

# COMMERCIAL REAL ESTATE INSIGHTS

JUNE 2019

## BILLION-POUND COMMERCIAL REAL ESTATE LEAGUE REVEALED

- Thirteen local authority districts across England and Wales exceeded £1bn of commercial real estate sales in 2018, compared with only six in 2016
- Total value of commercial sales jumped by 46% between 2016 and 2018 from £65.7bn to £95.9bn, with transaction volumes rising 22%
- The Billion Pound Commercial Real Estate League spreads beyond London: Northern English metros join the list as Nottingham saw the biggest jump to reach the League
- Beyond Central London, Leeds and Walsall experienced the biggest jump in total commercial real estate transaction values since 2016; Southampton and Tyneside saw the biggest slumps
- Birmingham, Liverpool and Leeds continue to be the strongest areas for the number of commercial real estate transactions over the last two years
- 'Brexit effect' curbs growth trajectory in 2018 as industry hopes for a return to normalcy, post-negotiations

Commercial sales of real estate exceeded £1bn in 2018 across thirteen local authority districts of England and Wales, as many areas have witnessed rapid growth over the last two years.

Our analysis of HM Land Registry (HMLR) data shows the total value of commercial transactions rose 46% between 2016 and 2018, from £65.65bn to £95.96bn. The total volume of transactions grew by 22% over the same period from 121,923 in 2016 to 148,965 last year.

This strong activity meant the number of areas across England and Wales boasting a £1bn market for commercial sales of real estate has more than doubled from six in 2016 to thirteen.

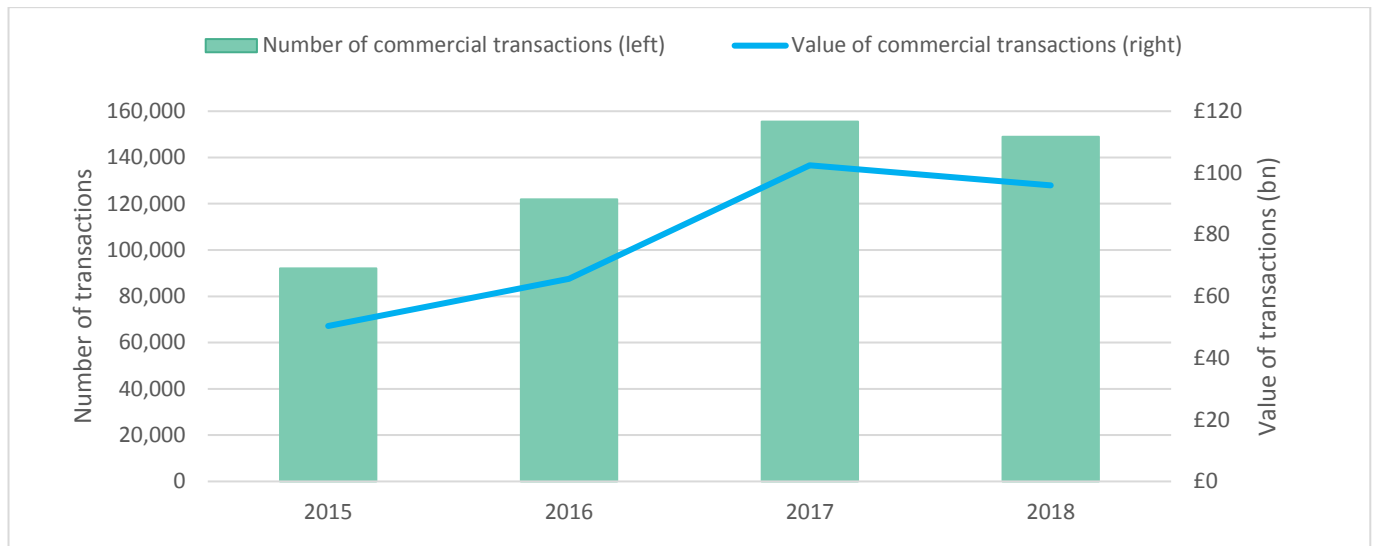
However, the data also indicates a potential Brexit slowdown taking effect. Based on transactions logged with HMLR at the end of April 2019, total commercial activity for 2018 was down 4% by volume and 7% by value compared with the previous year.

The average price of commercial sales also dipped from £632,203 in 2017 to £615,030 last year, although this remained 17% up on the average £525,297 seen in 2016.

