SPOTLIGHT
Savills Research

Croydon Offices

CGI Building 2, the next phase at Ruskin Square.

Key Statistics • Occupational Overview • Investment Overview • Outlook

> "Croydon is a core office market in Greater London & South East. It has the sixth highest long-term average take-up across all office centres in the wider market area."

CROYDON KEY STATISTICS

Data for deals and supply above 5,000 sq ft

Take-Up

126,000 sq ft

Transacted across 8 deals in 2018

Supply

222,000 sq ft

0% of the available space is classified as grade A

Development Pipeline

40,000 sq ft

There is currently one scheme under construction

Prime Rents

£34.00 psf

This rent was achieved at Renaissance

Key Occupational Deals

Clarion Housing Group
37,000 sq ft
Interchange

Green Network Energy
29,000 sq ft
Renaissance

Sopra Steria
13,000 sq ft
Bedford Point

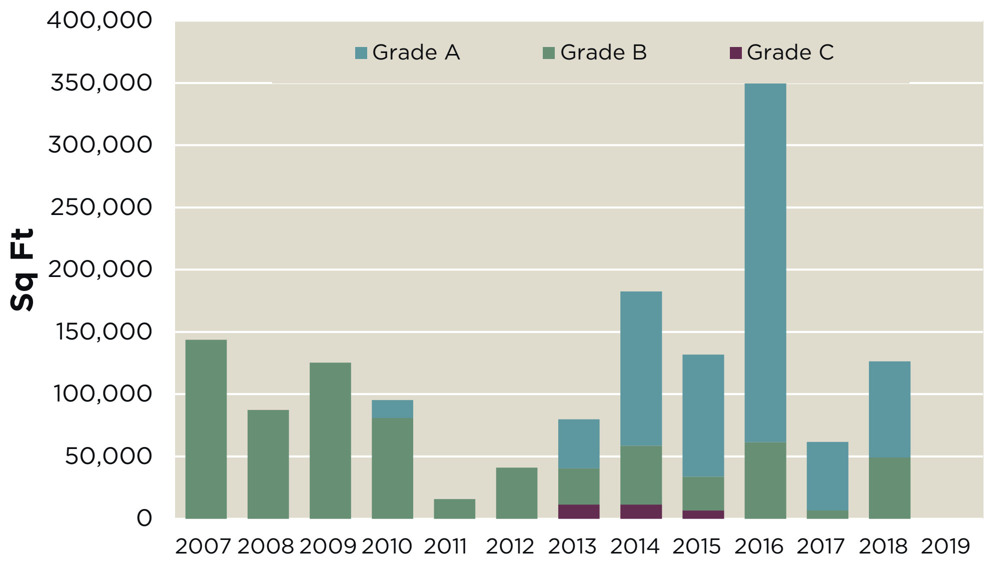
Focal Ventures
13,000 sq ft
Stephenson House

Markel
11,000 sq ft
Interchange

FRONT COVER

Savills are marketing Building 2 Ruskin Square (CGI image).This is the next phase of the Ruskin Square development.

Croydon Take-Up Take-up was 104% above 2017 and 4% above the long-term average



Source Savills Research

Occupational Overview

Croydon is undergoing extensive regeneration and has consistent high levels of take-up

There are a critical mass of local occupiers in Croydon who are loyal to the town. The discounted rents and fast transport links to Central London has also attracted footloose occupiers.

Occupational demand remained strong in Croydon in 2018 with take-up reaching 126,000 sq ft. This was over double the take-up in 2017. There have been no lettings above 5,000 sq ft in Q1 2019. There were strong levels of demand for grade A space in Croydon in 2018 with both Interchange and Renaissance now fully let. Clarion Housing and Markel leased the remaining available space at Interchange totalling a combined 48,000 sq ft. These were the only new speculative developments delivered to the market in the last ten years.

Another notable deal in 2018 was Green Network Energy who leased 29,000 sq ft at Renaissance, they relocated from St Paul's in the City, which is a theme that has continued from previous years. EDF Energy (Victoria) and Selection Services are other occupiers who have relocated from Central London to open a new office in Croydon.

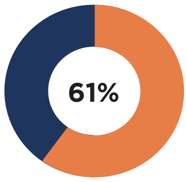
The spike in take-up in 2016 was caused by the HMRC leasing 185,000 sq ft at Ruskin Square.

Croydon is undergoing an extensive regeneration and the town centre is evolving into an amenity rich location. In the last ten years, 6,660 new residential units have been delivered with a further 5,201 units in the pipeline for the next five years. Croydon has the 4th average lowest house price when compared to other London boroughs. Furthermore ,Westfield and Hammerson are planning to deliver a new 1.5 million sq ft retail and leisure centre which is set to begin construction next year.

