Greater London & South East Offices
Market Watch
January 2018

Snapshot of deals, supply and rents

- A strong Q4 17 performance where take-up totalled 880,000 sq ft resulted in take-up in 2017 reaching 3.1 million sq ft which represented a 23% fall on 2016 and a 14% decrease on the long term average. The Western sector was the most dominant part of the market in 2017 accounting for 60% of sq ft transacted which equated to 1.9 million sq ft. Reading was the most active market in 2017 with 442,000 sq ft transacted, this was followed by Bracknell and Watford.

- The relatively low take-up can be attributed to the lack of large transactions that occurred in 2017. There were only two deals above 50,000 sq ft in 2017 whereas on average there have been nine deals per year over 50,000 sq ft in the last ten years. The impact of Brexit is affecting UK office markets and is reflected in the limited corporate activity in the market in 2017. Finance directors remain cautious over expansionary moves which has resulted in lower take-up.

- The only two deals above 50,000 sq ft in the market in 2017 were Asos leasing 75,000 sq ft at Leavesden Park, Watford and FM Global leasing 56,750 sq ft at Voyager Place, Maidenhead. The average deal size in 2017 was 12,526 sq ft which reflects that the bulk of demand was from the churn of local occupiers. However Savills expects a considerable uptick in demand in 2018 as businesses are forced into making key real estate decisions.

- The technology sector remains the most active in the market with the sector accounting for 27% of take-up in 2017. We expect further demand from the technology companies in 2018 as well as from the life science sector. Demand from this sector remains strong which is evident from the largest requirements currently in the market, these include UCB, Novartis, Merck & Sanofi.

- Supply in the market has seen a small increase from 2016 of 2% and currently stands at 16.2 million sq ft. We anticipate grade A supply falling in 2018 with a number of large deals on the horizon. There is limited speculative development occurring in the market which could potentially result in a reduction in the amount of grade A space available and consequently drive rental growth.

- Record rents have continued to be achieved in 2017 which can be attributed to the new development in town centre locations in core markets. In 2017 record rents have been achieved in many markets including Reading, Maidenhead, Ealing, Uxbridge, Watford and Redhill. Most of these new developments have adopted a multi-let approach which provides an opportunity for further rental growth within the building and setting new rental tones for these markets.

Graph 1: Take-up by grade

Graph 2: Availability by grade

Graph 3: Average top rental forecasts
Key Occupier Data (over 5,000 sq ft)

Supply (over 5,000 sq ft)
Current: 16.2m sq ft
Grade A: 6.7m sq ft (41%)

Take-Up (over 5,000 sq ft)
2017 Q4: 888,000 sq ft
2016 Q4: 1,089,000 sq ft
5 Year Average Q4: 1,089,000 sq ft
10 Year Average Q4: 964,000 sq ft

2017 Q1-Q4: 3.1m sq ft
2016 Q1-Q4: 4.1m sq ft
5 Year Average Q1-Q4: 3.8m sq ft
10 Year Average Q1-Q4: 3.3m sq ft

Definitions & statistical notes

<table>
<thead>
<tr>
<th>Property criteria</th>
<th>Transactions and supply recorded for units in excess of 5,000 sq ft</th>
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<tbody>
<tr>
<td>Grade A</td>
<td>All new development (including speculative schemes reaching practical completion within six months, plus major refurbishments)</td>
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<tr>
<td>Grade B</td>
<td>Space previously occupied, completed or refurbished in the last 10 years</td>
</tr>
<tr>
<td>Grade C</td>
<td>Space previously occupied, completed or refurbished more than 10 years ago</td>
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MAP 1
Savills M25 market area

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