



**SOUTH EAST OFFICE SNAPSHOT
INVESTMENT & OCCUPIER MARKETS
Q3 2024**



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

2024 SOUTH EAST OFFICE INVESTMENT

INVESTMENT RATIONALE



Positive



Stable



Negative



PRIME YIELD DISCOUNT

150 bps discount

Q3 2024
7.25%

VS

LONG TERM
5.75%



PRIME RENTAL GROWTH

Multiple towns have seen 10%+
rental growth in 2024



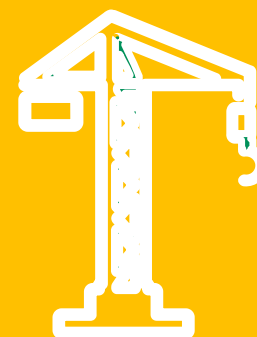
5 YEAR SONIA

OCT 2024
3.79%

VS

JUNE 2023
5.00%

BNP Paribas forecast base rate to fall to 3.50% by Q4 2025



BUILD COSTS

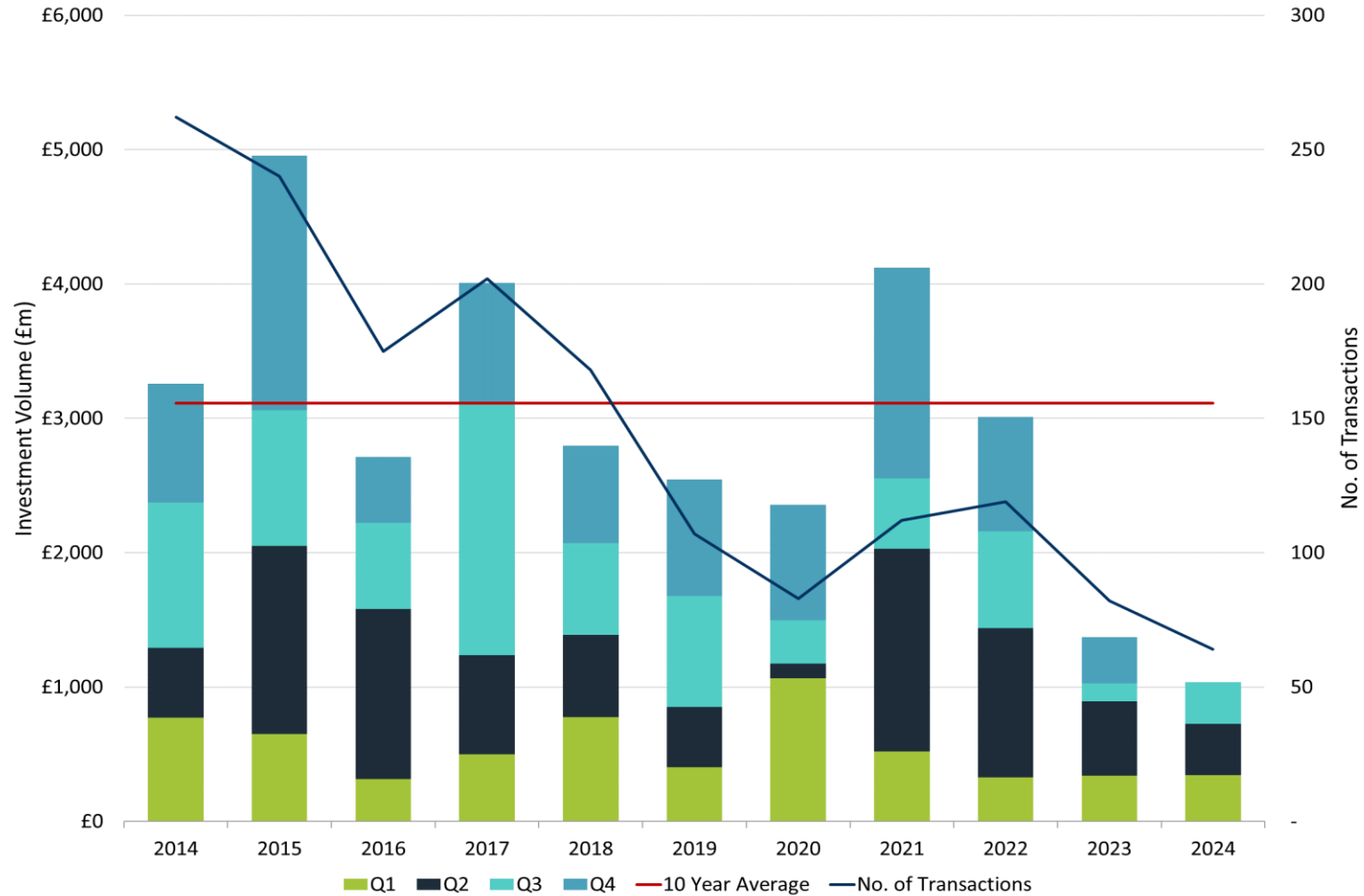
CONSTRUCTION
£330 PSF

INFLATION FORECAST
2%

SOURCE: BNP PARIBAS REAL ESTATE & CHATHAM FINANCIAL

SOUTH EAST OFFICE INVESTMENT VOLUME

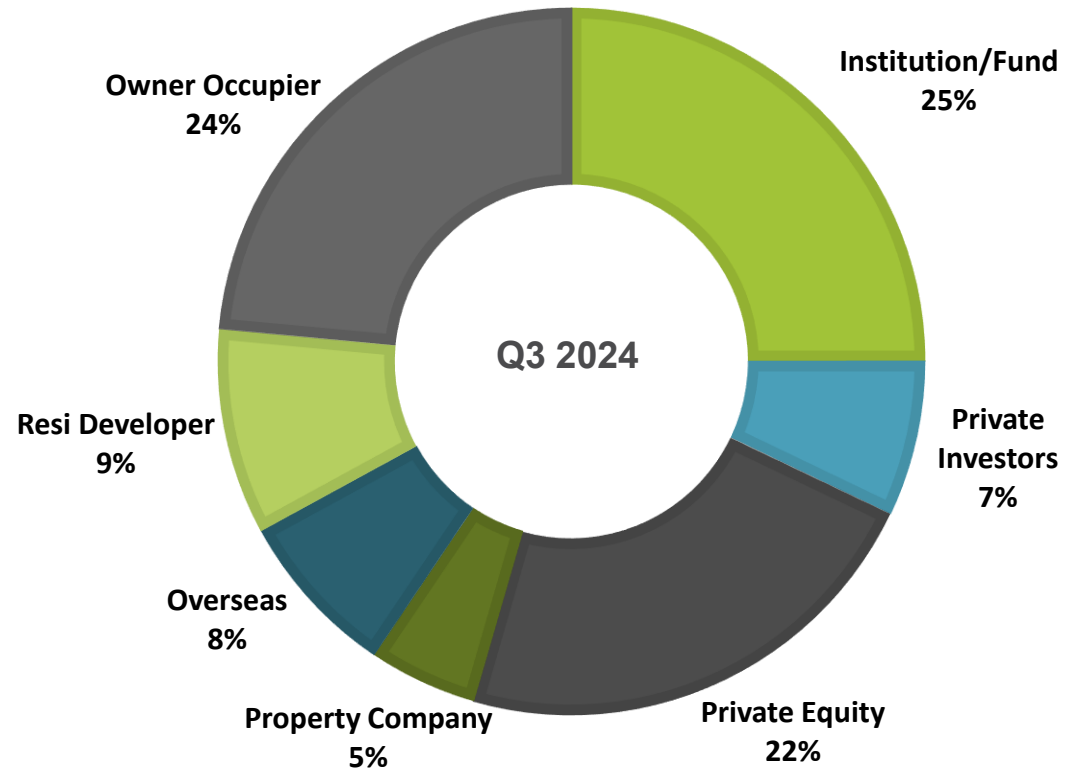
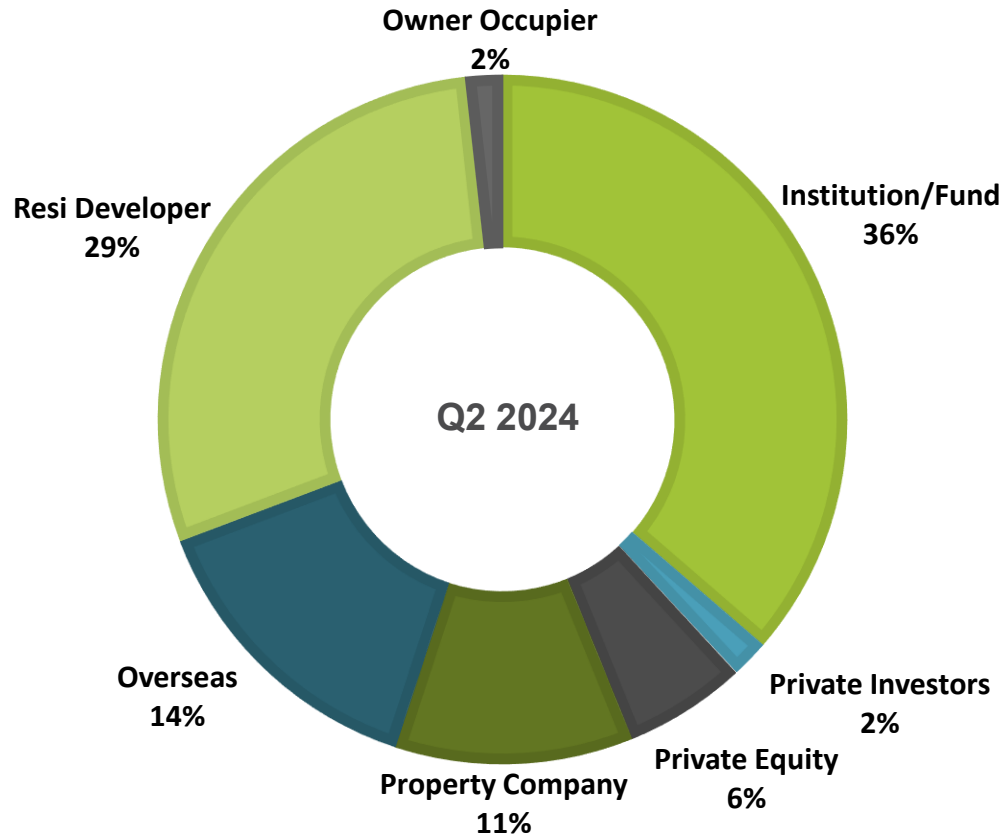
Q3 2024 VOLUME £311M - A 136% INCREASE AGAINST Q3 2023



