

Spotlight: The Growth of the Education Sector in London & South East Office Market



Strong Occupier Demand • Student Numbers Growing • Community Building

The Growth of the Education Sector in London & South East



Average deal size from 2020-2022 is 43% higher than other business sectors at 30,000 sq ft



Student numbers have increased by 15% over the last five years in London



12 regional universities have signed for office space since the start of 2020

Strong occupier demand

There has been an acceleration in office leasing activity from education institutions across the London & South East region which has been a notable post-Covid-19 trend. This has been evident from the take-up recorded across the market with annual take-up from the sector surpassing 400,000 sq ft each year since the start of 2020 which previously had only occurred twice from 2012-2019.

The expansion has been notable when focussing solely on the Greater London market area where the three highest years of take-up by the sector from 2020-2022 were recorded.

This expansion of the sector has continued in 2023, Teesside University has acquired 26,000 sq ft at Here East, where they are opening a new satellite campus. Furthermore LMA has expanded its campus at the scheme by an additional 70,000 sq ft adding to their existing 30,000 sq ft footprint. Fairfield Business School have leased 12,000 sq ft at Mosaic East, Stephenson House, Croydon.

Focussing on central London, BPP leased 17,000 sq ft at 1 Portsoken Square to add to their current 87,000 sq ft footprint in the building. It is rumoured another education occupier are under offer to lease the remaining 125,000 sq ft at the scheme. This would represent the largest acquisition by an education occupier in a single building over the last decade.

Regional universities are expanding in the capital

Regional universities have sought to establish or expand their presence in London to capitalise on the rise in student entrants. This was exemplified by Sheffield Hallam University pre-letting 115,000 sq ft 2 Brent Cross Town which is the first letting at the office element of Related Argent's new mixed use scheme and establishing their first presence in London.

A further eleven universities based outside the capital have leased office space since the start of 2020. This has included University of Wales Trinity Saint David, Coventry University and Anglia Ruskin University.

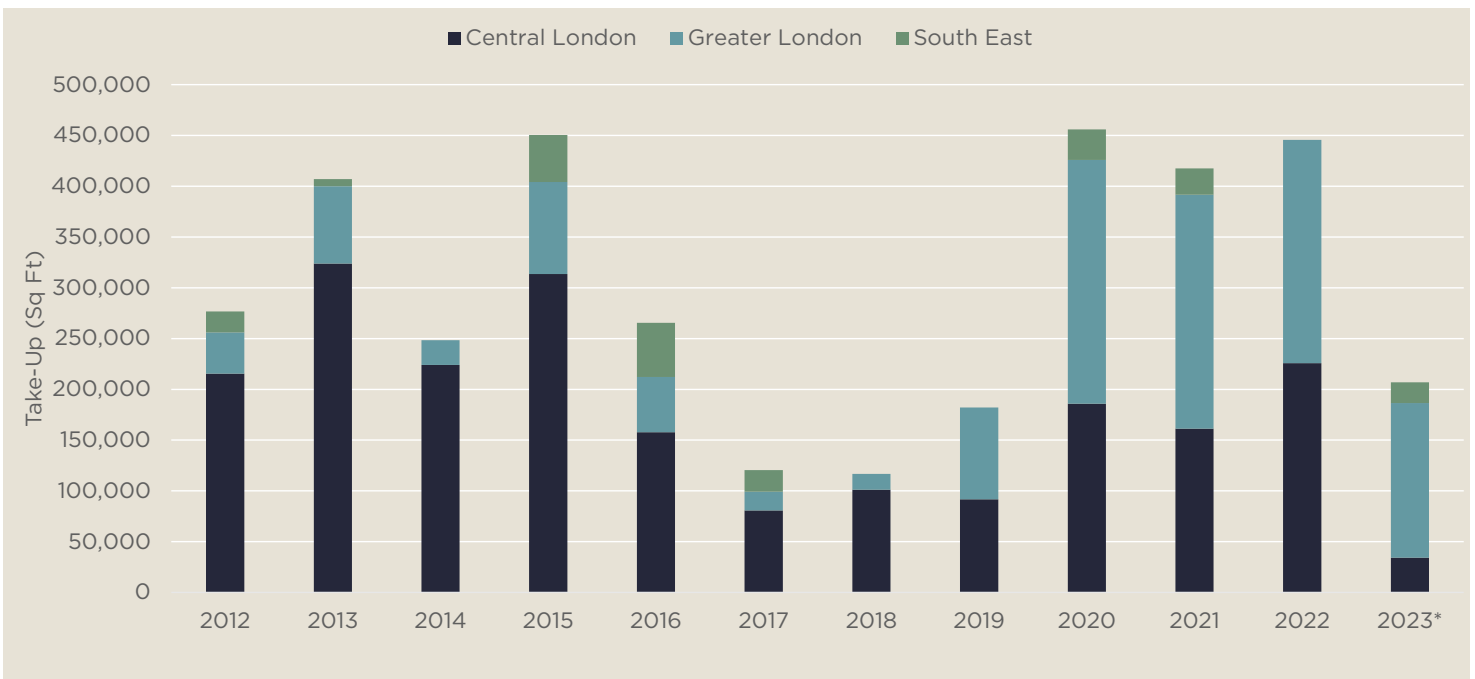
London is also attractive to international universities. This was highlighted by the recent opening of TEDI-London at British Land's Canada Water development. This higher education provider was co-founded by three global universities- King's College London, Arizona State University and UNSW Sydney.

