M25 & South East Market Report

Q4 2024

Investment, Development & Occupational Markets

knightfrank.com/research

Key takeaways

1

Leasing volumes in the South East in 2024 were the highest for five years.

2

New and Grade A space dominated the market activity, accounting for 80% of total take-up.

3

'Momentum markets' accounted for 70% of market activity in 2024.

4

Investment volumes in the final quarter were the highest for two years.

5

Annual investment increased by 25% year-on-year.

Executive Summary

TAKE-UP SHOWS A YEAR-ON-YEAR RISE

In Q4 2024, take-up reached 888,049 sq ft, a 2.6% increase from the third quarter. During Q4, 115 deals were completed, making it the busiest quarter of the year. Considered for all of 2024, 3.63m sq ft was transacted, representing a 4.9% increase from 2023 and the highest annual total since 2019. A total of 347 deals were completed in 2024, 31% above the 10-year average. Notably, 10 deals exceeding 50,000 sq ft were completed. This is the highest total for this size range since 2021.

COMPETITION FOR SPACE INTENSIFIES

The competition for the best quality office space intensified in 2024 as businesses continued to target modern and sustainable environments that meet evolving workforce needs. New and Grade A space dominated the market activity, accounting for 80% of the total take-up for the year. Notably, 18 deals were concluded while construction was still underway in 2024, the highest number in our records.

MOMENTUM WITH CORE MARKETS

The 'Momentum' South East Markets accounted for 70% of total activity in 2024, with 2.5m sq ft of take-up. In terms of take-up, Oxford led as the top-performing market, recording 572,500 sq ft, a 12% increase compared to 2023. Reading also saw robust growth, leasing 503,000 sq ft across 41 deals, a 13% rise from 2023 and 27% above the 10-year average. However, the most significant year-on-year increase was in West London, where take-up rose to 458,500 sq ft. This total is 11% above the 10-year annual average but, coming off a low base, marked a 159% year-on-year increase.

CONSTRUCTION REMAINS MUTED

Overall vacancy in the South East increased slightly in 2024, rising to 8.8% from 8.1% in Q4 2023. By year-end, 1.6m sq ft of pure speculative office space was under construction, with delivery timelines extending to the end of 2027. West London accounted for 44% of this space, while Cambridge accounted for 26%. Excluding these two markets, only 500,000 sq ft of pure speculative office space is under construction across the broader South East markets. In addition, a further 2.2m sq ft of office space with laboratory capabilities is scheduled for completion before 2028. This highlights the growing demand for specialised and flexible facilities.

INVESTMENT ACTIVITY IMPROVES IN THE FINAL QUARTER

Investment activity improved in Q4, with volumes increasing by 154% to £648m, marking the highest quarterly total in two years. A total of 28 deals were completed in Q4, the highest number since Q2 2022.

This meant that investment volumes for the year reached £1.64bn, representing a 25% rise from 2023 but still 39% below the 10-year annual average. Nonetheless, deal numbers did register improvement over the year, with 102 transactions completed in 2024, a 12% rise from the previous year and 6% above the 10-year average.

LARGER LOT SIZES REMAIN LIMITED

In 2024, there were three transactions exceeding £100m, an increase when compared to just one in 2023. The average deal size for the year rose to £16.1m, up from £14.4m in 2023, though it remained below the long-term average of £27.8m, reflecting a shift in market dynamics and lack of liquidity at the top end of the market.

LIFE SCIENCES AND REPURPOSING LEAD MARKET INTEREST

Of the South East markets, Cambridge registered the highest investment volumes in 2024, with £192m transacted across four deals during the year. The largest was Danaher's acquisition of the Cambridge Biomedical Campus for £125m in Q4 2025 from the Tesco Pension Fund; Danaher, which also acquired Abcam, is the current occupier. Q4 also featured the notable sale of Cody Technology Park in Farnborough, which Qinetiq sold to XLB for £112m. Meanwhile, Reading recorded the highest number of transactions, with six deals completed. The largest was the acquisition of the former Wood Plc offices at Shinfield Park by Fiera and Wenbridge in Q3 for £20.5m, with plans for repurposing the site for logistics use.

PRICING STABILISES FOR THE BEST QUALITY

Prime yields held steady at 7.00% throughout 2024, reflecting stability in the top end of the market. Even so, the average weighted Net Initial Yield (NIY) for the year stood at 8.9%, the highest since 2012 and reflective of the challenging market conditions for anything not considered Prime. Office pricing is expected to remain under pressure in the short term as debt costs, economic uncertainties, and evolving tenant demands influence investor sentiment.

