



End of Year Review in Commercial Real Estate

As 2021 draws to a close, EG looks back at the most read news articles, biggest deals and how planning in the UK has developed over the year.



2021 in news

As 2021 draws to a close, EG looks back at our most read news, legal and comment articles in a year like no other.

The biggest story in the world this year was the rollout of vaccines, signalling a turning point in the Covid pandemic. With that rollout came other questions: how quickly can life return to normal, when and if we will need boosters in years to come and, of course, debates about vaccine passports and disclosing vaccination status.

It should come as no surprise then that our most read story was about just that: Hannah Ford and Sarah Taylor from law firm Stevens & Bolton wrote an in-depth expert comment piece about whether employers can ask staff if they have been vaccinated. They considered the question from the perspective of discrimination policies, health and safety and data protection, offering an essential overview of an issue many were clearly thinking about.

However, the pandemic did not dominate our 10 most read stories – though it did crop up again. JLL returning furlough money to the government was a popular story, while the future of offices made an appearance in a piece about Cushman & Wakefield calling its relationship with WeWork “very, very important”. Throughout the past year tech in offices has been on everyone’s minds as people return to the workplace. This explains why the deal between two major tenant experience companies, HqO and Office App, was our most read deal story of the year.

Readers were also interested in how property was responding to other wider issues, such as the Black Lives Matter movement. EG’s race survey results offered some sober reading for the industry, revealing the extent to which many respondents have felt discriminated against. Another well-read article was an account from a graduate concerned about the





RICS following Alison Levitt's damning report into the organisation's governance. The takeaway from these articles was clear: there are things that we, as an industry, still have to address and improve.

There were, of course, reasons to celebrate as well, and among our most popular stories was our coverage of real estate's changemakers – EG's 10 rising stars doing incredible work across the industry.

Meanwhile, no year-end list would be complete without an eyebrow-raising building with a fascinating history. This year, that building was a windowless Cold War-era concrete nuclear bunker in Nottingham, known locally as "the Kremlin", which Homes England was looking to sell.

But as the year comes to an end, it's also worth looking ahead. "Real estate appears to be recovering from the worst of the Covid-19 crisis," wrote Tim Burke, EG's deputy editor, in a piece detailing renewed activity and a return to profit for many companies. The comprehensive article sets the tone for the end of the year, prompting many of us to look forward to 2022, willing to ask ourselves: "Are we finally out of the storm?"



EG's top articles of 2021

"Can employers ask staff if they have been vaccinated?"

27 January 2021

"Homes England pitches nuclear bunker sale"

4 May 2021

"JLL to pay back furlough money and salary cuts"

26 January 2021

"Real estate's changemakers: the under 35s leading property's new future"

16 September 2021

"High Street Group rebrands as chairman departs"

