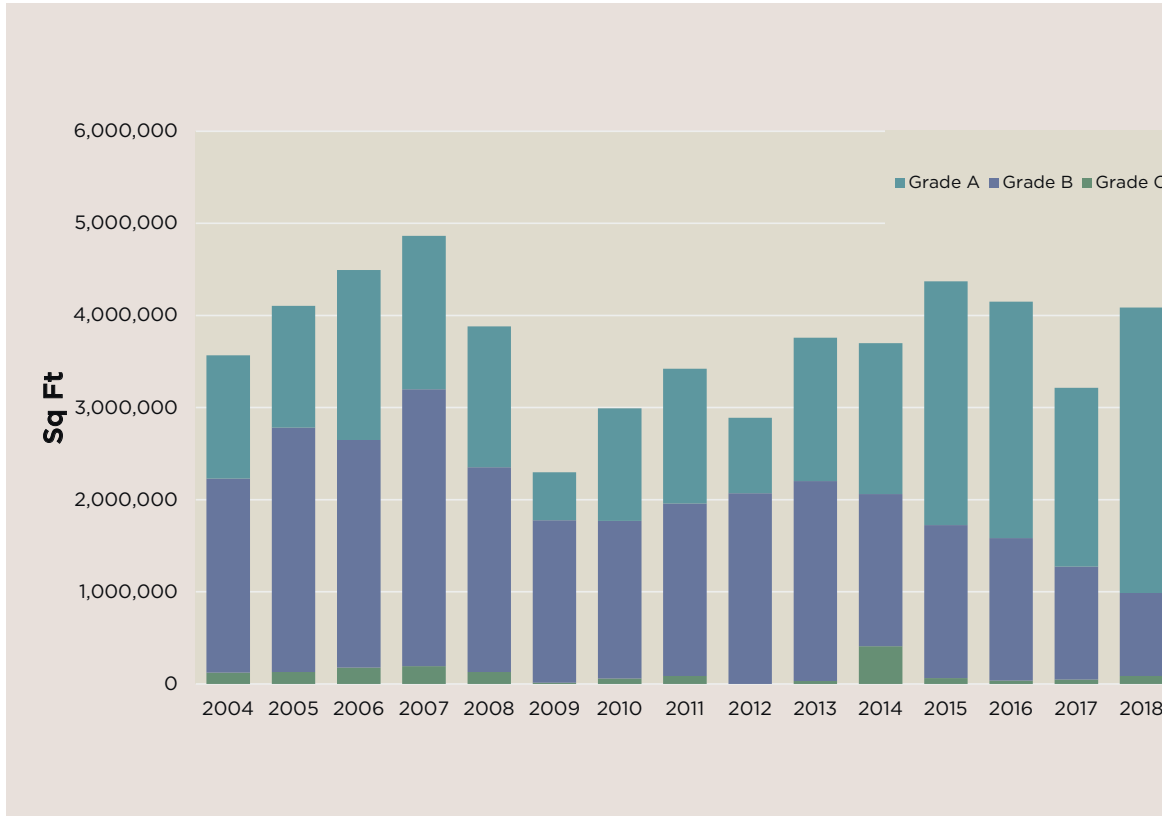


Greater London & South East Offices



Big movers Corporate demand returned to the market in 2018, resulting in take-up reaching 4.09 million sq ft



Source Savills Research

Take-up in 2018 was 17% above the long term average after strong Q4 activity

After a flurry of transactions in Q4, take-up reached 4.09 million sq ft in 2018 which was 17% above the long term average and a 27% increase on 2017. Take-up recorded in Q4 alone totalled 1.45 million sq ft which was the highest recorded quarter of take-up since Q1 2007.

Occupier demand has been predominantly focused on the Western Sector with the region accounting for 62% of take-up across the whole market. Take-up totalled 2.55 million sq ft in 2018 which was the highest level since 2007. Reading, White City and Slough were the top performing markets in 2018, with Reading and Slough experiencing their highest levels of take-up since 2000 and 2005, respectively.

Corporate demand returned to the market in 2018, there were 13 deals recorded above 50,000 sq ft which was the joint highest since 2007. Occupiers who leased over 100,000 sq ft

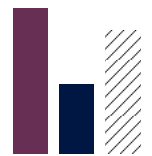
included Publicis Media, Virgin Media and Asos. Furthermore Slough Borough Council bought 25 Windsor Road, Slough which comprised 110,000 sq ft for their own occupation.

The technology sector was the most active business sector in 2018 accounting for 24% of space transacted. Demand originated from a diverse mix of established multinational technology businesses and new local start-ups which underlines the thriving technology sector present in the region. Serviced office operators were also very active, they leased over 513,000 sq ft, the highest amount since 1999 which accounted for 13% of take-up which was the highest proportion on record. The demand for flexible space is rising from occupiers and we predict that the sector will continue to be active in 2019.

Take-Up, Supply and Rental Performance Key Data Points



76%
Grade A space accounted for 76% of take-up in 2018, the highest proportion on record.



12%
Supply fell by 12% from 2017 and is at its lowest level since 2000.



19
Record rents were achieved in 19 submarkets in 2018.

Jon Gardiner-Head of National Office Agency

“ The Greater London & South East office market performed well in 2018 with corporate demand returning to the market against a backdrop of ongoing economic uncertainty. Supply is at its lowest level since 2000 and with record rents being achieved across the market, developers and investors should consider speculative development.”

SUPPLY CONTINUES TO FALL

Supply continues to fall with the limited development pipeline and strong occupier demand resulting in supply constraints being experienced across the market. There is currently 12.45 million sq ft available which is a 12% decrease from 2017 and the lowest level since 2000. The development pipeline is limited, there is currently 570,000 sq ft set to achieve practical completion in 2019 (excluding the Royal Albert Docks). There have, however, been a few announcements of speculative development in Q4 2018, these included 400 and 450 Longwater Avenue at Green Park in Reading, Victoria Street, Windsor and Building 1 Croxley Park, Watford totalling a combined 351,000 sq ft.

STRONG RENTAL GROWTH

The combination of new development in town centre locations and falling supply has resulted in strong rental growth across the market. Submarkets where record rents have been achieved in 2018 include Reading, White City, Ealing, Stockley Park, Slough, Croydon, Hayes, Woking, Leatherhead and Brentwood. Given the current supply shortage and the limited development pipeline, we expect rental growth to continue in 2019.

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Key Statistics

The tables below detail key statistics relating to the Greater London & South East office market. Savills Research tracks take-up and supply over 5,000 sq ft.

Take-Up

Sq ft	Data	Yr/Yr Change
2018 Take-up	4.09 m sq ft	↑27%
Q4 2018 Take-Up	1.45m sq ft	↑53%
Grade A Take-Up	3.10m sq ft	↑59%
Average Deal Size	17,842 sq ft	↑45%
10 Year Average Annual Take-Up	3.50m sq ft	↓
5 Year Average Annual Take-up	3.86m sq ft	↑
In Town vs Out of Town Take-Up Split	68%/32%	↓7%/↑7%

Supply

	Data	Yr/Yr Change
2018 Supply	12.45 m sq ft	↓12%
Grade A Supply	6.23 m sq ft	↓7%
Vacancy Rate	5.8%	↓0.8%
In Town Supply Proportion	44%	No Change
Out of Town Proportion	56%	No Change
2019 Development Pipeline	570,000 sq ft	↓8%

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