SOURCE: BNP PARIBAS REAL ESTATE

BUYER ANALYSIS – Q2 2024 VS Q3 2024

INSTITUTIONAL AND PRIVATE EQUITY INVESTORS ACQUIRE CYCLICALLY DISCOUNTED INCOME AND CORE ASSETS. OWNER OCCUPIERS CONTINUE TO TAKE ADVANTAGE OF LOWER INTERNAL COST OF CAPITAL TO ACQUIRE THEIR OFFICES.



SOURCE: BNP PARIBAS REAL ESTATE

INVESTMENT TRANSACTIONS – Q3 2024

Owner Occupied



Jealott's Hill International, Berkshire

Size	325,671	Term certain	16
Price	£70,000,000	Purchaser	Syngenta
NIY	6.71%	Sale Date	September 2024
Price	£215		

Income



Kents Hill Business Park, Milton Keynes

Size	169,065	Term certain	17
Price	£23,740,000	Purchaser	Delta
NIY	7.75%	Sale Date	August 2024
Price	£140 psf		



QVC, Building 8, Chiswick

Size	126,188	Term certain	8.5
Price	£48,400,000	Purchaser	Hillcrest
NIY	8.81%	Sale Date	August 2024
Price	£384 psf		

Alternative use Redevelopment



Dell Headquarters, Brentford

Size	164,068	Term certain	VP
Price	£22,200,000	Purchaser	Signal Capital
NIY	VP	Sale Date	July 2024
Price	£135 psf		



Shire Hall, Shinfield Park, Reading

Size	366,000	Term certain	VP
Price	£20,500,000	Purchaser	Wrenbridge and Fiera
NIY	VP	Sale Date	August 2024
Price	£56 psf		

Core



Park Central, Oxford

Size	25,764	Term certain	*
Price	£19,000,000	Purchaser	CBRE CA
NIY	6.72%	Sale Date	September 2024
Price	£737 psf		

ANALYSIS & FORECAST

Buy of the Quarter

200 Brook Drive, Reading



ANALYSIS

- 13.49% NIY off re-gearred low rent of £13.50 psf
- Prime rents in Green Park are in the late £30s psf
- Single let to Regus with 7.5 years unexpired
- £93 psf capital value, significantly below replacement cost

WHY BUY OFFICES IN 2024?

