



Telecom House Brighton - 50,000 sq ft across 5 deals

INSIGHT

# South East offices

Key towns update of activity

Q1 2022

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AVISON  
YOUNG

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# Q1 Overview

Welcome to Avison Young's South East Quarterly update which focuses on 10 key markets; made up of in town and out of town markets, covering the whole of the South East. Despite last remaining Covid restrictions in the UK having been lifted in Q1 2022, take up figures across the region evidenced a slower start to the year.

With office occupancy still below pre-Covid levels and with increasing build cost inflation beginning to bite, a number of occupiers have delayed making long-term decisions, resulting in lower than anticipated levels of demand. Q1 take up across the 10 key SE towns was 313,790 sq ft, a decrease of c.25% on the same period last year.

Where transactions have taken place, this has largely been on Grade A space with good ESG credentials, resulting in a number of record rents being set. Despite lower levels of take-up, the flight to quality, a limited supply pipeline and a rapid rise in build costs, means that rents are likely to continue to increase, with £40+ becoming common for the best space across the region.

Following a busy end to 2021, it was perhaps no surprise to see a slightly more subdued Q1 2022 with £507m transacted across 35 deals.

Post Covid-19, the office market is still in a state of flux. However, as we see occupancy increase – albeit gradually - investors are looking for opportunities to re-position assets to provide better quality office environments with strong ESG credentials, with clear evidence of the advantages of doing so already seen in the occupier market. Ongoing uncertainty has also created opportunities for active property companies and overseas investors to acquire good quality assets at an attractive level compared to other sectors, as pricing for shorter income assets, sub 5 years, has remained fairly low - Palace Capital's acquisition of 22 Market Street, Maidenhead being a good example.

The quarter also saw significant activity for repurposing opportunities. Over 40% of deals are earmarked for conversion to residential or industrial use. In strategic locations, industrial land values continue to be higher than residential land, with strong levels of demand in the sector continuing. Fundamentally, the occupier market is not substantially oversupplied and any further squeeze on availability in the market should see pressure rising on rental levels.



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Principal South East Offices



**JAMES MCFEELY**  
Director South East Office Investment

**//**  
**Rents have continued to increase in most markets, driven by a flight to quality, with over 80% of transactions taking place on Grade A new or refurbished space. With demand for buildings with strong ESG credentials - and associated costs of providing these buildings - growing, we expect rental levels to continue their trajectory.**

