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The Size and Structure of the UK Property Market: End-2023

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The Size and Structure of the UK Property Market: End-2023 Update

Report

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CONTENTS

1. EXECUTIVE SUMMARY

This report provides an overview of the size and structure of the UK property market as at the end of 2023 and follows a series of reports, first produced for 2005 and updated annually for 2013 to 2018 and then updated again for end-2020. It uses various sources of public and private information to arrive at estimates of the value and volume of real estate in the UK.

The report considers two main estimates of the stock of real estate:

- Total stock – all property types and including owner-occupied real estate; and
- Invested stock – that owned by institutions and other larger scale professional investors[1] for investment purposes.

The breakdown of the total stock is shown in Table 1.1. The total value of residential and commercial real estate at the end of 2023 is estimated to be c£9.3tn, with commercial property accounting for just under £1tn.

Table 1.1: Estimates of the Value of Property in the UK End-2023 (£bn)

Retail	275
Office	221
Industrial	366
Other commercial*	88
Commercial Property*	**949**
Residential Property	**8,274**
Residential + Commercial Real Estate	**9,243**

Source: Nick Mansley (NM) estimates from Valuation Office Agency, Scottish Assessors Association, MSCI and ONS.

*The definition of other commercial (and commercial property) used here is relatively narrow and only includes some hotel, leisure and other commercial property. It excludes all forms of residential (care homes, student housing), health, education and other predominantly public sector assets and parts of the leisure sector deemed more operational assets (sports stadia, amusement parks etc.).

The headline findings on the changing investment structure of the UK institutional real estate investment market are:

- Overseas investor ownership has increased substantially with all types of overseas owner being net purchasers over the last three years, in addition to funding development. This continues the trend of the last two decades. Back in 2003, overseas investors were estimated to account for 14% of the commercial real estate investment market. By 2013, this had increased to 24%. In this report, it is estimated that they account for 40% of the UK investment market.

  This growth in overseas investment has been broadly based, with overseas collective investment vehicles (including private equity real estate funds), overseas REITs and overseas private companies, sovereign wealth funds and other types of investor all becoming significant investors in UK commercial real estate.

[1]Referred to elsewhere within this report as 'institutional'.

1. EXECUTIVE SUMMARY

- UK insurance companies and their unit-linked funds own less of the market than three years ago, and their share is well down on 10 to 20 years ago. They were estimated to account for 20% of the market in 2003, compared to only 6% at the end of 2023. However, whilst their share of underlying ownership has fallen, they are significant lenders to real estate. Overall, commercial real estate exposure (including loans and debt securities) of insurance companies is estimated at over £140bn, equivalent to 15% of the value of the commercial real estate market.
- Direct commercial investment by defined benefit (DB) pension funds has fallen significantly over the last three years from £43bn to £32bn. This has been offset by an increase in indirect investment by public sector DB schemes and defined contribution (DC) pension funds.
- UK pension fund investment is predominantly through indirect vehicles and pension funds continue to be important in the financing of real estate in the UK with over £100bn invested.
- SIPPs (not included in the above) also have an estimated c£15bn in property.
- UK (and Channel Island) property collective investment vehicles/pooled funds account for £65bn of commercial real estate, down from £83bn three years ago reflecting value falls and outflows and fund liquidations.
- UK REITs and listed real estate companies account for £89bn of real estate, £78bn of which is commercial.
- Institutional investment in the residential sector continues to increase. It remains a small part of the overall rental market but has increased to over £100bn. There are now over 100,000 build to rent units as well as substantial investments in the provision of student housing and other forms of residential. Residential has increased from 5% of the combined invested residential and commercial invested stock total to around 16%.

2. INTRODUCTION

2.1 Objectives and Structure of the Report

The report aims to give an overview of the size and structure of the UK property market, providing information on the scale of the industry, what different types of investors own within it, and how this has changed.

Section 3 sets out estimates for the value of all property stock and the value of all commercial property. Section 4 focuses on investment property, particularly commercial property investments and the ownership by different investor types. This includes a section examining the pensions market in more detail. Section 5 discusses the residential investment market.

2.2 Definitions

The report uses two main measures of real estate:

- The **total stock** of property: this is a comprehensive measure including owner-occupied property, UK public sector owned property and all property owned by investors, but it excludes infrastructure assets; and
- The **invested stock:** land and buildings owned and held in large-scale professionally managed investment portfolios.

In addition, **investable stock** is a measure of the total stock of real estate in sectors that are typically within the scope of investment. This includes commercial real estate and parts of residential but excludes owner-occupied housing as well as public sector real estate.

In terms of property types the report uses the following definitions which are broadly consistent with the corresponding MSCI definitions:

- **Retail** covers shops, shopping centres, retail warehouses, supermarkets, department stores and factory outlets as well as car showrooms and garden centres. Restaurants, pubs, and cafes are also included in the MSCI definition of retail, – and this broader retail definition, including food and beverage premises (F&B), is the one used in this report, (recognising that many high streets, shopping centres and retail warehouse parks are very much a combination of retail and F&B).
- **Offices** include all types of office building. Data and computer centres are included within the office definition in this report (in line with the Valuation Office Agency (VOA), but MSCI include them within industrial).
- **Industrial** includes distribution warehouses, standard industrial units and workshops. This category also includes storage facilities including self-storage.
- **Other commercial** covers hotels, cinemas and theatres, other leisure, car parks and other commercial.
- **Other non-residential** includes predominantly public sector assets (such as health and education, community centres, courts and prisons), heavy industry and utilities.
- **Residential** includes all types of housing and flats, including retirement housing and student accommodation.

These definitions are consistent as far as possible with those used in previous editions of the IPF Size and Structure report but differ from some used by the Office for National Statistics (ONS) and Government agencies as outlined in Appendix A.

2. INTRODUCTION

The main UK investor types used in the analysis are consistent with those used in previous editions of the report, e.g., insurance companies include insurance company managed property funds and unit-linked life and pension funds. The focus of the investor type analysis is to identify the holdings of those investors with larger portfolios and the report is not able to provide a complete picture of private property company or individual investor ownership of UK real estate.

2.3 Acknowledgements, Sources and Methods

The report uses Government and industry data sources and includes data specially provided by the ONS and the Financial Conduct Authority. MSCI, Real Capital Analytics (RCA) and Property Funds research data have been used as well as data and information from S&P Capital IQ, INREV, AREF, the Association of British Insurers, EG Radius, CoStar, JLL, Cushman and Wakefield, Savills and several other organisations. The Bank of England and MSCI have both explored market size and discussions with both have informed the report. Thank you to all of these organisations and to all the many people who have answered specific queries to help improve the accuracy of the estimates in the report.

Appendices A, B and C contain more details on the sources and the methods used, the calculations and some discussion of the reasons why estimates will differ. There is inevitably a reliance on quality of the data inputs as well as the appropriateness of the assumptions made and the figures in the report are simply estimates reflecting a particular set of adjustments and assumptions. Obtaining comprehensive and reliable estimates for the market and its structure remains very challenging. In some areas, there is a high degree of confidence in the estimates but in others the estimates are subject to a wide margin of error. The report aims to highlight where there is more uncertainty about estimates.

3. THE UK'S COMMERCIAL PROPERTY STOCK AND TOTAL REAL ESTATE STOCK

3.1 UK Commercial Real Estate

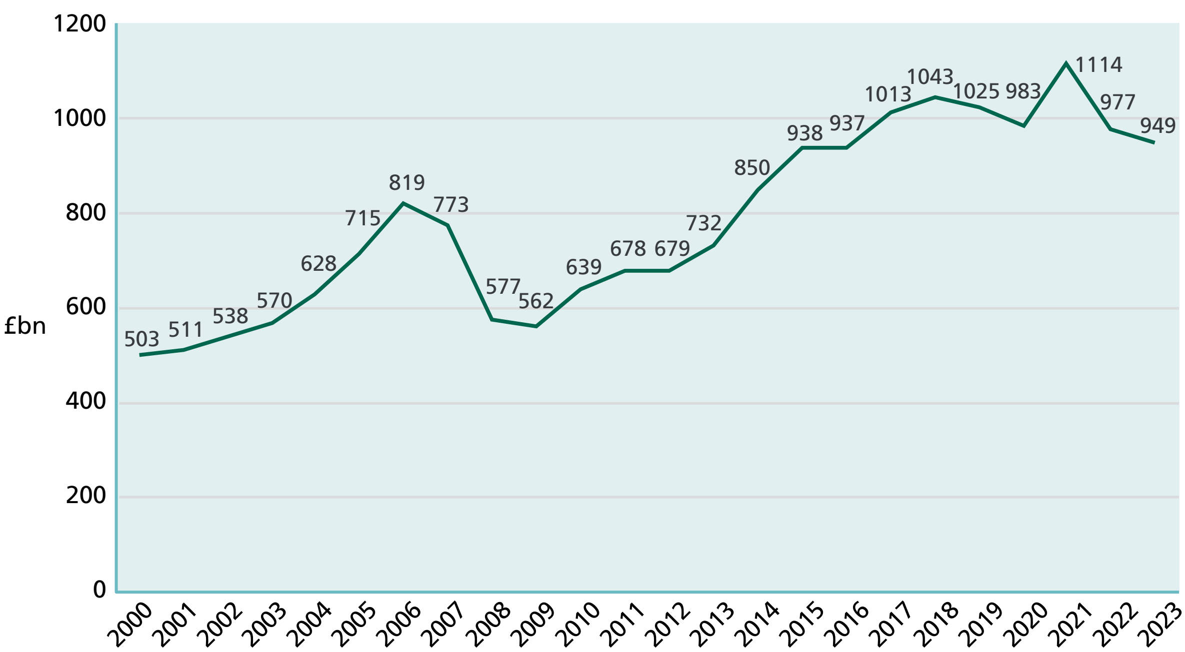
This section sets out estimates of the total value of commercial real estate including both owner-occupied and invested stock (excluding stock under development) and high-level estimates of the value of all real estate. Details and discussion of the methodology are contained in Appendix A. Table 3.1 sets out estimates for commercial stock in the UK at end-2023.

Table 3.1: Total Commercial Stock, End-2023

	Retail (incl. F&B)	Office	Industrial	Other	**All Commercial**
Floorspace (m sq m)	144	93	391	54	**682**
Rental value (£ psm)	140	190	62	95	**99**
Rental value (£bn)	20.1	17.6	24.3	5.2	**67.3**
Reversionary yield (%)	7.3	8.0	6.6	5.9	**7.1**
Capital value (£bn)	275	221	366	88	**949**

Source: NM estimates from VOA, Scottish Assessors Association (SAA), MSCI.

Figure 3.1: The Value of the Commercial Real Estate Stock (£bn), 2000–23



Source: NM estimates based on data from VOA, SAA and MSCI.