- **Core** Significant discount to long term fair value
- **Long income** Attractive ungeared income return
- **Opportunistic** Substantial yield offering flexible business plan
- **Office repositioning** Discounted point in the cycle
- **Own Occupation** Discounted point in the cycle
- **Alternative use** Very low capital value per sq ft facilitating alternative uses

PREDICTION

- **Permitted Development** Residential developers continue to take advantage of changes to Class MA and low capital value per sq ft to remove not fit for purpose office stock
- **Core / Core Plus** French SCPI funds continue to take advantage of discounted yields
- **Debt** Banks beginning to consider new loans due to protection from lending at the bottom of the cycle

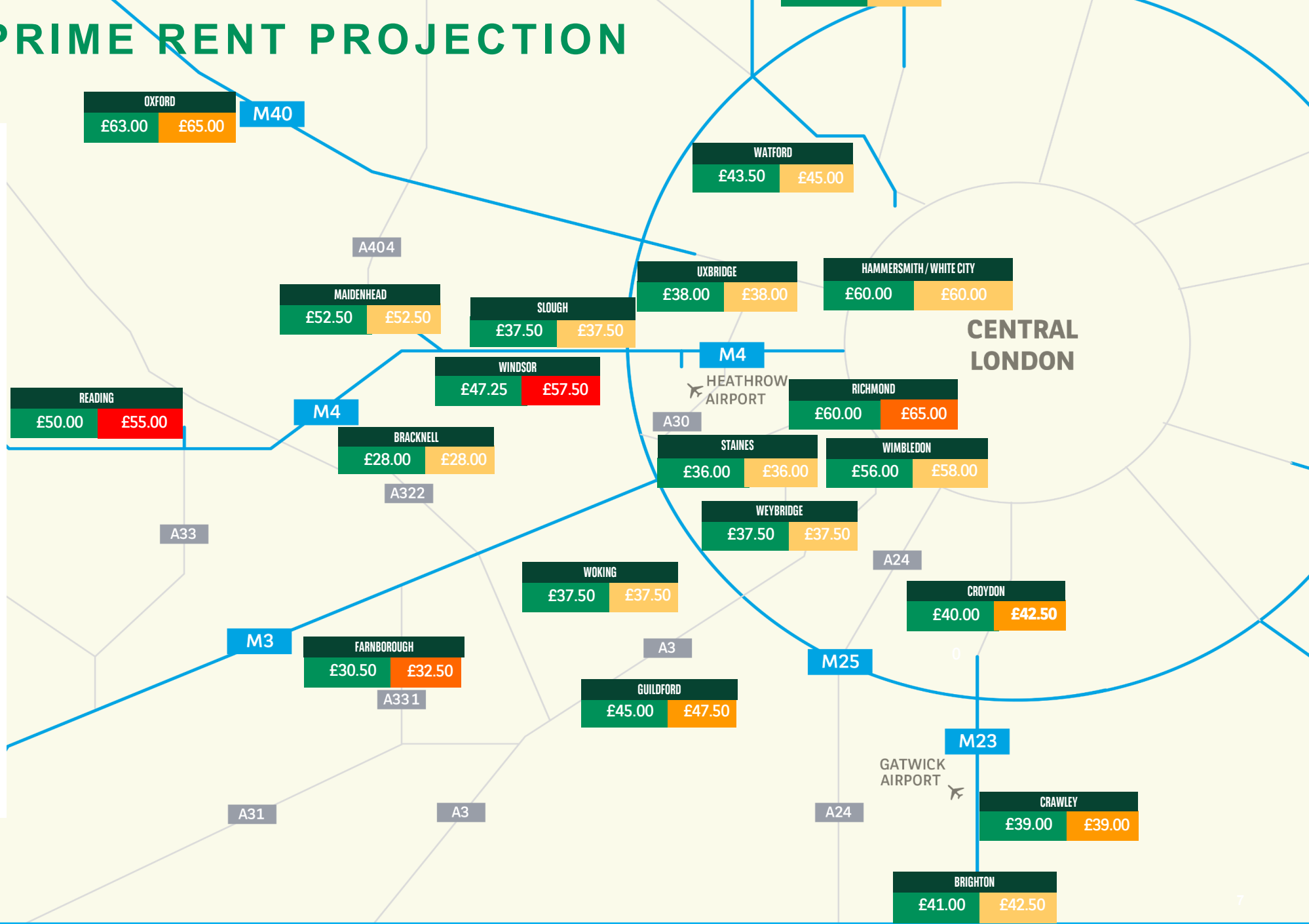
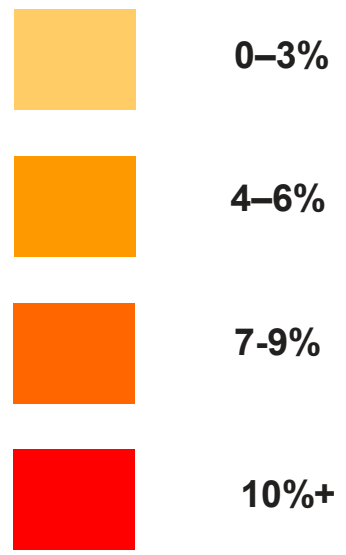
SOURCE: BNP PARIBAS REAL ESTATE

