Record rents continued to be achieved in core markets

**Snapshot of deals, supply and rents**

- Take-up by the end of H1 2017 reached 1.4 million sq ft which represented a quiet first half of the year for transactional activity. 2017 H1 take-up was 30% below H1 2016 take-up and a 17% decrease on the five and ten year average.

- It was to be expected that take-up would fall from 2016 due to the current economic and political uncertainty that continues to exist in the wider economy. The drop in large corporate requirements following the decision to leave the European Union has resulted in lower take-up being recorded in H1 17. However with the realisation that ‘Brexit’ is more of a process rather than an one off event and businesses will continue to make real estate decisions, there are reasons to be positive as Q2 17 requirements were higher than Q2 16 requirements which bodes well for take-up later in the year.

- There have been 11 deals in H1 17 over 30,000 sq ft with five of these deals taking place in Q2 17. The largest deal signed in Q2 17 was Spaces leasing 39,620 sq ft at McKay Securities, 9 Greyfriars Road in Reading. Other occupiers who leased over 30,000 sq ft in Q2 17 included Nokia (32,000 sq ft) and SDL (30,500 sq ft). The largest deal in H1 17 was ASOS acquiring 75,000 sq ft at Leavesden Park in Watford.

- The Western sector continues to be the most dominant geographic sector of the Greater London & South East office market as it accounted for 55% of total space transacted in H1 17 which equated to 772,000 sq ft. The Southern sector was notably quiet in H1 17 with take-up only reaching 396,000 sq ft which was 40% and 37% below the five and ten year average respectively.

- The technology sector continues to be the most active business sector in the market. The sector accounted for 25% of space transacted in H1 17 which equates to 356,000 sq ft across 29 separate transactions. The sector continues to thrive in the region with employment in the sector in the South East is forecast to increase by 8% by 2021 according to Oxford Economics which equates to 30,000 new jobs.

- Total supply currently stands at 16.4 million sq ft, which is a marginal increase from Q1 17. There have been strong levels of completions in the region in 2017 with 1.1 million sq ft achieving practical completion. The largest completion being The Charter Building in Uxbridge which comprises 232,000 sq ft. The vacancy rate is 7.7% across the whole market and in the Northern sector it is 4.8% highlighting the lack of supply in the region.

- The new development in the region has allowed for new rental tones to be set and record rents achieved. Since 2016 eleven markets have achieved record rents this has been caused by a combination of new development located in town centres and a lack of available grade A stock. Record rents in Q2 17 were achieved in Reading, Watford and Uxbridge.
Key Occupier Data (over 5,000 sq ft)

Supply (over 5,000 sq ft)
Current:
16.4m sq ft

Grade A:
6.6m sq ft (40%)

Take-Up (over 5,000 sq ft)
2017 H1: 1,399,432 sq ft
2016 H1: 1,995,448 sq ft
5 Year Average H1: 1,695,845 sq ft
10 Year Average H1: 1,678,974 sq ft

2017 Q2: 668,880 sq ft
2016 Q2: 1,103,132 sq ft
5 Year Average: 838,123 sq ft
10 Year Average: 790,692 sq ft

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>
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</tbody>
</table>

MAP 1
Savills M25 market area

Please contact us for further information