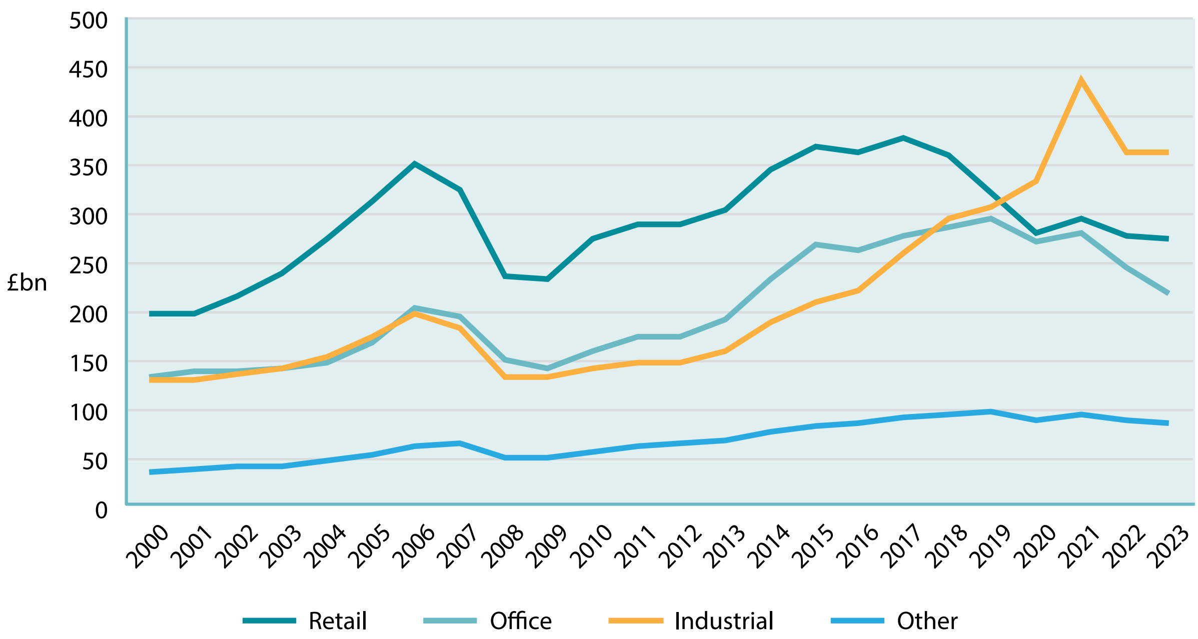
The value of commercial property increased in 2021 as yields fell and rents edged higher, but values fell subsequently because of higher yields (reflecting the impact of higher bond yields and interest rates). Over the 2020–23 period, the value of the commercial property stock has fallen overall but the industrial sector has increased in value. The largest decline has been in the office sector (caused by the outward shift in yield and a reduction in the stock of office space). The value of the retail sector is only slightly lower than in 2020 but is nearly 30% lower than its peak in 2017. Figure 3.2 shows the changes in the value of different commercial sectors since 2000.

3. THE UK'S COMMERCIAL PROPERTY STOCK AND TOTAL REAL ESTATE STOCK

Looking over the longer term, the value of the total commercial stock is estimated to have increased in value by 89% since 2003 and 67% over the last 20 years. General price inflation as measured by the Consumer Price Index (CPI) has been 81% over the 2000–23 period and 73% over the last 20 years. Consequently, the value of the commercial property stock has broadly been flat in real terms.

Over the last 20 years the retail sector has shown by far the weakest growth of only 14% (0.6% p.a.). The value of the office stock has increased by 55% (2.2% p.a.), other commercial property (predominantly hotels and leisure) has increased by 103% (3.6% p.a.), whilst the industrial/logistics stock has increased by 157% (4.8% p.a.). This compares with a CPI increase of 73% (2.8% p.a.), indicating that the value of the retail sector has fallen significantly in real terms over this period and value of the stock of offices has also fallen in real terms whilst the values of industrial and other commercial properties have increased in real terms.

Figure 3.2: The Value of Commercial Real Estate Stock by Sector (£bn), 2000–23



Source: NM estimates based on VOA, SAA and MSCI.

In the office sector, central and inner London accounts for less than a quarter of the UK's office floorspace but accounts for over 50% of the value of the UK's office stock (and two thirds of office value in the MSCI Annual Index). The national fall in office floorspace reflects withdrawals, reallocations/conversions and demolition of office space.

3.2 Residential and the Total Real Estate Stock

Table 3.2 shows that the total value of residential real estate in the UK is estimated to be £8.3tn as at end-2023. The total commercial and residential real estate stock is estimated to be £9.3tn. The total value of all land, buildings and structures is estimated by the ONS at £11.4tn which implies an estimate for buildings, land and structures not included in this report's definition of residential and commercial property of £2.1tn (this covers health, education, agricultural land, forestry, vacant sites and all infrastructure assets). The ONS methodology is discussed in Appendix A.

3. THE UK'S COMMERCIAL PROPERTY STOCK AND TOTAL REAL ESTATE STOCK

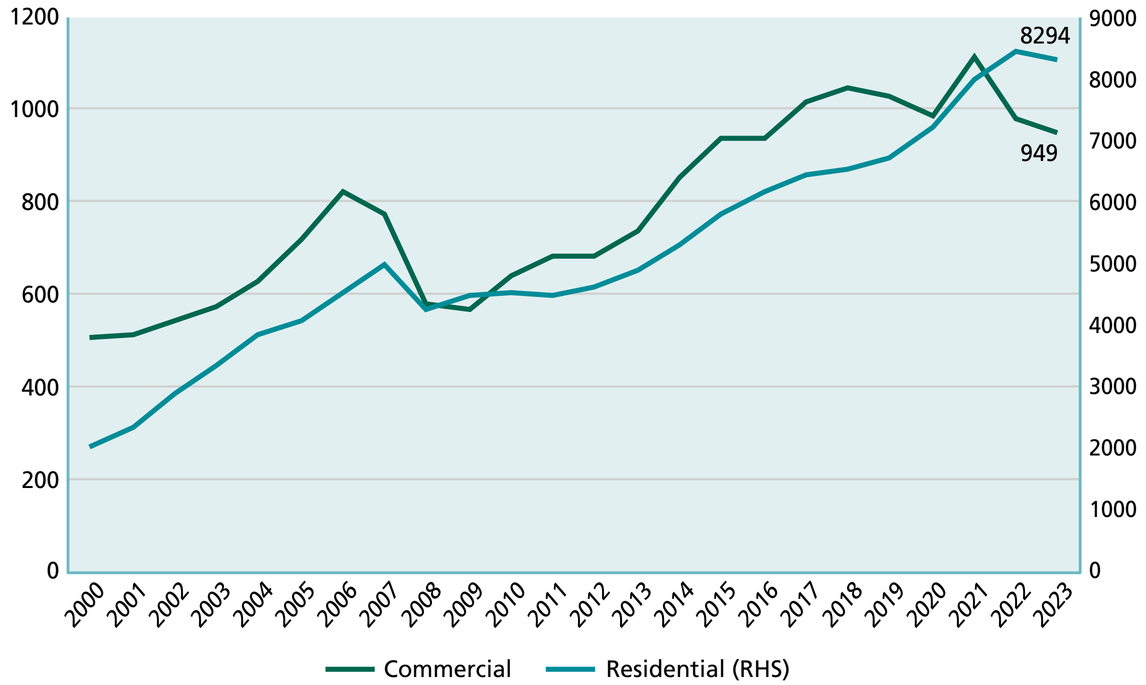
Table 3.2: Total Real Estate and Real Assets, End-2023 (£tn)

Residential	8.29
Commercial	0.95
Other land, buildings and structures	2.17
Total land, buildings and structures	**11.41**

Source: ONS and NM estimates.

Figure 3.3 shows the total value of commercial and residential property over time. The value of commercial property has increased by 89% from £522bn to £949bn between 2000 and 2023, a growth rate of 2.8% p.a. Over this period, the value of residential property (right-hand scale) has increased from £2bn to over £8bn, a growth rate of 6.3% p.a.

Figure 3.3: The Value of Commercial and Residential Property (£bn), 2000–23



Source: ONS and NM estimates based on VOA, SAA and MSCI.

3. THE UK'S COMMERCIAL PROPERTY STOCK AND TOTAL REAL ESTATE STOCK

3.3 Construction Activity

The changes in floorspace noted in Section 3.1 above reflect the combined effects of new construction activity less the removal of space because of demolition/withdrawals and change of use.

Over the last three years, the value of commercial construction output has increased in nominal terms after the slowdown in 2020 and 2021 related to the pandemic. The breakdown of this construction output (for both owner-occupied and investment property) is shown in Table 3.3 in current prices (unadjusted for inflation).

Table 3.3: Construction Output – New Work for both the Public and Private Sectors (£bn)

	Shops	Entertainment	Offices	Industrial	Commercial
2015	5.7	6.5	9.4	4.8	26.4
2016	2.8	7.8	10.0	4.7	28.6
2017	5.9	6.7	11.3	4.9	31.4
2018	5.6	9.5	11.2	5.6	32.0
2019	5.1	9.6	11.1	6.1	31.9
2020	3.6	8.3	9.3	5.0	26.3
2021	2.8	7.8	10.0	5.3	25.8
2022	3.3	7.2	10.3	8.3	29.1
2023	3.4	8.7	11.9	8.4	32.3
2021–2023 Total	9.5	23.6	32.2	21.9	87.2

Source: ONS, NM.

These figures show some recovery in the value of construction output from the pandemic, but this has been during a period of strong construction price growth and so in volume terms the recovery has been muted, with construction volume only showing significant growth in the industrial sector. The sharp fall in construction activity volumes in the retail sector between the late 2010s and the early 2020s is particularly striking (down by over 50%).

Given the reduction in the overall stock of office floorspace, these construction figures imply a significant amount of repurposing and/or withdrawal of office space from the market and the extent of this would be interesting to study further.

Total construction activity (new work) over the last 20 years (unadjusted for inflation) to the end of 2023 was £636bn for housing, £199bn for offices, £116bn for shops/garages, £133bn for entertainment (hotels, F&B, theatres, cinemas, film studios, sports facilities and stadia and other leisure and recreation facilities) and £102bn for industrial properties (factories and warehouses). For comparison, construction activity on infrastructure was £347bn and on other buildings (e.g., health, education, agriculture-related) was £310bn.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

4.1 Introduction and Overview

This section explores who owns commercial property for investment purposes, focussing on that held by institutional and other larger professionally managed investors. It is not intended to provide a complete picture of all investment property given the lack of data available for smaller scale assets and smaller scale investors. Appendix B gives more detail on the sources and methods used. MSCI (including Real Capital Analytics (RCA)) and Property Funds Research (PFR) have provided information that has supported this analysis, in addition to information from the ONS, European Association for Investors in Non-Listed Real Estate Vehicles (INREV), Association of Real Estate Funds (AREF), Association of British Insurers (ABI), Pension Protection Fund (PPF), CoStar, EG Radius, Moody's (FAME database) and individual organisation reports and accounts. Discussions with MSCI and the Bank of England, who have also explored investment market size, have been helpful.

The investment mix of real estate investors has broadened over time (including more residential exposure) and this report reflects that, discussing overall exposure to investment property as well as the commercial property investment component where this can be distinguished. Residential investments including privately rented, affordable housing, retirement and other specialist housing, student accommodation and healthcare are considered further in Section 5.

There are two main approaches to estimate the value of invested stock. The first approach is to use report and accounts information on the value of property assets for different organisations and add these up for that investor type. This approach has the advantage that it should reflect current valuations capturing the impact of value changes including the impact of yield movements, changes in rental value, capital expenditure on refurbishing standing investments as well as development activity. The second approach uses cumulative transactions to estimate the composition of the market. This has the advantage of better coverage of parts of the market where there is little information on year-end values readily available but the disadvantage that it may not fully capture value changes, notably the impact of depreciation or development activity. The first approach is used to produce the estimates for this report wherever possible with reliance on the second to fill gaps. MSCI and the Bank of England rely more on the second approach in their estimates of the investment market. There are also differences in definition, including that the IPF Size and Structure report excludes residential from the commercial real estate definition whilst other estimates have included residential. This report also focuses on larger investment portfolios for some investor types whilst other estimates may include all property held for investment and development.

