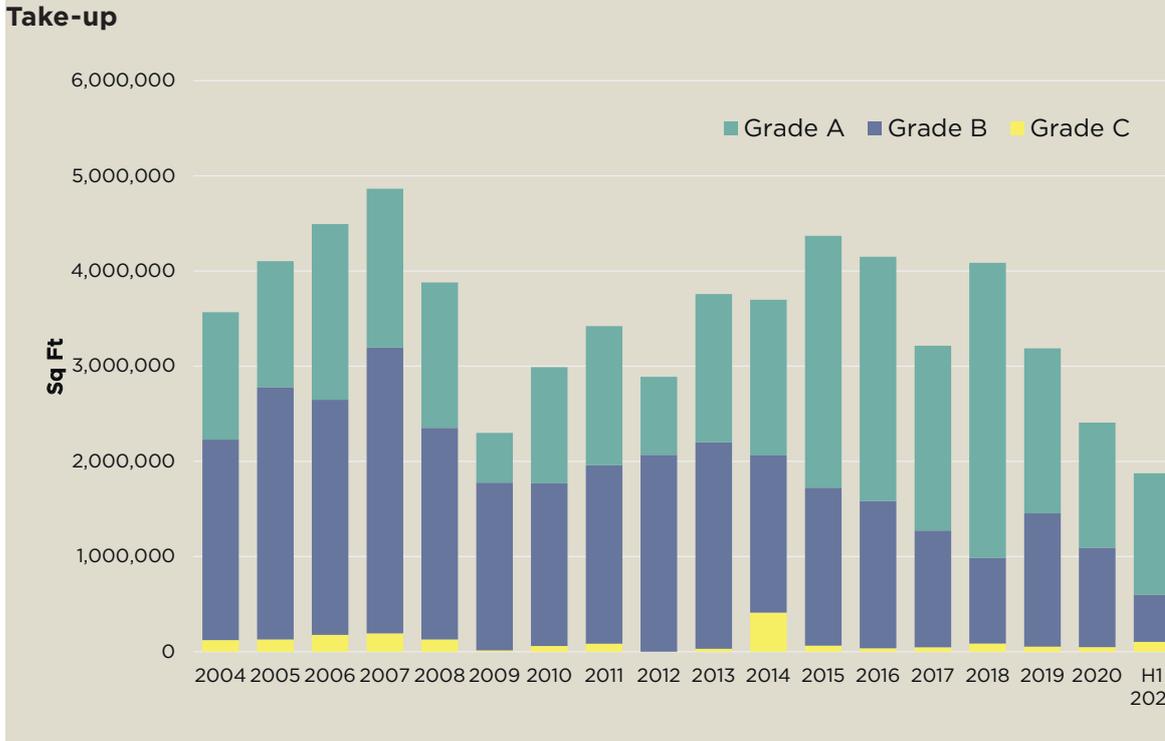


Greater London & South East Offices



Summary The pent-up demand, which was on hold in 2020, has returned in 2021, with take-up recorded in H1 2021 being 22% above the five-year average. Supply levels in the market remain low, and the development pipeline equates to five months of take-up in an average year.



Source Savills Research

Corporate occupier demand present in the market with H1 2021 take-up 22% above the five-year average

The resurgence in transactional activity in the Greater London & South East office market has continued as we begin to emerge out of the Covid-19 pandemic. There was 775,000 sq ft transacted in Q2 2021, which was 4% above the five-year quarterly average for the second quarter. After combining the take-up recorded in the first quarter of the year, H1 2021 take-up totalled 1.87 million sq ft, which was 22% above the five-year average.

There has been strong corporate activity in the market with six deals over 50,000 sq ft in H1 2021, which is the joint highest total at the half-year stage in the last ten years. The largest deal recorded in Q2 2021 was ITV leasing 120,000 sq ft at the Broadcast Centre, White City. ITV are consolidating their London operations into one location in White City. Another notable transaction over 50,000 sq ft in Q2 2021 was InterContinental Hotels Group acquiring 57,387 sq ft at Windsor 1, Windsor Dials. The building has been comprehensively refurbished by Canmoor and was let prior to practical completion.

The flight to quality in the market has been evident, with

68% of take-up recorded being of Grade A quality, which is the highest proportion in the last three years. This is a trend we expect to continue as we emerge out of the pandemic. Grade A office buildings which can enhance the workplace experience and satisfy environmental, social and governance criteria have proved attractive to occupiers.

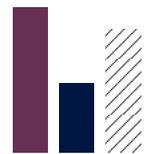
The public sector was the most active business sector in Q2 2021, acquiring 141,000 sq ft – this followed high levels of activity from the public sector in Q1 2021. At the half-year stage, the public sector accounted for 28% of take-up, which was the highest proportion amongst all business sectors. This can be primarily attributed to the Department for Work and Pensions (DWP) expanding the Jobcentre Plus office footprint. Other notable business sectors also active in the market include life sciences, technology and professional services.

Occupier sentiment is improving in the market, which is reflected in the number of requirements recorded. There have been 3.99 million sq ft of requirements in H1 2021, which is a 56% increase on H1 2020.

Key Data Points



68%
Grade A space accounted for 68% of take-up in H1 2021.



19%
Supply is 19% below the 10-year average.



1%
Average Grade A rents increased by 1% from Q4 2020

Jon Gardiner - Head of National Office Agency

👉 Demand has grown stronger through 2021, resulting in increased levels of occupational take-up and overall deal activity. We expect this to continue through the second half of the year. 👉

SUPPLY LEVELS REMAIN LOW WHEN COMPARED WITH HISTORIC AVERAGES

Supply levels in the market have remained stable with 13.4 million sq ft currently available – this reflects a 1% increase from 2020, but is 19% below the long-term average, highlighting the current supply shortage present in the market.

Occupier demand is focused on leasing Grade A space – the current quantum of Grade A space equates to 46% of total available supply. The provision of available Grade A space varies by submarket. Notable towns with below two years of Grade A supply – when using the five-year average Grade A take-up – include Croydon, Crawley, Bracknell and Basingstoke.

The development pipeline is limited with 1.3 million sq ft under construction, which equates to five months of take-up in an average year.

RECORD HEADLINE RENTS CONTINUED TO BE ACHIEVED ACROSS THE MARKET

The ongoing flight to quality from occupiers has resulted in rental growth continuing in the market: average Grade A rents have increased by 16% in the last five years.

The rental growth has been driven by a combination of limited supply and new developments of unprecedented high-quality specification setting new rental tones. Record high headline rents were achieved in Bromley, Windsor and Chelmsford in Q2 2021.

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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
H1 2021 Take-up	1.87 million sq ft	+67%
H1 2021 Grade A Take-up	1.27 million sq ft	+78%
Average Deal Size	19,527 sq ft	+5%
10-Year Average H1 Take-Up	1.56 million sq ft	-
5-Year Average H1 Take-Up	1.54 million sq ft	-

Supply

	Data	Change from Q4 2020
Total Supply	13.4 million sq ft	+1%
Grade A Supply	6.2 million sq ft	-5%
In-Town Supply Proportion	47%	+2%
Out-of-Town Supply Proportion	53%	-2%
Development Pipeline (Under Construction)	1.3 million sq ft	

Source Savills Research

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