



CURCHOD & CO

Incorporating London Clancy Limited

Office market

update

Q2 2024

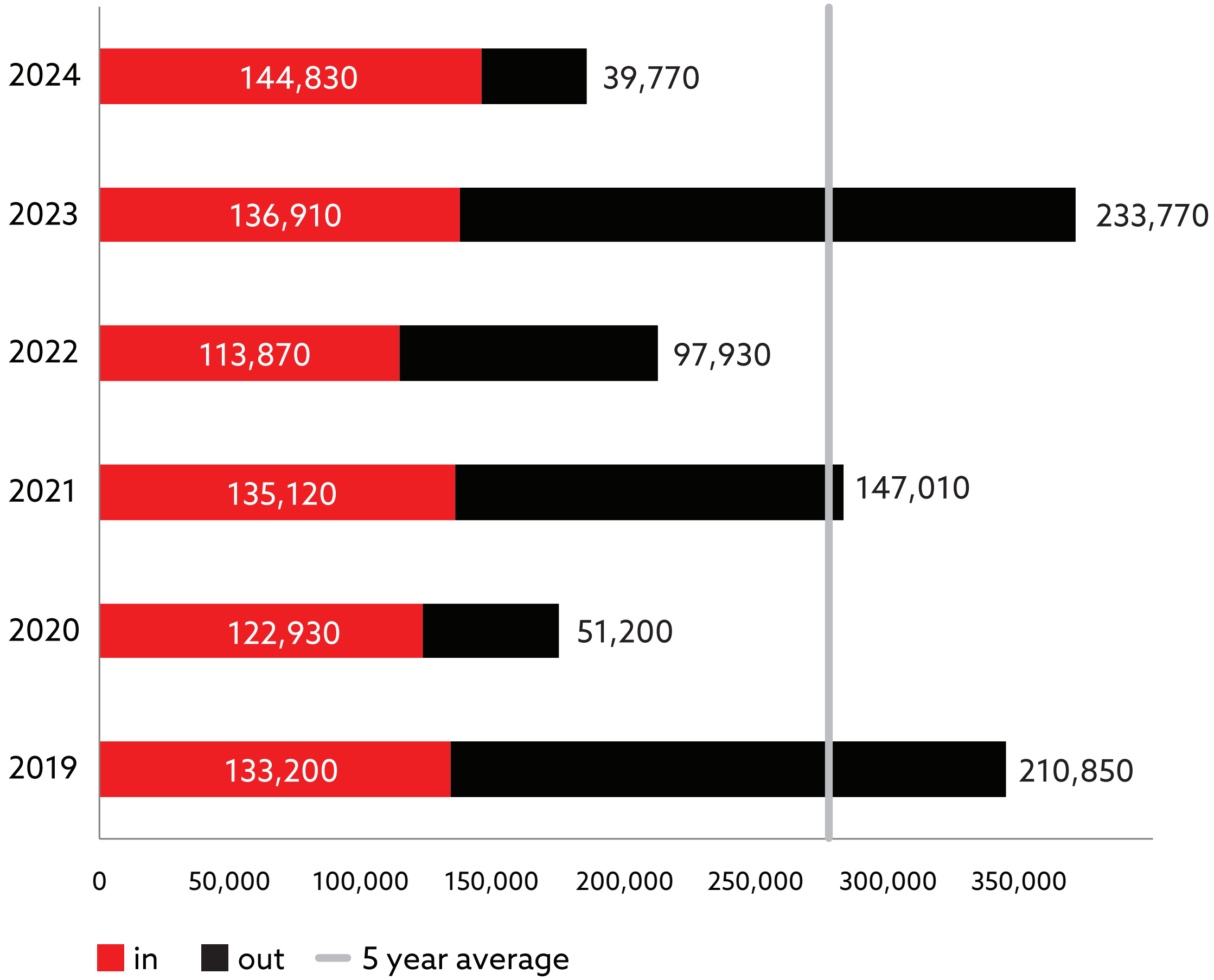
Market overview

- ◆ There has been a notable drop in smaller enquiries across the region.
- ◆ All sub-markets have stock levels at historic lows, particularly for Grade A space.
- ◆ Prime rents look set to increase significantly led by build cost inflation drag and an increasingly limited supply pipeline. Rents have continued to rise in all sub-markets for Grade A space despite modest or poor take up levels in some areas.
- ◆ Pre-let and forward lets are set to increase as occupiers are forced into taking a much longer term approach to their occupational strategy.
- ◆ Clustering in key commercial centres is an emerging theme with smaller office markets such as Camberley, Farnham and Chertsey seeing occupiers relocate to Farnborough, Guildford and Woking for example.

