MARKET IN MINUTES
*Savills Research*

UK Commercial – October 2019

# Chelmsford & Brentwood Offices

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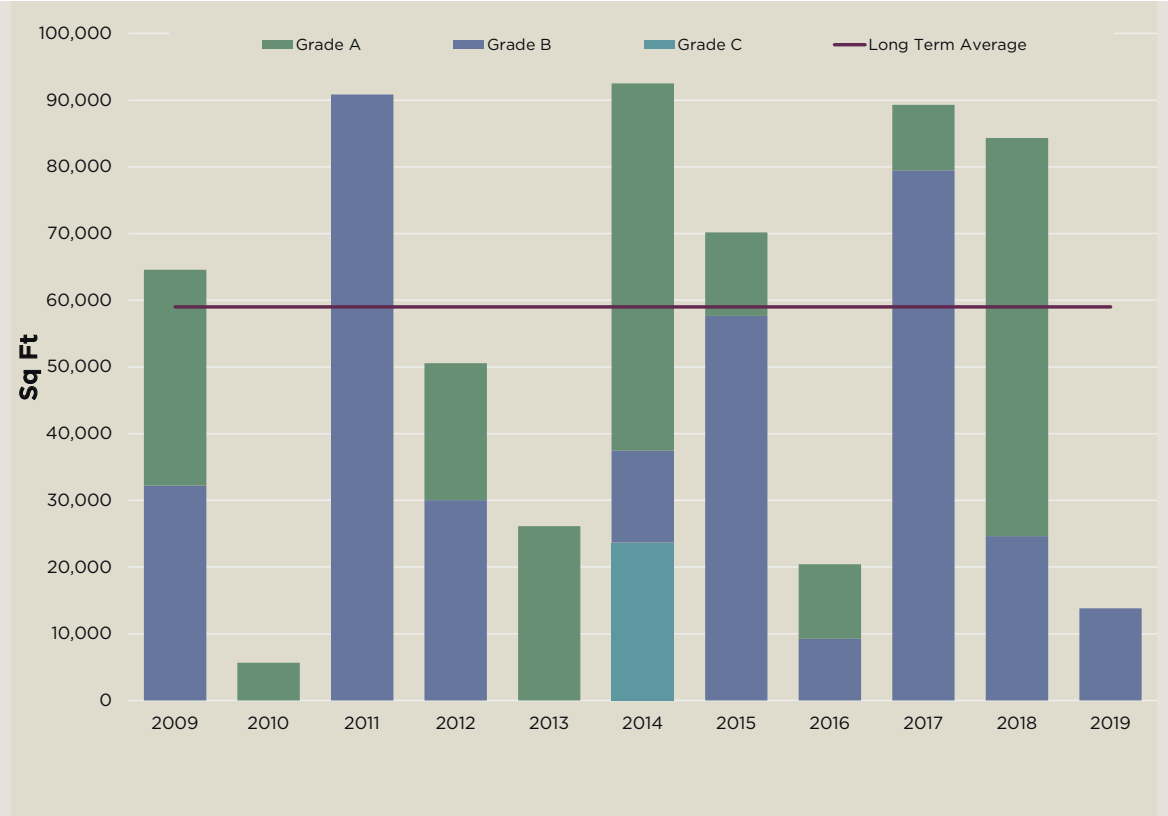
**Summary** Ongoing economic uncertainty has resulted in weak take-up in 2019, although large lease expiries in the next two years will provide an uptick in demand.




**Source** Savills Research *As at end September 2019

## Take-up forecast to be below long term average in 2019

After strong levels of demand in 2018, take-up volumes have softened in 2019 with 14,000 sq ft recorded by the end of the third quarter. There have been two deals recorded above 5,000 sq ft in 2019, these being Juniper Education who leased 7,000 sq ft at Boundary House and Plexus Law who let 6,800 sq ft at Hyatt Place. It is expected that total take-up will be below 2018 and the long term average of 59,000 sq ft. This can be partly attributed to the lack of activity in Brentwood this year, there have not been any deals above 5,000 sq ft. The ongoing economic uncertainty has resulted in occupier inertia although we expect this to subside once there is greater clarity surrounding Brexit. This sentiment has been apparent in many office markets across the UK.