# Occupational Market Data

## TAKE-UP ACROSS SE 10 IN Q1

**313,790** sq ft

Decrease of **24.6%** compared to Q1 2021

**59.3%** decrease compared to Q4 2021

Grade A – 207,448 sq ft

Grade B – 106,338 sq ft



Town centre

**127,752** sq ft



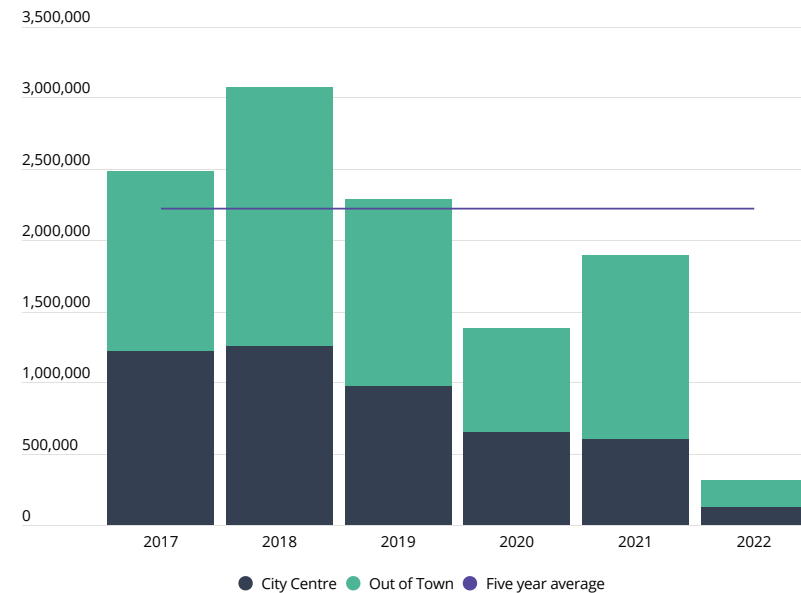
Out of town

**186,034** sq ft

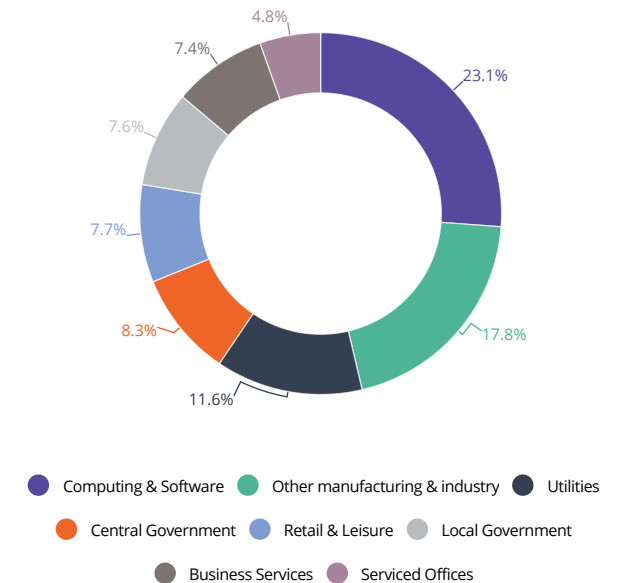
## HEADLINE RENTS AVERAGE

**£36.50** per sq ft

## TEN TOWNS TOTAL TAKE-UP (SQ FT)



## MOST ACTIVE OCCUPIER SECTORS



## Q1 2022 VACANCY RATE SE 10

Grade A

Total

6.0%

10.3%

## KEY SOUTH EAST OFFICE OCCUPATIONAL TRANSACTIONS IN Q1 2022



### Ultra Electronics

56,000 sq ft

Foundation Park, Maidenhead, on a 20 year lease with a break in year 15 at an average rent of £35.70 per sq ft.



### Bramble Energy

33,000 sq ft

Atrium Court, Crawley, on a 10 year lease at a rent of £15.00 per sq ft.



### HM Courts and Tribunal Services

25,980 sq ft

Purchased The Carbon Building for £460 per sq ft (circa £12m).



### Crawley Borough Council

24,000 sq ft

Purchased Travel House on Manor Royal, Gatwick from BMO which included the surrender of the remainder of TUI's lease. They will be creating a Business Centre.



# Varsity Corridor

CAMBRIDGE

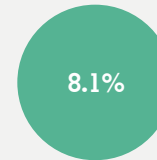


## VACANCY RATES Q1 2022

Grade A



Total



## HEADLINE RENT



Town centre  
**£48.50** per sq ft



Out of town  
**£36.00** per sq ft

## QUARTER 1 TAKE-UP



Town centre  
**0** sq ft



Out of town  
**0** sq ft

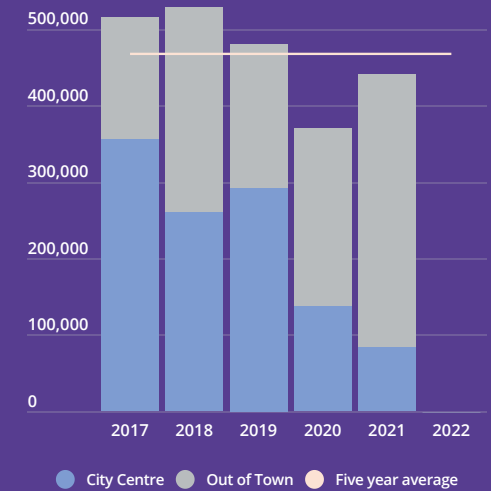
**0** sq ft

Grade A

**0** sq ft

Grade B

## ANNUAL TAKE-UP



## MILTON KEYNES

- 100 Avebury Boulevard Park 5th Floor. Monat Global took 3,600 sq ft at a headline rent of £27.50 per sq ft.



### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Retail & Leisure	3,600	100

### VACANCY RATES Q1 2022

Grade A

1.9%

Total

5.7%

### HEADLINE RENT



Town centre  
**£27.50** per sq ft



Out of town  
**£21.50** per sq ft

### QUARTER 1 TAKE-UP



Town centre  
**3,600** sq ft



Out of town  
**0** sq ft

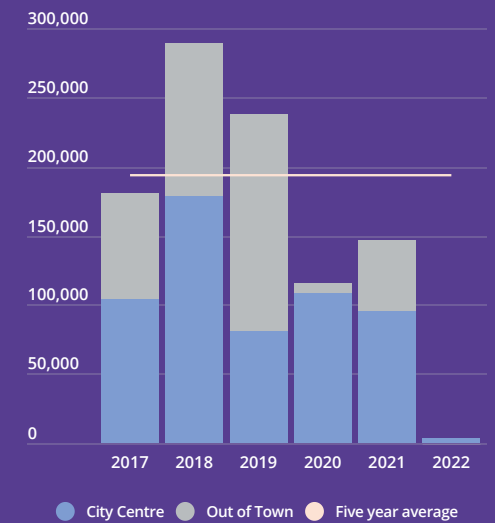
**3,600** sq ft

Grade A

**0** sq ft

Grade B

### ANNUAL TAKE-UP



## OXFORD

- Evolito took 6,121 sq ft at Laintaine House, Cherwell, Kidlington at a headline rent of £24.00 per sq ft on a short term lease with rolling rent options.



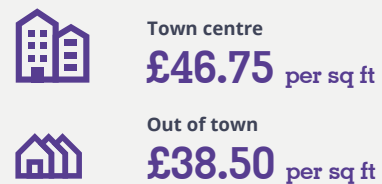
### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Science	6,121	47.0
Gas, Oil & Mining	3,900	30.0
Legal Services	2,900	22.0

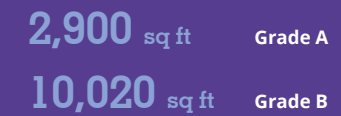
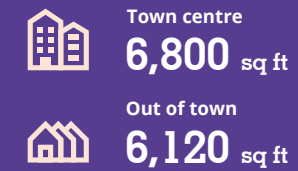
### VACANCY RATES Q1 2022



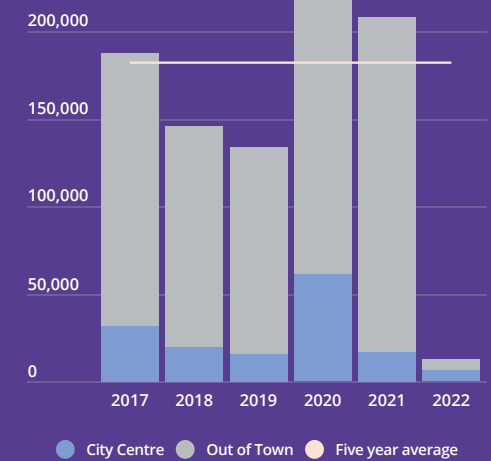
### HEADLINE RENT



### QUARTER 1 TAKE-UP



### ANNUAL TAKE-UP





# M3/M4 Towns

## BASINGSTOKE

- InfoSum took 12,300 sq ft at 1100 Renaissance on Basing View paying £23.00 per sq ft for a 10 year lease with a 5 year break.



### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Computing & Software	15,005	87.8
Miscellaneous	2,087	12.2