Take up - *key* markets

Guildford, Woking & Weybridge

Take up year to date Q2 2024



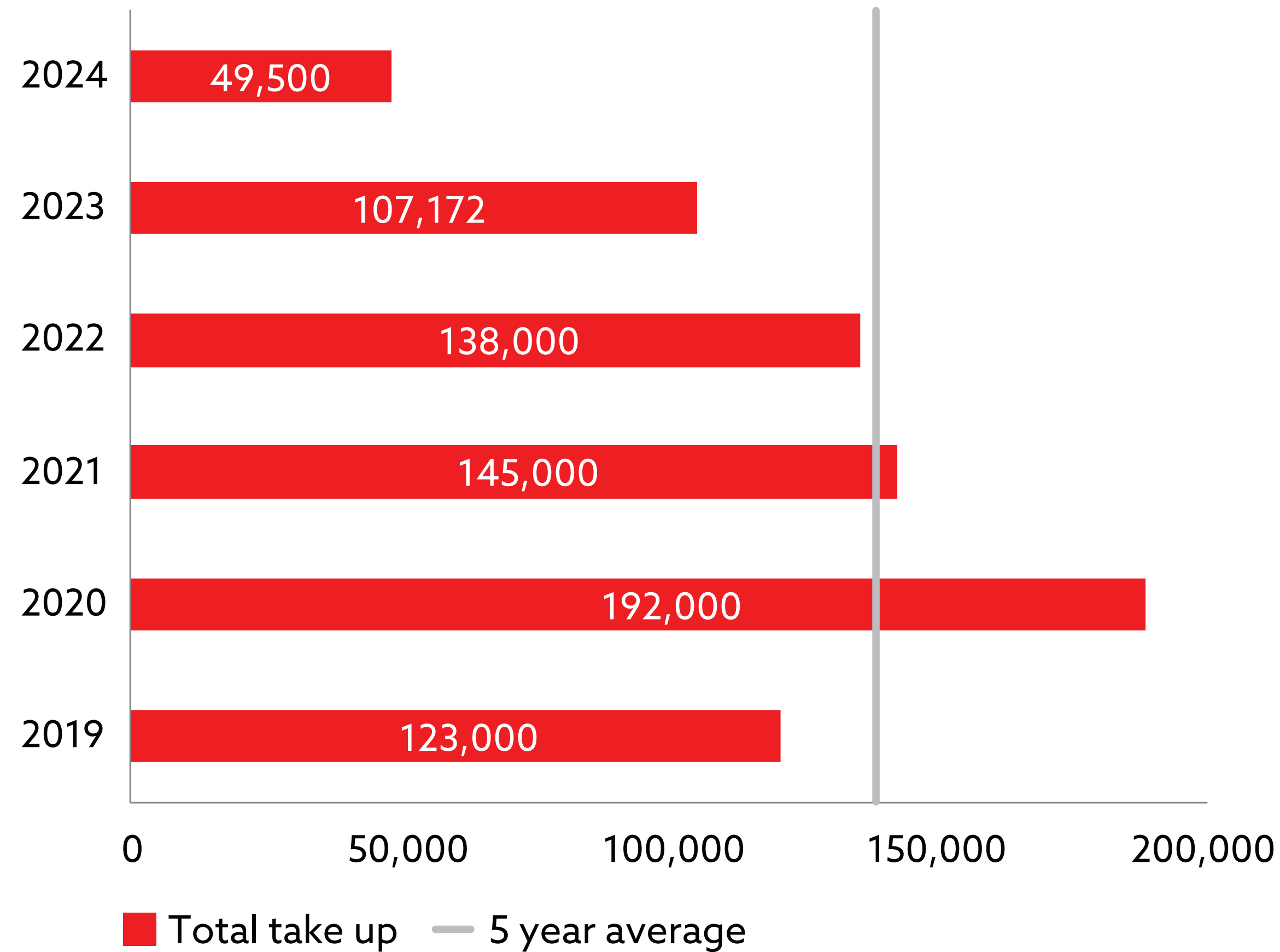
Guildford, Woking & Weybridge



- ▼ Following a record-breaking year in 2023, Guildford and Woking in particular have led the charge with a strong start to the year. Across the three markets, 67% of the five-year average take up has been achieved at the halfway point in the year but with limited stock available the remainder of the year could be a lot more sluggish.
- ▼ The story of the last 12 months has been the march of prime events with the Bottle Works in Guildford pushing prime rents onto £45 per sq ft and quoting rents on small suites in the Kingsbridge refurbished building guiding in excess of £50+ per sq ft. The Bottle Works has been the success story of year to date, and should hopefully lead to confidence from investors and developers that providing the right product in a prime town centre location in a stock starved market will be rewarded.
- ▼ Most concerning for Guildford, Woking and Weybridge over the next few years is going to be the lack of new development coming through, and the potential loss of significant employers who cannot find the right quality of building in these towns.
- ▼ The largest transaction of the year, so far has been the surrender, sale and lease back of Victoria gate in Woking to Surrey County Council comprising 66,500 sq ft where Curchod & Co advised McLaren.
- ▼ The continued appetite for best in class, accommodation and strong ESG credentials can be seen by the choice of both Pennington's and BDO to exercise breaks on existing leases and upgrade into the newly redeveloped Bottle Works.
- ▼ With limited industrial stock and the continued commuter belt pressure of residential and self storage, new office development sites and opportunities remain thin. As such developers and investors who are brave enough to commit to schemes in both Woking and Guildford town centre, stand to be handsomely rewarded with the scope for prime rents in these key Surrey towns to achieve over £50 per square foot in the short to medium term.

