BNP PARIBAS REAL ESTATE EXPOSES NORTH-SOUTH DIVIDE

IN SOUTH EAST OFFICE MARKET

- North M25 market accounted for just 7% of South East’s office transactions during H1

A distinct North-South divide in the South East’s office market in the first half of 2015 has been revealed by research from BNP Paribas Real Estate.

The leading property adviser’s South East Offices report illustrates that while take-up of 1.48m sq ft of the South East remained stable compared to the same period of 2014, the vast majority of this was in the Thames Valley or in the South M25 area with just 7% of transactions being recorded in the North M25 market.

Robert Taylor, Associate Director of Research at BNP Paribas Real Estates, said: “It’s been a difficult start to the year for the North M25 in terms of the low number of office deals. The sub-market area is suffering from the ongoing lack of Grade A space available in the area, and that has been translated into the take-up.

“This is in total contrast to the market in the Thames Valley and the southern half of the M25 where the developers and investors who took the plunge to speculatively develop in 2011 and 2012 have been rewarded for their belief in the market.

“In addition, 71% of the completed deals across the South East in H1 were for Grade A space, compared with only 58% for 2014, underlining the urgent need for Grade A space to the north of London.”

BNP Paribas Real Estate’s report confirmed that the Thames Valley led the market, accounting for 58% of the volume transacted. However the biggest deal in the first half of the year was in Crawley where Virgin Atlantic took just over 110,000 sq ft at The Leonardo Building from Abstract Securities for its new HQ.

The business park sector also performed well in H1 with occupiers continuing to take space, attracted by high car parking ratios and accessibility to the motorway network. BNP Paribas Real Estate’s report suggests that the much talked about ‘Death of the Business Park’ remains a fallacy.

In the investment market investors have been rewarded by an ongoing increase in rental levels. According to the research Q2 2015 saw new rental highs for the cycle recorded at Stockley Park and Maidenhead, with Leatherhead and Guildford set to break new ground later in the year.
Investor confidence is now driving values up in the vast majority of office locations while Permitted Development Rights have dramatically reduced supply in the historically oversupplied locations that were typified by vacant but moribund stock such as Croydon, Slough and Sutton.

“We anticipate seeing further pricing increases and lowering yields,” said Robert Taylor, adding: “Capital values per sq ft in the South East are still at a discount to the previous peak during 2007 and are yet to recover. Our research leads us to believe that values will continue to edge up through the remainder of the year.”

-end-

About BNP Paribas Real Estate
BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.
BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network that represents today more than 3,200 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas. For more information: www.realestate.bnpparibas.com

Real Estate for a changing world
Press contact:
Patrick Clift, Head of UK PR – Tel: +44 (0) 207 338 4062/ +44 (0) 7469 403 292 patrick.clift@bnpparibas.com