

COMMERCIAL REAL ESTATE INSIGHTS

NOVEMBER 2020

VALUE OF PROPERTY TRANSACTIONS UNDERTAKEN BY COMMERCIAL BUYERS PLUNGES 71% SINCE LOCKDOWN

- Interest in North East England growing among commercial buyers
- Greater London experiences 77% fall in value of transactions by commercial buyers, dropping to £4.7bn in 2020 down from £20.3bn in 2019

The value of property transactions in England and Wales undertaken by commercial buyers has plunged 71% year-on-year since the first introduction of lockdown restrictions* to stop the spread of coronavirus, reveals the latest edition of our Commercial Real Estate Insights series.

Property transactions completed by commercial buyers fell to £15.1bn between late March to September 2020, down from £52.1bn for the equivalent period during 2019. At the same time, the number of transactions dropped by 73%, falling to 23,036 in 2020 from 84,943 in the previous year**.

Areas that experienced some of the sharpest fall in the value of transactions since lockdown include:

- Southampton, falling 96% to £12.3m in 2020 from £288.7m in 2019
- Swindon, sliding 92% to £13.3m in 2020 from £166.1m in 2019
- York, dropping 88% to £18.3m in 2020 from £158.3m in 2019

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.

Activity in the commercial property market has been hit due in part to firms evaluating their need to retain office space in response to workers remaining at home. The likelihood of businesses incorporating working from home practices for prolonged periods is increasing as coronavirus cases continue to surge.

“THIS DATA REVEALS THE
SCALE OF THE IMPACT THE
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AND RESULTING
LOCKDOWN RESPONSES
HAVE HAD ON BUYING
APPETITE”

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

Strict restrictions imposed on England and Wales's property market between March and the middle of May 2020 to curb the spread of coronavirus also put downward pressure on activity levels, contributing to a reduction in the volume and value of transactions.

A ban on physical viewings of properties in part resulted in potential buyers being unable to assess properties' suitability and valuation officers struggling to assign an appropriate price. This lack of information may have prompted buyers to renege on purchases or hold back on exploring new deals.

FIGURE 1 - Top 10 areas experiencing the steepest fall in value of transactions since lockdown

Rank	Area	% change in value of property transactions undertaken by commercial buyers	Value of transactions 2020	Value of transactions 2019
1	SOUTHAMPTON	-96%	£12,265,343	£288,790,827
2	CAERPHILLY	-93%	£5,491,294	£80,903,072
3	BRIDGEND	-93%	£5,041,500	£71,568,896
4	BATH AND NORTH EAST SOMERSET	-93%	£23,007,633	£321,318,470
5	SWINDON	-92%	£13,261,830	£166,120,674
6	EAST RIDING OF YORKSHIRE	-89%	£20,409,596	£186,361,138
7	YORK	-88%	£18,330,931	£158,343,555
8	NEWPORT	-88%	£10,924,531	£94,207,053
9	WOKINGHAM	-88%	£24,362,339	£209,249,961
10	ISLE OF ANGLESEY	-88%	£5,362,889	£43,604,370

Interest in North East England grows among commercial buyers

The research also reveals growth in the value of transactions undertaken by commercial buyers since the lockdown is highly concentrated in the North East of England, partly driven by commercial buyers looking beyond Greater London for returns on their investments.

County Durham (69%), Tyne and Wear (16%) and Northumberland (6%) all saw rises in the value of transactions since the lockdown, compared with the previous year¹. This compares to a 77% drop in the value of property transactions undertaken by commercial buyers in Greater London over the same period¹.

“THE COMMERCIAL REAL ESTATE SECTOR NEEDS TO URGENTLY PREPARE FOR THE IMPACT THAT WIDESPREAD ADOPTION OF REMOTE WORKING PRACTICES... MAY HAVE ON FUTURE OCCUPANCY RATES.”

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

FIGURE 2 - Top five areas experiencing highest rise in value of transactions since lockdown

Rank	Area	% change in value of property transactions undertaken by commercial buyers	Value of transactions 2020	Value of transactions 2019
1	MONMOUTHSHIRE	90%	£107,162,125	£56,350,072
2	COUNTY DURHAM	69%	£389,135,574	£230,464,032
3	TYNE AND WEAR	16%	£623,859,425	£537,464,552
4	NORTHUMBERLAND	6%	£148,481,893	£140,073,879
5	STOKE-ON-TRENT	0.03%	£119,345,499	£119,310,822

¹Source: Search Acumen analysis of HM Land Registry data

MARKET COMMENTARY

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

“This data reveals the scale of the impact the coronavirus pandemic and resulting lockdown responses have had on buying appetite from commercial investors across England and Wales.

“Companies are drawing up long-term strategies to incorporate remote working, with a large part of these plans including a reduction in their real estate footprint or downsizing to smaller workspaces to align with lower office footfall. The potential to fill large-scale residential housing projects, often found in cities, is decreasing due to consumers looking to relocate to areas outside city centres that better align with evolving tastes.

“Commercial buyers are already responding to the prospect of lower long-term demand by looking at areas that have the potential to provide returns in the future, with the North East of England in particular experiencing an inflow of investor capital. A reallocation of investment from traditional areas of buyer interest, such as Greater London, to new areas will help stimulate business growth across the UK.

“The commercial real estate sector needs to urgently prepare for the impact that widespread adoption of remote working practices and extended periods of social distancing measures may have on future occupancy rates. Developers must innovate and ensure properties meet firms’ and investors’ new requirements.

“Major trends developers should consider addressing in future development plans how technology is altering the use of office space, with movement of workers becoming increasingly fluid between different locations and flex spaces. Environmental and sustainability considerations are also playing a more important role in firms’ capital expenditure decisions. Developers failing to react to these underlying trends risk facing lower investment in the future.”

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/repossession, 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.

* This period covers 24 March – 30 September 2020 compared to the same period in 2019

**August and September 2020 data are provisional and may be subject to change

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.