Table 4.1 shows the estimates for all UK property investment and UK commercial property investment by different types of institutional investor. Overall, the invested institutional commercial property stock (as defined for this report) is estimated to be slightly under £600bn, with around 60% held by UK investors and 40% by overseas investors.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

Table 4.1: UK Property Investment by Investor Type End-2023

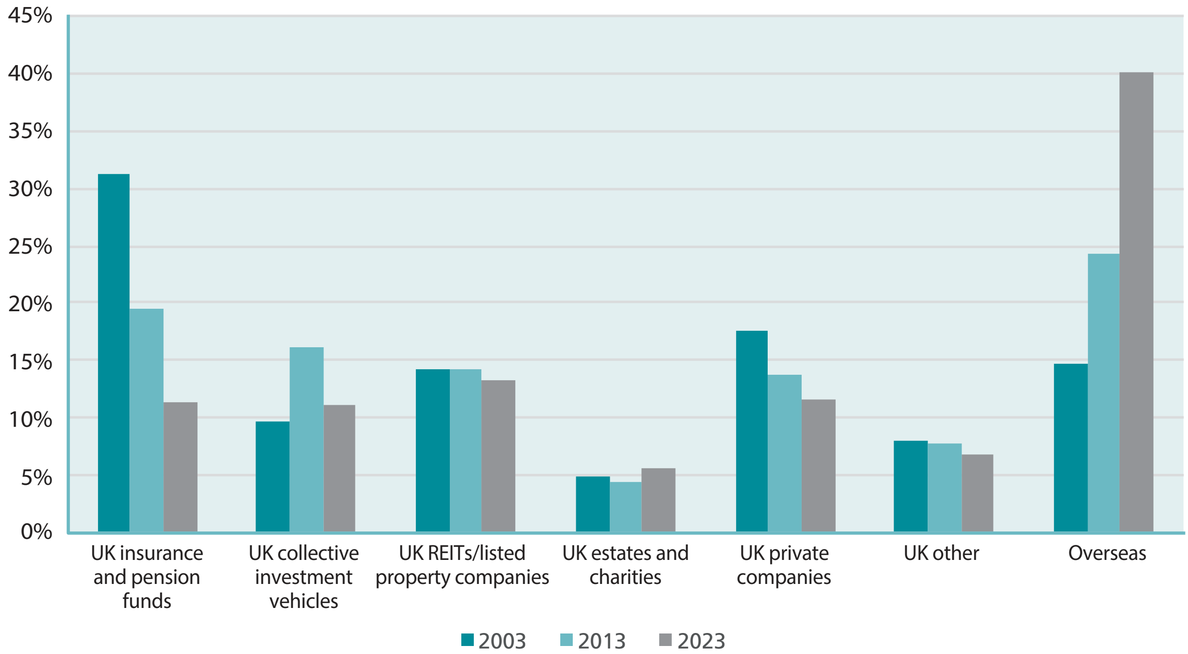
Investor type	UK Direct Total £bn	UK Direct Commercial £bn	Share of Comm'l 2023 %	Comment
UK insurance company funds	37	34	6	Overall unlisted property investment (equity and debt including real estate bonds) approx. £140bn. Approx. £15bn of investment through collective investment vehicles.
UK pension funds - Private DB - Funded DC - Public DB	33 20 1 12	32 19 1 12	6	UK private DB total property investment of £68bn according to PPF. Our estimate is c£60bn in UK property. DC total is £8bn with £1bn direct. UK LGPS total property investments of approx. £54bn (approx. £10bn overseas, £44bn UK). Overall, UK property investment of over £120bn predominantly through collective investment vehicles.
UK & CI Pooled investment vehicles, of which: - AREF/MSCI	79 45	65 39	11	UK institutions, particularly pension schemes, are the main investors. Property Assets (UK & CI domiciled funds only).
UK REITs	89	78	14	This includes the REIT share of JV ownerships but excludes JV partner share.
Traditional estates and charities	41	32	6	Based on analysis of report and accounts.
Private property companies	82	68	10	Based on analysis of the FAME database and Companies House data. Covers c600 companies with fixed assets of £100m or more. Includes some general private equity owned businesses and investment businesses within operating businesses.
Other, including family offices, individuals and SIPPs	60	40	7	Based on updating earlier estimates using MSCI and RCA data and SIPP information from FCA. £15bn in SIPPs is included. Excludes buy-to-let and other residential from individuals.
UK Total	**420**	**348**	**60**	
Large sovereign wealth funds	31	29	5	Based on report and accounts, disclosures and bottom-up analysis of property holdings.
Overseas insurance and pensions	18	16	3	Based on updating previous estimates using RCA and other data.
Overseas collective investment vehicles	80	64	11	Estimated using data from PFR and INREV, websites and CoStar. UK pension funds are significant investors.
Overseas REITs and listed RE companies	62	60	10	From report and accounts and estimates.
Overseas private companies, individuals and other	78	64	11	Based on updating previous estimates using RCA and other data.
Overseas Total	**270**	**233**	**40**	

Source: NM estimates based on data from MSCI, RCA, PFR, INREV, CoStar and other sources. The difference between total and commercial is residential property investment, discussed in Section 5.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

Figure 4.1 shows how the investor mix of the UK commercial investment universe has changed over the last two decades. This highlights the dramatic growth of overseas investment in the UK. At the same time, but to a lesser extent, UK investors. have increased their exposure to overseas real estate. The sharp fall in UK insurance and pension funds' share of the market does not fully capture the continued importance of these institutions as equity providers to funds and REITs and as lenders to the real estate market, as discussed further below. The sharp increase in overseas investment comes from a broad range of investor types and is a result of net purchases, development and corporate acquisitions.

Figure 4.1: The Structure of the UK Commercial Real Estate Market 2003–23



4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

4.2 UK Insurance Companies

There was a substantial fall in the value of real estate owned by insurance companies between the end of 2020 and the end of 2023. Given the exposure to long-term secure income assets, the valuations of which are closely linked to bond yields, the rise in bond yields over the period will have had a significant impact as well as net investment activity (net sales).

Table 4.2: Insurance Company Real Estate Investments (Excluding Loans) (£bn)

	Total	Direct	Indirect
2018	67	47	20
2020	68	48	20
2023	52	37	15

Source: NM estimates based on ONS and ABI.

Table 4.2 sets out how overall real estate investment by insurance companies is estimated to be split between direct and indirect holdings. Of the £37bn estimated to be held directly, UK ***commercial property is estimated at £34bn*** with a further £3bn directly invested in residential property. Insurance companies are also estimated to have £15bn invested indirectly.

In addition to direct and indirect ownership through private real estate funds/collective investment vehicles, UK insurers are estimated to have nearly £70bn of loans on commercial real estate. UK insurance companies also have significant exposure to real estate debt securities (bonds) and, to a lesser extent, REITs.

In aggregate, UK insurance companies are estimated to have exposure to UK commercial real estate of over £140bn, with the bulk of this through mortgages and debt securities. Whilst insurance companies' share of ownership of the UK real estate market has fallen substantially over the last two decades, UK insurers continue to be very important players in the UK real estate market.

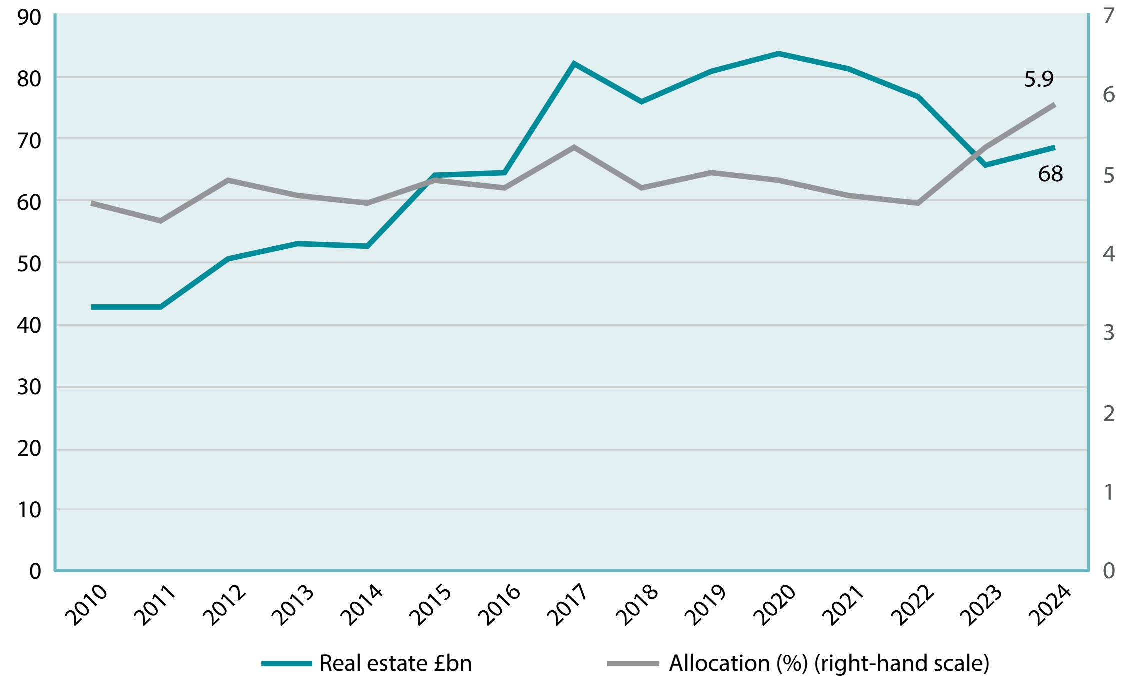
4.3 UK Pension Funds

Private Sector Defined Benefit (DB) Pensions

The Pension Protection Fund Purple Book covers the vast majority of these (99.9%). As at March 2024, the PPF estimates these DB funds had £1,167bn in assets and just under 9 million members. These funds had around 5.3% of their assets in property, accounting for £66bn as at March 2023 but this increased to 5.9% in March 2024 and a slight increase in exposure to £68bn at March 2024 (Source: PPF).

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

Figure 4.2: Private Sector Defined Benefit Pension Scheme Real Estate Investment (March) (£bn)



Source: PPF.

Figure 4.2 shows the value of real estate investments (direct and unlisted indirect) in £bn and real estate as a percentage of all investment assets since the PPF's records began in 2006. The share of all private DB pension assets invested in property has been broadly stable at around 5% but has increased slightly in the last few years as a result of value falls in other asset classes and sales. The value of private DB pensions real estate investments increased substantially over the period 2011–17 as the overall value of assets in private DB pension schemes grew, but has fallen over the last five years, to end 2023 nearly 20% below its peak, and is likely to fall further.

This would suggest that at December 2023 UK DB pension scheme investment in property was around £68bn. This includes residential, exposure through funds and overseas real estate exposure. The estimated direct real estate exposure is £20bn with the majority through pooled property funds and other collective investment vehicles. Overall, it is estimated that the total investment in UK property (that is, excluding overseas property) by UK private sector DB pension schemes was just over £60bn at end-2023. The direct exposure to UK commercial real estate excluding residential is estimated at £19bn.

Defined Contribution (DC) Pensions

As at Q4 2023 the ONS survey of pension schemes recorded £242bn in occupational funded DC pensions with 31 million members. Property exposure is largely through pooled investment vehicles (c£7bn) and direct exposure to real estate is very limited (c£1bn). In addition to occupational funded DC pensions, there are other DC pensions but these again are expected to have very little direct property exposure.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

Public Sector DB Pensions

These are predominantly local government pension schemes (LGPS), with just under eight million members and £521bn of assets as at Q4 2023 in the ONS survey of pension schemes. The direct ownership of real estate at end-2023 is estimated at £12bn (down from £14bn in 2020) with indirect ownership through pooled investment vehicles of £42bn (up significantly from £32bn in 2020).

Public sector pension schemes had just over 10% of assets in real estate as at end-2023. This higher proportion than private DB pension schemes reflects the fact that public sector schemes are larger than the average private DB pension scheme and are still open whilst private DB pensions are nearly all closed.

