

South East occupiers moving further to secure the best office space

2 years ago



Savills latest report on the Greater London and South East office market has found there is a growing trend of occupiers prepared to relocate further to secure Prime Grade A office space which offers strong sustainability credentials and multiple amenities.

On average, in the past two years occupiers relocated 4.7 miles to move to Prime Grade A office space which was above the average of 3.3 miles for properties of lower quality and 40% of occupiers are relocating to a new town to secure best in class space. This was exemplified by ID Business Solutions relocating 7.5 miles to Space, Woking, and leasing 19,350 sq ft. Another example is ENRA who moved from Borehamwood to Hyde, Watford, relocating 7.5 miles and leased 19,663 sq ft. Savills anticipates this trend continuing, with occupier demand focussed on the best in class office space.

There is currently limited availability of large Grade A schemes with only five submarkets in the Greater London and South East office market having three or more buildings that are able to satisfy a requirements of over 50,000 sq ft. This will result in occupiers activating requirements earlier with greater pre-letting activity in the medium term, according to international real estate advisor Savills.

Stuart Chambers, Director in the Greater London and South East office agency team at Savills, says: "This research demonstrates that occupiers are increasingly prepared to extend their area of search in order to secure Prime Grade A office space that has strong ESG credentials and a broad amenity offer. This trend was evident in 2022, with 68% of take-up recorded being Grade A standard, which was the highest proportion since 2018.

"Additionally, landlords who deliver Prime Grade A office space will benefit from the improved demand

prospects for this product as well as significant rental growth. Occupiers are generally less rent sensitive and this was evident in 2022 with 11 submarkets achieving record high headline rents. Furthermore, on average, the rent per sq ft paid by occupiers increased by 37% when compared to their previous lease, highlighting that occupiers are prepared to pay premium rents to secure the best quality office space. Despite the subdued take-up experienced in Q1 23, the prospects for improved corporate activity is positive with 23 requirements over 20,000 sq ft and 14 over 50,000 sq ft.”