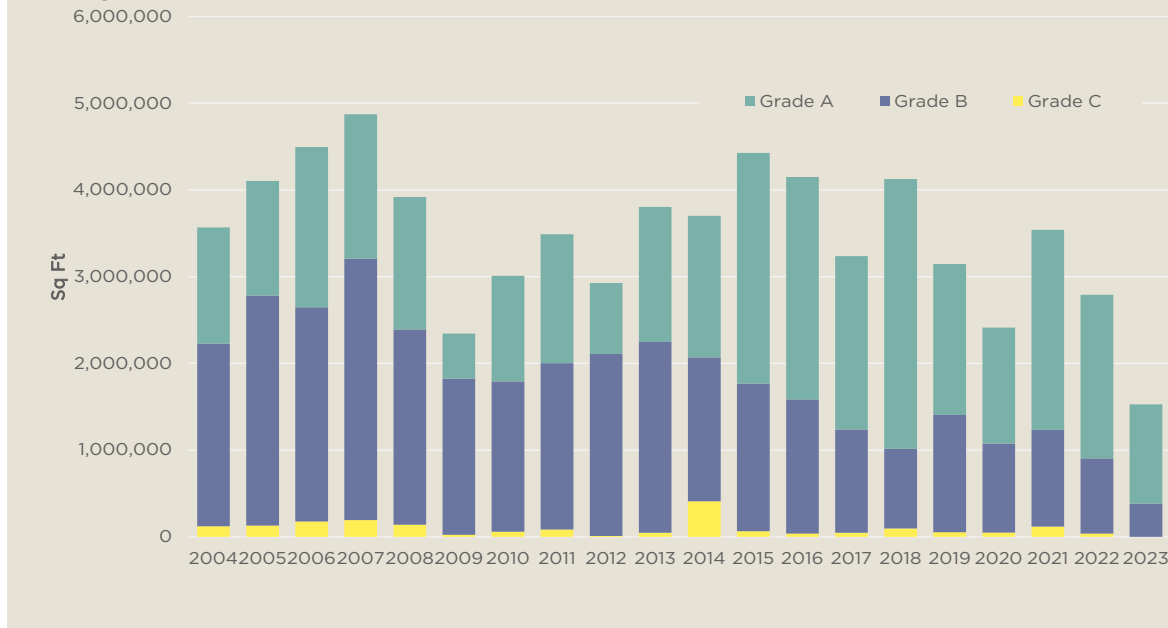


Greater London & South East Offices



Summary Take-up at the end of Q1-Q3 2023 reached 1.5 million sq ft, which was 18% below Q1-Q3 22 and 32% below the five-year average. There has been an uptick in corporate activity which contributed to the highest quarterly take-up total of 2023 being recorded in Q3 and bodes well for Q4 take-up. The development pipeline remains constrained and prime buildings continue to set new submarket rental tones.

Take-up



Source: Savills Research

Take-up in Q3 23 was the highest quarterly total of the year with improved corporate leasing activity

Take-up across the Greater London and South East office market has been subdued for the first three quarters of the year with 1.5 million sq ft transacted which was 32% below the five year average. The challenging macroeconomic environment has resulted in office relocations taking longer to conclude, culminating in lower levels of take-up. There has however been improving occupier sentiment which was reflected in the take-up recorded in Q3 totalling 613,000 sq ft, this was the highest quarterly total this year.

The Western Sector continues to be the most active geographic region across the wider market, with 619,000 sq ft of take-up recorded. This accounted for 43% of wider market take-up in 2023. Despite the generally lower levels of leasing activity across the market there have been submarkets which have experienced good levels of take-up. Luton, Guildford and Croydon are set to be in line or outperform their five-year average annual take-up by the end of the year.

There has been an uptick in activity from larger occupiers in Q3 with ten deals recorded over 20,000 sq ft, which was the highest quarterly total since Q4 2021. Notable transactions included Bechtel leasing 24,000 sq ft at Building 6, Chiswick Park and De Lage Landen acquiring 20,000 sq ft at Building 1, Croxley Park, Watford. Additionally, the growth of the education sector across Greater London continued with Oxford Business College acquiring the freehold of Direct Line House, Croydon which comprises 70,000 sq ft.