Educational occupiers provide many benefits to landlords

Landlords can benefit from the increased appetite from education occupiers to lease office space with on average the sector leasing larger quantities of space. The average deal size from education occupiers is 30,000 sq ft which is 43% higher when compared to other business sectors. The demand from higher education occupiers has been for well-connected, high-quality office space reflected in 68% of take-up from the sector being grade A standard since the start of 2020.

Education occupiers are prepared to pay premium rents, this was highlighted by the recent letting at Here East to Teesside University

There has been an increase in leasing activity from education occupiers across London & South East



who paid £50 per sq ft which is a record headline rent for Stratford.

This trend has also been evident in Central London where NYU pre-let 76,000 sq ft at 265 The Strand and is believed to be paying a rent of £75 per sq ft which is above the average grade A rental tone for the Midtown submarket.

Furthermore the sector on average commits to longer leases exemplified by the average lease length standing at 11 years for education occupiers compared to an eight-year average for other business sectors.

Specialist sector clusters can develop and be enhanced by the expansion of the higher education sector. This has been evident at Here East, Stratford where there is strong provision of education occupiers located at the scheme specialising in technology, design and creative courses. These include University College London, Loughborough University and Staffordshire University. The ecosystem has appealed to private sector occupiers from these sectors including Sports Interactive, Hawk London and Ford Mobility who are all located at the scheme.

Other examples of private sector occupiers being attracted to an anchor education tenant include Imperial College's new 23-acre White City Campus. This has helped underpin the acceleration of science and technology occupiers moving to White City at both Scale Space and White City Place.

Student numbers are at record highs

It was widely expected that the Covid-19 pandemic would negatively impact student enrolment. However, UCAS reported that applications to study in the UK reached record highs in three consecutive years from 2020-2022 underlining the growing demand to access UK higher education. UCAS is forecasting a 30% increase in higher education applications by 2030 to reach one million people.

The appetite from the higher education sector to expand their real estate footprint in London & South East has been stimulated by the increase in the student population in London. According to HESA there were 423,935 students in London at the end of the 2021/2022 academic year which is a 15% increase in the last five years, which equates to an additional 56,695 students.

Overseas students seeking to study in London have significantly contributed to the rise in student numbers. Enrolments from non-domestic students have increased by 48% in the last five years which equates to an additional 50,595 students. This represents an 89% share of the increase in total student numbers.

The UK government has sought to increase the number of overseas students, which was revealed in The International Education Strategy launched in 2021. The policy paper committed to hosting 600,000 overseas students across the UK by 2030. This target was surpassed at

the end of the 2021/2022 academic year with 650,965 international students enrolled, 24% of the overseas students are based in London demonstrating the appeal of the city.