Occupier market

Occupier activity remained robust in the final quarter, with deal numbers well ahead of the long term trend. The development pipeline remains concentrated, with speculative activity limited.

SOUTH EAST Q4 TAKE-UP

0.9m sq ft

▲ 3%

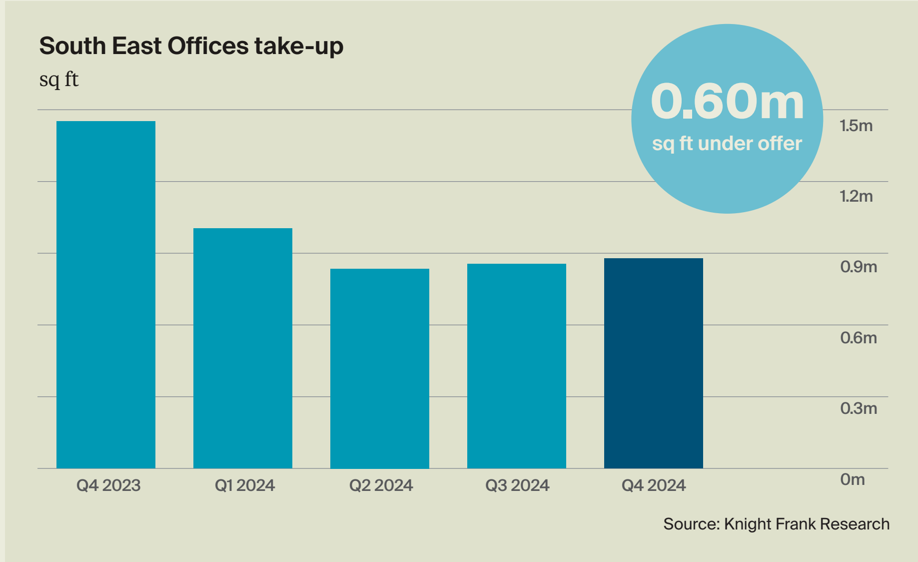
% difference compared to Q3 2024

Chiswick Park

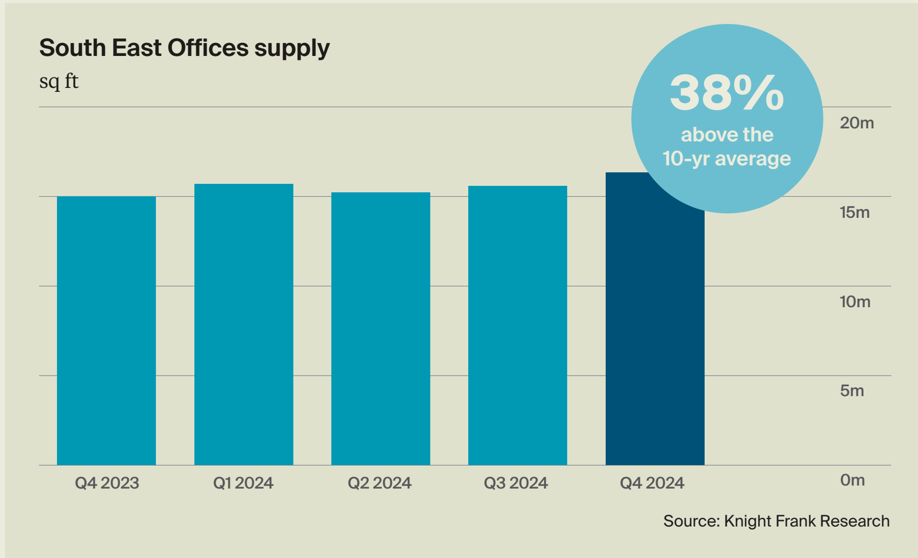
Take-up and supply Q4 2024

	TAKE-UP (SQ FT)	TAKE-UP (VS Q3 2024)	SUPPLY (SQ FT)	SUPPLY (VS Q3 2024)	VACANCY RATE
SE	888,049	▲ 3%	16.3m	▲ 5% New and Grade A space: 73%	8.8% New and Grade A space: 6.4%
M25	405,626	▲ 6%	10.7m	0% New and Grade A space: 69%	8.9% New and Grade A space: 6.2%
M3	98,844	▲ 111%	2.7m	0% New and Grade A space: 72%	6.8% New and Grade A space: 4.9%
M4	313,061	▲ 5%	7.1m	0% New and Grade A space: 80%	10.7% New and Grade A space: 8.5%

Source: Knight Frank Research



RODDY ABRAM
Best-in-class office space remains highly sought after, with supply not currently keeping pace with lease events. This imbalance is increasingly presenting a development opportunity.



