

Greater London & South East Offices Market Watch

April 2018

Take-up in Q1 18 reached 690,000 sq ft which was 11% below Q1 17

Snapshot of deals, supply and rents

Take-up in Q1 2018 totalled 690,000 sq ft which was 11% below Q1 2017 and 30% below the ten year average. The Western sector continued to be the most active part of the market in Q1 2018 accounting for 60% of sq ft transacted which equated to 412,000 sq ft. Reading was the most active market in Q1 2018 with 104,000 sq ft transacted, this was followed by Slough and Luton.

Traditionally the first quarter of the year is the weakest for take-up and we expect an increase in take-up throughout the year. There are several large requirements that are circulating the market, this uptick in corporate activity will boost take-up in the wider market. There are currently seven requirements above 50,000 sq ft in the Thames Valley, most notably Virgin Media who are searching for 150,000 sq ft, Novartis who require between 80,000 and 120,000 sq ft and 3 who are searching for 50,000-100,000 sq ft. Considering there were only two deals above 50,000 sq ft in the whole of 2017, we expect total take-up in 2018 to be an improvement on 2017.

The biggest deals in Q1 18 was Luton Borough Council leasing 52,000 sq ft at The Mall, Luton, this was closely followed by Stanley Black & Decker who leased 47,000 sq ft at 270 Bath Road, Slough. The average deal size is currently 14,684 sq ft, the bulk of demand in the market originates from smaller

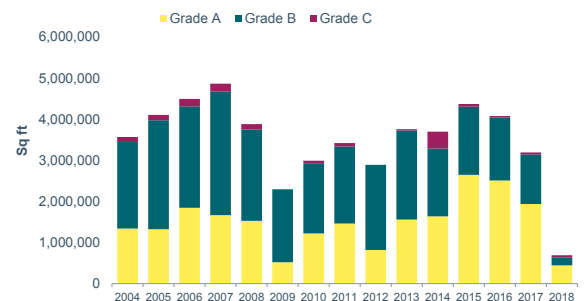
occupiers. 81% of deals recorded in Q1 2018 were below 20,000 sq ft which is on par with the long term average of 80%. The theme of occupiers taking less space but of a higher quality has continued in Q1 2018 with 65% of space transacted being grade A.

The technology sector remains the dominant business sector in the market with the sector accounting for 33% of take-up in Q1 2018. A notable deal was Ericsson leasing 38,000 sq ft at Thames Tower, Reading at £38 per sq ft which was a record rent for the town. The strong technology occupier base in the M25 market has resulted in several co-working providers opening new offices in the region in the hope of attracting start-ups into their centres, since 2017 there has been 340,000 sq ft let to serviced office providers and we expect this trend to continue. In Q1 2018, Central Working and Fora leased a combined 44,000 sq ft in Reading and will open two new centres.

Supply in the market has remained relatively stable at 15.7 million sq ft. The development pipeline is limited with only 639,000 sq ft under construction excluding the Royal Albert Docks. We anticipate grade A supply falling in 2018 with a number of large deals on the horizon

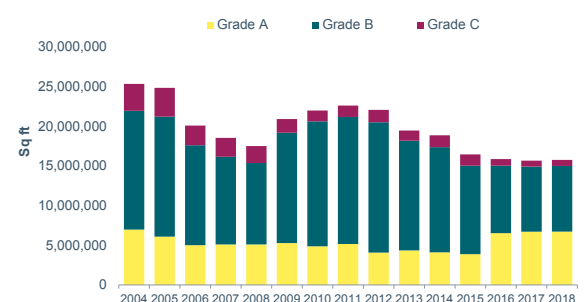
Record rents have continued to be achieved in 2018, with new rental tones set in Brentwood, Croydon and Reading.

GRAPH 1
Take-up by grade



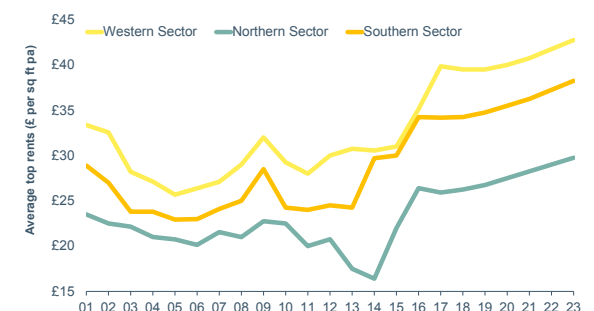
Source: Savills Research

GRAPH 2
Availability by grade



Source: Savills Research

GRAPH 3
Average top rental forecasts



Source: Savills Research

Key Occupier Data (over 5,000 sq ft)

Supply (over 5,000 sq ft)

Current:
15.7m sq ft

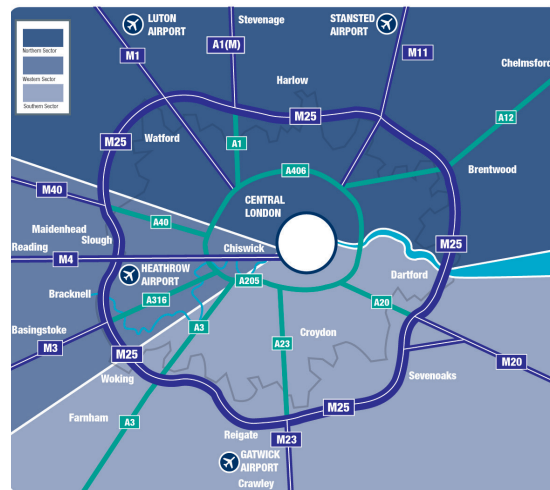
Grade A:
6.7m sq ft (41%)

Take-Up (over 5,000 sq ft)

2018 Q1: 690,000 sq ft
2017 Q1: 773,000 sq ft
5 Year Average Q1: 909,000 sq ft
10 Year Average Q1: 981,000 sq ft

Definitions & statistical notes	
Property criteria	Transactions and supply recorded for units in excess of 5,000 sq ft
Grade A	All new development (including speculative schemes reaching practical completion within six months, plus major refurbishments)
Grade B	Space previously occupied, completed or refurbished in the last 10 years
Grade C	Space previously occupied, completed or refurbishment more than 10 years ago

MAP 1 Savills M25 market area



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