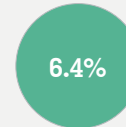
### VACANCY RATES Q1 2022

Grade A



3.0%

Total



6.4%

### HEADLINE RENT



Town centre  
**£27.00** per sq ft



Out of town  
**£24.00** per sq ft

### QUARTER 1 TAKE-UP



Town centre  
**12,310** sq ft

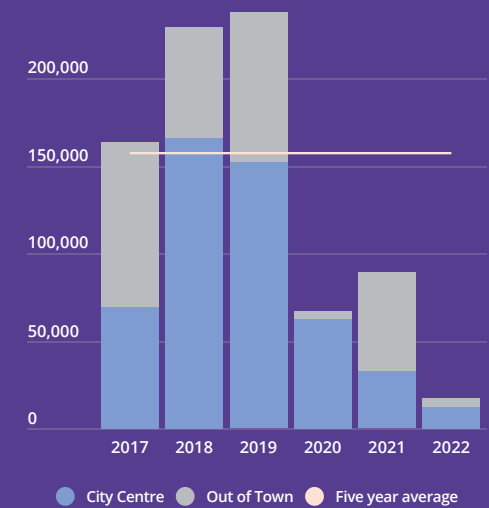


Out of town  
**4,780** sq ft

**12,310** sq ft Grade A

**4,780** sq ft Grade B

### ANNUAL TAKE-UP



## READING

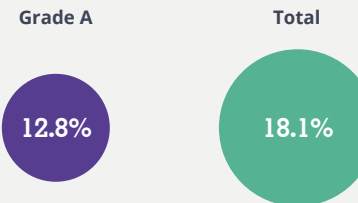
- HM Courts & Tribunal Services purchased the 25,980 sq ft Carbon Building for £460 per sq ft (circa £12m).
- Rapid 7 took 22,600 sq ft on the 1st Floor at 2 Forbury Place at a rent of £36.50 per sq ft on a 10 year lease with a 5 year break.



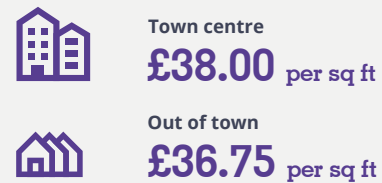
### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Computing & Software	28,379	43.1
Central Government	25,977	39.4
Property Services & Construction	7,340	11.1

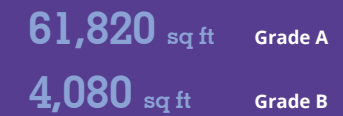
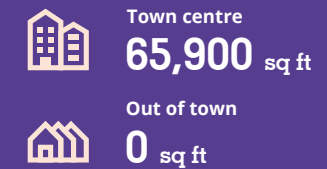
### VACANCY RATES Q1 2022



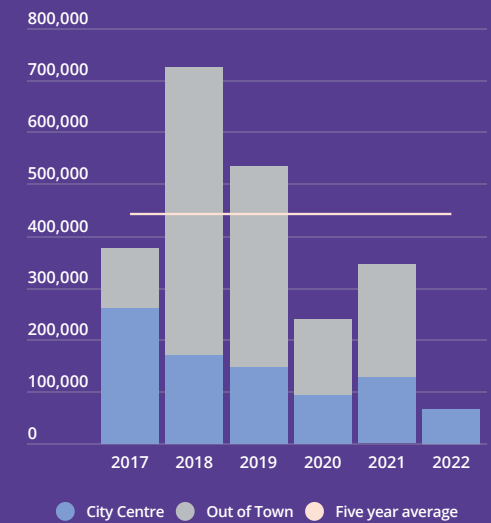
### HEADLINE RENT



### QUARTER 1 TAKE-UP



### ANNUAL TAKE-UP





## MAIDENHEAD

- Ultra Electronics agreed to pre-let 56,000 sq ft at Foundation Park in Maidenhead on 20 year lease with a 15 year break at an average rent of £35.75 per sq ft.



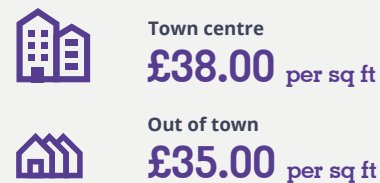
### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Other Manufacturing & Industry	56,000	100