19 August 2021

2021 in deals



Radius

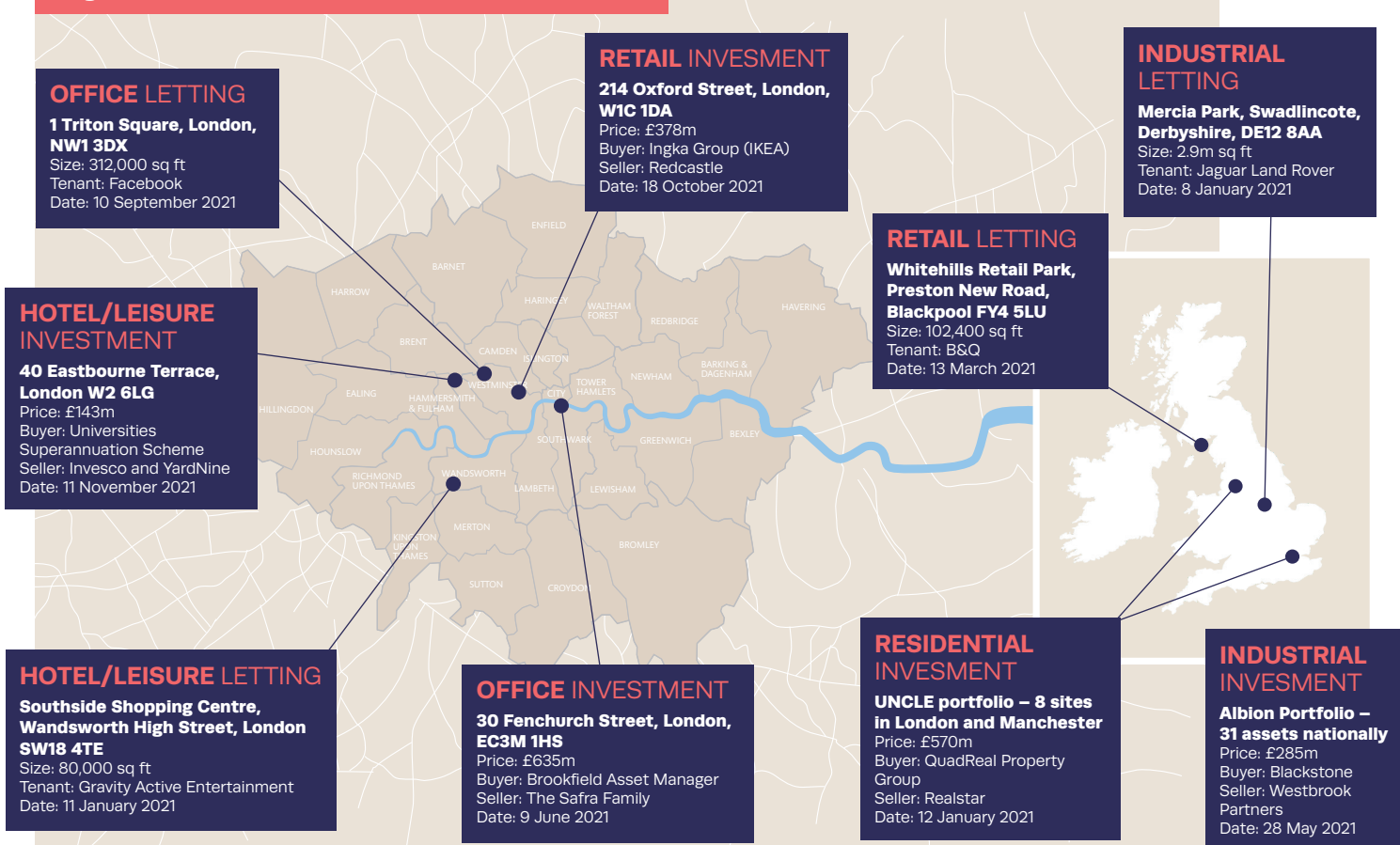
The return of the office

When it came to transactions, the overarching trend in 2021 was a steady return of office deals. EG Radius recorded 1.7m sq ft of lettings in January, rising to 1.9m sq ft in May and peaking at 3.8m sq ft in September.

Activity was, perhaps unsurprisingly, London-centric, with the City of London accounting for 12% of the year's office lettings. At 4.2%, Manchester was the most active local authority outside of the capital, followed by Birmingham at 3%.

No other sector experienced that kind of steady rise. Industrial and retail both peaked in the first quarter of the year – industrial in January and retail in March – followed by months of ups and downs. However, there were significant deals in each sector. Here we have picked out the largest lettings and investments recorded on EG Radius in 2021.

Largest deals in 2021



Source: EG Radius



Radius

Office

Just as office lettings steadily ramped up throughout 2021, investment volumes also rose from month to month in the first half of the year. There was a period from May to August when office investment topped £1bn every month – though sales activity did fall in subsequent months.

Besides Brookfield’s £650m acquisition of 30 Fenchurch Street, there were several other nine-figure deals in this period. These included Kennedy Wilson’s £178m acquisition of One Embassy Gardens in Wandsworth, while outside of London LCN Capital Partners acquired BT’s Bristol HQ for £134m.

Industrial

Having secured the massive near-3m sq ft Jaguar Land Rover letting in January, Leicestershire was by far the most active local authority for industrial deals in 2021. But there were other major deals as well in the area, including a 746,000 sq ft letting to Amazon and a 425,952 sq ft letting to Primark, both at Magna Park.

In stark contrast to offices, industrial had a strong start to the year – 9m sq ft of lettings in January – before slowing down in the second half. While Q1 recorded just shy of 20m sq ft of lettings across the country, by Q3 that figure had dropped to 12.7m sq ft.

