H1 has witnessed the highest rents achieved in the current cycle in many core markets.

**Snapshot of deals, supply and rents**

- Take-up in Q2 reached 932,016 sq ft and H1 take-up totaled 1.81 million sq ft. Take-up is marginally behind 2015 at the half year stage although it is 17% above the five year average which underlines the strong occupier demand currently in the market. The Western Sector continues to dominate leasing activity in the region accounting for 888,236 sq ft which equates to 49% of space transacted this year. There have been 113 deals recorded this year which is 6% above the five year average for deals recorded at the half year point.

- The strong demand from occupiers has resulted in several cycle high rents being achieved in core markets. Reading, Maidenhead, Bromley, Chiswick, Croydon, Guildford, Heathrow, Marlow, Reigate, Redhill and Watford have all achieved cycle high rents in Q2 this year. Record rents were achieved firstly in Reading where Gateley acquired 8,000 sq ft at The Blade paying £34.00 per sq ft. Maidenhead also experienced a rental high with Blackberry leasing 15,000 sq ft at The Pearce Building paying £37.50 per sq ft.

- There have been several sizeable lettings in the market this quarter most notably Ocado leasing 148,000 sq ft at Buildings 1 & 2, Trident Place, Hatfield Business Place and Amadeus acquiring 85,000 sq ft at the Building 4, World Business Centre, Heathrow. This is the only pre-let deal this year. In addition to these there have been four deals over 50,000 sq ft so far this year. There is currently 531,368 sq ft under offer which further highlights the strength of demand.

- Total supply currently stands at 17.6 million sq ft, which is a marginal increase from Q1 and this can be attributed to the new speculatively built stock entering the market. Grade A supply currently stands at 6.0 million sq ft which equates to 34% of available supply, this however includes buildings within six months of practical completion. The current vacancy rate for the market is 8.3% which is the lowest figure since 2001.

- 36 Clarendon Road in Watford was the most recent announcement of speculative development in the market where Boulting Brook Real Estate are developing 25,000 sq ft. Savills are joint agents on the building.

- We expect rental growth to continue in the core markets as the new stock provides room for further rental uplift. Examples include both R+ in Reading and The Pearce Building in Maidenhead where they are both quoting £39.50 per sq ft which would be record rents for the towns. The impact of Brexit on the occupational market leading up to the referendum was limited with take-up marginally behind H1 of 2015 and importantly since the referendum on the 23rd June there have been a number of deals signed including Mallinckrodt Pharmaceutical on 20,000 sq ft in Staines, Dixcart on 8,500 sq ft in Weybridge and Dimensions UK on 10,000 sq ft on Arlington Business Park.
Key Occupier Data (over 5,000 sq ft)

Supply (over 5,000 sq ft)
Current:
17.6m sq ft

Grade A:
6.0m sq ft (34%)

Take-Up (over 5,000 sq ft)
2016:
H1 1.81m sq ft (H1 1.91m in 2015)
Q1 866,963 sq ft
Q2 952,403 sq ft

Five year average annual take-up:
3.3m sq ft

Five year H1 average take-up:
1.55m sq ft

Key Investment Data

M25 yields:
5% prime; 8.5% secondary

Definitions & statistical notes

<table>
<thead>
<tr>
<th>Property criteria</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions and supply recorded for units in excess of 5,000 sq ft</td>
<td></td>
</tr>
<tr>
<td>Grade A</td>
<td>All new development (including speculative schemes reaching practical completion within six months, plus major refurbishments)</td>
</tr>
<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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</tbody>
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MAP 1
Savills M25 market area

Please contact us for further information

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