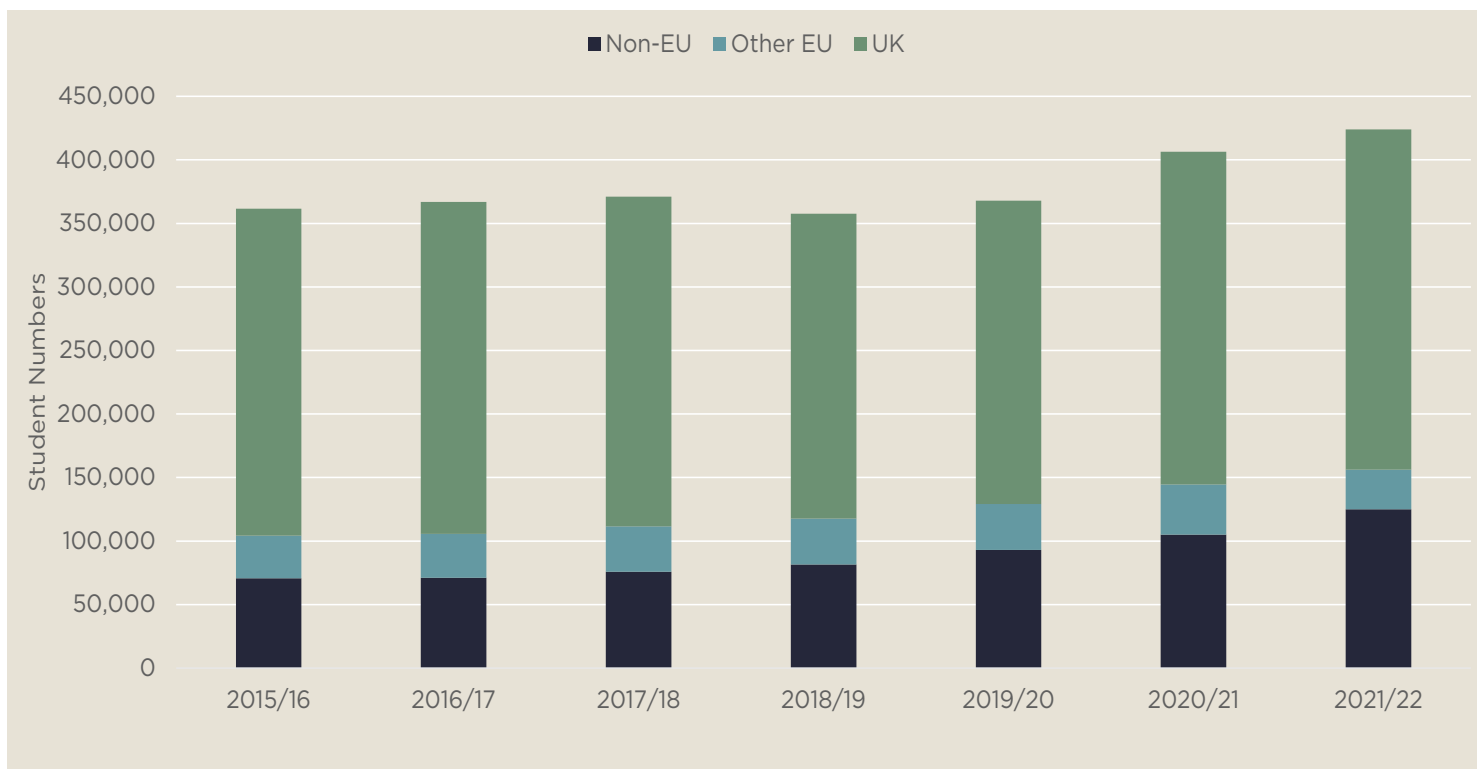
Community building

Educational establishments can serve to revitalise multi-use developments and wider areas. Although London is unique with students living across the capital rather than in pockets of student areas, like regional UK cities, most students live in central London close to the majority of educational institutions. Over half live in just four boroughs, Camden, Islington, Westminster and Kensington & Chelsea.

However more recent development of new build [PBSA](#) (purpose-built student accommodation) has been delivered in areas undergoing regeneration with good transport links. Places such as Wembley, Stratford, Vauxhall and North Acton. This is also where most of the future pipeline of c.30,000 beds are focused; in TfL travel zones 2-3. This has created hotspots of students further from central London where it is increasingly unaffordable to live. Students also create early activation of large regeneration schemes providing footfall, often being pioneers in new schemes.

With further growth and expansion of universities through both new build and the conversion of office stock, the regeneration of these places is likely to continue, benefiting both the immediate areas and the students themselves.

Student numbers have risen by 15% in London in the last five years, to total 423,935 students at the end of 2021/22 academic year



Source HESA



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Greater London & South East Office Agency

Andrew Willcock

Head of Greater London &
South East Office Agency
07870 999628
awillcock@savills.com

Rob Pearson

Director
07896 491283
rpearson@savills.com

Holly Purvis

Director
07977 371475
holly.purvis@savills.com

Stuart Chambers

Director
07870 999339
stuart.chambers@savills.com

Olivia Jones

Associate Director
07951 041788
ojones@savills.com

Florence Horner

Associate
07870 999255
florence.horner@savills.com

Ben Harris

Surveyor
07866 203376
ben.harris@savills.com

Research

Steve Lang

Director
07967 555867
slang@savills.com

Simon Preece

Associate Director
07814 293916
spreece@savills.com

Laura Harris

Research Analyst
07779 992145
laura.harris@savills.com