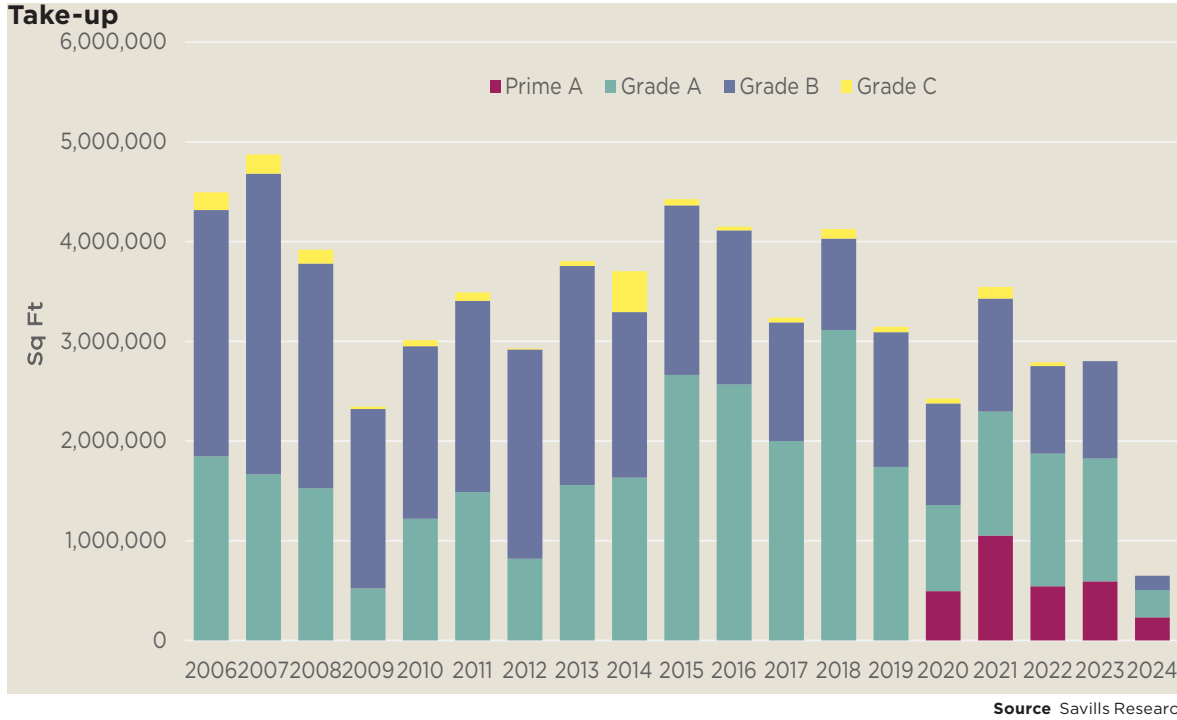


Greater London & South East Offices



Summary Positive leasing momentum remained in Q1 2024, with take-up reaching 648,000 sq ft, which was 35% above Q1 2023, but 10% below the Q1 five-year average. Supply has continued to fall and is now 7% below the end-2023 total and 4% below the ten-year average. Additionally, Q1 2024 recorded nine new submarket record rents.



Positive leasing momentum remained in Q1 2024, with overall take-up this year set to be in line with 2023

The positive leasing momentum that occurred in the second half of 2023 has continued into Q1 2024. Take-up reached 648,000 sq ft which was 35% above the total recorded in Q1 2023, albeit still remains 10% below the five-year average.

Notable submarkets that experienced high levels of occupier demand in Q1 2024 included Maidenhead, Luton, Woking, Basingstoke and Chiswick, all of which out-performed their Q1 five-year average take-up levels. The Western Sector continued to be the most active in the market, accounting for 48% of take-up in Q1.

However, there are still some submarkets with limited levels of occupier demand with requirement levels varying significantly from one submarket to another. It is expected demand will remain strong for Prime Grade A offices with a high level of amenity offer and excellent ESG credentials.

The ongoing flight to quality was evident in Q1 2024. Several large corporate occupiers are reducing their footprint, by moving from secondary buildings and acquiring reduced space in best-in-class office space. This trend is driving Prime and Grade A take-up, which accounted for 78% of overall take-up in Q1 2024.

The majority of take-up was concentrated in the smaller size ranges with 86% of deals recorded below 20,000 sq ft. There was an increase in activity in the 10,000-20,000 sq ft size band, with 18 transactions recorded in Q1 2024, this was 50%

above the total recorded in Q1 2023 and double the five-year average for this size band.