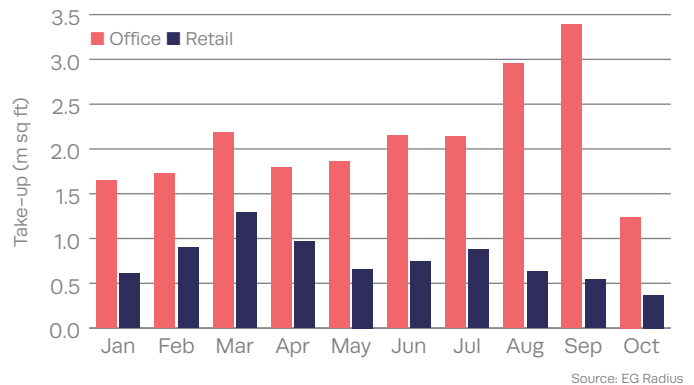
Retail

Geographically, retail take-up has been considerably less concentrated in specific areas than office or industrial. Glasgow was the most active part of the country, accounting for 4% of total take-up, closely followed by Leeds (3.9%), Lancashire and Birmingham (both at 3%).

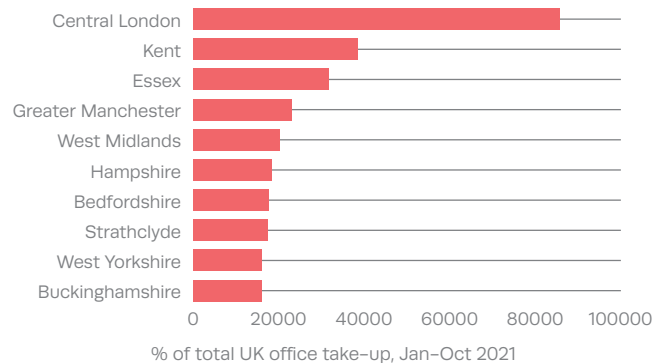
Take-up peaked at 1.3m in March, averaging close to 700,000 sq ft per month since then. Investment, however, peaked in October with IKEA’s £385m 214 Oxford Street purchase. That one deal was larger than the monthly total in every other month with the exception of April (£432m total, driven in part by Supermarket Income REIT’s £63m acquisition of a Tesco supermarket in Colchester).



Office and retail take-up across the UK, Jan-Oct 2021



Most active UK office markets





Radius

2021 in planning

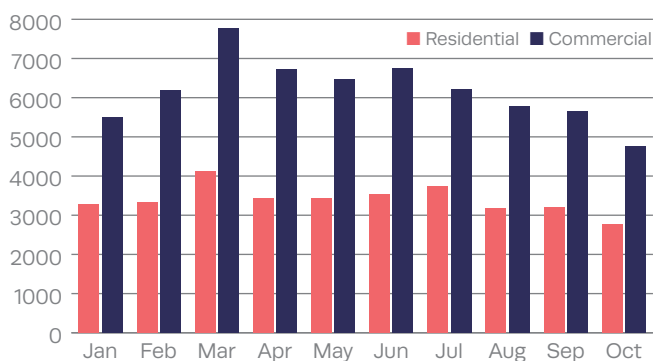
2021 overview

Coming out of 2020, planning activity across the country took three months to warm up, but once it did, it remained relatively steady in the following months, according to EG Radius data.

Applications reached a peak in March just as the roadmap out of lockdown gave both residential and commercial developers a much needed boost of confidence. Pent up demand was released, particularly in the office and retail sectors. While total applications rose 25% between February and March, office applications were up nearly 50% from 420 to 624. Retail did not have as much of a surge, but it still grew by 28%. By contrast, hotel planning activity was fairly muted, rising just 7%.

After March, planning in the UK settled into a reliably predictable pattern: residential applications averaged about 3,300 per month without too much variation, while commercial applications averaged 6,000 – again with little variation. At a time when take-up and investment appears to still be on a rollercoaster in parts of the country, planning has found some stability. Could we see that filter into deals in the coming months and quarters?

