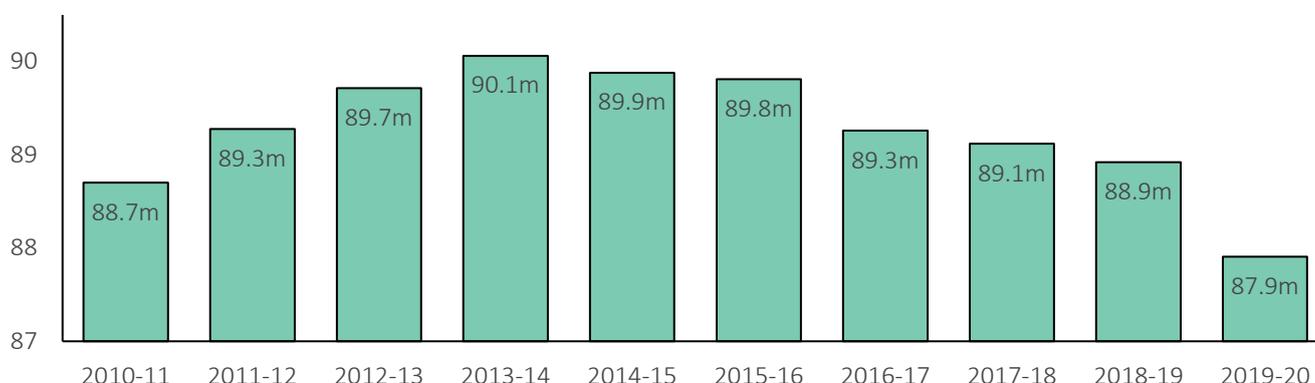
Caroline Robinson,
Commercial Real Estate
Business Development Manager,
Search Acumen

- **Lancaster:** Contracted close to 8% to 107 thousand square metres in 2019/20 from 116 thousand square metres in the previous year

Areas that have experienced the largest increase in office space in the last year include:

- **Newham, London:** Increased 38% over the last year, up to 333 thousand square metres in 2019/20 from 241 thousand square metres in 2018/19
- **Somerset and Taunton:** Up almost 8% to 191 thousand square metres in 2019/20 from 177 thousand square metres in the previous year
- **Cambridge:** Up 8% over the last year, to 393 thousand square metres in 2019/20 from 365 thousand square metres the year before

FIGURE 1 - Stock of office space in England and Wales over the last 10 years (million square metres)



At home working likely continue even after pandemic recovery

Search Acumen’s analysis highlights that use of flexible and remote working was increasing even before the onset of the pandemic. Having staff work from home more often is likely to have prompted firms to reduce their real estate footprint to better align with lower levels of office attendance.

The coronavirus pandemic and resulting stay-at-home orders to curb the spread of infections have further accelerated the trend toward remote working practices, with a number of businesses – from financial services firms like Aviva to technology behemoths such as Twitter – announcing that staff will never return to the office full-time.

Changing working behaviours could result in lower office attendance levels in the long-term. Workers have, in the large, maintained productivity levels despite working from home, which may discourage some firms from reverting to full-time office working even after the worst effects of the pandemic subside. This could trigger firms to cut their real-estate footprint even further.

FIGURE 2 - Top 10 areas with the largest decrease in office space over the last year²

Rank	Area	% change in office space over the last year
1	Broxbourne	-16.7%
2	Waveney	-14.3%
3	Blackpool UA	-12.8%
4	Selby	-10.9%
5	Rushmoor	-9.4%
6	Havering	-8.1%
7	Weymouth and Portland	-8.1%
8	Lancaster	-7.8%
9	Bracknell Forest UA	-7.0%
10	Harlow	-6.5%

“WHILE THE NEED FOR OFFICE SPACES HAS NOT COMPLETELY DISAPPEARED, COMMERCIAL REAL ESTATE INVESTORS NEED TO INCORPORATE THE LIKELIHOOD OF LOWER OCCUPANCY RATES INTO THEIR RISK ASSESSMENTS.”

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

FIGURE 3 - Top 10 areas with the largest increase in office space over the last year²

Rank	Area	% change in office space over the last year
1	Newham	38.2%
2	West Somerset	34.1%
3	Isle of Anglesey	18.2%
4	Chorley	11.0%
5	Adur	10.7%
6	Cannock Chase	8.2%
7	Somerset West and Taunton	7.9%
8	Cambridge	7.7%
9	Hackney	7.6%
10	Richmondshire	7.4%

MARKET COMMENTARY

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

“This research reveals that a sustained decline in demand for physical office space was underway, even before the onset of Covid.

“The contraction of office space is likely to accelerate in the coming years, triggered by firms assessing the necessity of their real estate footprint after large swathes of the workforce have effectively adapted to work-from-home practices.

“While the need for office spaces has not completely disappeared, commercial real estate investors need to incorporate the likelihood of lower occupancy rates into their risk assessments. Rents in the office sector are likely to fall further due to decreased demand from potential commercial tenants and existing tenants attempting to restructure leases to better align their cost base, which will put downward pressure on yields.

“The rapid deployment of vaccines across the UK provides hope that normal levels of economic activity may return

in the medium-term. As the economy begins to reopen, workers may start returning to the office, which will increase the need for firms to retain offices.

“While an unwelcome event, the pandemic has triggered the modernisation of work practices in many sectors and put the real estate sector in a better position to face uncertainty head on. Greater adoption of technology and data consumption in the commercial real estate market is improving the quality and availability of information on office assets. This will help potential investors and firms make more effective capital allocation decisions and adapt to changing market conditions.”

NOTES TO EDITORS

METHODOLOGY

Search Acumen’s Commercial Real Estate Insights examines trends in office space using Valuation Office Agency [data](#).

1Aggregate office space in Manchester reached 2.06 million m2 in 2019/20. Office space in England and Wales fell by 2.15 million m2 between 2013/14 – 2019/20

2Percentages may not sum due to rounding

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.