Chelmsford & Brentwood are Essex's two largest office markets which has been highlighted by the corporate demand present in the market in recent years. This was notable in 2018 where Sky leased 39,000 sq ft at Stone Cross, Brentwood which was the largest letting ever recorded in the town. Chelmsford has a bigger pool of occupiers compared to Brentwood and there is a strong cluster of insurance and financial occupiers in the City such as Aon and QBE. The average deal size across the two towns in the last ten years is 13,000 sq ft. Although the most active size band is sub 10,000 sq ft.

Occupier demand is set to improve in the next two years, there are several large occupiers with upcoming lease expiries in the market area. The connectivity of the area will be improved when The Elizabeth becomes operational in 2021, this will connect Brentwood to the City of London and West End in 37 and 45 minutes respectively. This may result in improved occupier demand from 2021 onwards.

### Take-Up, Supply and Rental Performance Key Data Points

**42%**
Grade A space has accounted for 42% of take-up on average for the last five years.

**4%**
Supply has increased by 4% from end 2018.

**32%**
Prime grade A rents have increased by 32% in the last five years

**Mike Storrs- Associate Director, Office Agency**

> After strong demand in 2018, the ongoing economic uncertainty has resulted in occupier demand softening until there is greater clarity over Brexit. The market is though experiencing strong rental growth with falling levels of grade A supply.

## SUPPLY CONSTRAINTS IN THE MARKET PERSIST WITH A LIMITED DEVELOPMENT PIPELINE

There is a continuing lack of available stock in both markets with supply levels being eroded by permitted development rights. It is estimated that across both markets, 330,000 sq ft of office space has been converted to residential uses.

This has resulted in dwindling availability in both markets. Furthermore there is a lack of grade A supply in Chelmsford and Brentwood, there is currently 36,000 sq ft of space available classified as grade A. This is across two buildings; The Law Building and 90-96 Victoria Square, both in Chelmsford. There is currently 6,500 sq ft under offer at The Law Building which will further diminish grade A supply.

## RENTAL GROWTH SET TO CONTINUE IN 2020

The falling levels of supply combined with good levels of occupier demand has resulted in steep rental growth. Cycle high rents have been achieved in both Chelmsford and Brentwood in the last year. The highest rents achieved in Chelmsford and Brentwood in the last year are £28.50 per sq ft and £29.00 per sq ft respectively. There is an opportunity for developers to capitalise on the lack of available grade A stock by refurbishing existing buildings. We expect prime rents to reach £30 per sq ft in 2020.

## Key Statistics

The tables below detail key statistics relating to the Chelmsford & Brentwood office market. Savills Research tracks take-up and supply over 5,000 sq ft.

### Take-Up

| Sq ft | Data |
|---|---|
| 2019 (Q1-Q3) Take-up | 14,000 sq ft |
| 2018 (Q1-Q3) Take-Up | 84,000 sq ft |
| 2018 Total Take-Up | 84,000 sq ft |
| Average Deal Size (Last 10 Years) | 13,000 sq ft |
| 5 Year Average Annual Take-Up | 71,000 sq ft |
| 10 Year Average Annual Take-Up | 59,000 sq ft |

### Supply

| | Data |
|---|---|
| Q3 2019 Supply | 189,000 sq ft (26,000 sq ft Brentwood, 163,000 sq ft Chelmsford) |
| Grade A Supply | 36,000 sq ft |
| Vacancy Rate | 3.5% |
| 2019 Development Pipeline | 0 sq ft |

**Source** Savills Research

## Savills team

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