UK Occupational Pensions Overall

Across DB and DC pensions, UK pension funds' direct exposure to real estate is estimated as £33bn at end-2023 (down from £43bn at end-2020). UK pension funds have substantial indirect exposure to property; indeed, this is much larger than their direct exposure and they represent a large proportion of the UK property collective investment vehicle investor base and are significant investors in overseas funds investing in the UK.

Combining the PPF estimate of c£68bn of private sector DB pensions with the £54bn LGPS DB pensions and the £8bn of DC pensions gives an ***overall value of institutional pension fund investment in property of £130bn.*** The majority of this (c£100bn) is invested indirectly (this includes investments in UK residential and overseas property). Of the £33bn directly held UK property element it is estimated that ***£32bn of this in UK commercial property.***

In addition, there is a further £15bn invested in commercial property through Self-Invested Personal Pensions (SIPPs), considered further below.

4.4 UK and Channel Islands Collective Investment Vehicles

The estimates for UK and Channel Islands (CI) collective investment vehicles are based on data from MSCI/AREF, INREV and PFR, and CoStar data on transactions and properties owned. The estimates may not capture all smaller funds.

These vehicles include investments by UK pension funds and insurers, other UK investors and overseas investors. The gross asset value of UK and CI collective investment vehicles investing in UK property at end-2023 is estimated at £81bn. Excluding residential funds and the net cash in funds results in the ***net estimate of commercial property held by UK collective investment vehicles of £65bn***. Including residential funds results in a total UK property investment estimate of £78bn. The £65bn in commercial property compares with £83bn in 2020, reflecting significant outflows from funds and slightly lower valuations. The balanced core funds in the MSCI/AREF index at Q4 2023 account for £24bn of property and have had a net outflow of £5.3bn over the 2021–23 period. For this wider UK and CI fund universe, RCA records net sales of c£12bn of commercial property over the end-2020 to end-2023 period. Corporate transactions and the fall in value of some funds account for the rest of the change.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

4.5 UK REITs and Listed Real Estate Companies

UK REITs and listed real estate companies had properties with a value of £89bn at the end of 2023, a slight increase on the end-2020 figure. This reflects net selling being offset by development activity.

Table 4.3 sets out the sector breakdown of the UK portfolios of UK listed REITs and other real estate companies. It is based on the portfolios of 55 companies. The figures currently exclude collective investment vehicle ownership (but include the REIT share of joint venture (JV) ownerships (excluding the JV partner's ownership)). The share of REIT portfolios invested in retail and offices has fallen from 46% to 39% with an increase in the share of industrial/logistics (up from 21% to 25%) and other including residential (up from 30% to 34%).

Table 4.3: UK Listed REIT Property Portfolios (December 2023)

	Valuation (£bn)	Share (%)
Retail	13.0	15%
Office	21.8	25%
Industrial	21.9	25%
Other, of which:	30.6	34%
Self-storage	5.7	6%
Student Accommodation	5.0	6%
Residential	6.0	7%
Other	13.9	16%
Unallocated/Mixed	1.6	2%
Total	**88.9**	**100%**
Commercial (excluding Residential and Student)	77.9	88%

Source: S&P Global IQ, CRERC. Other includes Hotel, Leisure, Healthcare, Education, Life Science and other sectors. Percentage figures do not add to 100% because of rounding.

4.6 UK Traditional Estates and Charities

The large traditional estates (Bedford, Cadogan, Crown, Grosvenor, Howard de Walden, Portman), and the largest 200 (by long-term investment assets) charities (e.g., Wellcome Trust, Church Commissioners, Trinity College etc.) are estimated to have approximately £41bn of real estate investments. Of this, around £9bn is in the residential sector with around £32bn in commercial real estate (including a small element of commercial agriculture and forestry holdings).

4.7 Private Property Companies, Individuals and Other

The accounts and corporate structures of property companies with fixed assets of over £100m have been analysed. These c600 companies include many companies which have been captured elsewhere (e.g., through the holding company or through a REIT, collective investment vehicle, estate, overseas fund etc.) and are consequently excluded. The remaining private property companies have around £82bn of investment property, of which £14bn is estimated to be residential and £68bn commercial. Private property companies undertake substantial development activity; consequently, whilst transaction data indicates that property companies have been net sellers of property over time, this does not indicate a sharp reduction in their holdings. Over the last three years, net sales have been focused in residential and so net sales of commercial property have been more limited.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

There are a range of other domestic owners of real estate for investment purposes including family offices/wealthy individuals and other public and private organisations. This category is particularly difficult to estimate. It is estimated that individuals own £15bn of commercial real estate through Self-Invested Personal Pensions (SIPPs). Overall the individuals/family offices and other category is estimated to account for c£42bn of commercial property investment. This category has been the only UK category with more purchases than sales over the 2016–23 period and has also funded and undertaken developments.

4.8 Overseas Investors

Overseas ownership of the invested stock has increased substantially over the long term. Over the past three years, this trend has continued with overseas investors buying over £22bn more assets than they sold (reflecting UK investors selling £22bn more assets than they bought) (Source: RCA). In addition, overseas investors are estimated to have funded or led the development of a range of major properties across the UK, including London offices, logistics and alternatives including data centres.

The pattern of what overseas investors are buying has changed. London offices were the focus for much of this activity in the 2010s. Between the end of 2013 and the end of 2020, London offices accounted for 59% of the net purchase activity by overseas investors (based on transactions only, excluding development) (Source: RCA). Over the 2021–2024 period, overseas investment has become more diversified across sectors and the regions, with a sharp increase in investment into residential (including student accommodation) and industrials ('beds and sheds').

Overseas REITs and listed real estate companies account for an estimated £60bn of UK commercial real estate. Several of the City of London's skyscrapers developed over the last 10 years are owned by overseas listed real estate companies, but these companies are also major investors in retail, industrial/logistics, datacentres, healthcare and other 'alternative' sectors. This has grown from a small base (less than £10bn) 10 years ago and reflects property and corporate acquisitions as well as development activity.

Overseas collective investment vehicles (core, value-added and opportunistic funds) are estimated to have over £80bn in property assets, of which c£16bn is in residential and £64bn is in commercial property. Ownership through overseas collective investment vehicles has increased rapidly over the last decade.

Six major sovereign wealth funds (SWFs) Norges (Norway), GIC (Singapore), CIC (China), ADIA (Abu Dhabi), St Martin's (Kuwait and Qatar) are estimated to own over £31bn of UK real estate. This excludes their extensive investments in property through infrastructure companies. It also excludes properties owned by members of the government or royal family (directly or through property companies) rather than the country's main investment authority. These SWF property ownerships include full or part ownership in several high-profile office areas in London (Broadgate, Canary Wharf, More London and the Shard) as well as major industrial/logistics, retail, build to rent (BtR) and student accommodation.

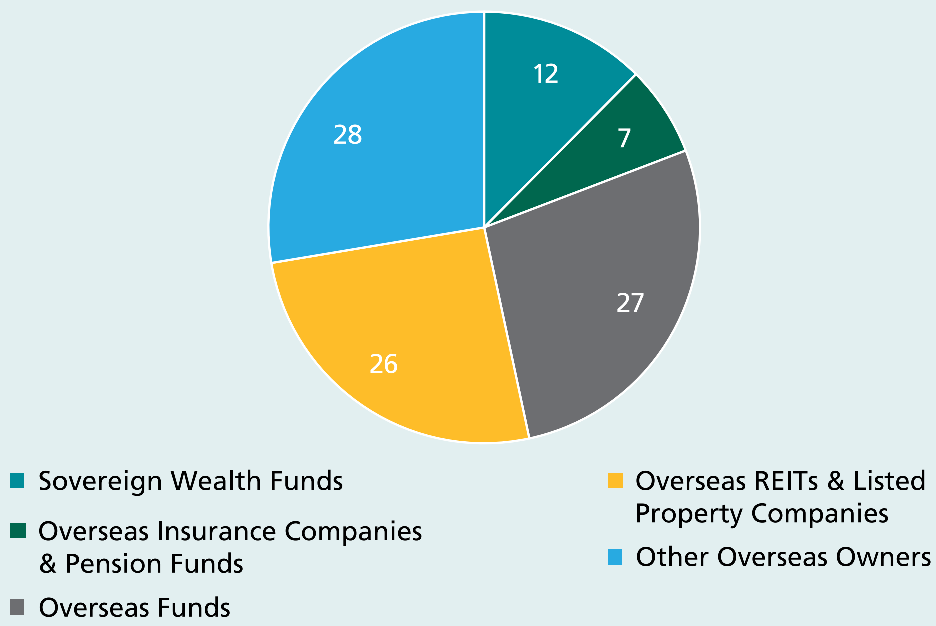
Overseas institutional funds (insurance and pension funds) have not been significant net purchasers over the last few years according to RCA/MSCI data but have funded and are funding some significant developments.

Other overseas investors (including private companies, family offices etc., other government and smaller overseas collective investment vehicles not captured elsewhere) have also been significant net investors and have funded development and their exposure to commercial property is also estimated to have increased to £60–65bn by the end of 2023.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

Figure 4.3 shows how overseas investment in UK commercial real estate is split across the main investor types.

Figure 4.3: Overseas Investment in UK Commercial Real Estate by Investor Type, End-2023 (%)



Source: Author's calculations

4.9 Alternative Estimates of the Investment Market Size

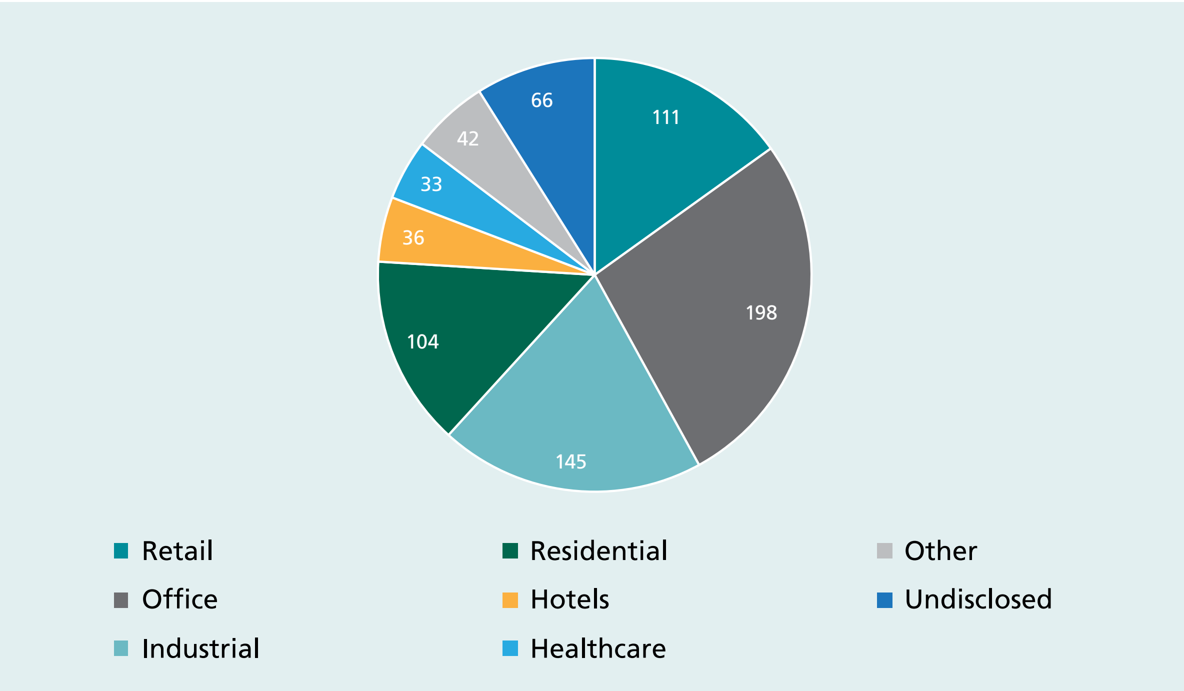
MSCI produce estimates of the professionally managed market size for 37 markets globally including the UK. Across these 37 markets, the total size was estimated at $13.2tn. The UK was estimated to be the third largest market globally with a value of $937bn in 2023, equivalent to £736bn (1 GBP = 1.273 USD). The UK was estimated at around 7% of the global market. It is around a fifth of the size of the US market but larger than Japan, Germany and France as an investment market. Of the £736bn, slightly over £100bn was residential and a further £66bn was unallocated and may well have included some residential, suggesting a total value of commercial investment stock of slightly over £600bn.

