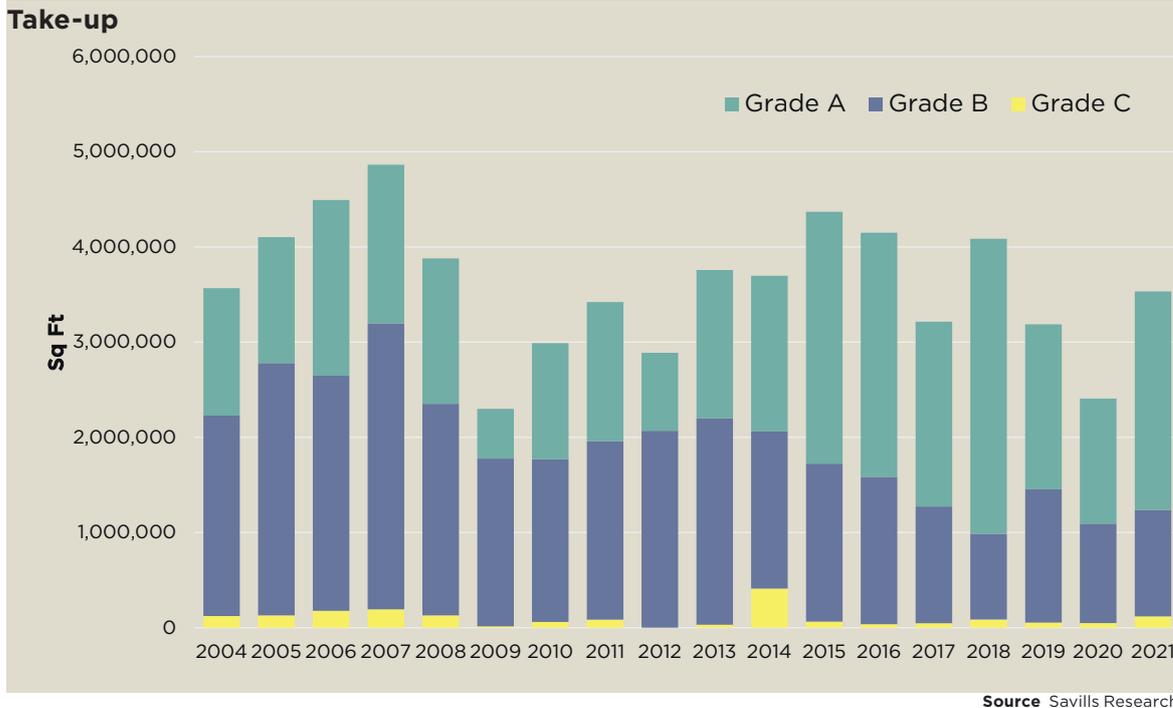


Greater London & South East Offices



Summary The positive momentum building at the beginning of 2021 has continued throughout the year with take-up 46% and 12% above the total recorded in 2020 and 2019. Supply levels remain below the long term average and record rents have been achieved on amenity rich and sustainable office buildings



Leasing activity returned to average levels in 2021 which was driven by larger corporate demand

There was a resurgence in demand in the Greater London & South East office market in 2021, after the weaker take-up recorded in 2020 as a consequence of lockdowns. Take-up reached 3.5 million sq ft which reflected a 46% and 12% increase on the take-up recorded in 2020 and 2019, respectively. Transactional activity was only 2% below the pre Covid-19 ten year average take-up illustrating the healthy levels of occupier activity in the market. The Western Sector was the most active geographical region accounting for 45% of total take-up recorded in 2021.

The market received a confidence boost with several large corporations committing their long term future to the region. This included Unilever, ITV and Intercontinental Hotels Group who all leased over 50,000 sq ft and are constituents of the FTSE 100 Index. There were ten deals recorded over 50,000 sq ft which was the highest total since 2018 and the second highest quantum in the last five years. Notable transactions in Q4 2021 included Skanska leasing 67,000 sq ft at Leavesden Park, Watford and EY acquiring 26,000 sq ft at R+, Reading.