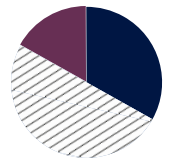
There were four deals recorded over 30,000 sq ft, which included Kenvue (Johnson & Johnson) acquiring 96,000 sq ft at Tempo, Maidenhead. Surrey County Council acquired 67,000 sq ft at Victoria Gate, Woking, as an owner occupier freehold acquisition and AA leased 41,000 sq ft at PLANT, Basingstoke. Epson also acquired 30,500 sq ft at the Clarendon Works in Watford. The scheme is currently being speculatively developed by Regal and comprises 141,000 sq ft.

Manufacturing & Industry (including pharmaceuticals) has been the most active business sector in Q1 2024, accounting for 26% of total take-up. This occupier type also accounts for the largest proportion of space under offer, with a combined total of 347,000 sq ft, accounting for 36% of total space under offer.

Savills is currently tracking 2.42 million sq ft of active demand within the region, comprised of 950,000 sq ft of deals currently under offer across 41 deals and 1.47 million sq ft of requirements who are either viewing or negotiating.

Take-up is set to be driven by a higher proportion of larger deals in the upcoming quarters, with 53% of total requirements over 20,000 sq ft. Based on current demand, it is anticipated take-up in the Greater London and South East region will reach 2.75 million sq ft, which is in line with 2023 take-up.

Key Data Points



78%
Grade A space accounted for 78% of take-up in Q1 2024



7%
Total supply is 7% below the end-2023 level



9
Nine submarkets achieved record rents in Q1 2024

SUPPLY CONTINUES TO CONTRACT WITH AN INCREASINGLY CONSTRAINED DEVELOPMENT PIPELINE

At the end of Q1 2024, supply has started to contract, with a fall of 7%. Supply now amounts to 14 million sq ft, which is 4% below the 10-year average. The Western Sector still holds the greatest provision of Grade A supply, with 64% of such space located in this geographic region. It is largely concentrated in the Reading office market with 1.3m sq ft of Grade A space available. It is expected that supply will continue to contract, with pockets of undersupply present in the market.

The development pipeline is constrained with 1.6 million sq ft of available space currently under construction. This equates to six months of take-up in an average year. However, 40% of this has either been pre-let, let during construction or currently under offer. In Q1 2024, three buildings achieved practical completion; Studio 5, Power Road Studios in Chiswick, Parklife in Putney and 14 Castle Hill, Maidenhead.

BEST-IN-CLASS BUILDINGS CONTINUE TO DRIVE RECORD RENTS ACROSS SEVERAL SUBMARKETS

Rental growth has continued in the market for best-in-class stock, with occupiers prepared to pay premium rents to secure the best quality space. Record headline rents have been achieved in nine submarkets in Q1 2024; Maidenhead, Crawley, Guildford, Watford, Chiswick, Wembley, Basingstoke, Luton and Reigate, on average the rental uplift across these markets was 13%.

The main driver of this trend is the lack of available Prime Grade A space, with only 14% of current availability meeting this standard. This type of stock is driving the rental polarisation between best-in-class stock and secondary properties, with approximately a 55% difference between average Grade A rents and average secondary rents.

Savills team

Please contact us for further information

Andrew Willcock

Head of Greater London & South East Office Agency
020 7409 8866
awillcock@savills.com

Holly Purvis

Director
07977 371475
holly.purvis@savills.com

Rob Pearson

Director
020 7299 3093
rpearson@savills.com

Stuart Chambers

Director
020 7075 8704
stuart.chambers@savills.com

Olivia Jones

Director
020 7409 8708
ojones@savills.com

Florence Horner

Associate
020 7535 2971
florence.horner@savills.com

Ben Harris

Associate
020 7877 4541
ben.harris@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

Laura Harris

Research Analyst
Commercial Research
020 7535 3343
laura.harris@savills.com

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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

	Data (Sq Ft)	Year-on-Year Change
Q1 2024 Take-up	648,000 sq ft	+35%
Q1 2024 Grade A Take-up	505,000 sq ft	+46%
Average Deal Size	15,420 sq ft	+16%
10-Year Average Q1 Take-up	791,000 sq ft	-
5-Year Average Q1 Take-Up	717,000 sq ft	-

Supply

	Data	Change from Q4 2023
Total Supply	14 million sq ft	-7%
Grade A Supply	7.4 million sq ft	-3%
In-Town Supply Proportion	48%	-2%
Out-of-Town Supply Proportion	52%	+2%
Development Pipeline (Under Construction)	1.6 million sq ft	-

Source Savills Research