SOUTH EAST PRIME RENT PROJECTION

Current Headline Rent



Projected Headline Rent & percentage rental growth, to end 2024



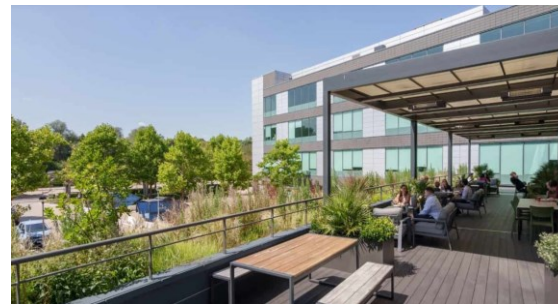
SELECTED KEY OCCUPIER DEALS – Q3 2024

Achieved record headline rent



500 Capability Green, Luton

Size	81,460	EPC	A target
Rent	£28.75 psf	Date	Q3 2024
Pre / post PC	Prelet	Tenant	TUI Travel



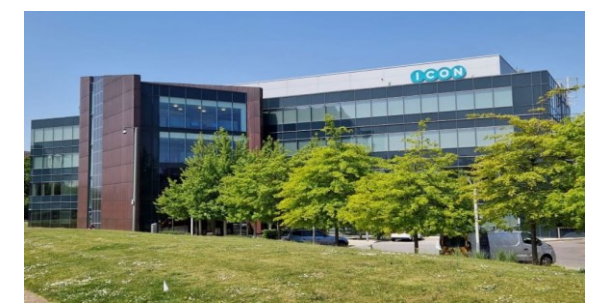
Campus, Reading

Size	24,042	EPC	B
Rent	£32.50 psf	Date	Q3 2024
Pre / post PC	Post	Tenant	CGI



Parklife, Putney

Size	37,000	EPC	A
Rent	£56.00 psf	Date	Q3 2024
Pre / post PC	Prelet	Tenant	Populous



500 South Oak Way, Green Park, Reading

Size	44,029	EPC	E
Rent	£Confidential	Date	Q3 2024
Pre / post PC	Post	Tenant	Wood



B5, ARC Uxbridge

Size	27,329	EPC	A
Rent	£36.00 psf	Date	Q3 2024
Pre / post PC	Post	Tenant	BYD



Media Works, White City

Size	47,650	EPC	B
Rent	£55.00	Date	Q3 2024
Pre / post PC	Post	Tenant	Imperial College



B7, Croxley Park, Watford

Size	50,105	EPC	A
Rent	£Confidential	Date	Q3 2024
Pre / post PC	Post	Tenant	The Doctors Laboratory



SPACE, Woking

Size	12,400	EPC	A
Rent	£37.50 psf	Date	Q3 2024
Pre / post PC	Post	Tenant	Kone Lifts

KEY PIPELINE UNDER DEVELOPMENT

BNPPRE instruction



Olympia, West London

Size	533,677	EPC	A
PC date	Q2 2025	Guide rent	NQ
Notes	12 floors of offices with extensive roof terraces		



Station Hill, Reading

Size	275,000	EPC	A
PC date	Q4 2024	Guide rent	£50s and upwards
Notes	40% let pre-PC to 3 tenants.		



