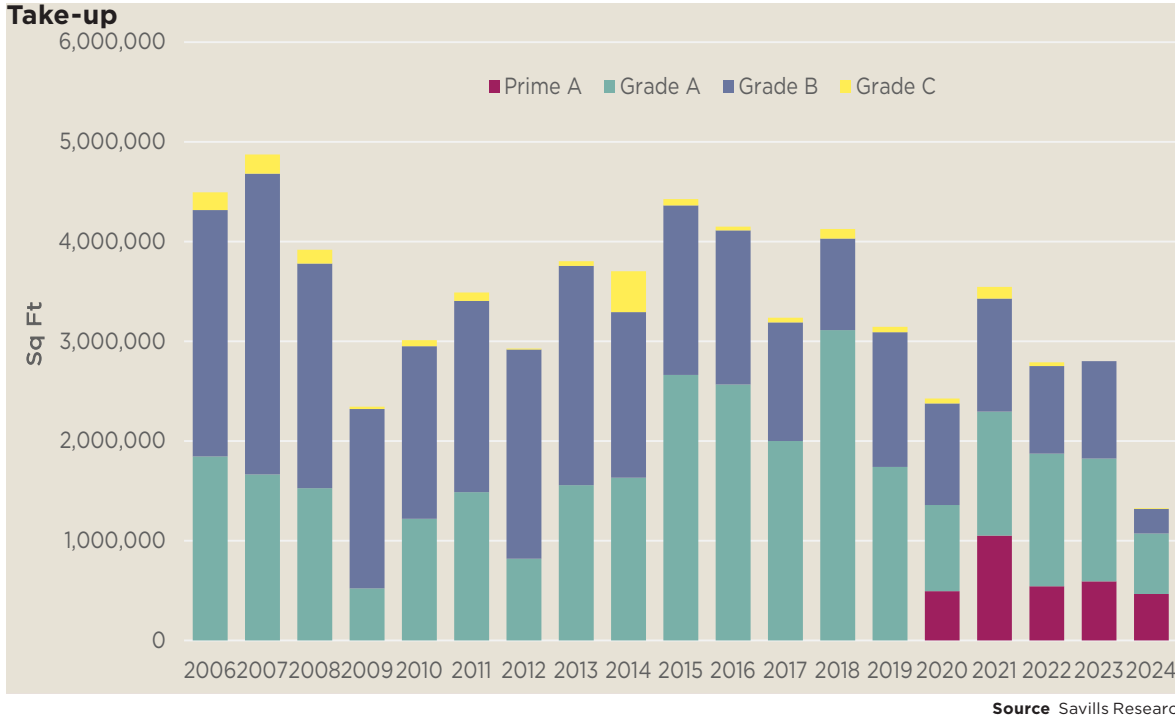


Greater London & South East Offices



Summary Take-up at the end of H1 2024 reached 1.3 million sq ft, which was 45% above H1 2023 and in line with the five-year average. Supply has continued to fall and is now 10% below the end-2023 total and 7% below the ten-year average. The ongoing flight to quality has also continued to drive record rents across the market.



Flight to quality continues to drive the market, with H1 2024 take-up back in line with the five-year average

Take-up across the Greater London & South East market at the end of H1 2024 reached 1.3 million sq ft, which was 45% above H1 2023 and in line with the five-year average. Take-up levels in Q2 mirrored what was experienced in Q1, with quarterly take-up amounting 671,000 sq ft, which was 4% above the previous quarter.

The Western Sector continues to be the most active geographic region of the market area, accounting for 57% of wider market take-up in H1 2024. Notable submarkets which have experienced high levels of occupier demand in H1 2024 included Reading, Maidenhead, Chiswick, Watford and Woking, all of which outperformed their Q2 five-year average take-up levels. However, some submarkets are still experiencing limited levels of take-up, especially where the provision of Prime and Grade A supply is low.

The polarisation in occupier demand between Prime and secondary buildings is becoming more evident, with occupiers focussing on best-in-class space. Prime and Grade A take-up has accounted for 81% of take-up this year, which is the highest H1 proportion ever recorded.

Smaller occupiers have been the most active across the region, with 79% of deals recorded being below 20,000 sq ft. There has been an increase in activity within the 10,000-20,000 sq ft size band, with 30 transactions recorded in H1 2024, which was 50% above the total recorded in H1 2023 and 52% above the five-year average for this size band.

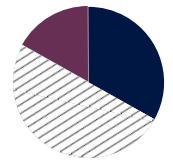
There have been nine deals recorded over 30,000 sq ft in H1 2024, with five recorded in Q2 2024. Notable deals included a confidential occupier acquiring 67,000 sq ft at 250 Brook Drive, Reading. Allwyn has leased 64,000 sq ft at The Clarendon Works, Watford. A further three lettings were secured at One Station Hill, Reading where PepsiCo, PWC and NewFlex acquired a combined 115,000 sq ft.