The continued flight to quality from occupiers was evident in 2021 with 65% of take-up recorded being of grade A quality. This was the highest proportion in the last three years and rises to 79% when focusing solely on the Western Sector. The quality polarisation between grade A and B stock will continue

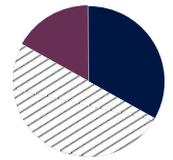
with demand focused on prime grade A space. Buildings which can satisfy ESG criteria have appealed in the main to occupiers, 53% of take-up recorded in 2021 was in buildings which had an EPC rating of A or B.

The public sector was the most active business sector in 2021 accounting for 24% of take-up recorded. This can be primarily attributed to the Department of Work and Pensions (DWP) leasing 488,000 sq ft in the region. The DWP have opened temporary Jobcentres across the region in response to the Covid-19 pandemic. These lettings were generally on shorter lease terms (three year term certain) and have taken vacant stock out of the market.

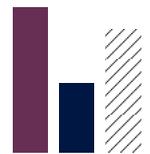
Technology companies were the second most active occupier type and accounted for 20% of take-up recorded. Notable deals from technology occupiers in 2021 included Canon leasing 151,000 sq ft at The Bower Building, Stockley Park and Amazon acquiring 49,000 sq ft at 400 Brook Drive, Green Park, Reading. Oxford Economics forecast 9% employment growth in the professional, scientific and technology sectors across the South East in the next five years.

There were 1.3 million sq ft of requirements recorded in Q4 2021 which bodes well for future office take-up in H1 2022.

Key Data Points



65%
Grade A space accounted for 65% of take-up in 2021.



15%
Supply is 15% below the 10-year average.



3%
Average Grade A rents increased by 3% from 2020

Jon Gardiner - Head of National Office Agency

👉 The early leasing activity in 2021 continued through the year and whilst we aren't out of the woods yet with regards to Covid, 2021 was a significant confidence booster for the market with take up being only 2% below the long-term average 🏆

SUPPLY LEVELS BELOW AVERAGE AND THE DEVELOPMENT PIPELINE LIMITED

There was 14.1 million sq ft available at the end of 2021 which represented a 6% increase from 2020, although still 15% below the long term average. The increase in supply has been primarily caused by a rise in grade B space being returned to the market. Available grade B space has increased by 21% since 2019. The occupier demand in the market is however focused on 'Redefined Grade A', a qualification over and above traditional Grade A offering best in class space providing shared amenities and outdoor space that can satisfy ESG requirements.

The development pipeline is limited with 1.6 million sq ft set to complete by end of 2024, this only equates to six months of take-up in an average year.

RECORD RENTS ACHIEVED ACROSS THE REGION

Record rents have been achieved in 13 submarkets in 2021. A combination of highly specified, sustainable, amenity rich buildings coupled with limited competing stock have helped underpin these rental levels. There has been notable rental growth in Windsor, Bromley and St Albans which have experienced over 10% prime rental growth in 2021. Rental growth will continue in 2022 with deals under offer in some markets that will move the rental tone on significantly.

Savills team

Please contact us for further information

Jon Gardiner
Head of National Office Agency
020 7409 8828
jgardiner@savills.com

Tom Mellows
Director
020 7409 8964
tmellows@savills.com

Andrew Willcock
Director
020 7409 8866
awillcock@savills.com

Rob Pearson
Director
020 7299 3093
rpearson@savills.com

Stuart Chambers
Associate Director
020 7075 8704
stuart.chambers@savills.com

Olivia Jones
Associate Director
020 7409 8708
ojones@savills.com

Florence Horner
Surveyor
020 7535 2971
florence.horner@savills.com

Steven Lang
Director
Commercial Research
020 7409 8738
slang@savills.com

Simon Preece
Associate Director
Commercial Research
020 7409 8768
spreece@savills.com

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

	Data (Sq Ft)	Year-on-Year Change
2021 Take-up	3.53 million sq ft	+46%
Grade A Take-up	2.30 million sq ft	+72%
Average Deal Size	17,154 sq ft	-8%
10-Year Average Take-Up (Pre Covid-19)	3.60 million sq ft	-
5-Year Average Take-Up (Pre Covid-19)	3.81 million sq ft	-

Supply

	Data	Change from Q4 2020
Total Supply	14.1 million sq ft	+6%
Grade A Supply	6.7 million sq ft	+2%
In-Town Supply Proportion	48%	+3%
Out-of-Town Supply Proportion	52%	-3%
Development Pipeline (Under Construction)	1.6 million sq ft	

Source Savills Research

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