COMMERCIAL REAL ESTATE  
ACTIVITY HAS CONTINUED  
TO DEFY EXPECTATIONS  
WITH VALUATIONS AND  
VOLUMES OF  
TRANSACTIONS GROWING  
SIGNIFICANTLY SINCE 2016

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FIGURE 1 – TOTAL COMMERCIAL REAL ESTATE TRANSACTIONS IN ENGLAND AND WALES



Source: Search Acumen analysis of HM Land Registry data

### Billion-Pound Commercial Real Estate League expands beyond Greater London

The only areas of England and Wales to register more than £1bn of commercial real estate sales in 2016 all fell within Greater London. Since then, the list has grown as activity has spread across the country, with Manchester, Leeds, Birmingham and Nottingham each registering £1bn+ of commercial sales in 2018. This is down slightly from 15 members of the 2017 League.

The first three in that list have now reached and passed this £1bn milestone for two successive years, in both 2017 and 2018. Nottingham in particular has seen a 357% lift in commercial real estate transaction value between 2016 and 2018 (£226.7m versus £1.04bn).

The slowdown from 2017 to 2018 saw five areas drop out of the £1bn+ list: Hammersmith and Fulham, Newham, Ealing, Lambeth and Liverpool. The latter was the most notable exclusion having placed 2nd in 2017 for the total value of purchases, before falling to 21st in 2018. Islington, Barnet and Nottingham joined the 2018 list.

The City of Westminster has held the top spot every year since 2015 and boasted almost three times the commercial investment in real estate than in any other area during 2018, with sales exceeding £7bn – more than 8% of the total for England and Wales. However, Camden, Southwark and Tower Hamlets have all risen above Kensington and Chelsea and the City of London in 2018 as the capital’s biggest hotspots for commercial property purchases.

FIGURE 2 – AREAS OF ENGLAND AND WALES WITH £1BN+ OF COMMERCIAL REAL ESTATE SALES

Ranking 2018	Local Authority District	Number of transactions, 2018	Total price paid, 2018	Average price paid	Ranking 2017	Ranking 2016
1	City of Westminster	1,175	£7.92bn	£6.74m	1	1
2	Camden	642	£2.62bn	£4.09m	3	2
3	Tower Hamlets	938	£2.47bn	£2.64m	7	8
4	Southwark	872	£2.19bn	£2.51m	5	5
5	Kensington and Chelsea	620	£1.98bn	£3.19m	8	3
6	City of London	149	£1.85bn	£12.44m	4	4
7	Manchester	1,841	£1.66bn	£901k	10	10
8	Leeds	2,072	£1.65bn	£796k	13	12
9	Birmingham	2,807	£1.58bn	£564k	9	7
10	Barnet	1,034	£1.14bn	£1.1m	16	16
11	Islington	505	£1.06bn	£2.11m	19	15
12	Wandsworth	840	£1.06bn	£1.26m	14	6
13	City of Nottingham	945	£1.05bn	£1.11m	34	67

Source: Search Acumen analysis of HM Land Registry data

## London and Leeds see biggest increases in commercial investment, while Southampton slips

Examining the areas across the whole of England and Wales that have enjoyed the biggest growth in spend on commercial real estate sales since 2016, Central London locations dominate once again. However, Walsall makes a notable appearance into the biggest growth area list, having seen a 751% increase (£874m) in commercial real estate spend over two years. Nottingham, which achieved more than £1bn in sales, was the 6<sup>th</sup> biggest growth area by change in value of investment.

Conversely, among those areas with the biggest fall in overall commercial real estate spend, Southampton saw the biggest drop in value by more than £265m. Both Colchester and its immediate neighbor Babergh also saw big drops of £112m and £109m respectively.

FIGURE 3 – AREAS WITH THE BIGGEST GROWTH AND DECLINE IN SPENDING ON COMMERCIAL REAL ESTATE TRANSACTIONS, 2016-2018

Areas with the biggest growth			Areas with the biggest decline		
Local Authority District	£ change in value of investment, 2016-2018	% change in value of investment, 2016-2018	Local Authority District	£ change in value of investment, 2016-2018	% change in value of investment, 2016-2018
City of Westminster	£2.28bn	41%	Southampton	−£265m	−43%
Tower Hamlets	£1.55bn	169%	North Tyneside	−£242m	−69%
Southwark	£1.09bn	99%	Colchester	−£112m	−40%
Leeds	£952m	136%	Babergh	−£109m	−60%
Walsall	£874m	751%	North Warwickshire	−£97m	−60%

Source: Search Acumen analysis of HM Land Registry data

## Northern powerhouse cities drive transaction volumes

Comparing areas of England and Wales by volume of commercial real estate sales, Birmingham and Liverpool have held the top two spots since 2016.

