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Greater London and South East offices markets report highest H2 take-up since the pandemic

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The Greater London and South East office market showed a significant bounce back in leasing activity in H2 2023, with total take-up of 1.75 million sq ft, which was 93% higher than the H1 2023 total, and the highest H2 take-up seen since 2018, according to the international real estate advisor Savills.

On a quarterly basis, Q4 2023 outperformed on several comparables reaching 1.13 million sq ft., This was the highest quarterly total since Q4 2018, and 23% above Q4 2022, 16% above the Q4 five-year average and 7% above the Q4 long-term average.

The flight to quality in the market has continued with 69% of overall take-up being Grade A standard. When stripping out corporates who bought a building to occupy, the Grade A proportion rises to 79%.

The improved sentiment can largely be attributed to corporate occupiers gaining a clearer understanding of their workspace requirements, greater certainty over the macro-economic outlook and moving early, well in advance of their lease expiries to secure the dwindling supply of prime, Grade A offices.

The largest deals recorded in Q4 2023 were Lonza who acquired a cleared site of 184,500 sq ft, previously known as the Murdoch, Hutton and Faraday buildings in Thames Valley Park, Reading for £35 million. It is understood Lonza is proposing a 400k sq ft office, R&D and manufacturing facility at this site. Wood Group also leased 119,000 sq ft at 400 Longwater Avenue, Reading and Air Products leased 78,000 sq ft at 1000 Hillswood Park, Chertsey.

Andrew Willcock, head of Greater London and South East office agency, says: “These figures show how sentiment in the Greater London and South East markets had improved over the course of 2023. We saw an increase of larger deals with 16 deals recorded over 20,000 sq ft in Q4 2023 and a rise in deals over 50,000 sq ft illustrating larger corporate occupiers committing to space as the market faces a supply crunch on Grade A offices. We expect this momentum to be sustained into 2024, with robust demand for prime Grade A offices, 41% of the development pipeline that completed in 2023 or is scheduled to complete in 2024 has either been let during construction or under offer. This will support the significant rental growth we anticipate to materialise over the course of 2024."

Robert Pearson, Director in the Greater London and South East Tenant Rep team, adds: "Occupiers continue to grapple with space requirements but we are seeing more businesses committing to office space based on data they have collected since the pandemic. Grade A continues to be the viable choice for businesses to ensure staff return to the office and to support corporate aspirations around ESG credentials and commitments."