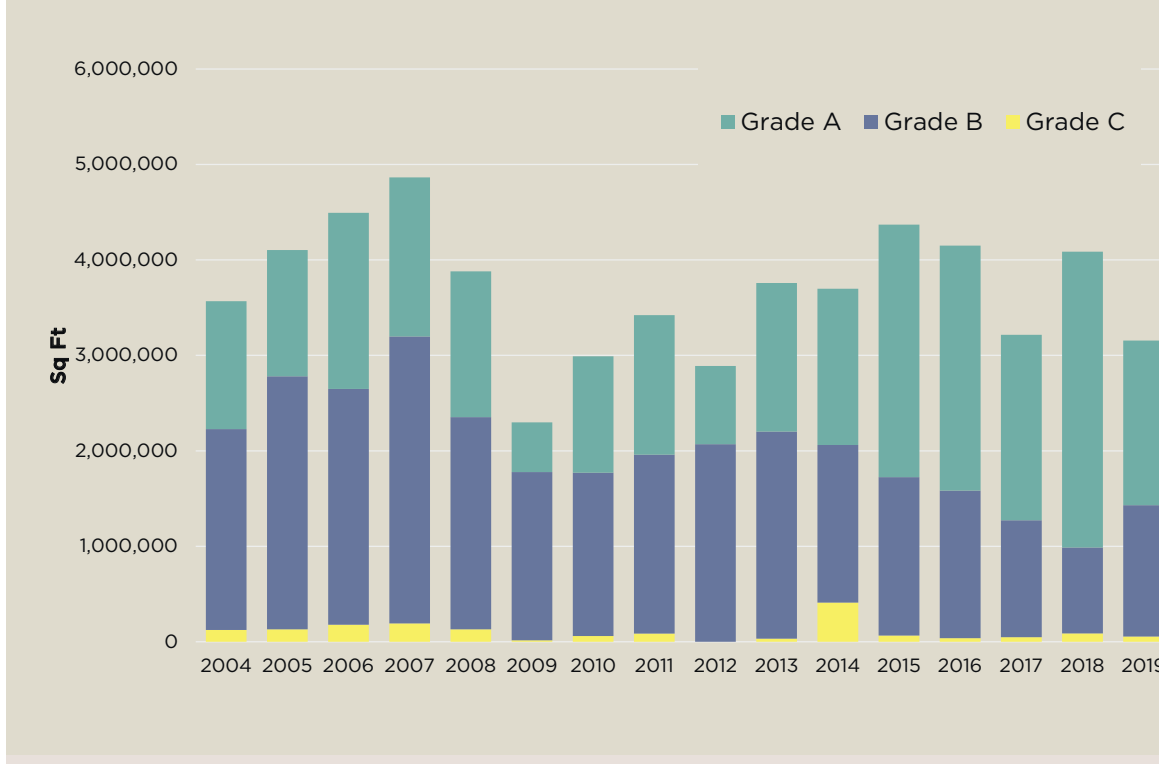


Greater London & South East Offices



Summary Despite lower levels of occupational take up in 2019, there is now the lowest level of supply in nearly 20 years, making conditions ripe for new development.

Take-Up



Source Savills Research

Take-Up, Supply and Rental Performance Key Data Points



55%
Grade A space accounted for 55% of take-up in 2019.



1%
Supply fell by 1% from end 2018.



7%
Average grade A rents have increased by 7% from end 2018 to £34.50 per sq ft.

Thames Valley demand remains resilient as take-up in the wider market falls

The economic and political uncertainty in 2019 and the unprecedented lack of supply resulted in weaker occupational demand across the market. Take-up in 2019 reached 3.2 million sq ft which was 23% below 2018 and only 10% below the ten year average. The Thames Valley continued to be the most active geographical region of the market accounting for 60% of take-up which was on par with the long term average. The Southern and Northern Sectors take-up volumes were more muted due to the continued supply constraints that persist in these market areas.

Corporate demand was present in the market in 2019, there were seven deals above 50,000 sq ft, which was in line with the long term average. The largest deal in the market in 2019 was L'Oreal who pre-let 124,000 sq ft at Gateway Central in White City. The only other deal in the market above 100,000 sq ft was Samsung who leased 100,000 sq

ft at 2000 Hillswood Business Park, Chertsey. The fall in take-up was partly caused by a reduction in the number of smaller occupiers being active in the market. There was a 14% decrease in deals recorded between 5,000 and 10,000 sq ft when compared to the long term average. Take-up in this size band amounted to 716,000 sq ft in 2019 compared to the ten year average of 823,000 sq ft.

The technology sector continued to be the most active in the market; the sector leased 949,000 sq ft which was the third highest level of take-up recorded from the sector in the last ten years. Occupiers from this sector who leased over 30,000 sq ft included HP, Gartner and Canon. Oxford Economics forecast 8.7% employment growth in the professional, scientific and technology sectors in the South East in the next five years which equates to 39,000 additional jobs.

Jon Gardiner-Head of National Office Agency

“2019 was undoubtedly affected by political events, but with some degree of certainty assured, we have already seen encouraging signs to suggest 2020 will be a strong year for the South East office market.”

SUPPLY LEVELS AT UNPRECEDENTED LOW

Supply constraints in the market have persisted throughout 2019 and the lack of stock available is unprecedented in the current market cycle. There is currently 12.2 million sq ft available, which is the lowest level in the market since 2001. Limited development activity and the current occupier preference for grade A space has resulted in grade A supply falling by 11% from end of 2017 levels. Reading has the highest levels of grade A space available at just below 1 million sq ft which accounts for 17% of grade A space available in the wider market. Development activity in the market continues to remain limited. There is 1.02 million sq ft set to achieve practical completion in 2020 which equates to three months of take-up in an average year.

CYCLE HIGH RENTS CONTINUE TO BE ACHIEVED ACROSS THE MARKET

Newly completed schemes have achieved new record rental levels and are fuelling further wider rental growth. Furthermore the lack of competing grade A supply in smaller submarkets has resulted in refurbished buildings setting the highest rents recorded in this cycle in these locations. Cycle high rents were achieved in White City, Richmond, Guildford and Woking.

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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
Q4 2019 Take-up	811,000 sq ft	↓45%
Q4 2019 Grade A Take-Up	477,000 sq ft	↓63%
2019 Take-Up	3.15 million sq ft	↓23%
2019 Grade A Take-Up	1.72 million sq ft	↓44%
Average Deal Size (2019)	15,268 sq ft	↓16%
10-Year Average Take-Up	3.51 million sq ft	
5-Year Average Take-Up	3.92 million sq ft	

Supply

	Data	Yr/Yr Change
Q4 2019 Supply	12.20 m sq ft	↓1%
Grade A Supply	5.92 m sq ft	↓4%
Vacancy Rate	5.7%	↓10 bps
In-Town Supply Proportion	44%	↓1%
Out-of-Town Supply Proportion	56%	↑1%
2020 Development Pipeline	1.02m sq ft	

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