



Office snapshot

Western Corridor Q2 2020

Key takeaways

- The Western Corridor office market reflected the Covid-19 lockdown restrictions, with 134,400 sq ft of space leased.
- Take-up was dominated by the TMT and Life Sciences sectors, as they accounted for over 90% of space leased in Q2.
- Supply was largely unchanged over the quarter but is anticipated to rise in the second half of the year as more tenant released grey space comes back onto the market.

Top five leasing deals

Tenant/ Purchaser	Transaction type	Area (sq ft)	Address
Hewlett Packard	Pre-let	31,484	210 Winnersh Triangle Building 3
BMS Ltd	Lease	27,200	Uxbridge Business Park
Infor Ltd	Lease	25,000	Ascent 1, Farnborough
Qualcomm UK Ltd	Lease	19,000	Spectrum Point, Farnborough Building 1330,
Commvault	Lease	12,917	Arlington BP, Thaale

Demand



134,400 sq ft
Q2 take-up



Average deal size
19,202 sq ft



75,900 sq ft
Grade A take-up



Dominant sectors
66%
TMT

30%
Life Sciences



Largest deal
Hewlett Packard,
210 Winnersh
Triangle, Wokingham,
31,484 sq ft



7 Total number
of deals



6 Number of deals
above 10,000 sqft



Supply



81.9m sq ft
Total stock



8.1m sq ft
Currently available



5.3m sq ft
Total Grade A supply



9.9%
Vacancy rate



1.1m sq ft
Speculative
under construction

Prime rents



£37.18 per sq ft

Year-on-year rental growth



1.1%

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Market overview

Demand

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Take-up	134,400	↓	↑
Prime rent (£ psf)	£37.18	↑	↓

Historic take-up (sq ft)

Year	2017	2018	2019	2020 H1
Total	1.9m	2.7m	2.1m	598,700
No. of deals	126	125	104	36

Source: JLL, 2020

The office market slowed due to the Covid-19 lockdown restrictions in place, Western Corridor take-up reached 134,400 sq ft in Q2, with the H1 total standing at 598,700 sq ft. The largest transaction over the quarter was Hewlett Packard (HP) leasing before completion 31,500 sq ft at 210 Winnersh Triangle, Wokingham. Highlighting the current trend of business activity, the most active sectors across the Western Corridor were TMT (66%), followed by Life Sciences with 28% of take up by floorspace.

Average Western Corridor prime rents were largely unchanged at £37.18 per sq ft during Q2, with typical rent free periods currently at circa 27-36 month's rent free on a 10-year term*.

Supply

Summary statistics	Q2 2020	Change Y-o-Y	12-month outlook
Vacancy rate (%)	9.9%	→	↑
U/C spec	1,111,000	→	↓

Source: JLL, 2020

Overall supply was steady at 9.9% at end-Q2, with good quality space continuing to remain under pressure. Grade A vacancy was largely unchanged at 6.5%. However, supply is expected to increase over the second half of the year as tenant released grey space comes back to the market. This space, often quality fitted suites, is attractive to the market and will suit Hub & Club requirements.

There is 1.1m sq ft of space currently under construction on a speculative basis across the Western Corridor with most underway in the Thames Valley. The majority of schemes currently under construction in the Thames Valley are refurbishments as landlords look to quickly deliver more agile and better quality space to the market. Although with some construction activity pausing or undergoing delays due to Covid-19 restrictions, some completion dates for schemes already underway may be impacted by three to six months.

Investment

Investment market	Q2 2020	Change Y-o-Y	12-month outlook
Investment vol (£m)	£176m	↓	→
Prime yield (%)	4.75/5.00	→	→

Source: JLL, 2020



2020 total volumes
£957m



Primeyield
Q2

Following a strong start to 2020 with a total of £781m of office transactions along the Western Corridor, the investment market slowed significantly in Q2 as the repercussions of the Covid-19 lockdown hit the market. Despite this, £176m across five deals transacted in Q2. The largest transaction was Tristan Capital's purchase of Reading International Business Park for £120m, which had previously been placed under offer in Q4 2019. Owing to the strong first quarter, total investment volumes in the Western Corridor for H1 2020 totaled £957m which already exceeds the H1 2019 total of £464m as well as the £917m reached across the whole of 2019.

Prime yields were held across both the Thames Valley and West London remaining at 5.00% and 4.75% respectively*.

*The Covid-19 pandemic has created a material uncertainty in real estate investment market performance. Across Europe, there is considerable variation in the extent of the human tragedy implications unfolding and its impact on economic activity, including the trajectory, duration and extent of these impacts on all real estate sectors. Varying recent and ongoing policy responses across the region and mitigating implications will differ by market and sector.

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