Blackwater Valley

Take up year to date Q2 2024



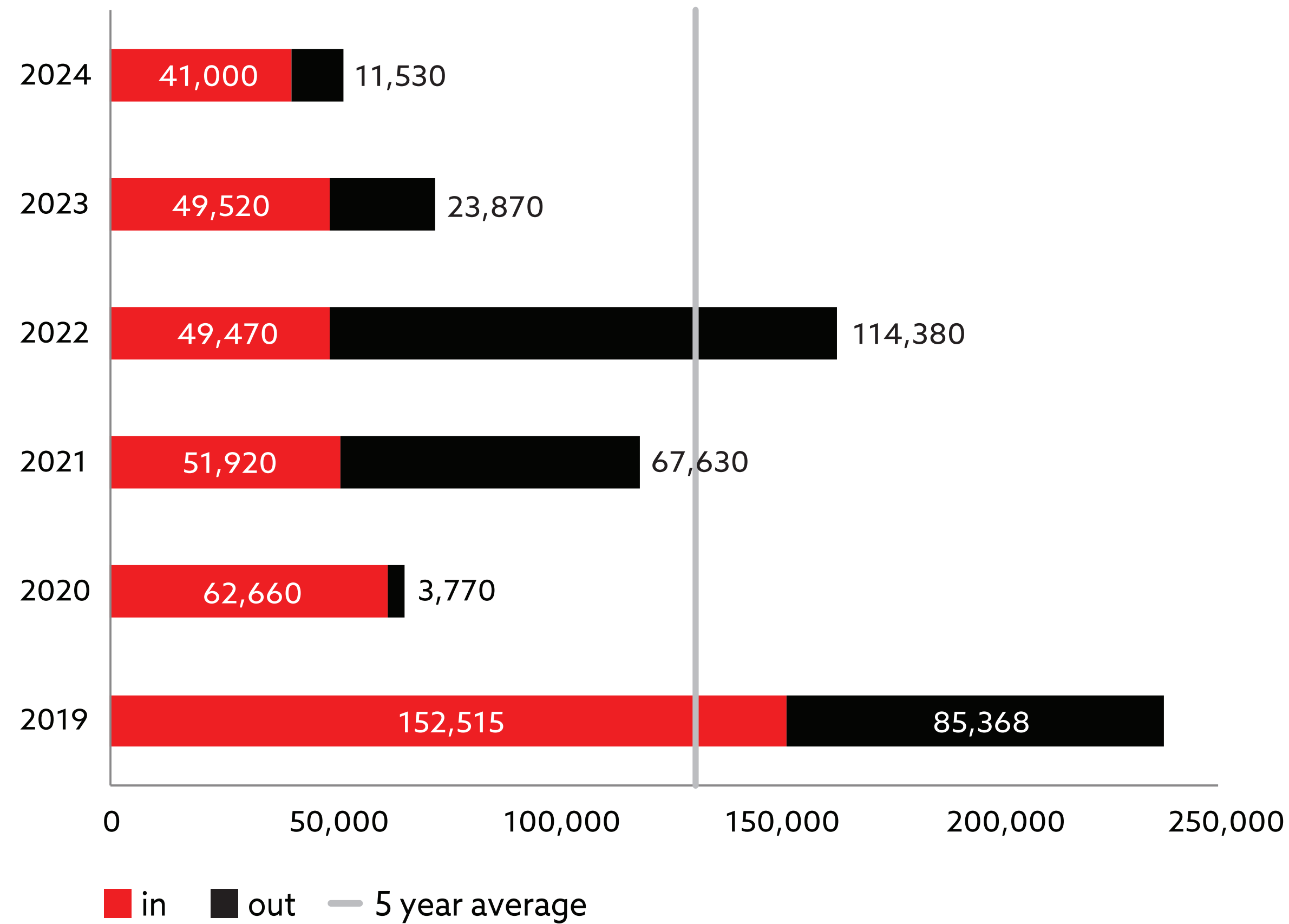
Blackwater Valley



- ▼ At the halfway mark take up in the Blackwater Valley is a sluggish, 35% of the five-year average of 141,000 sq ft and with a limited under offer pipeline it looks like it will be a quiet year.
- ▼ With the exception of the letting to DXC (29,205 sq ft) at 110 Pinehurst Square, Farnborough Business Park, the remainder of transactions this year have been sub 5,000 sq ft.
- ▼ Despite the smaller size of transactions, the trend seen elsewhere is overwhelmingly for Grade A stock, with 95% of take up on Grade A space.
- ▼ Prime rents continue to increase with rents of over £30 per sq ft now being achieved on the best space.
- ▼ Consolidation is the other trend being seen in the Blackwater Valley with DXC, taking just over 15% of the space they once occupied at the Royal Pavilion in Aldershot.
- ▼ Repositioning is the other trend being seen in the Blackwater Valley, and again Royal Pavilion is an example of this with proposals having been submitted to change the 200,000 sq ft of offices into a private healthcare, diagnostics, and well-being facility.

Basingstoke

Take up year to date Q2 2024



Basingstoke



- ▼ Take up at the half-year was 40% percent of the 5-year average which is an encouraging start to the year for Basingstoke which has traditionally seen more activity in the second half of the year. However, the 5 year average is increasingly influenced by the Covid and post covid years and is down 30% on the 20 year long term average.
- ▼ Under offers remain subdued and inquiry volumes are down, meaning the second half of the year could be more of a challenge.
- ▼ Most of the take up has been in the town centre. This is largely courtesy of the forward let at The Plant, which is under construction and has seen 41,000 sq ft let to the AA in Q1, comprising 78% of take up so far this year. The AA moved out of their 47 year old building in a downsizing and upgrade to their office space, this is similar to large scale corporate moves by the likes of Stanley Black & Decker for example in the Thames Valley and Unilever in South West London.
- ▼ Familiar to other markets in the Surrey, Hampshire and M3 region Basingstoke has suffered from a highly constrained development pipeline which, despite the remaining 98,000 ft² at the plant coming online later this year still leaves Grade A supply at under 4% and total supply at 8.75%
- ▼ The grade A supply is only a little over one years average take up.
- ▼ With town centre buildings, such as Winterthur House and Fanum House being lined up for residential redevelopment, and with pressure on out of town offices being redeveloped into industrial space such as V-Park at Viables and Chineham Point on Crockford Lane. It is likely the supply levels will reduce to critical levels in the next year or so.



Prime office rents in Thames Valley, Surrey and North Hampshire

Q2 2024



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