Cities in the Midlands and the North of England are seeing large amounts of commercial real estate traffic as the top five areas for overall transaction volumes saw 7.4% of all transactions in 2018 (9,758).

The top seven locations for transaction volumes have stayed the same since 2016, with Cornwall in particular showing strong numbers over three years. Outside the top seven, Croydon and Cheshire East have seen the biggest increase in transactions, up more than 25% each since 2016 to make it into the 2018 top ten.

THE METROPOLES IN THE MIDLANDS AND THE NORTH ARE FUELING MUCH OF THE COMMERCIAL REAL ESTATE TRAFFIC

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

FIGURE 4 – TOP 10 AREAS BASED ON VOLUMES, 2016-18

Ranking 2018	Local Authority District	Number of transactions, 2018	Total price paid, 2018	Ranking 2016	Ranking 2017	% change in number of transactions, 2016-2018
1	Birmingham	2,807	£1.58bn	1	1	24%
2	Liverpool	2,392	£0.82bn	2	2	15%
3	Leeds	2,072	£1.65bn	4	3	13%
4	County Durham	1,868	£0.84bn	6	6	24%
5	Manchester	1,841	£1.66bn	3	5	2%
6	Cornwall	1,721	£0.62bn	7	4	26%
7	Bradford	1,465	£0.28bn	5	7	−14%
8	Croydon	1,276	£0.75bn	16	17	29%
9	Sheffield	1,235	£0.83bn	11	8	15%
10	Cheshire East	1,216	£0.52bn	18	14	27%

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 continued to defy expectations since the EU referendum with both valuations and volumes of transactions growing significantly since 2016. Our insights have showed that Greater London’s commercial real estate transactions alone increased by more than 40% in value between 2016 and 2018 – generating an additional £10bn in annual sales – despite the volume only rising by 17% over the same period.*

*“At the same time, the metropolises in the Midlands and the North of England are playing an important role in fueling commercial real estate traffic. The top five areas for transaction volumes – all in the North of England – saw almost 7.4% of all transactions in 2018.*

*“The overall market slipped back slightly in 2018, which is sure to have been influenced by some investors and developers waiting for a Brexit breakthrough. Nevertheless, our insights paint a picture of a vibrant regional market for commercial real estate business. For example, areas like Walsall and Nottingham have seen a huge increase in the volume and value of commercial properties being transacted in the last two years.*

*“Looking ahead, the commercial real estate sector faces significant upheaval in the coming years. The demand for retail spaces is shrinking as high street customers move online. Demand for office space is equally on the decline as companies embrace remote working in an effort to reduce overhead costs. At the same time, there is an increasing trend of commercial properties being converted to residential property and brownfield land being redeveloped to boost much-needed urban housing supply.*

*“Some industry experts are predicting a rise in activity in the commercial sector once the Brexit uncertainty clears, but the longer-term disruption of the market cannot be ignored. Commercial real estate investors will need to innovate if they are to make the most of evolutions in retail, office and residential spaces. Understanding the potential and limitations of developments will be key to maximising profits and moving with wider trends.”*

## 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/repossessions, 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.

For more information or media enquiries, please contact Lee Jones or Malini Parkash at Instinctif Partners on **0207 457 2020** or [searchacumen@instinctif.com](mailto:searchacumen@instinctif.com)



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### ABOUT US

Search Acumen is 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 built on a commitment to re-engineer the experience of conducting due diligence on property transactions – helping clients work more efficiently and effectively to deliver better outcomes for their customers. Our growth and success rests on challenging industry conventions by combining emerging technology and data with unparalleled insight into the evolving needs of property buyers, sellers and investors.

Our leadership team pioneered the original concept of property searches and built an entire industry in the process. We work closely with HM Land Registry and other forward-thinking organisations to unlock the potential of digitisation and technology 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 in the LendInvest Top 25 PropTech Influencers for 2017.