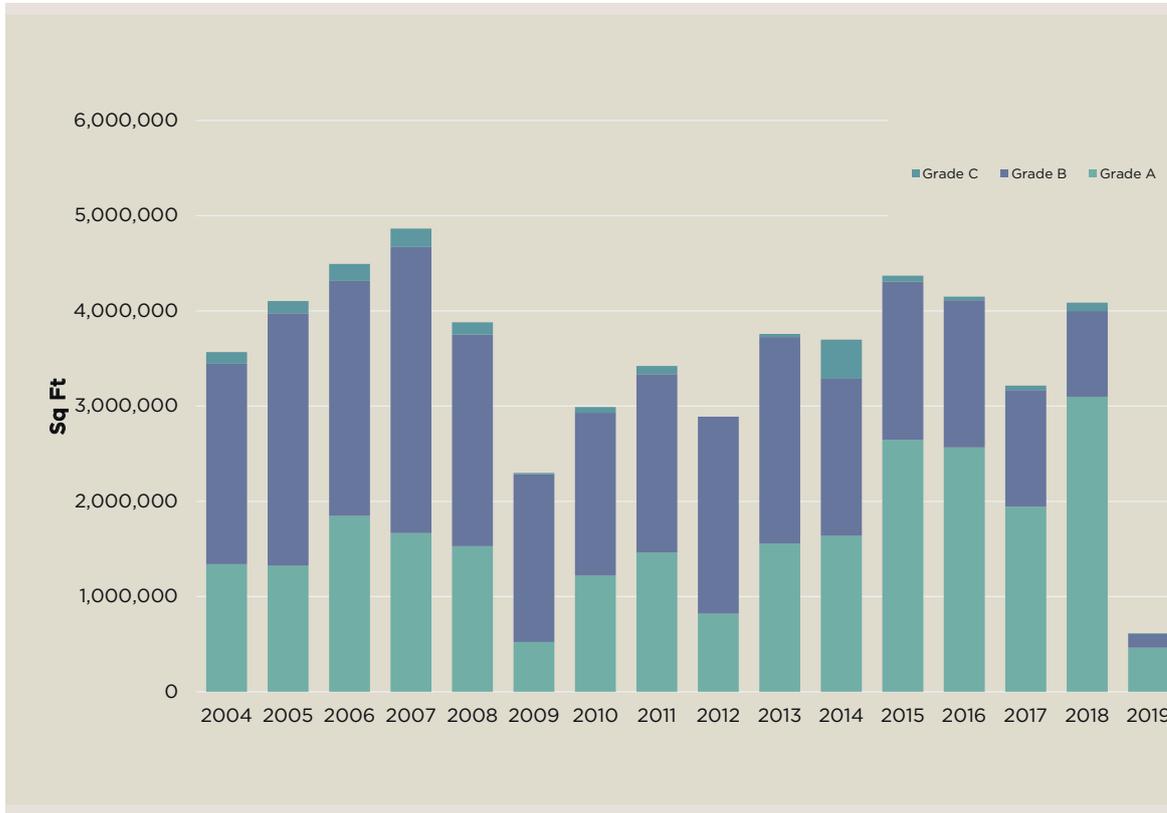


Greater London & South East Offices



Summary After strong take-up in 2018, transactional activity has been quiet in Q1 19 although we are not expecting this to continue.



Source Savills Research

Take-Up, Supply and Rental Performance Key Data Points



75%
Grade A space accounted for 75% of take-up in Q1 19.



2%
Supply increased by 2% from Q4 2018.



6%
The average rent in Q1 19 was 6% above Q4 18.

Take-up steady in Q1 19 although good levels of requirements recorded

Take-up in Q1 19 reached 615,000 sq ft which represented a steady start to the year. This followed very strong take-up in Q4 18 which was the highest recorded quarter of take-up since Q1 2007. Take-up in Q1 19 was 29% below the five year average and 15% below Q1 18.

The Western Sector continues to be most active part of the Greater London & South East market, the region accounted for 59% of take-up recorded in Q1 19. Occupational demand has been primarily focussed on Reading with the town accounting for 33% of take-up across the whole of the Greater London & South East market.

Despite take-up levels being relatively steady in Q1 19, there have been several transactions involving corporate occupiers. There have been six deals above 30,000 sq ft, the largest being Bottomline Technologies purchasing Hive 3, Arlington

Business Park, Reading which comprises 59,000 sq ft for their own occupation. Other occupiers who have leased over 30,000 sq ft include Discover Financial Services, HP, Spaces and Ralph & Russo. We expect further corporate demand in 2019, there were 38 requirements from occupiers seeking over 25,000 sq ft which bodes well for take-up volumes later in the year.

The technology sector continues to be the most active business sector in the market, accounting for 40% of take-up in Q1 19. After strong demand from the flexible office sector in 2018, it was expected that the sector would be less active in 2019. However the sector has continued to acquire space in Q1 19, it accounted for 20% of take-up across the whole market. Regus, Citibase and Arena Business Centres all signed leases to open new centres in Q1 19.

Jon Gardiner-Head of National Office Agency

- Occupational demand has been steady in Q1 19 after very strong performance in Q4 18. There have however been 38 new requirements from occupiers seeking over 25,000 sq ft of space in Q1 19 which bodes well for take-up volumes, later in the year.

SUPPLY CONSTRAINTS CONTINUE TO PERSIST IN MOST SUBMARKETS

By the end of 2018, supply was at its lowest level since 2000, there has been a marginal increase in availability by the end of Q1 19 but supply constraints are still present across most submarkets. Grade A space is the occupier preference with 75% of the space let in Q1 19 being grade A. This has resulted in grade A supply falling in the market with there being only 6 million sq ft available.

The only development completion in Q1 19 was the Royal Albert Docks, Newham where 460,000 sq ft was speculatively developed by APB across 21 separate buildings.

RENTAL GROWTH SET TO CONTINUE

The limited development pipeline will ensure that vacancy rates remain stable or slightly fall. We expect premium rents to be achieved across the market with a lack of supply continuing to drive rental growth in most submarkets. This occurred in Farnborough where Discover Financial Services paid £28.00 per sq ft at Ascent 3. They leased 46,000 sq ft and this was the highest rent ever achieved in Farnborough.

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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
Q1 2019 Take-up	615,000 sq ft	↓15%
Q1 2019 Grade A Take-Up	462,000 sq ft	↑2%
Average Deal Size	14,644 sq ft	↑4%
10 Year Average Q1 Take-Up	893,000 sq ft	
5 Year Average Q1 Take-Up	864,000 sq ft	
In Town vs Out of Town Take-Up Split	52%/48%	

Supply

	Data	Qtr/Qtr Change
Q1 2019 Supply	12.56 m sq ft	↑2%
Grade A Supply	6.01 m sq ft	↓3%
Vacancy Rate	5.9%	↑0.1%
In Town Supply Proportion	45%	No Change
Out of Town Proportion	55%	No Change
2019 Development Pipeline	570,000 sq ft	

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