These estimates are based on a mixture of MSCI portfolio data where it is available and estimates using RCA transaction data for buildings, adjusted for estimates of changes in capital values. These estimates can unfortunately not be easily reconciled with the estimates in this report as the categories of investor type used are different but they look broadly consistent, recognising that the MSCI estimates will include some smaller scale investors not included in the estimates for this report.

4. THE UK'S INVESTMENT PROPERTY – OWNERSHIP BY INVESTOR TYPE

The breakdown of the MSCI market size estimate is shown in Figure 4.4.

Figure 4.4: MSCI 2023 Market Size Estimates for the UK by Sector (£bn)



Source: MSCI, NM's calculations.

The Bank of England has also produced an estimate of market size and the extent of investor ownership. This, as with the MSCI approach, is based more on transaction data than the approach used for this report. It suggests the investment split between the UK and overseas was around 55%/45%. Discussions with the Bank of England have indicated that in areas where the investor type is clear, like UK or overseas REITs, the differences are not large and overall the differences can largely be explained by the differences in definition and method.

5. RESIDENTIAL

5.1 Residential and Student Accommodation

As discussed in Section 3.2, the value of the UK's total stock of residential property in 2023 is estimated to have risen to nearly £8.3tn; it is now over eight times larger than the commercial property sector. It is estimated to have increased by c16% over the past three years.

The private rented sector (PRS) accounts for an estimated 5.65 million dwellings, 18.4% of all UK dwellings. Across the UK, the estimated value of the PRS stock is around £1.45tn, fractionally up from 2020. The PRS share of dwellings is particularly high in London (over 30%). The share of PRS has fallen in Scotland.

Table 5.1: Build to Rent (BtR) Units Completed

	Q4 2020	Q4 2023	% change
London	26,758	46,747	75%
Rest of UK	27,912	53,625	92%
Total	54,670	100,372	84%

Source: British Property Federation (BPF)/Savills Build to Rent report

Table 5.1 shows the rapid increase in number of completed BtR units. The stock of completed BtR units in Q4 2023 was split between 88,693 apartments and 11,679 single family housing units. Projects under construction suggest further strong growth through 2024 but there are tentative signs of a slowdown thereafter. There has also been investment in broader housing, both houses/flats for private rent and non-market rent/affordable housing over the past three years.

There has also been strong growth in the private provision of student accommodation. IQ Student Accommodation (Blackstone), Unite Students (REIT + Unite Student Accommodation Fund), Student Roost (GIC/Greystar) and many others have been investing significantly in developments to increase the supply. Cushman and Wakefield estimate that there are over 700,000 beds, of which just under 400,000 are either directly let, leased or under nomination agreements. The estimated value is c£45bn.

Overall, institutional investment in residential is estimated to now be over £100bn (this compares with only c£63bn in 2018), reflecting strong investment flows into the sector. However, institutional provision remains a very small share (<4%) of the PRS market.

It is not easy to distinguish residential and student accommodation for some investor types or to distinguish precisely how much investment is held directly by different investor types but a rough breakdown between different investor types is shown in Table 5.2.

5. RESIDENTIAL

Table 5.2: UK Residential (Including PBSA) Investment by Investor Type

Investor Type	£bn	Comment
UK insurance company funds	3	Investment through private companies and collectives in addition to this.
UK pension funds	1	Investment through UK and overseas collectives and companies in addition to this.
UK & CI Pooled investment vehicles	14	UK institutions are the main investors.
UK REITs	11	This includes share of JV ownerships but excludes share of collective investment vehicles.
Traditional estates and charities	9	
Other UK 'institutional'	34	Larger private companies and rental operating businesses supported by institutional capital. Vast majority of other investment by individuals and small businesses excluded.
UK Total	**72**	
Sovereign wealth funds	2	
Overseas collectives/funds	16	
Overseas REITs	2	
Overseas other	17	Pension funds, larger private companies etc.
Overseas total	**37**	
Total	**109**	

Note: excludes most private companies and individuals.
Source: NM estimates based on data from PFR, INREV, MSCI, ABI, CoStar and other sources.

In the MSCI real estate UK (annual) universe, residential has nearly doubled as a proportion of the total over the last 10 years and at end-2023 residential was 9.5% of the total MSCI real estate investment universe. The 2013 report estimated residential investments (including PBSA) held by mainstream investors had a value of £18bn compared to a commercial property invested stock of £364bn and therefore accounted for around 5% of the combined invested residential and commercial total. By the end of 2023, it is estimated that residential (including PBSA) has increased to around 16% of the combined residential and commercial professionally managed invested stock.

APPENDIX A: TOTAL STOCK ESTIMATES – SOURCES AND METHOD

A.1 Methodology to Calculate the Total Value of UK Real Estate and UK Commercial Real Estate

This section explains how the total stock estimates have been derived and the sources used. It starts with a discussion of the VOA data that provides the foundation for estimates of rental value and floorspace for the main commercial property sectors. It then runs through the three key steps (each containing several elements) involved in estimating the value of commercial property by sector:

Step 1: Deriving estimates of UK floorspace and rateable value by sector

Step 2: Deriving estimates of rental value over time

Step 3: Deriving estimates of reversionary yields and capital values

The VOA provides estimates of rateable value (RV) and floorspace statistics for England and Wales only. All properties have a RV estimate. For most commercial real estate, there is a floorspace attached to this RV estimate. For the VOA data, floorspace is defined as the area in metres squared used to calculate a property's rateable value. In most instances, this does not include communal areas.[2] For retail premises and offices, the Net Internal Area (NIA) is used, which includes most space useful to the business of an occupant and excludes common areas such as kitchens and facilities such as toilets, stairwells and foyers. The lift shafts, walls and columns of a property are also excluded. For factories and warehouses gross internal area (GIA) is used, which includes all internal areas but excludes external walls. Some of the floorspace estimates are based on dividing the RV by a mean RV per sq m estimate.

A guidance note on rateable values is available at:

https://www.gov.uk/guidance/how-non-domestic-property-including-plant-and-machinery-is-valued#rateable-value

Rateable values reflect an estimate of the annual rent payable on a property at the most recent valuation date. The basis of the 2023 valuation which came into effect on 1 April 2023 is the annual rent that would be payable as at 1 April 2021. Hence, to derive an up-to-date (end-2023) estimate of rental values requires estimating rental value change between 1 April 2021 and 31 December 2023 as discussed further in Step 2 below.

The VOA RV and floorspace statistics are consistent with the relevant rating list so rateable values for 2001–2005 are based on the 2000 rating list; 2006–2010 are based on the 2005 rating list; 2011–2017 RVs are based on the 2010 rating list and RVs for 2018–2023 are based on the 2017 rating list. The floorspace in a particular location or sector can change for several reasons, including (but not restricted to) demolished properties, construction of new buildings, extensions and alterations. RV per sq m will be impacted further by the outcome of successful challenges to valuations and Valuation Office Reports (VORs).

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1018139/Background_Information_2021.pdf

APPENDIX A: TOTAL STOCK ESTIMATES – SOURCES AND METHOD

Step 1: Floorspace and RV Data for England and Wales by Category and Adjustment to UK

The data for England and Wales on rateable value comes from:
https://www.gov.uk/government/statistics/non-domestic-rating-stock-of-properties-2024

Further background information on this is available at:
https://www.gov.uk/government/statistics/non-domestic-rating-stock-of-properties-2024/non-domestic-rating-stock-of-properties-statistical-commentary

Business floorspace estimates have not been produced for 2024 with the release delayed until 2025 and so the latest floorspace statistics are for March 2023:
https://www.gov.uk/government/statistics/non-domestic-rating-stock-of-properties-including-business-floorspace-2023

Table A.1 sets out the number of properties and rateable value by sector (2021 rent) as at March 2024 in England and Wales and the floorspace as at 2023 (the latest available) as follows:

Table A.1: Rateable Values and Floorspace Estimates for England and Wales (VOA Definitions)

	Number of properties (000s)	Rateable Value £bn	Floorspace 2023 m sq m
Retail (Shops)	514	14.9	103.9
Office	429	16.2	83.1
Industrial	560	18.9	337.8
Other	628	20.8	56.8
Total	**2,132**	**70.7**	**581.5**

Source: VOA.

Since 2020, floorspace has fallen by 2% in the retail sector and by 6% in the office sector whilst industrial space has increased by 2%. London accounts for over £20bn of the £70.7bn of rateable value across England and Wales.

The first adjustment is to establish the retail, offices, industrial and other commercial floorspace and RV estimates by sector for the UK as a whole, including Scotland and Northern Ireland.

Scottish Rating Statistics come from the Scottish Assessors Association and Northern Ireland estimates from the Northern Ireland Department of Finance. These provide estimates of rental value (end-October 2024 estimates have been used for Scotland as end-2023 estimates were not available).

Unfortunately, the property type definitions in Scotland do not precisely match the England and Wales definitions. The ratio of RV in Scotland to the RV in England and Wales varies by property type but it averages about 10% and is highest in the other commercial sector. Using an estimate of ratio of rental value per sq m by sector for Scotland relative to England and Wales allows an estimate of floorspace to be derived for Scotland. A constant factor is used for the 2000–20 period, consistent with the previous version of this report. A ratio is estimated for 2023 and interpolated between 2020 and 2023. This enables floorspace estimated to be derived for Scotland.

APPENDIX A: TOTAL STOCK ESTIMATES – SOURCES AND METHOD

For Northern Ireland (NI), the only figures at a territory level produced by the Department of Finance are an estimate of domestic capital values of £103.3bn (as at December 2023) and a non-domestic rating total of £1.706bn.[3] The last revaluation of non-domestic properties in Northern Ireland was in April 2023 and was based on October 2021 rental values. (Source: **https://www.nibusinessinfo.co.uk/content/business-rates-basics.** The difference in rental basis is not expected to lead to material differences compared to other UK territories. The non-domestic rateable value (RV) figure of £1.706bn is 2.5% of the RV for England and Wales (NI has a population that is 3.2% of England and Wales). NI has lower rents than the England and Wales average.

Retail floorspace per head is assumed to be the same as for England and Wales, implying that NI accounts for roughly 3% of UK retail floorspace. For the office and industrial sectors, the NI % share of UK GVA by sector is used, adjusted for the lower rents in NI to calculate a floorspace estimate. (Source: **https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalandrealregionalgrossvalueaddedbalancedbyindustry**). NI accounts for 1.2% of UK GVA in K and M, the main office sectors (finance, professional/business services), and around 3% of the UK GVA in C and G (manufacturing and distribution). The other sector estimate is based on population.

The food and beverage (F&B) sector does not have comprehensive estimates of floorspace; it is mainly included in the other commercial sector. The rateable value in F&B sub-sectors is summed to produce an overall estimate for the F&B sector and the ratio of that to the rateable value of retail (excl. F&B) is used to estimate floorspace for the sector. This ratio is estimated to have increased slightly over time. This gives a retail (incl. F&B) estimate that is broadly consistent with the definition used in earlier versions of the Size and Structure report.

