New rental tones continue to be set after strong levels of speculative development

Snapshot of deals, supply and rents

- Take-up was relatively subdued in Q3 17 with only 584,000 sq ft transacted. This represented a 31% decrease from Q3 16 and 40% below ten year average. Take-up for the first three quarters reached 2.1 million sq ft which is 24% below the ten year average.

- The slight decrease in take-up can be partly attributed to the lack of large transactions that have occurred in the first three quarters of 2017. There has only been one deal in 2017 above 50,000 sq ft whereas in 2016 there were eight deals and the ten year average is nine deals per annum. This has undoubtedly been caused by an initial hesitation in corporate expansion after the EU referendum, however large requirements in the region have started to circulate, particularly from the pharmaceutical sector with over 400,000 sq ft required. Other occupiers who are currently searching for substantial amounts of space include Ericsson, WorleyParsons, Sanofi, FM Global and KPMG.

- The largest deal signed this quarter was at Westside 1 Hemel Hempstead where Grassroots Group leased 41,637 sq ft. This was closely followed by L3 who pre-let 40,000 sq ft at Parcel 1, Manor Royal, Crawley where they will create a training centre for commercial pilots. The majority of occupiers active in the market have been smaller businesses which is reflected in the average deal size in Q3 17 of 11,928 sq ft.

- The Western sector continues to be the most dominant geographic sector of the Greater London & South East office market as it accounted for 52% of total space transacted in Q3 17 which equated to 308,000 sq ft. The limited take-up in the Southern sector has continued into Q3 17 with take-up only reaching 170,735 sq ft which was 49% below Q3 16.

- The technology sector continues to be the most active business sector in the market. The sector has accounted for 28% of space transacted in the first three quarters of 2017 which equates to 602,000 sq ft. This is closely followed by the manufacturing & industry sector. This includes the pharmaceutical sector who are currently expanding in the region, this was highlighted in Becton Dickenson leasing a further 15,993 sq ft at Building 1030 Eskdale Road, Winnersh Triangle after leasing 44,557 sq ft in the same building in 2016.

- Total supply currently stands at 16.6 million sq ft, which is a marginal increase from Q2 17. There has been strong levels of speculative development in the region, most notably in the Western sector. Across the wider market there has been 1.7 million sq ft of completions in 2017 with a further 263,000 sq ft expected to complete by the end of the year. Rents in the region have continued to grow, this is testament to the quality of the new stock delivered to the market. We expect further rental growth in the markets where new stock has been delivered combined with a lack of competition in town centre locations.
Key Occupier Data (over 5,000 sq ft)

Supply (over 5,000 sq ft)
Current:
16.6m sq ft

Grade A:
7.0m sq ft (42%)

Take-Up (over 5,000 sq ft)

<table>
<thead>
<tr>
<th>Year</th>
<th>Take-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Q3:</td>
<td>2.1m sq ft</td>
</tr>
<tr>
<td>2016 Q3:</td>
<td>2.8m sq ft</td>
</tr>
<tr>
<td>5 Year Average Q1-Q3:</td>
<td>2.7m sq ft</td>
</tr>
<tr>
<td>10 Year Average Q1-Q3:</td>
<td>2.8m sq ft</td>
</tr>
</tbody>
</table>

Long term average annual take-up:
3.6m sq ft

Five year average annual take-up:
3.7m sq ft

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>
</tr>
</tbody>
</table>

MAP 1

Savills M25 market area

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