JACK RILEY
Office-first work policies are gathering momentum for businesses of all sizes and translating into companies upgrading corporate accommodations.

Key Leasing transactions Q4 2024

ADDRESS	SIZE SQ FT	OCCUPIER	RENT £ PER SQ FT
The Iversen Building, Oxford	61,020	Novo Nordisk	N/A
Kingswood Fields, Tadworth	36,346	Total Energies	£27.50
Building 9, Chiswick	33,841	McDermott	£53.00
Hinshelwood Building, Oxford	31,580	Laing O'Rourke	N/A
The Gosling, Richmond	28,889	Lindt	£61.75

Source: Knight Frank Research.

Prime Rents

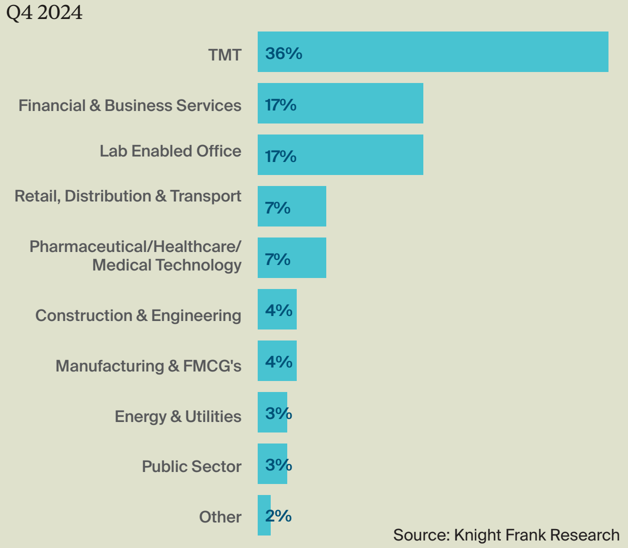
£ per sq ft

ACTIVE DEMAND: 5.86M SQ FT

Named demand in the South East

Active named demand by sector

Q4 2024



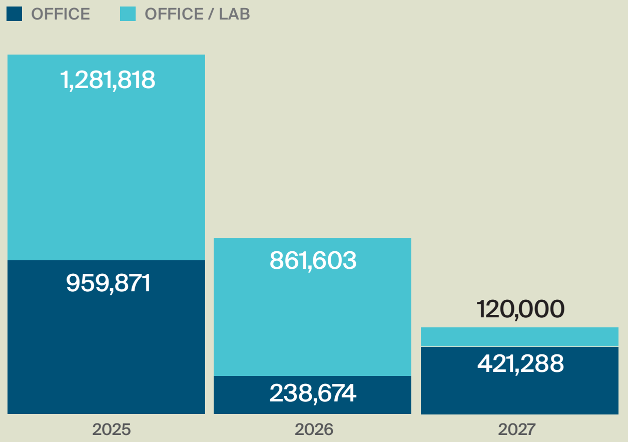
Source: Knight Frank Research

DEVELOPMENT: 3.9M SQ FT

Space under construction in the South East
0.7m sq ft already leased