Prime rents in Croydon currently stand at £34.00 per sq ft achieved at Renaissance. We expect prime rents to remain relatively static in the short term as there is no grade A space available.

The development pipeline is limited with 28 Dingwall Road the only scheme currently being redeveloped which will achieve practical completion in 2020 and will comprise 40,000 sq ft.

> "The rental growth the market is experiencing will be attractive for investors seeking refurbishment and development opportunities."



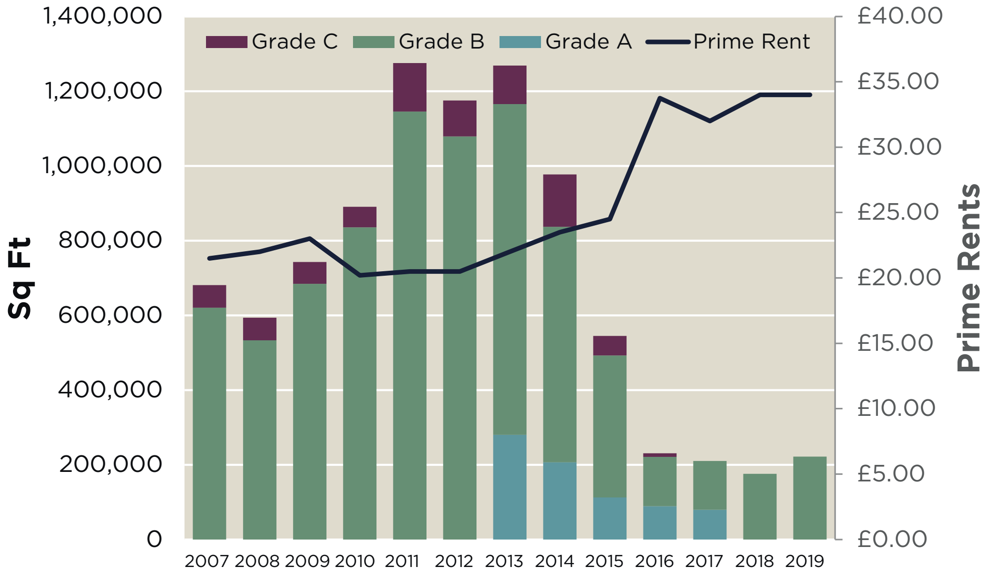
61% of the space transacted in Croydon in 2018 was classified as Grade A space.

INVESTMENT OVERVIEW

There have been no investment deals in Q1 19. There were two office buildings traded in Croydon in 2018 totalling £29.34 million. The largest deal was Rockspring Investment Managers buying Mott MacDonald House for £23.18 million, which reflected a yield of 5.45%. The building comprises 64,000 sq ft and is fully let to Mott MacDonald.

Croydon is an appealing market to investors as there are numerous asset management opportunities to implement on existing secondary quality stock. Furthermore ,the market is experiencing a repricing with prime rents increasing by 45% in the last five years from £23.50 per sq ft to £34.00 per sq ft.

Croydon Supply Supply has fallen by 59% from 2015 levels



Source Savills Research

What to expect from Croydon in 2019?

1 The lack of available grade A supply will impact on take-up volumes in 2019, therefore we expect weaker take-up when compared to 2018. There is, however, a good quantity of grade B space available which caters for demand from smaller and local occupiers who are predominantly seeking below 10,000 sq ft.

2 The bulk of demand in 2019 is expected to originate from the existing base of professional and financial services occupiers based in Croydon.

3 There could be further relocations from Central London mainly occupiers based near London Bridge and Victoria who are attracted by the discounted office rents available and the short train journey to East Croydon.

4 We expect a new rental tone for Croydon will be set at 28 Dingwall Road where Mayfair Capital are redeveloping the existing building. It is anticipated that the majority of the building will be let prior to practical completion at rents in the mid to high £30's.

5 Ruskin Square is the only scheme in the town which can deliver a speculative development of any quantum in the short term. Stanhope and Schroders have planning permission for a further 1 million sq ft.

5.6% Office based employment is forecast to increase by 5.6% in Croydon in the next five years

Savills

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Greater London & South East Office Agency

Jon Gardiner
Head of National Office Agency
020 7409 8828
jgardiner@savills.com

Tom Mellows
Director
020 7409 8964
tmellows@savills.com

Andrew Willcock
Director
020 7299 8866
awillcock@savills.com

Piers Nickalls
Director
020 7409 8704
pnickalls@savills.com

Rob Pearson
Associate Director
020 7299 3093
rpearson@savills.com

Stuart Chambers
Associate
020 7075 8223
stuart.chambers@savills.com

Olivia Jones
Surveyor
020 7409 8708
ojones@savills.com

Steven Lang
Research
020 7409 8738
slang@savills.com

Simon Preece
Research
020 7409 8768
spreece@savills.com