

# The economic contribution of the commercial property sector

*This analysis has been prepared by the Fraser of Allander Institute (FAI) at the University of Strathclyde. The FAI is a leading academic research centre focussed on the Scottish economy. The report aims to provide a summary of recent trends in the commercial property sector in Scotland and to assess its contribution to the Scottish economy. The work was carried out independently by the Fraser of Allander Institute.*

## Overview

Commercial property plays an important role in the Scottish economy.

New commercial property – and the maintenance of existing properties – helps to support investment, jobs and economic activity across Scotland. However, the role of commercial property extends much further. Without high quality and effective commercial property there would be no business activity.

It is also a valuable financial asset and an investment source for trusts, pension funds and savings. Commercial property work is also a barometer of wider economic activity, particularly in a service based economy such as Scotland.

But like many other parts of the Scottish economy, the last few years have not been without challenges. The downturn in the North Sea, the EU referendum and fragile levels of business and consumer confidence have all acted to dampen growth.

As both a driver and beneficiary of economic activity, it is no surprise that commercial real estate has followed a similar path.

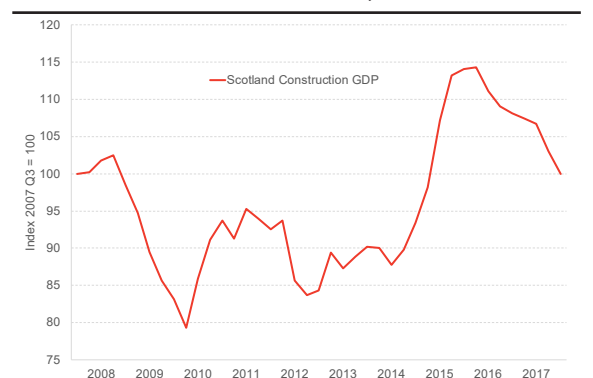
Official statistics show that the value of construction output in Scotland for the last calendar year – 2016 – was £14.6 billion. In 2016, output of new work in the private sector (excluding housing) totalled £2.9 billion.

Over the 10 years to 2016/17, there were more than 35,000 transactions of commercial property valuing more than £29 billion.

Whilst most indicators have improved in recent years, they remain lower than their pre-financial crisis levels.



**Chart:** Real-terms construction output, 2007-17



Source: Scottish Government & FAI analysis



Commercial construction, repair and maintenance and real estate contribute around

**£4.8 billion**

to the Scottish economy.



This activity helps to support around

**92,000**

jobs in Scotland.

## Economic impact

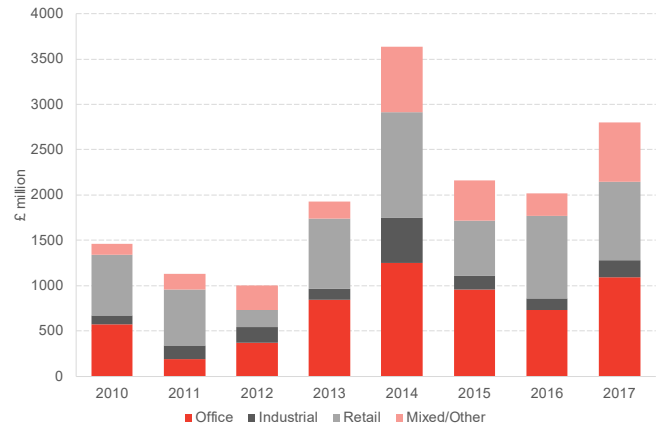
Measuring the contribution of the commercial property sector to Scotland's economy is not straightforward. Unlike sectors such as manufacturing or retail, the economic activity that underpins commercial property is spread across a diverse mix of industries and firms. It includes activities from construction, real estate, professional and business services, banks and the public sector.

To tackle this, we make use of both official statistics and information sourced for the specifics of this study. A detailed methodology note is provided in the report.

We estimate that –

- The total economic contribution of just three key elements of commercial property activity – construction, repair and maintenance and real estate – is approximately £4.8 billion or almost 4% of Scotland's economic output;
- Such activity helps to support around 49,000 direct FTE jobs in Scotland and a further 43,000 jobs as a result of spill-over effects;
- Another way of putting this is that for every 100 FTE employees working in commercial construction activities, an additional 85 jobs are supported elsewhere in the Scottish economy; and,
- For every £100 million increase in demand for new commercial property output, there is an additional £73 million from indirect and induced effects across the economy.

Chart: Investment by sector, since 2010

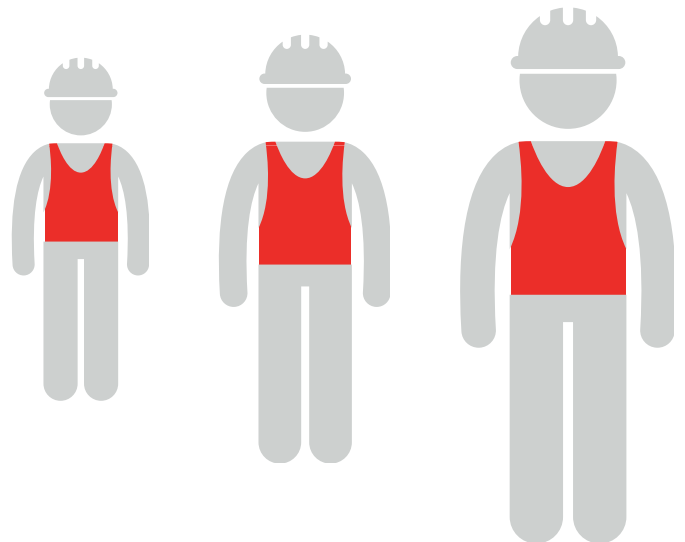


Source: CoStar Group

Table: Commercial property GVA, direct and total impact, £m

£ million	Total GVA	Commercial property	
		Direct impact	Total impact
Construction	1,914	829	1,634
Specialised construction	3,503	1,517	2,992
Real estate	1,780	96	138
<b>Total</b>	<b>7,196</b>	<b>2,442</b>	<b>4,765</b>

Source: FAI analysis



An increase of new commercial property output of

**£100 million**

has an impact of

**£173 million**

across the Scottish economy.



Over the ten years to 2016/17, commercial property had more than

**35,000**

transactions valued at over

**£29 billion**

across Scotland.