



UK COMMERCIAL REAL ESTATE ECONOMIC FOOTPRINT

MAY 2024



BRITISH
PROPERTY
FEDERATION



UK COMMERCIAL REAL ESTATE THE INDUSTRY'S ECONOMIC CONTRIBUTION



JOBS & LABOUR MARKET



2,500,000 Jobs

Directly and indirectly supported by commercial real estate, including 1.37m direct jobs



Equivalent to **1 in every 13 jobs** in the UK

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



£36.6bn

Earnings supported across the industry each year



OUTPUT & TURNOVER



£110.2bn

Economic output (GVA) generated each year



Equivalent to more than **5% of total UK GVA**



£124.3bn

Business turnover generated per annum



TAX REVENUE TO EXCHEQUER



£9.3bn

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



£31.5bn

Business Rates generated by commercial property each year



£3.9bn

Other taxes including property transaction taxes

CAPITAL INVESTMENT



£60.5bn

Total capital investment across the industry last year



419,000 Jobs

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



£29.2bn

Economic output (GVA) generated by capital investment activity last year (21% 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. This is taken from the UK's central and devolved government accounts and does not reflect the value business rates relief.

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 (2022) and Input-Output Analytical tables (2023) 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 (2023) 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 5% 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 (2023) and Regional GVA (2023) datasets and Input-Output Analytical tables (2023). The Annual Business Survey (2023) 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 (2023) 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.

COMPARING PERFORMANCE

The table below compares the results by indicator for the 2023 period (the latest footprint) to the previous four reporting periods (2022, 2021, 2019, and 2018). There have been several changes to the scale of socio-economic impacts between these periods, primarily due to disruption to business activities linked to the COVID-19 pandemic. Although the commercial real estate industry recovered well from the COVID-19 Pandemic in 2022, the latest 2023 reporting year indicates that the industry has broadly settled back in line with the picture reported in 2021. This is likely a reflection of the uncertain macro-economic picture across the UK economy as a whole in 2023.



JOBS & LABOUR MARKET

	2018	2019	2021	2022	2023
Direct and Indirect Jobs	2.19 million	2.41 million	2.30 million	2.64 million	2.50 million
Direct Jobs	1.23 million	1.32 million	1.26 million	1.37 million	1.37 million
UK Comparison	Equivalent to 1 in every 14 jobs in the UK	Equivalent to 1 in every 13 jobs in the UK	Equivalent to 1 in every 13 jobs in the UK	Equivalent to 1 in every 12 jobs in the UK	Equivalent to 1 in every 13 jobs in the UK
Earnings	£26.3 bn	£28.7 bn	£28.5 bn	£40.5bn	£36.6 bn



OUTPUT & TURNOVER

Economic Output (GVA)	£101.2 bn	£116.1 bn	£107.4 bn	£137.5bn	£110.1 bn
UK comparison	Equivalent to more than 7% of total UK GVA	Equivalent to more than 7% of total UK GVA	Equivalent to more than 6% of total UK GVA	Equivalent to more than 7% of total UK GVA	Equivalent to more than 5% of total UK GVA
Business turnover generated per annum	£114.2 bn	£128.5 bn	£125.2 bn	£152.7 bn	£124.3 bn



TAX REVENUE TO EXCHEQUER

Employment related taxes generated per annum	£6.7 bn	£7.0 bn	£7.2 bn	£11.8 bn	£9.3 bn
Business Rates generated by commercial property per annum	£27.9 bn	£29.8 bn	£28.2 bn	£29.3 bn	£31.5 bn
Other taxes including property transaction taxes	£3.8 bn	£3.4 bn	£2.8 bn	£4.2 bn	£3.9 bn



CAPITAL INVESTMENT

Total capital investment across the industry last year	£54.6 bn	£63.3 bn	£61.6 bn	£72.6 bn	£60.5 bn
Jobs supported by this capital spend	375,000 Jobs	407,000 Jobs	374,000 Jobs	454,000 Jobs	419,000 Jobs
Economic output GVA generated by capital investment activity	£26.2 bn	£29.5 bn	£25.6 bn	£29.3 bn	£29.2 bn

*Analysis for 2020 was not undertaken.



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