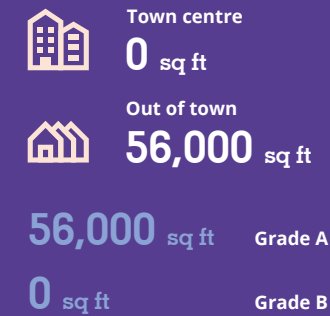
### VACANCY RATES Q1 2022



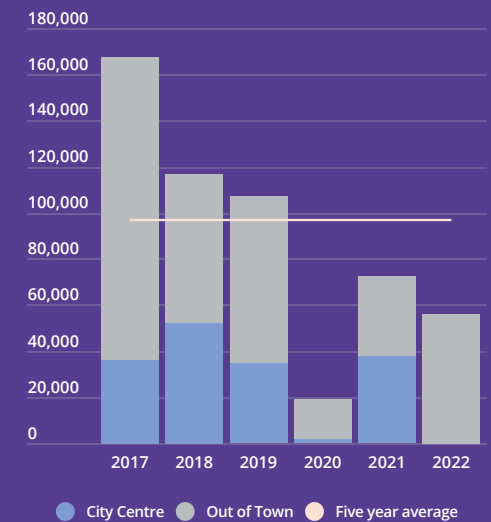
### HEADLINE RENT



### QUARTER 1 TAKE-UP



### ANNUAL TAKE-UP



## SLOUGH

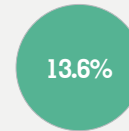


### VACANCY RATES Q1 2022

Grade A



Total



### HEADLINE RENT



Town centre  
**£38.00** per sq ft



Out of town  
**£32.50** per sq ft

### QUARTER 1 TAKE-UP



Town centre  
**0** sq ft



Out of town  
**0** sq ft

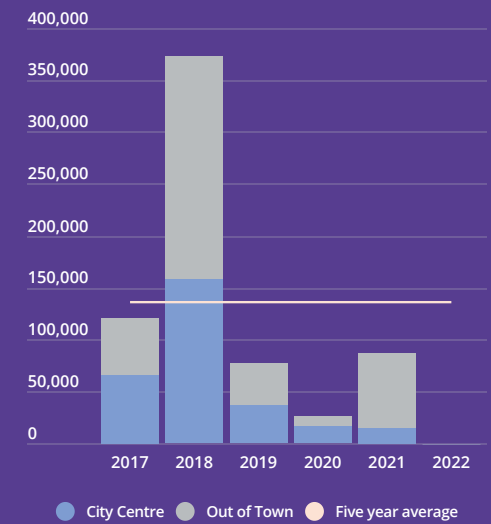
**0** sq ft

Grade A

**0** sq ft

Grade B

### ANNUAL TAKE-UP



# M25 Towns

## CRAWLEY

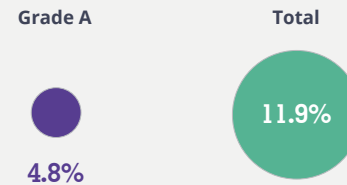
- Bramble Energy took 33,000 sq ft at Atrium Court on a 10 year lease at £15.00 per sq ft.
- Crawley Borough Council have purchased the 24,000 sq ft Travel House on Manor Royal at Gatwick from BMO which included the surrender of the remainder of TUI's lease. They will be creating a business centre.



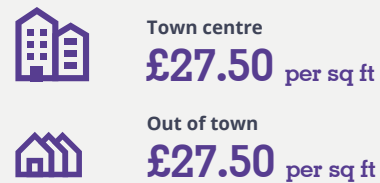
### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Utilities	36,300	43.8
Local Government	24,000	29.0
Serviced Offices	15,000	18.1

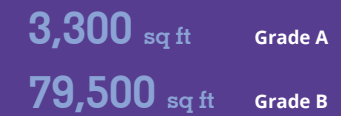
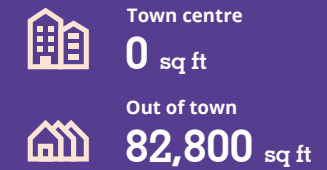
### VACANCY RATES Q1 2022