For offices, industrial and retail properties, nearly all properties (over 99% by rateable value) have a rateable value based on floorspace. For the other commercial sector, however, the rating valuation approach varies depending on the specific type of property and many types of other real asset do not have a floorspace record.[4] In England and Wales, the other commercial sector (VOA definition) has a rateable value of £20.8bn, of which about £4.3bn is in other retail (ex-filling stations) and F&B. The floorspace figures for other commercial cannot easily be interpreted, and they also represent only a small element of floorspace in the sector. Across all sectors there is around £16bn of rateable value without a floorspace record, most of which is in the other commercial sector. Further details on which types of property do not have a floorspace record are available at:

https://assets.publishing.service.gov.uk/media/646736b516c97600139a25fd/NDR_Stock_of_Properties_including_Business_Floorspace_2023_Metadata.zip

To derive a final estimate of floorspace in the other commercial sector, as defined for this report, the floorspace is adjusted to reconcile with an estimate of RV for other commercial for the UK. This is an adjustment to 80% of the provisional number (£5.2bn/£6.5bn).

[3] https://www.finance-ni.gov.uk/publications/summary-valuation-lists
[4] Exceptions are breweries, newspaper printing works and bullion/money stores.

APPENDIX A: TOTAL STOCK ESTIMATES – SOURCES AND METHOD

Step 2: Estimation of RV per sq m Over Time

The VOA publishes both RV per sq m and RV estimates. The latter is available at:

https://assets.publishing.service.gov.uk/media/66695d2cf5e751f1b786db07/ndr_stock_of_properties_2024.xlsx

The rateable values in 2024 are based on April 2021 rents; to estimate current rental values and RV over time, these were updated to reflect the rental change between April 2021 and December 2023 using MSCI data. For 2017 to April 2023, rateable values were based on April 2015 rents. Similar issues apply to the historic VOA data before April 2015. The rateable values that came into effect on 1 April 2010 were based on open market annual rental values as of 1 April 2008 and this data was used for the next seven years. Similarly, rateable values between 1 April 2005 and 31 March 2010 were based on 1 April 2003 rental values. To produce a continuous time series, these rateable values have to be updated to the rental values applicable at each year end. This updating is done using MSCI data on rental growth by sector and region but with adjustments to ensure there is consistency with the VOA growth where this is available as this is assumed to be a better reflection of the whole market but with the caveat that this is still an opinion of value. This approach is very similar to that used in the end-2020 report and previous versions of the Size and Structure report (the difference in rental growth between the VOA and MSCI datasets was discussed in the 2016 report, noting the stronger rental growth in the VOA dataset in the 2003–08 period).

An examination of the change in rental value suggest that rents in the retail sector fell by c10% between 2015 and 2021 on VOA estimates. This contrasts with MSCI estimates, which suggest the retail sector experienced a larger fall in rents of c14% (both on the quarterly April–April and annual December 2014 to December 2020 basis). Since April 2021, rents have stabilised in the retail sector; they fell in 2021 but rose slightly in 2023. For the MSCI Quarterly Index, retail rents fell by less than 1% over the period.

In the office sector, the VOA data shows growth of slightly over 10% between April 2015 and April 2021. MSCI estimates for the office sector are that rents grew by 13% over this period and subsequently by 5% over the period to December 2023. The difference in rental growth between better quality, average and lower quality space since 2020 has been widely commented upon (e.g. **https://www.savills.co.uk/blog/article/363157/commercial-property/why-prime-and-secondary-office-rents-have-started-to-diverge.aspx)** and it is therefore appropriate to adjust downwards slightly the MSCI rental growth numbers for offices (-2%) for March 2021 to December 2023 to derive the total rental value, reflecting that the MSCI index generally consists of higher than average quality property.

For the industrial sector, both the VOA and MSCI recorded strong rental growth over the April 2015 to 2021 period (up c30%) and rents have grown strongly thereafter with MSCI recording a further 28% growth in rents over the end–2020 to end–2023 period. In the other sector rental growth has been more subdued: up 4.5% between 2015 and 2021 on VOA data, slightly ahead of growth recorded in the MSCI index. Since 2021, rents are estimated to have increased by c3%.

The rateable values used are on a per sq m basis, with floorspace subsequently applied to these to derive total rental value. The result of this analysis is a time series of estimated rental values by sector and region for retail, office and industrial, and a UK estimate for the other commercial sectors. For the industrial sector, the floorspace data excludes heavy industry and mineral processing and so this approach aligns with the definition of 'industrial' used for this report. For the other commercial sector it is more complex. The other commercial definition used for this report is consistent with previous versions of the Size and Structure report and includes arenas, bingo halls, bowling alleys, casinos, cinemas and theatres, concert halls and exhibition centres, night clubs, hotels,

APPENDIX A: TOTAL STOCK ESTIMATES – SOURCES AND METHOD

health farms, gyms, sports centres and swimming pools, caravan parks and holiday sites, purpose built car parks, petrol stations, laboratories and film, TV and recording studios. It excludes health and education, museums, galleries and libraries, sports grounds and stadia, amusement and theme parks, surface car parks, zoos/aquaria, community centres, public and village halls, guest houses, holiday homes and hostels, care homes, emergency service buildings, courts and prisons. Some excluded sub-sectors are included in the floorspace estimates and some elements included in this report's definition of other commercial do not have floorspace attached. Other commercial on this definition accounts for around 21% of the total rental value of the VOA's 'other' sector.

Step 3: Derivation of Capital Values

Having established a consistent dataset of rental value estimates, yields are then used to estimate capital values. The reversionary yields implied by MSCI's capital values and rental values are used as a starting point. However, these yields require adjustment because the properties in MSCI are likely to be more prime in nature and, hence, likely to be lower yielding than average UK property. The implied reversionary yield on lower quartile properties has been around 1–2% above the weighted average reversionary yield on all properties in MSCI and continues to be so at mid-2024, as illustrated below for the MSCI Annual and Quarterly Index.

Table A.2: Reversionary Yields on Average and Lower Quartile Properties

	Dec 2023	Dec 2023	Jun 2024	Jun 2024
	MSCI Lower Q (Annual)	MSCI Wtd Ave (Annual)	MSCI Lower Q (Quarterly)	MSCI Wtd Ave (Quarterly)
Retail	8.3%	6.6%	8.2%	6.7%
Office	8.1%	6.0%	8.1%	6.2%
Industrial	6.5%	5.2%	6.6%	5.4%
Other	6.2%	5.3%	6.6%	5.4%

Source: MSCI.

An adjustment factor is used (consistent with the approach taken in the 2013 Size and Structure report and subsequent updates) and applied to an MSCI estimate of reversionary yields to provide an estimate of reversionary yields more representative of the wider market.

Applying these capitalisation rates to the rental series gives an estimate of capital values for the main commercial property sectors and the overall commercial property market and real estate universe.

A.2 ONS Estimates for Dwellings and Non-Domestic Real Estate

The ONS Blue Book (Table 9.2) contains the National Balance Sheet tables. The issues in creating and improving the estimates for commercial property and residential property are outlined at:

https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/improvingestimatesoflandunderlyingotherbuildingsandstructuresinthenationalbalancesheetuk/2022#measuring-the-combined-value-of-buildings-structures-and-land-subject-to-business-rates

https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/improvingestimatesoflandunderlyingdwellingsinthenationalbalancesheetuk/2022

APPENDIX A: TOTAL STOCK ESTIMATES – SOURCES AND METHOD

Combined value of other buildings and structures and their underlying land

The ONS set out the approach as follows:

'Valuation Office Agency (VOA) appraisals provide estimates of annual market rent. To estimate the market value of the combined value of buildings and land we use a capitalisation rate, which captures the relationship between rental and sales prices.'

The ONS has faced similar issues as this report in how to aggregate up from England and Wales to the UK. The overall approach to estimating values has a lot of similarities to that used for this report but the ONS is still currently using fixed capitalisation rates (from 1992). The ONS intends to use to current transaction-based cap rates in due course. It seems the current ONS method might not have captured fully the impact of the outward movement in yields in recent years.

Combined value of dwellings and their underlying land

The ONS method for calculating the value of dwellings uses estimates of dwelling stock by Council Tax band at a regional level sourced from the Valuation Office Agency. These are broken down further through assumptions made on tenancy types, with quality of stock adjustments being applied based on housing condition surveys. As these are based on Council Tax bands, they are initially valued using estimates from the valuation year of the Council Tax bands. This valuation is based on data from the Land Registry. This is then adjusted to current year estimates using the UK House Price Index provided by the Land Registry and then aggregated up to a total economy level.

In recent versions of the Blue Book, the ONS does not show the split of land between residential, commercial and other and, although a special request was made for this data, the data was unfortunately not forthcoming. These figures were provided for the last version of the Size and Structure report and are available at:

https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/adhocs/13941landunderlyingcultivationbuildingsandstructuresestimatesfrom1995to2020

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

This appendix explains the sources and method used to derive the estimates of invested stock by investor type. It firstly explains how the figures for UK institutional investment (insurance companies and pension funds) are derived, then runs through the other main investor types in the UK. It concludes with a brief summary of how overseas investment by investor type has been estimated.

B.1 UK Insurance Companies

The ABI provides data on asset allocation and real estate exposure of ABI members and how this exposure has changed over the last few years. The ABI also provided information on membership, notably that their figures exclude Legal and General (L&G) and Aegon UK, as was the case in 2020.[5]

Adjusting for these exclusions using the report and accounts of excluded firms gives the following estimates for real estate exposure and direct and indirect exposure. Residential development activity is not included in these numbers, but residential investment is included.

The direct exposure is reconciled to the ONS numbers for 2018 to give an estimate of the direct and indirect split, as this is not broken down by the ABI or in report and accounts.

Residential investment and overseas investments are predominantly held through indirect ownerships so the UK direct commercial estimate is £34bn.

Table B.1: Insurance Company Real Estate Investments (Excluding Loans) (£bn)

	Total	Direct	Indirect
2018	67.4	47.4	20.2
2020	68.2	47.8	20.4
2023	51.5	36.6	14.9

Source: NM estimates, ABI, ONS.

There has been a substantial fall in the value of real estate owned by insurance companies. ABI members had £63.5bn in commercial mortgage loans. L&G noted they had £784m in commercial mortgage loans and a further £1.3bn in income strip investments which are included as other financial investments rather than property investments. Consequently, insurance companies are estimated to have at least £66bn of loans on commercial real estate (ABI members may also have allocated some income strip property investments to other financial investments). UK insurance companies also have exposure to real estate debt securities (bonds) (L&G alone has £4.7bn of REIT debt securities in 2023) and REITs. In aggregate, UK insurance companies are estimated to have exposure to UK real estate of around £140bn.

[5] The ONS has stopped producing estimates of insurance company ownership of real estate with the last MQ5 data produced for end-2017. Net investment was £858m in 2018. Assuming capital growth in line with MSCI, an average capital return for 2018 of 0.6% gives an estimate of £47.4bn for end-2018. The source data is:
https://www.ons.gov.uk/economy/investmentspensionsandtrusts/datasets/mq5investmentbyinsurancecompaniespensionfundsandtrusts

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

B.2 Pension Funds

A number of sources are used to examine the extent of pension fund investment in property. These include the ONS financial survey of pension schemes, information from the Pension Protection Fund, the Pension Regulator and the Financial Conduct Authority, as well as industry sources.

The ONS financial survey of pension schemes and the related dataset are available at:

https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/financialsurveyofpensionschemes

https://www.ons.gov.uk/economy/investmentspensionsandtrusts/datasets/fundedoccupationalpensionschemesintheuk

This survey covers UK private sector DBH (Defined Benefit and hybrid) and Defined Contribution (DC) schemes. As highlighted in the table below, the overall pensions market is changing in composition.