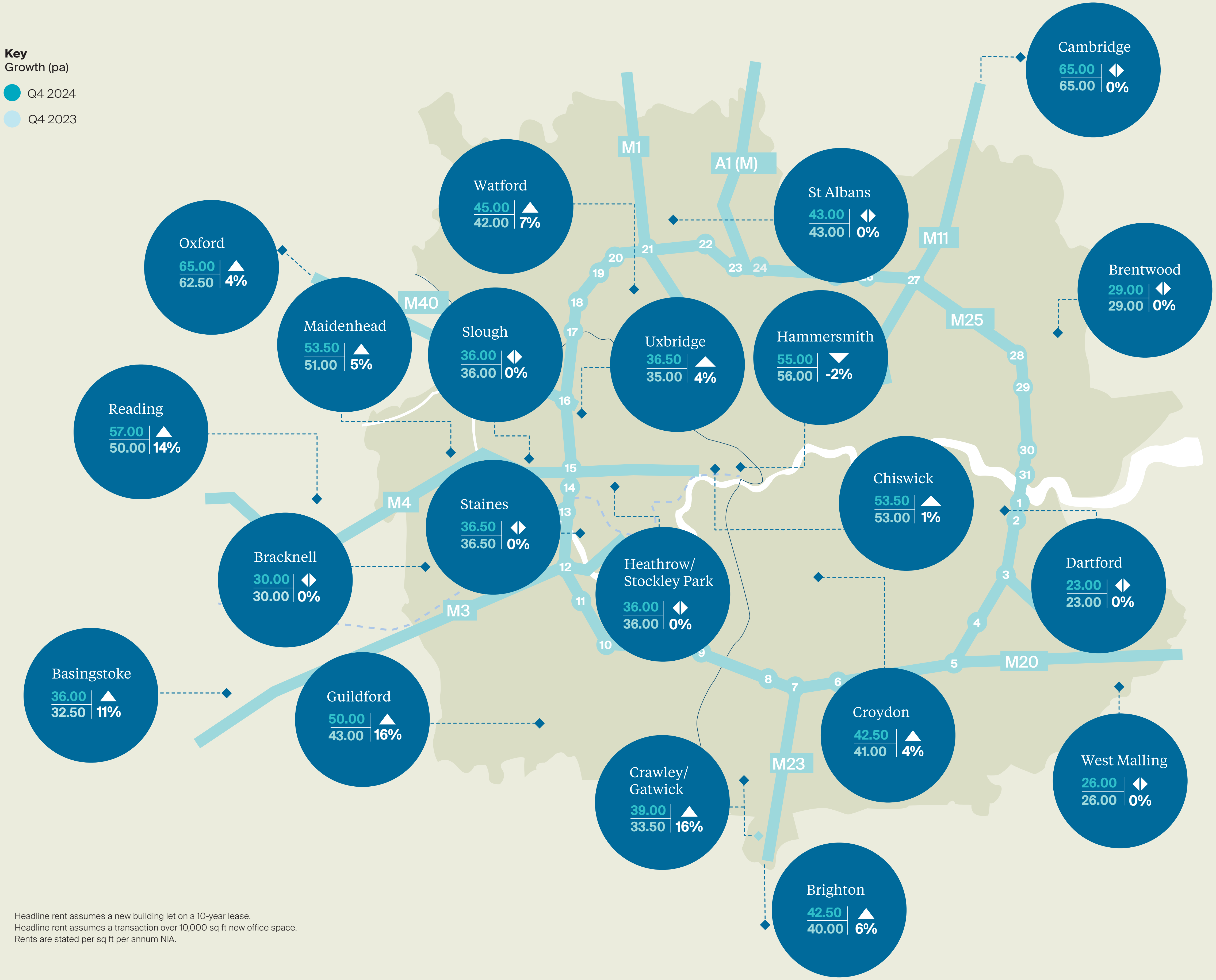
Speculative development

Sq ft due to complete before 2028



Source: Knight Frank Research

Key
Growth (pa)
Q4 2024
Q4 2023



Headline rent assumes a new building let on a 10-year lease.
Headline rent assumes a transaction over 10,000 sq ft new office space.
Rents are stated per sq ft per annum NIA.

Investment market

Despite investor sentiment remaining cautious, investment volumes for Q4 and year overall showed improvement. With pricing now stabilised, returning confidence is translating into action.

Kings Hill Business Park, Kent

£649m* South East transaction volumes

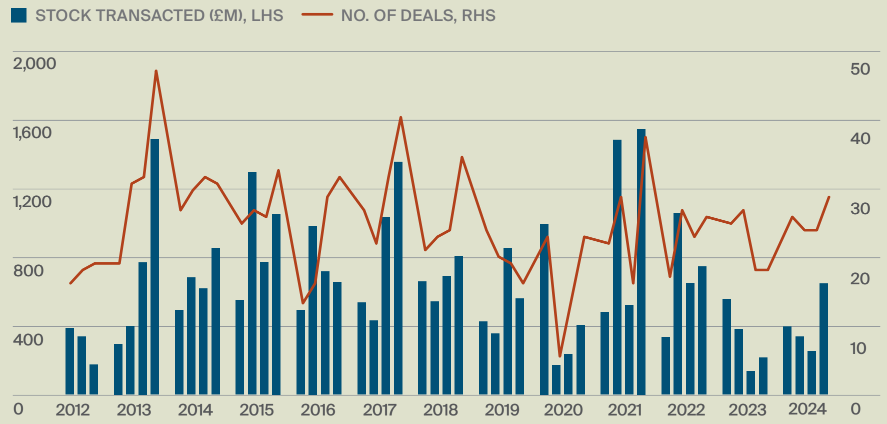
£22.38m Average lot size

7.00% Prime net initial yield

55% Buyers from the UK

* Includes occupier acquisition
Footnote: Headline statistics are representative of Q3 2024