Planning applications in 2021



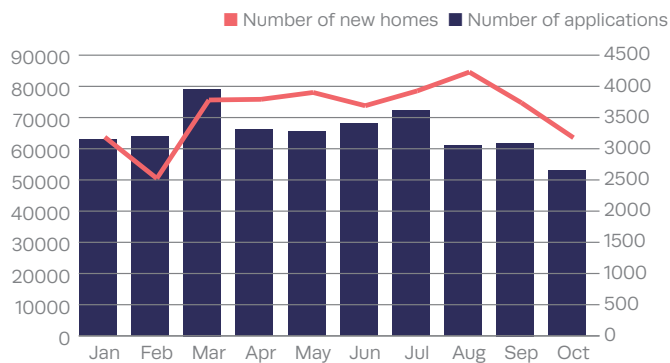
Source: EG Radius





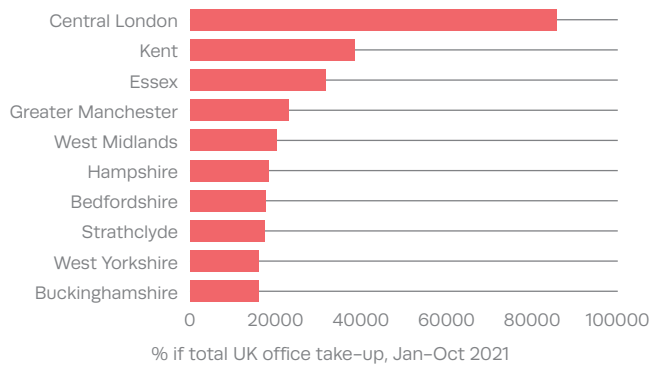
Residential spotlight

Residential planning activity



Source: EG Radius

10 most active counties for new homes



Source: EG Radius

Largest residential applications submitted in 2021

Developer	Development	Size (no of homes)	Date	Type of development	Local authority	Application number
Kent Science Park, Quinn Estates	Highsted Park	8,000	10/08/2021	New	Maidstone	21/503914/EIOUT
St James Group	Milton Keynes East	4,600	31/03/2021	New	Milton Keynes	21/009999/OUTEIS
Hanwood Park	Hanwood Park Development	4,044	25/03/2021	New	Kettering	NK/2021/0292
Taylor Wimpey	Rackheath North	4,005	25/06/2021	New	Broadland	20211218
Homes England, Defence Infrastructure Organisation	Prince William of Gloucester Barracks	4,000	14/04/2021	Change of use	South Kesteven	S21/0706



84,580
number of new homes proposed in August 2021, the highest monthly total in 2021

21.3%
percentage of new homes planned in central London, Kent or Essex

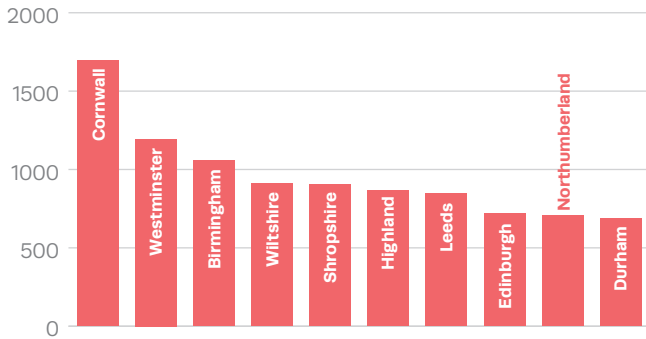
24,649
number of new homes proposed in the five largest schemes this year