Table B.2: Changing Composition of Public and Private Pensions

	Q4 2020	Q4 2023	Change (%)
Private DBH Total Assets (£bn)	1,968	1,335	-32%
Private DC Total Assets (£bn)	192	274	43%
Private DBH + DBC Direct Property	29	21	-28%
Private DBH + DC Pooled Property, of which: – DBH pooled property – DC pooled property	 30 4	 22 7	 -26% 105%
DBH + DC Property Total	**63**	**51**	-19%
Public sector DBH Total Assets, of which: – DBH pooled property – DC pooled property	451 14 32	521 12 42	16% -14% 32%
Public sector DB Property	**46**	**54**	**18%**
Public and Private Pension Property Total	**108**	**104**	**-4%**

Source: ONS FSPS, NM calculations.

The ONS survey survey also confirms there is negligible direct overseas property exposure.

The survey does not capture all indirect exposure to real estate with some indirect real estate exposure probably classified to 'other' or 'mixed asset' funds. This was confirmed by the ONS in clarification of the differences between the PPF Purple Book and the ONS FSPS. The ONS survey is more up-to-date than the PPF Purple Book but is based on a sample and scaled up to a total.

To give a better indication of the aggregate exposure of UK pension funds, the PPF Purple Book and local authority pension scheme report and accounts have been used to build a picture of the unlisted equity exposure to private real estate funds and, effectively, the extent to which UK pension funds are beneficial owners of UK real estate.

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

Private Sector Pensions

The Pension Protection Fund (PPF) Purple Book is downloadable from:

https://www.ppf.co.uk/purple-book

The PPF Purple Book covers the vast majority (99.9%) of Private Sector Defined Benefit (DB) pensions. As at March 2024, the PPF estimates that these had £1,167bn in assets and just under 9 million members. Whilst the PPF publish this number as the total assets, it is based on rolling forward valuations using market indices and it is possible that this may overstate the current position depending on net investment by the pension fund. The allocation to real estate numbers are about a year out of date and so may also overstate the current position but, to avoid confusion, the PPF numbers have been left unadjusted in Figure 4.2. The actual allocation to real estate at end-2023 is probably closer to 5% than 6%. This includes residential, indirect and overseas real estate exposure. The estimated direct real estate exposure is £20bn (based on the ONS estimate) with the remainder (£40–48bn) through pooled property funds and other collective investment vehicles. The direct exposure to UK commercial real estate excluding residential is estimated at £19bn.

Public Sector Pensions

The ONS figure for Public Sector DB and hybrid pension scheme total assets is £521bn as at December 2023 (£450bn as at December 2020). As noted above, this is estimated to include ***£12bn of direct property investments at December 2023,*** down from £14bn in December 2020. Pooled property vehicle exposure has increased from £32bn to £42bn over that three-year period. ***Direct and pooled property vehicle exposure combined has increased from £46bn to £54bn.***

The 2020 Size and Structure report looked in detail at LGPS and their underlying holdings to estimate the extent of overseas exposure. Links to many of the individual reports for 2023 for England and Wales are available at:

https://lgpsboard.org/index.php/fund-annual-reports-2023

The LGPS exposure to overseas property was around 25% of the total indirect property exposure in 2020. Assuming the same proportion would imply c£10bn of overseas property exposure in public sector pension schemes, with c£30bn in UK vehicles. Of this £30bn, a small but growing element is likely to be in residential investments.

DC Pensions

The ONS has confirmed that DC pensions have very little ***direct exposure to real estate, which is estimated at c£1bn***. The pooled property vehicle exposure is higher, at c£5–8bn (estimated at £7bn).

The DC pensions market has grown massively over the past 10 years, up to nearly 29 million members from only 2.6 million in 2013. The vast majority of the funds (£152bn out of £158bn reported assets) are in schemes open to new joiners and future service and contributions. The vast majority of funds are also invested through large schemes (again, £152bn out of £158bn). The 35 master trust schemes have assets of £122bn.

Further information on DC pensions is available at:

https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2023

https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-contribution-landscape-2023/occupational-defined-contribution-landscape-2023-annex#8dc007a307ee4bd6af08de54054b7c14

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

SIPPs

Self-invested Personal Pensions are more akin to individual investment than institutional investment and are therefore included within that category below. They are estimated to have c£15bn in UK commercial real estate. Further information is included in Section B.7 below.

B.3 UK and Channel Islands Collective Investment Vehicles

The AREF/MSCI Investment Universe predominantly covers core funds. The property value of this universe has decreased in size by 25% since the end of 2020, falling from a property value of £59.1bn (GAV of £64.6bn) to £44.6bn. The number of funds in this universe has fallen from 59 to 41, with a fall in the number of balanced funds from 36 to 24. The balanced funds element has seen the sharpest fall in the property value.

Table B.3: MSCI/AREF UK Real Estate Fund Universe, December 2023

	Number of Funds	Property Value	GAV (incl. cash)	NAV	Change in property value 2020–23	
		£bn	£bn	£bn	£bn	%
Balanced	24	**23.6**	25.6	25.2	-12.2	-34%
Long Income	10	**12.0**	13.1	13.1	0.2	2%
Specialist	7	**9.0**	9.1	7.1	-2.5	-22%
Total	41	**44.6**	47.8	45.4	-14.5	-25%

Source: AREF/MSCI.

The MSCI/AREF database is focussed on core UK real estate funds. These funds have seen net outflows over the last three years of £6.1bn because of the outflows from balanced real estate funds. Excluding residential (incl. student accommodation) funds gives a ***property value of £41bn in these funds.*** Information on residential exposure within non-specialist funds is not readily available but these funds are likely to include some student accommodation and other residential on long leases and so this figure is likely to slightly overstate commercial exposure.

There are a significant number of UK and Channel Island domiciled funds, particularly specialist and opportunistic funds, which are not captured in the MSCI/AREF database.

INREV and Property Funds Research data on individual property funds have been used to estimate the UK gross asset value and the property portfolio value. These sources have been complemented with web searches and CoStar information to estimate property values.

Over the past three years, for this wider fund universe, RCA record net disinvestment by UK funds of nearly £12bn from commercial property. Overall, the funds for which data are available are estimated to have £78bn in UK property, £64.5bn of which is commercial property.

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

B.4 UK REITs and Listed Real Estate Companies

The figures for listed companies come from datasets based on annual reports of those companies. The individual company annual reports have been used to check figures. It is estimated that UK REITs and listed real estate had UK real estate investments of £89bn. The sector split of these investments is included in Section 4.5.

B.5 UK Traditional Estates and Charities

The figures for UK traditional estates and charities are based on a review of the report and accounts of these organisations, filling in any gaps by direct requests to the estate or charity or other sources. Charities that are collective investment funds for charities are included under collective investment vehicles as whilst they are technically charities they function as funds. Charities with less than £100m in long-term investments are excluded. In the 2020 and 2018 reports, more reliance was placed on MSCI data and RCA transactions to update previous estimates. The method used for this report is more robust.

B.6 Private Property Companies and Other

There is more uncertainty about the estimates for these components of the UK real estate market. Some UK private property companies are used by overseas investors to invest in the UK and, where possible, these are attributed to their ultimate owner, e.g. Logicor to CIC. Transaction data can be misleading as the companies within this category undertake substantial development activity and so tend to be net sellers (£8bn between end-2016 and end-2018, £4.7bn between end-2018 and end-2020 and £10bn between end-2020 and end-2023). There are two potential approaches to estimate the ownership of this investor type. The first approach is a bottom-up estimate based on the reports and accounts of property companies using the FAME database, identifying real estate companies and excluding any companies included under other categories (e.g. listed REITs). This is the approach used for this report and nearly 600 property companies with fixed assets of over £100m have been analysed. The second approach is to estimate value changes and development activity and add this to the net transaction activity to estimate value. The first approach is difficult because of the challenge of not including property included elsewhere. The second approach requires a lot of assumptions. Both approaches are subject to a wide margin of error. If a property investment corporate entity is not recorded as a property company or operates through a range of smaller companies, it will not be identifiable as a property company with over £100m in assets. This may lead to some under-estimation of property company exposure.

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

B.7 SIPPs, Family Offices/Individuals and Other

To ascertain SIPP exposure, the FCA was contacted and subsequently a formal freedom of information request was sent. The SIPP universe can be broken down between SIPPs that have standard investments and non-standard investments including commercial property, as set out in Table B.4.

Table B.4: Breakdown of SIPP Universe

Portfolio	Nr of firms	Total number of SIPPs	Total number of SIPPs holding a NSA	Total AUA (£m) in standard assets	Total AUA (£m) in NSAs	Total AUA (£m)
SIPP Operators	51	1,548,267	45,904	178,003	5,820	183,823
Platforms	19	1,550,969	114,961	201,642	1,686	203,328
Life Insurance	14	2,040,438	25,410	161,672	1,143	162,814
Wealth Management	8	29,886	1,853	7,201	228	7,429
Other Portfolios	6	163,389	56	9,245	0	9,245
Total	**98**	**5,332,949**	**188,184**	**557,763**	**8,877**	**566,640**

Source: AREF/MSCI.

The FCA note that the figures provided below are accurate as at the time of publication and are based on data submitted by firms to the FCA. The FCA also collect information on exposure to commercial property investments through SIPPs. For UK commercial property, this is split as indicated in Table B.5.

Table B.5: SIPP Exposure to UK Commercial Property

UK Commercial Property	Number of Plans	Total AUA (£m)
Unencumbered Property	36,295	9,238
Property with Borrowing Attached	5,416	2,088
Hotel Rooms	80	21
Land Plots	2,586	500
Land Banks	165	2
Syndicated Property	8,488	1,980
Total	**53,030**	**13,829**

Source: FCA

In addition, SIPPs have invested c£70m in overseas commercial property, of which the majority (£57m) is in hotel rooms.

The assets under administration exclude the impact of borrowing (for the £2bn where there is borrowing attached) and this is likely to take UK commercial property exposure up to close to £15bn. This excludes indirect exposure through REITs (some of which will be UK-focussed whilst some will be in global REIT funds), which is likely to make up 2–3% of equity exposure in SIPPs. This estimate of £15bn is similar to an estimate provided by John Moret, who conducted a survey of SIPP providers at the end of 2023.

APPENDIX B: OWNERSHIP BY INVESTOR TYPE – SOURCES AND METHOD

B.8 Overseas Investors – Listed REITs and other listed companies

Overseas listed companies with UK properties were identified and their report and accounts analysed to identify UK holdings. This was complemented with analysis of CoStar and EG Radius ownership data to identify holdings, size and value. Overseas listed REITs were significant net buyers on RCA property transaction data (+£3.5bn) and have also undertaken or funded developments and corporate acquisitions that have increased their holdings.

B.9 Overseas Investors – Sovereign Wealth Funds

The approach to these has been to identify, through report and accounts, the size of the fund and the value of real estate the proportion of it located in the UK and then to reconcile this with information on individual holdings identified through their accounts, news feeds, CoStar and EG Radius to estimate the size of their UK portfolios. This estimate is confined to the largest SWFs (Norges, CIC, GIC, ADIA, QIA related and Kuwait) and does not include large pension schemes and other institutional funds which are included under that category, or the holdings of wealthy individuals involved in overseas Governments.

B.10 Overseas Investors – Collective Investment Vehicles/Funds

The approach for collective investment vehicles with an overseas domicile was the same as for UK domiciled funds in that INREV and PFR data was combined and used to estimate the GAV and property portfolio of all the funds. This dataset was complemented with web searches of each fund, CoStar information and other sources to ensure the data was as accurate as possible. Inevitably, there may be some missing funds and so this may underestimate exposure.

