



UK COMMERCIAL REAL ESTATE ECONOMIC FOOTPRINT

AUGUST 2019



BRITISH PROPERTY
FEDERATION

UK COMMERCIAL REAL ESTATE THE INDUSTRY'S ECONOMIC CONTRIBUTION



JOBS & LABOUR MARKET



2,191,000 Jobs

Directly and indirectly supported by commercial real estate



Equivalent to **1 in every 14 jobs** in the UK

Across a range of sectors inc construction, financial services, architecture and engineering



£26.3bn

Earnings supported across the industry each year



OUTPUT & TURNOVER



£101.2bn

Economic output (GVA) generated each year



Equivalent to more than **7% of total UK GVA**



£114.2bn

Business turnover generated per annum



TAX REVENUE TO EXCHEQUER



£6.7bn

Employment-related taxes (PAYE, NI) generated per annum



£27.9bn

Business Rates generated by commercial property each year



£3.8bn

Other taxes including property transaction taxes



CAPITAL INVESTMENT



£54.6bn

Total capital investment across the industry last year



375,000 Jobs

Supported by this capital spend (17% of industry total)



£26.2bn

Economic output (GVA) generated by capital investment activity last year (25% of industry total)

ABOUT THIS REPORT

The commercial real estate industry sits at the very heart of the UK economy. It provides the space in which economic activity and innovation happen, generates a substantial number of jobs, and supports public services through the payment of taxes on its activities. In order to capture and quantify this contribution, the British Property Federation (BPF) commissioned planning and development consultancy Lichfields to analyse the economic footprint of the industry.

This short report summarises the key findings from this research, focused around four broad themes:

1. **JOBS & LABOUR MARKET** — the scale of employment directly and indirectly supported by the industry, and the earnings associated with its workforce.
2. **OUTPUT & TURNOVER** — the value of economic output generated by the industry, alongside the turnover supported by commercial real estate businesses.
3. **TAX REVENUE TO EXCHEQUER** — the amount of employment-related taxes paid by the industry, plus tax payments linked to the use of commercial space and real estate transactions.

METHODOLOGY

The assessment of commercial real estate's economic footprint draws upon a variety of data sources, input information and assumptions. Where possible, this incorporates assumptions that are consistent with previous assessments carried out by the BPF, particularly with regards to industry definition.

Commercial real estate includes office, retail, industrial, logistics, leisure, medical and hotel properties, and residential property in what is known as the private rented sector. It produces a financial return for its owner, usually in the form of rent.

A summary of key input assumptions and data sources is provided below, by theme:

1. **JOBS & LABOUR MARKET** — this assessment draws on the Office for National Statistics (ONS) Business Register and Employment Survey (2018) and Input-Output Analytical tables (2018) to estimate the number of direct and indirect jobs linked to the industry. The employment estimates are then combined with ONS Annual Survey of Hours and Earnings (2018) data to calculate earnings associated with the industry's workforce.

4. **CAPITAL INVESTMENT** — the value of capital investment made by the industry, and associated employment and economic output linked to construction activity.

The assessment uses latest available data and information drawn from a range of sources including national accounts, official business surveys and the BPF's own intelligence (see below for further detail). Outputs cover the industry's economic footprint at the UK geographical level where possible, and as far as data allows.

As shown opposite, the economic value created by commercial real estate is significant, with the industry responsible for 7% of all economic output generated across the UK. Meanwhile, tax revenue generated by commercial property provides a significant revenue stream for both central and local government, helping to maintain the quality of public services and the vitality of communities across the country.

In addition to its tangible economic footprint, commercial real estate also plays an important wider role in supporting economic growth and prosperity, by providing businesses with the space they need to start-up, grow and thrive.

2. **OUTPUT & TURNOVER** — economic output is calculated by combining the employment results with the ONS Annual Business Survey (2018) and Regional GVA (2017) datasets and Input-Output Analytical tables (2018). The Annual Business Survey (2018) data is also used to estimate turnover.
3. **TAX REVENUE TO EXCHEQUER** — the estimate of employment-related tax is calculated based on earnings estimates and applying income tax, employee / employer national insurance bands and thresholds. The value of business rates and property transaction taxes is taken from the UK's central and devolved government accounts.
4. **CAPITAL INVESTMENT** — this is estimated by applying employment outputs to ONS Annual Business Survey (2018) data. The number of construction jobs and value of output linked to capital investment represents a sub-set of overall employment and economic output as described above.



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