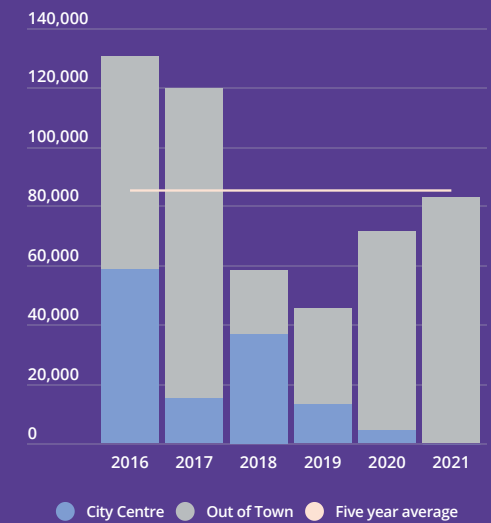
### HEADLINE RENT



### QUARTER 1 TAKE-UP



### ANNUAL TAKE-UP





## GUILDFORD WOKING & WEYBRIDGE

- Super Massive Games took 17,325 sq ft at 65 Woodbridge Road paying £40 per sq ft on fitted Cat A+ on the ground floor and £35.00 per sq ft on the 2nd floor on a 5 year lease with a 3 year break.
- Verint Systems have taken 10,180 sq ft at Part 2nd floor of Forge in Woking on a 10 year Care with a 5 year break.



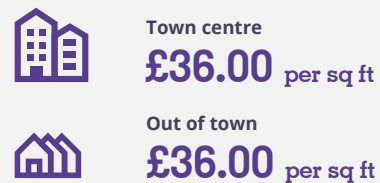
### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Computing & Software	28,962	74.0
Business Services	10,180	26.0

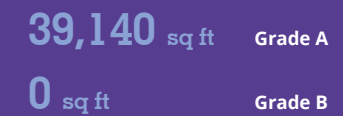
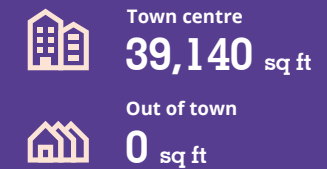
### VACANCY RATES Q1 2022



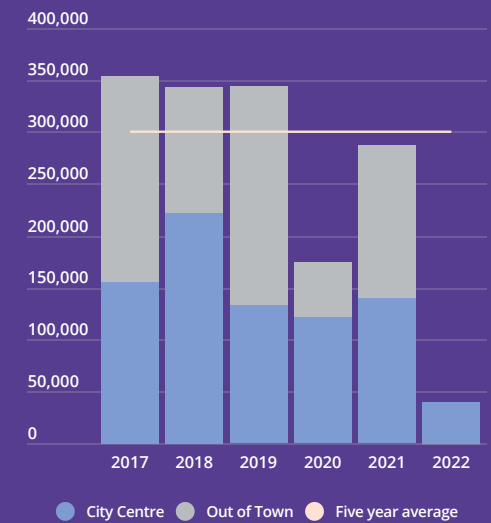
### HEADLINE RENT



### QUARTER 1 TAKE-UP



### ANNUAL TAKE-UP



## WATFORD

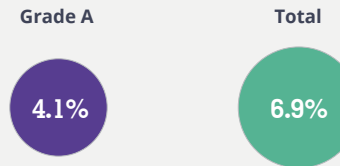
- Signet took 20,490 sq ft at Building 1 Croxely Business Park on a 10 year lease with a 5 year break at £36.00 per sq ft.



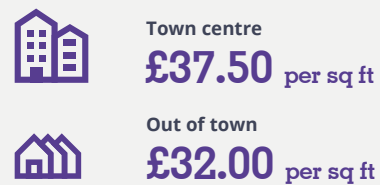
### KEY SECTOR ACTIVITY

Sector	Take-up sq ft	%
Retail & Leisure	20,489	56.4
Membership/Regulatory Body	7,887	21.7
Business Services	5,604	15.4