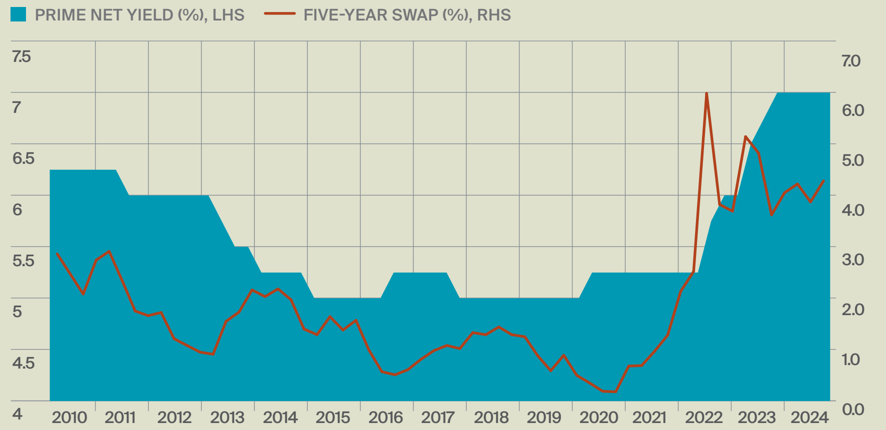
Investment volumes



Source: Knight Frank Research

SIMON RICKARDS
Private capital remains the most active buyer source in the current market, with dollar-based investor interest heightened given the currency advantage against a weaker pound.

Prime net initial yield and finance



Source: Knight Frank Research

HENRY WYLD
There is greater confidence around pricing for prime assets, with evidence of values now bottoming out for most stock.

Key transactions Q4 2024

ADDRESS	PRICE (£M)	NET INITIAL YIELD	VENDOR	PURCHASER
Cambridge Biomedical Campus, Cambridge	£125	4.60%	Tesco Pension Fund	Danaher
Cody Technology Park, Farnborough	£112	N/A	Qinetiq Limited	XLB Property Limited | Tristan Capital Partners LLP
Jealotts Hill, Bracknell	£70	7.00%	M&G	Mitsubishi UFJ Financial Group
980 Great West Road, Brentford	£69	N/A	GSK	Hadley Property Group Ltd

Source: Knight Frank Research. GIA

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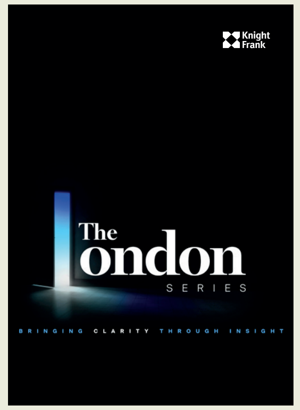

The London Report

Active Capital

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UK Gaming Report

UK Life Sciences

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TECHNICAL NOTE

- Knight Frank defines the M4 market as extending from Hammersmith, west to Newbury, incorporating Uxbridge and High Wycombe to the north and Staines and Bracknell to the south. Reading is also included.
- The M3 market incorporates the main South West London boroughs and encompasses Leatherhead, Guildford and Basingstoke extending north to the M4 boundary described above. Farnborough and Camberley are also included.
- The figures in this report relate to the availability of built, up-and-ready office/B1 accommodation within the M25 market. Vacant premises and leased space which is being actively marketed are included.
- All floorspace figures are given on a net internal area basis (as defined by the RICS).
- A minimum 10,000 sq ft (net) cut-off has been employed throughout. Major and minor refurbishment have been treated as new and second-hand respectively. Data is presented on a centre and quadrant basis. Classification by centre relates to the locational details contained within the marketing material for available properties. Classification in this manner is clearly somewhat arbitrary.
- Vacancy rate data is based on a total M25 stock measure of 121m sq ft (net), an M4 market stock of 66m sq ft (net) and an M3 market stock of 39m sq ft (net). Please note that a revision to total market office stock figures was applied in Q1 2017 to reflect 'change of use' permitted through the Town and Country Planning Order 2015.
- Second-hand floorspace has been sub-divided into A and B grade accommodation, reflecting high and low quality respectively. Whilst subjective, this categorisation is based on an assessment of each property's age, specification, location and overall attractiveness.
- The South East is defined as the market area shown in the map on pages 6/7. The market statistics quoted as 'South East' or 'South East Study Area' are inclusive of Cambridge, Oxford and Brighton.
- Pre-let = The letting of proposed schemes not yet under construction and those let during the construction process.
- All data presented is correct as at Dec 2024.

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