3 Copper Square, Brent Cross

Size	230,000	EPC	A
PC date	Q1 2026	Guide rent	late £50s psf
Notes	100,000 sq ft prelet to Sheffield Hallam Uni		

Imminent record headline rent



247 The Broadway, Wimbledon

Size	31,000	EPC	A
PC date	Q4 2024	Guide rent	Late £50s
Notes	18,000 sq ft under offer at mid-50s rent		

BNPPRE instruction



28 Dingwall Road, Croydon

Size	42,000	EPC	A
PC date	Q4 2024	Guide rent	Early £40s
Notes	New floors and terraces added		



Edmolia Lewis Building, Hammersmith

Size	65,000	EPC	A
PC date	Q2 2025	Guide rent	Mid £50s
Notes	Development by Hammersmith & Fulham Council		

BNPPRE instruction



47 Clarendon Road, Watford

Size	38,305	EPC	A
PC date	Q4 2024	Guide rent	Early £40s
Notes	New floors and terraces added		



The Gosling, Richmond

Size	33,000	EPC	B
PC date	Q4 2024	Guide rent	Early £60s
Notes	Refurb of former dept store. Under offer		

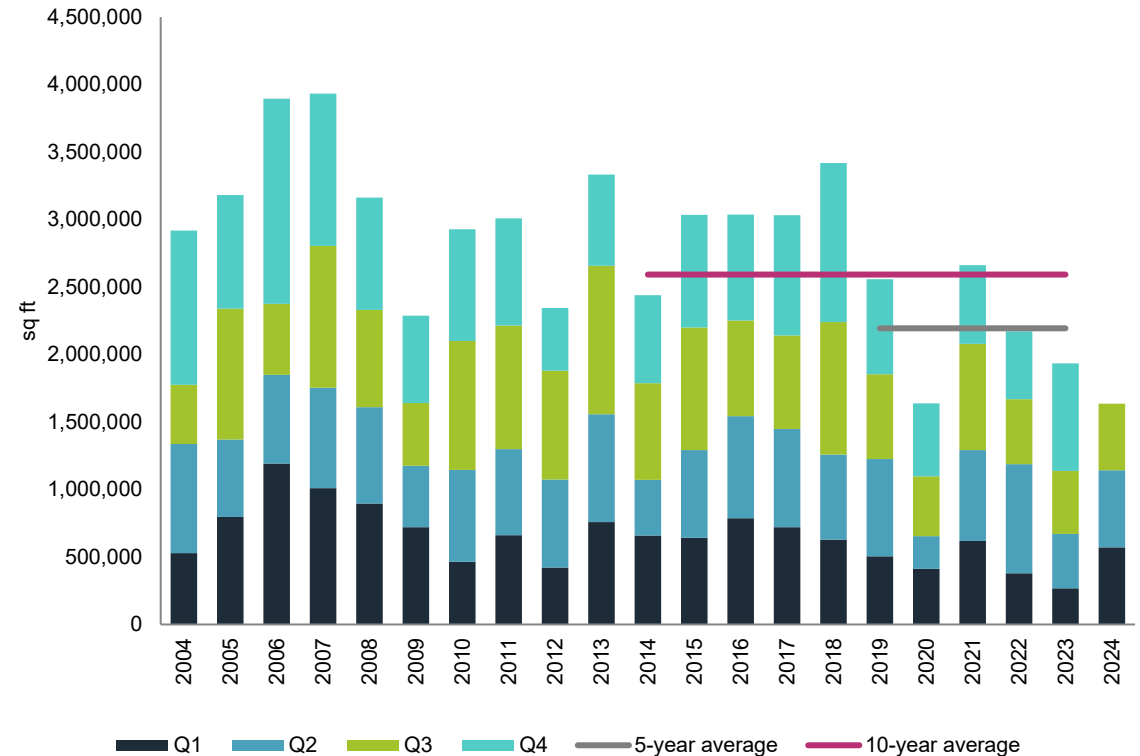
SOUTH EAST OFFICES

COMMENTARY OCTOBER 2024

BNPPRE Q3 2024 occupational market data demonstrates:

- Office take up in Q3 2024 totalled 494,000 sq ft, similar to Q1 and Q2, as the market stabilises through 2024, following a volatile 2023.
- The 2024 year end out-turn is on track to exceed the 5yr average of 2.20m sq ft.
- Business parks have dominated Q3 take-up, being 65.7% of the total by square footage - countering perception of limitations vs town centres on public transport, amenity and “buzz”.
- Following steady take up during 2024 and limited new, larger-scale requirements, with several larger searches going on hold, live occupier demand has dipped to 2.56m sq ft. Of this, circa 25% is under offer
- Few speculative starts (major refurbishments / new build) – vacancy rates still falling for best space, leading to ongoing rental growth on prime product.
- Fitted / “Cat A+” offerings popular (sub-7,000 sq ft): tenant cashflow, speed-to-occupation, remove project management hassle, scope for limited/fixed exit costs (dilaps).

Annual take-up by quarter



SOURCE: BNP PARIBAS REAL ESTATE

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