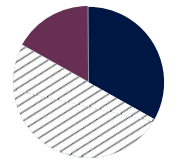
Occupier demand continues to be focused on Grade A office

space with 75% of take-up recorded in the first three quarters of the year being Grade A standard. This is the highest proportion ever recorded demonstrating the ongoing flight to quality in the market.

Public Sector & Education occupiers have been the most active business sector this year, accounting for 30% of take-up. This has been driven by the aforementioned expansion of education occupiers across the Greater London region. It is expected that this trend will continue with a further 180,000 sq ft either under offer or being actively negotiated by education occupiers across the market area. The manufacturing & industry (includes pharmaceutical occupiers) business sector has been the next most active this year, accounting for 21% of take-up. Healthy levels of leasing activity from this occupier type is set to continue, with the sector having the highest quantum of active requirements. Notable requirements over 100,000 sq ft from the sector include Lonza and Wood Group.

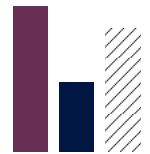
Savills is currently tracking 917,500 sq ft under offer across the region and forecast annual take-up at the end of 2023 to reach 2.5 million sq ft. After a challenging start, this would represent a positive conclusion to the year with take-up set to be marginally below 2022. Sentiment from occupiers is improving, with the highest level of viewing activity since the pandemic with a range of occupiers currently in the market including, AbbVie, CNOOC, Electronic Arts, Microsoft, 3M, SETA, Chubb & Epsom.

Key Data Points



75%

Grade A space accounted for 75% of take-up in Q1-Q3 2023



3%

Supply is 3% above the 10-year average.



Record rents continue to be achieved across the market

SUPPLY LEVELS marginally rising with the development pipeline remaining limited

Supply levels across the market area have increased by 3% since the end of 2022, and are 3% above the ten year average with 15.7 million sq ft available. It is expected that the rise of available secondary space will continue. Since 2020, the supply of Grade B office space has increased by 16%. Over the next five years, 74% of lease expiries involve tenants who have occupied their space for over ten years at the point of expiry. The majority of these buildings will require significant intervention to appeal to a modern occupier's requirement amidst the flight to quality in the market. Therefore we expect an increase in occupiers relocating at expiry rather than renewing, resulting in further increases of secondary space being added to supply.

The supply constraints of best in class space are set to persist with 1.7 million sq ft of available space under construction or comprehensive refurbishment. This equates to six months of take-up in an average year.

PRIME GRADE A OFFICE BUILDINGS ARE SETTING NEW RENTAL TONES

Prime Grade A buildings that provide sustainable office space and contain multiple amenities have continued to achieve record high rents across the market. The lack of competition and the occupier preference for best in class space has resulted in significant rental growth. Prime headline submarket rents have increased by over 10% in certain submarkets underlining that occupiers are prepared to pay premium rents to secure the best in class space.

Crawley, Stockley Park & Richmond have achieved record high headline rents this year. Notably, Crawley and Richmond have experienced 32% and 8% prime headline rental growth in 2023 where £37.50 per sq ft and £62.00 per sq ft have been achieved. New rental tones will continue to be set across the region with space under offer at new headline rents in other submarkets.

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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-Q3 2023 Take-up	1.5 million sq ft	-18%
Q1-Q3 2023 Grade A Take-up	1.1 million sq ft	-2%
Average Deal Size	12,999 sq ft	
10-Year Average Q1-Q3 Take-up	2.5 million sq ft	-
5-Year Average Q1-Q3 Take-Up	2.2 million sq ft	-

Supply

	Data	Change from Q4 2022
Total Supply	15.7 million sq ft	+3%
Grade A Supply	8.0 million sq ft	+2%
In-Town Supply Proportion	51%	+1%
Out-of-Town Supply Proportion	49%	-1%
Development Pipeline (Under Construction)	1.7 million sq ft	

Source Savills Research