Manufacturing & Industry, which includes pharmaceutical occupiers, has remained the most active business sector in H1 2024, accounting for 23% of overall take-up. This sector has a further 173,000 sq ft under offer, accounting for 22% of total space under offer.

The technology sector currently accounts for the greatest proportion of space under offer, amounting 209,000 sq ft and a further 354,000 sq ft of live requirements.

Savills is currently tracking 2.51 million sq ft of active demand within the region. There is 781,000 sq ft under offer, across 32 deals, with a further 1.73 million sq ft of requirements that are either inspecting or negotiating on relocations. This figure is 8% above the total recorded at this point last year. Based on current demand, it is anticipated take-up in the Greater London and South East region will reach 2.8 million sq ft, which is in line with 2023 take-up.

Key Data Points



81%
Grade A space accounted for 81% of take-up in H1 2024



10%
Total supply is 10% below the end-2023 level



10
Ten submarkets achieved record rents in H1 2024

SUPPLY CONTRACTS FURTHER, AMIDST PDR REGULATION CHANGES AND AN INCREASINGLY RESTRICTED DEVELOPMENT PIPELINE

At the end of H1 2024, supply has fallen further, with a fall of 10% since the end of 2023. Supply now amounts 13.5 million sq ft, which is 7% below the ten-year average. The majority of Grade A supply is located along the Western Corridor, totalling 4.3 million sq ft. This is largely concentrated in the Thames Valley region, particularly in Reading, accounting for 13%. Further tightening of supply is expected across the region with the majority of existing stock requiring upgrading to adhere to the proposed MEES & EPC changes due to be implemented in 2027.

The development pipeline has contracted further, with 1.4 million sq ft under construction. This equates to five months of average take-up in an average year. However, 57% of this has either been pre-let or let during construction. Following this, Savills expects to see a rise in pre-let negotiations in the next couple of years, as occupiers are looking further ahead of their lease events to secure the dwindling Prime Grade A space. In Q2 2024, four buildings achieved practical completion: Explore in Richmond, Proxima in Maidenhead, The Priestley Building in Guildford and Building 3 Bloom, Heathrow.

THE THAMES VALLEY REGION CONTINUES TO SET NEW RENTAL TONES ACROSS THE MARKET

Rental growth has continued this year, with ten submarkets achieving new record rents throughout H1 2024. In Q2 2024, Reading set a new rental tone of £56.00 per sq ft at One Station Hill, which was the highest rent ever achieved across the Thames Valley. This increase reflects a rise of 37% on the previous headline rent, and shows the willingness of occupiers to pay premium rents to secure the best quality spaces. Other submarkets which have seen record rents set this year include Maidenhead, Crawley, Guildford, Watford, Chiswick, Wembley, Basingstoke, Luton and Reigate.

A key driver of the rental uplift is the lack of best-in-class space available; only 14% of the existing supply is classified as Prime. The rental polarisation between best-in-class stock and secondary properties is more prevalent than ever, with approximately a 59% difference between average Grade A rents and average secondary rents.

Savills team

Please contact us for further information

Andrew Willcock
Head of Greater London & South East Office Agency
020 7409 8866
awillcock@savills.com

Holly Purvis
Director
07977 371475
holly.purvis@savills.com

Rob Pearson
Director
020 7299 3093
rpearson@savills.com

Stuart Chambers
Director
020 7075 8704
stuart.chambers@savills.com

Olivia Jones
Director
020 7409 8708
ojones@savills.com

Florence Horner
Associate
020 7535 2971
florence.horner@savills.com

Ben Harris
Associate
020 7877 4541
ben.harris@savills.com

Steven Lang
Director
Commercial Research
020 7409 8738
slang@savills.com

Simon Preece
Associate Director
Commercial Research
020 7409 8768
spreece@savills.com

Laura Harris
Research Analyst
Commercial Research
020 7535 3343
laura.harris@savills.com

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Key Statistics

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

Take-Up

	Data (Sq Ft)	Year-on-Year Change
Q1 2024 Take-up	1.32 million sq ft	+45%
Q1 2024 Grade A Take-up	1.07 million sq ft	+51%
Average Deal Size	15,961 sq ft	+27%
10-Year Average Q1 Take-up	1.52 million sq ft	-
5-Year Average Q1 Take-Up	1.31 million sq ft	-

Supply

	Data	Change from Q4 2023
Total Supply	13.5 million sq ft	-10%
Grade A Supply	7 million sq ft	-4%
In-Town Supply Proportion	52%	+2%
Out-of-Town Supply Proportion	48%	-2%
Development Pipeline (Under Construction)	1.4 million sq ft	-10%

Source Savills Research

Savills defines Prime Grade A as best-in-class office space that is ESG-compliant (EPC A&B) and contains multiple amenities; it has been tracked since 2020.