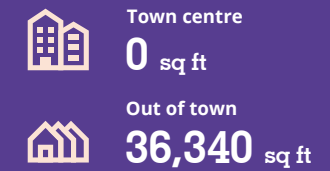
### VACANCY RATES Q1 2022



### HEADLINE RENT



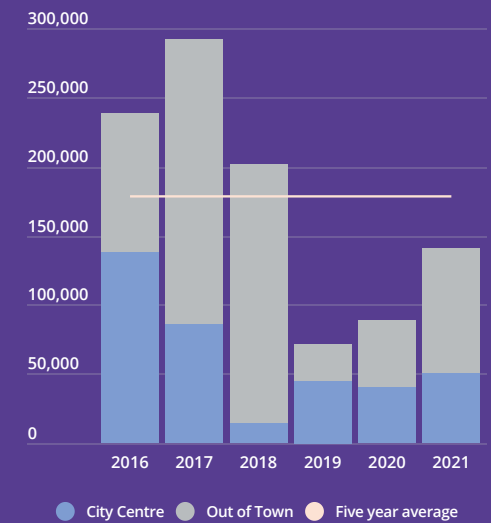
### QUARTER 1 TAKE-UP



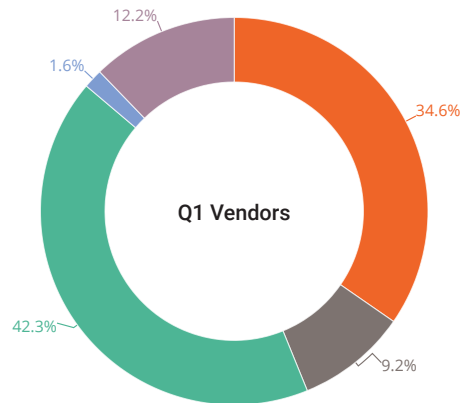
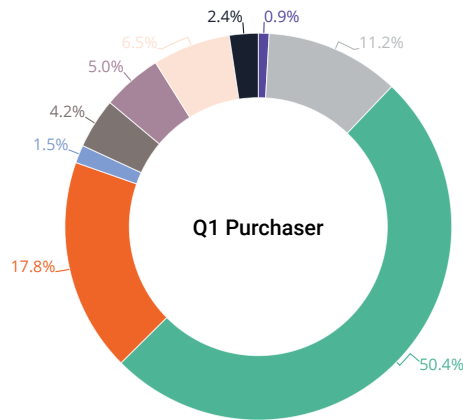
28,380 sq ft Grade A

7,960 sq ft Grade B

### ANNUAL TAKE-UP



# Investment Market Data

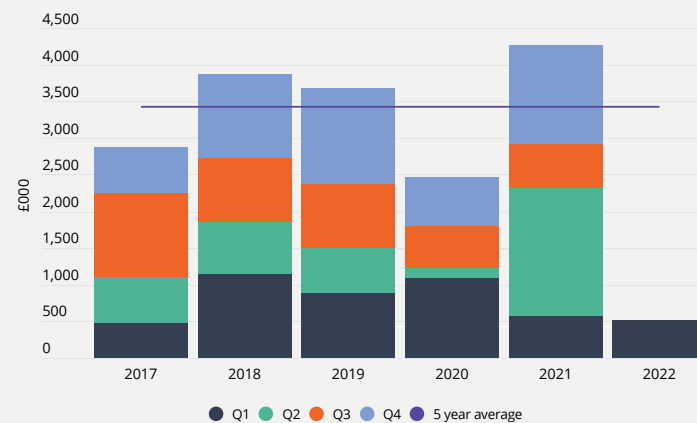


- Council
- PD/Resi
- Property Company
- Fund
- Overseas
- Private Equity
- Private
- Other
- Owner Occupier

## KEY Q1 TRANSACTIONS

Property	Location	Size	Price	Purchaser	Vendor
Waterside House	Bracknell	94,867 sq ft	£57m – 3.96%	Keppel DC REIT	Fiera
Weybridge Business Park	Addlestone	147,000 sq ft	£55m	Bridge Industrial	abrdrn
Trinity House, 1000 John Smith Drive	Oxford	28,695 sq ft	£41m	Tishman Speyer Properties	Devonshire Commercial Lateral Partners
22 Market Street	Maidenhead	22,586 sq ft	£1025m – 6.83%	Palace Capital	Clearbell

## AVERAGE TRANSACTION VOLUMES



**£507 million**  
5.50%

**Q1 2022**  
Prime Yield

Compared to:

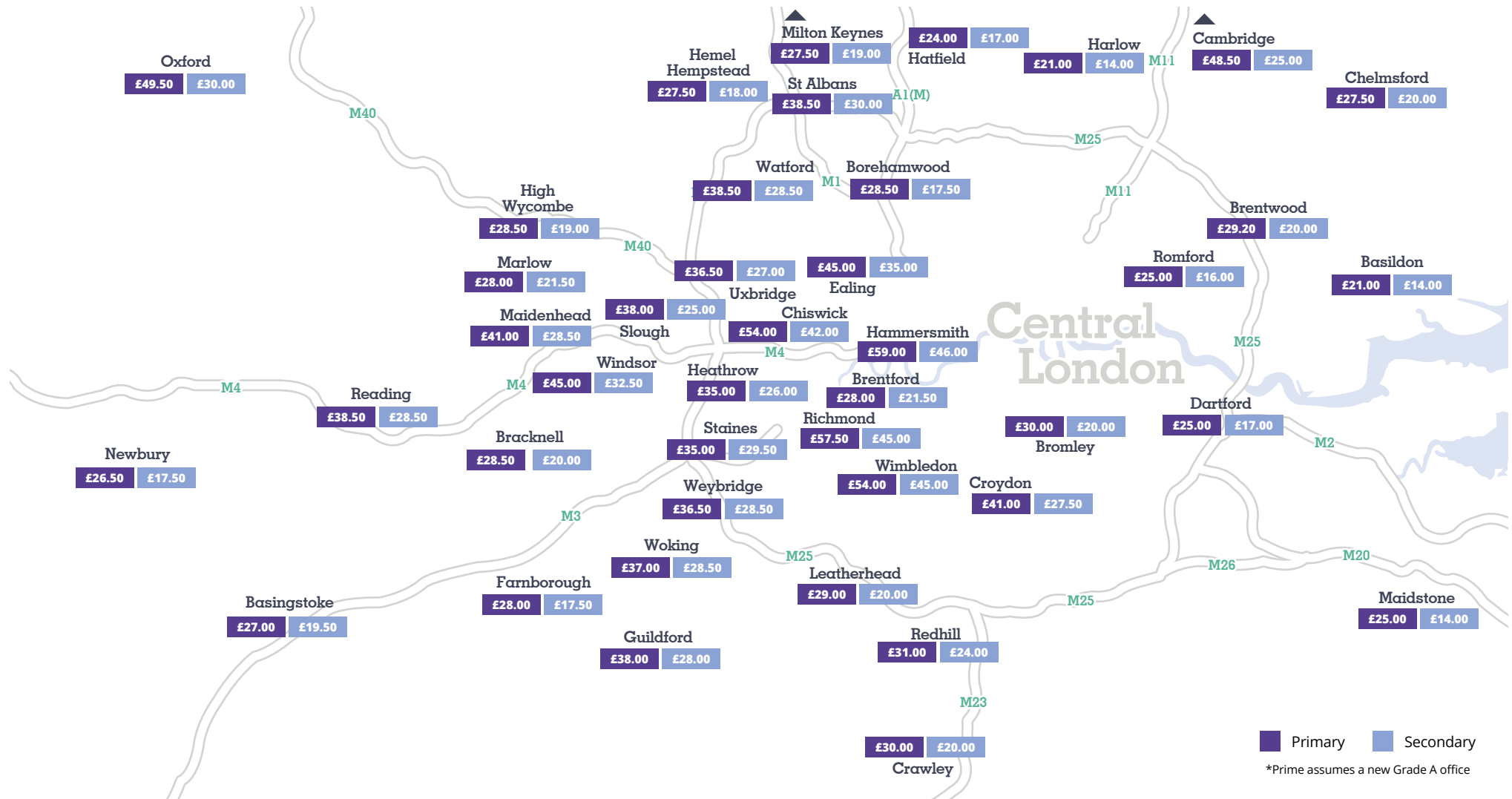
Previous quarter – Q4 2021 **£1,336 million**

A year ago – Q1 2021 **£579 million**

Q1 five-year quarterly average **£834 million**



# Prime and Secondary Rents Q1 2022



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