B.11 Overseas Investors – Insurance and Pension Funds, Private Companies and Other

The estimates of the direct holdings of these groups are based on transaction data and estimates of development activity. These groups have been net buyers over the last three years and have also funded developments.

APPENDIX C: RESIDENTIAL – SOURCES AND METHOD

C.1 Private Rented Sector Housing

The latest UK dwelling statistics show just over 30 million dwellings in total. There are no up-to-date ONS estimates of the number of dwellings in the private rented sector for the UK as a whole, with Northern Ireland data unavailable after 2014. The last estimate for the UK as a whole was 5.349m in March 2014 when the Great Britain total was 5.219m. (Source: UK Dwellings Dataset).

https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/dwellingstockbytenureuk

The latest estimate for Private Rented Sector (PRS) dwellings for Great Britain is 5.438m as at March 2022, representing 18.6% of the total dwelling stock. The most recent estimates for England are available from Ministry of Housing, Communities and Local Government (MHCLG), now Department for Levelling Up, Housing and Communities, at:

https://www.gov.uk/government/statistics/dwelling-stock-estimates-in-england-2023/dwelling-stock-estimates-england-31-march-2023

These figures are subject to revision but show an increase from 4.813m in March 2020 to 4.939m in March 2023. This is an increase of 2.6%, slightly below the overall growth in the housing stock. The PRS share of the total housing stock in England was 19.4% in 2023, much higher than in the early 2000s when it was around 10%, but down from 20.3% in 2016.

In Wales, the number of PRS dwellings is broadly unchanged:

https://statswales.gov.wales/Catalogue/Housing/Dwelling-Stock-Estimates/dwellingstockestimates-by-year-tenure

In Scotland, there has been a marked fall in the number of private rented sector dwellings:

https://www.gov.scot/publications/housing-statistics-stock-by-tenure/

Estimates based on recent trends are used to project the end-2023 number of PRS and total dwellings.

The value of PRS stock can be estimated in two ways. One approach to valuation is to estimate the Open Market Vacant Possession (OMVP) value of the dwellings in the sector, adjusting for the property type and regional mix of the properties in the sector. This is the approach that has typically been used by Savills, Zoopla and others and has been used for this report.

Estimates for the investment into residential by major investors are based on the same approach as for commercial property for each investor type.

The BPF/Savills Build to Rent report gives an indication of the number of completed BtR units. It is available at:

https://www.bpf.org.uk

The BPF report highlights the BtR pipeline and how completions have grown over the past few years. The change between end-2018, end-2020 and end-2023 is highlighted in Table C.1 below:

APPENDIX C: RESIDENTIAL – SOURCES AND METHOD

Table C.1: Completed BtR Units

	Q4 2018	Q4 2020	Q4 2023	% change 2020–23
London	17581	26758	46747	75%
Rest of UK	13326	27912	53625	92%
UK Total	**30907**	**54670**	**100372**	**84%**

Source: BPF Built to Rent Q4 2023.

The pipeline of BtR units suggests the number of completed units is likely to exceed 150,000 in the next few years.

The ONS data on the private rental market is available at:

https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/priceindexofprivaterentsukmonthlypricestatistics

Historic rental growth has been slightly revised and the growth in PRS rents over seven years is as represented in Table C.2.

Table C.2: UK Private Rented Residential Rental Growth

To December	% Change in rent
2017	1.7
2018	1.2
2019	2.2
2020	1.1
2021	2.4
2022	5.6
2023	8.3

Source: ONS.

Between December 2020 and December 2023, rents increased by 17% and at December 2023 the average rent in Great Britain was estimated at £1217pcm. One-bedroom average rents were £969 pcm, two-bedroom £1107pcm, three-bedroom £1248pcm and four-bedroom £1871pcm.

This ONS estimate of a 17% increase in rents between December 2020 and December 2023 compares with a 12% increase in residential rents for the MSCI Annual Index. Investment yields moved higher and consequently residential value growth on the MSCI Annual Index was only 1.2% over the three years. This compares with an ONS estimate of the growth of average dwelling price of 9.0% over the three years from 2020 to 2023:

https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/housepriceindexannualtables2039

APPENDIX D: THE VALUE OF COMMERCIAL REAL ESTATE STOCK AND COMPONENTS BY SECTOR

Retail (including F&B)

	Floorspace m sq m	Rental Value £ per sq m	Rental Value £bn	Reversionary Yield %	Reversionary Yield %
2000	130.8	116.2	15.2	7.7	199
2001	131.5	117.8	15.5	7.7	200
2002	132.4	124.3	16.5	7.5	218
2003	133.6	129.5	17.3	7.2	242
2004	134.7	135.6	18.3	6.6	276
2005	134.6	140.8	18.9	6.0	314
2006	135.8	145.4	19.8	5.6	354
2007	136.9	150.1	20.5	6.3	325
2008	138.0	149.8	20.7	8.7	237
2009	139.2	143.2	19.9	8.5	235
2010	140.1	143.7	20.1	7.3	275
2011	141.5	145.8	20.6	7.1	292
2012	142.4	147.4	21.0	7.2	291
2013	143.6	149.7	21.5	7.0	306
2014	144.4	154.2	22.3	6.4	346
2015	145.5	157.3	22.9	6.2	371
2016	145.9	160.2	23.4	6.4	365
2017	146.7	163.5	24.0	6.3	378
2018	147.1	161.8	23.8	6.6	362
2019	146.8	155.4	22.8	7.1	324
2020	146.4	141.4	20.7	7.3	282
2021	145.4	139.4	20.3	6.8	298
2022	144.5	139.5	20.2	7.3	277
2023	143.7	140.1	20.1	7.3	275

APPENDIX D: THE VALUE OF COMMERCIAL REAL ESTATE STOCK AND COMPONENTS BY SECTOR

Offices

	Floorspace m sq m	Rental Value £ per sq m	Rental Value £bn	Reversionary Yield %	Reversionary Yield %
2000	90.2	128.6	11.6	8.7	134
2001	92.1	134.3	12.4	8.9	140
2002	93.8	127.0	11.9	8.5	141
2003	95.2	116.7	11.1	7.8	143
2004	96.2	118.6	11.4	7.7	148
2005	95.6	123.6	11.8	6.9	171
2006	96.3	132.6	12.8	6.3	204
2007	97.3	145.9	14.2	7.2	197
2008	98.5	142.7	14.1	9.2	152
2009	99.4	126.2	12.5	8.8	142
2010	100.6	129.3	13.0	8.0	162
2011	101.2	135.1	13.7	7.8	175
2012	101.7	138.3	14.1	8.1	174
2013	102.1	145.1	14.8	7.6	194
2014	101.9	157.8	16.1	6.9	235
2015	101.8	172.6	17.6	6.5	270
2016	101.2	178.4	18.0	6.8	264
2017	101.1	181.8	18.4	6.6	280
2018	100.9	184.2	18.6	6.5	288
2019	99.8	187.6	18.7	6.3	295
2020	97.9	185.4	18.1	6.6	274
2021	95.9	186.5	17.9	6.3	283
2022	94.4	189.1	17.8	7.2	248
2023	92.9	189.7	17.6	8.0	221

APPENDIX D: THE VALUE OF COMMERCIAL REAL ESTATE STOCK AND COMPONENTS BY SECTOR

Industrial

	Floorspace m sq m	Rental Value £ per sq m	Rental Value £bn	Reversionary Yield %	Reversionary Yield %
2000	398.4	31.4	12.5	9.5	132
2001	400.1	32.2	12.9	9.7	133
2002	401.1	32.7	13.1	9.6	137
2003	400.5	32.9	13.2	9.3	142
2004	397.8	33.6	13.4	8.6	156
2005	397.6	34.5	13.7	7.8	176
2006	397.3	35.4	14.1	7.1	199
2007	394.4	36.6	14.4	7.8	186
2008	386.8	36.3	14.0	10.4	135
2009	384.4	35.4	13.6	10.2	133
2010	378.3	35.9	13.6	9.5	143
2011	377.5	36.2	13.7	9.2	148
2012	376.3	36.7	13.8	9.3	148
2013	376.1	37.6	14.2	8.7	162
2014	375.9	38.5	14.5	7.6	190
2015	377.3	39.9	15.1	7.1	212
2016	378.6	41.5	15.7	7.1	222
2017	380.4	43.9	16.7	6.4	262
2018	381.6	46.2	17.6	6.0	296
2019	383.1	47.9	18.3	6.0	308
2020	384.2	49.4	19.0	5.7	336
2021	386.6	53.3	20.6	4.7	438
2022	389.3	58.2	22.7	6.2	363
2023	390.8	62.2	24.3	6.6	366

APPENDIX D: THE VALUE OF COMMERCIAL REAL ESTATE STOCK AND COMPONENTS BY SECTOR

Other Commercial (for which floorspace data is available)

	Floorspace m sq m	Rental Value £ per sq m	Rental Value £bn	Reversionary Yield %	Reversionary Yield %
2000	48.2	61.9	3.0	7.7	39
2001	48.5	62.3	3.0	7.7	39
2002	48.3	63.5	3.1	7.3	42
2003	48.6	63.0	3.1	7.1	43
2004	48.9	63.7	3.1	6.5	48
2005	49.8	65.4	3.3	6.0	54
2006	50.4	67.4	3.4	5.4	63
2007	50.7	73.7	3.7	5.7	65
2008	51.1	74.3	3.8	7.3	52
2009	51.2	74.3	3.8	7.3	52
2010	51.7	76.6	4.0	6.7	59
2011	52.0	78.1	4.1	6.4	63
2012	52.3	80.0	4.2	6.4	66
2013	52.8	82.0	4.3	6.2	70
2014	53.3	84.9	4.5	5.7	79
2015	53.3	85.9	4.6	5.4	85
2016	52.4	86.7	4.5	5.3	86
2017	52.9	88.6	4.7	5.0	93
2018	53.2	90.4	4.8	5.0	97
2019	53.5	92.2	4.9	5.0	98
2020	53.8	90.1	4.8	5.3	91
2021	54.0	91.4	4.9	5.2	95
2022	54.2	93.2	5.1	5.7	89
2023	54.4	95.2	5.2	5.9	88

APPENDIX D: THE VALUE OF COMMERCIAL REAL ESTATE STOCK AND COMPONENTS BY SECTOR

Total Commercial Property (for which floorspace data is available)

	Floorspace m sq m	Rental Value £ per sq m	Rental Value £bn	Reversionary Yield %	Reversionary Yield %
2000	667.5	63.3	42.3	8.4	503
2001	672.1	65.1	43.7	8.6	511
2002	675.7	65.9	44.5	8.3	538
2003	678.0	65.9	44.7	7.8	570
2004	677.6	68.1	46.2	7.4	628
2005	677.5	70.4	47.7	6.7	715
2006	679.8	73.5	50.0	6.1	819
2007	679.2	77.9	52.9	6.8	773
2008	674.5	78.0	52.6	9.1	577
2009	674.3	74.0	49.9	8.9	562
2010	670.7	75.5	50.7	7.9	639
2011	672.2	77.4	52.0	7.7	678
2012	672.8	78.8	53.0	7.8	679
2013	674.6	81.2	54.8	7.5	732
2014	675.6	84.9	57.3	6.7	850
2015	677.9	88.7	60.1	6.4	938
2016	678.1	91.0	61.7	6.6	937
2017	681.1	93.6	63.8	6.3	1013
2018	682.8	94.9	64.8	6.2	1043
2019	683.2	94.9	64.8	6.3	1025
2020	682.3	91.8	62.7	6.4	983
2021	681.9	93.4	63.7	5.7	1114
2022	682.4	96.3	65.7	6.7	977
2023	681.9	98.6	67.3	7.1	949

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