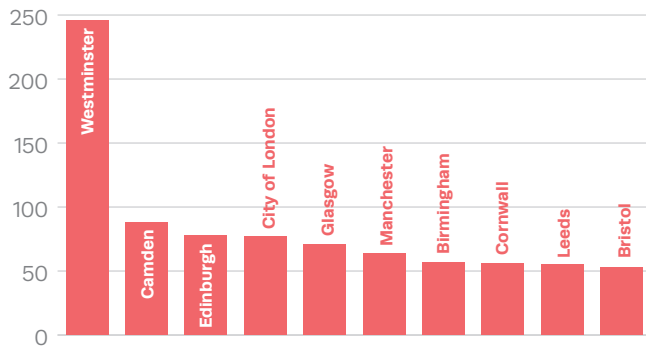


Planning activity by location in 2021

Total applications

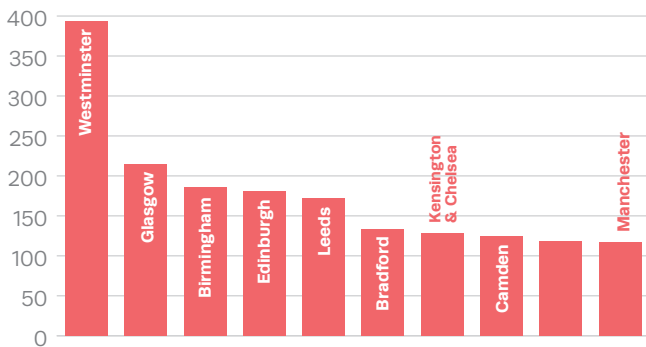


Office

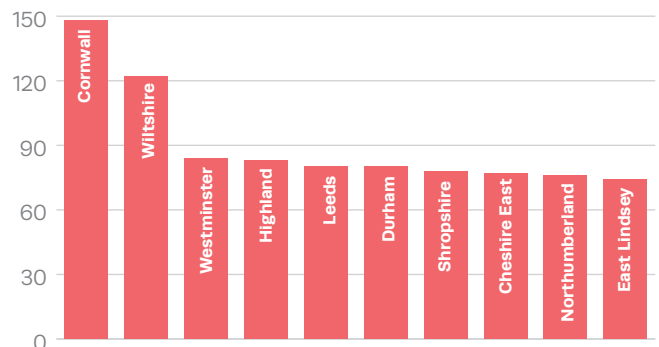


1,694
Cornwall applications

Retail



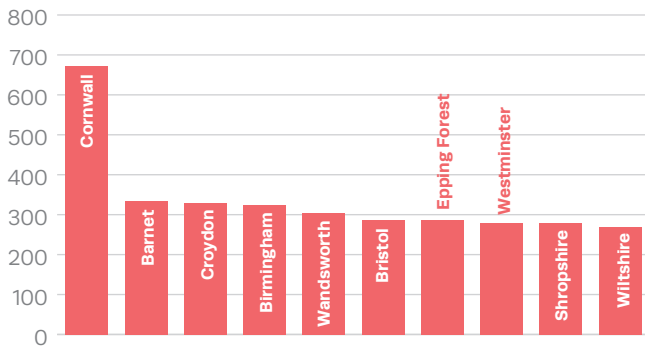
Leisure



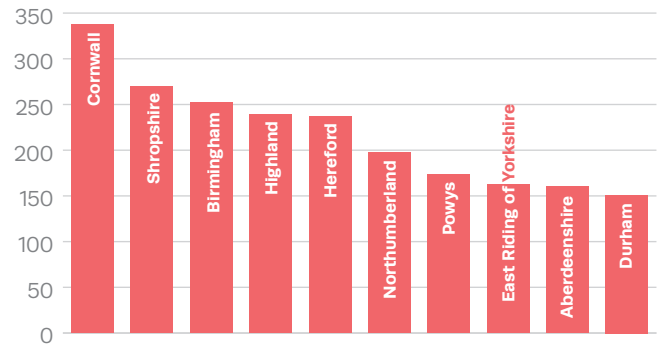


Planning activity by location in 2021

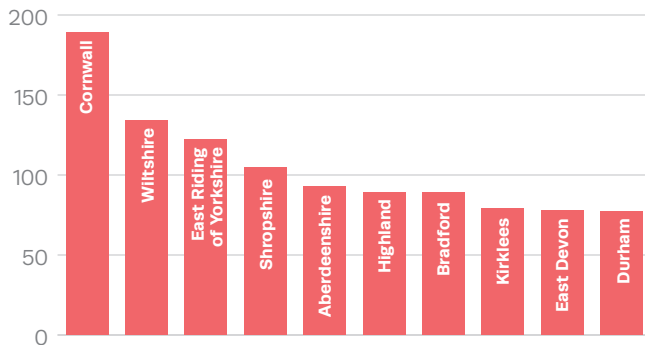
Residential



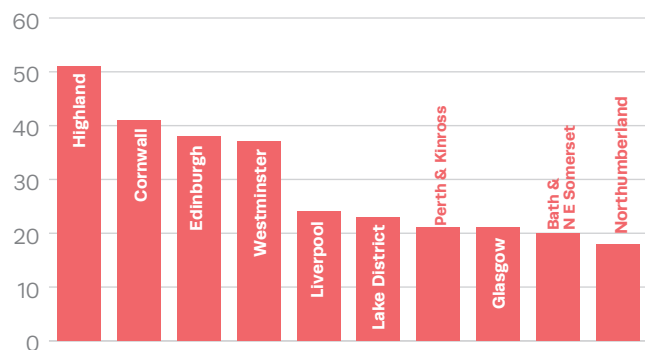
General



Industrial



Hotel



Observations:

- As the largest local authority in the country, Cornwall comes first in four of the seven sectors. This makes the area's low ranking for offices (8th) and retail (9th) particularly notable.
- Westminster alone accounted for 5% of all office applications in the country in 2021 – almost four times as many as Manchester
- Residential developers have been particularly active in Barnet and Croydon. Neither local authority appears in the top 10 for any commercial sector but they rank second and third in the country for residential applications.