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PRESS RELEASE

RECORD RENTS AND RISING INVESTMENT VOLUMES ACROSS THE SOUTH EAST OFFICE MARKET CHALLENGE SLOWDOWN FEARS

Headline rents have been set in a number of the key office centres across the South East, despite expectations of a rental slowdown following June’s vote to leave the European Union, research from BNP Paribas Real Estate has found.

A number of South East locations have seen post-referendum record rents with Croydon, Watford, Staines, Chiswick and Guildford all setting new record rents. Rental growth for the Inner South East office market has reached a buoyant 3.5% for the year to end July, although showing a slight decrease from the 5.5% annual growth to end of April.

Year-on-year take-up volumes for the region reached 2.2m sq ft to the end of August, showing a solid year despite a fall of 6.5% on last year’s figures.

Simon Fitch, Director at BNP Paribas Real Estate said: “Rental growth remains a very prominent feature of the South East market. Despite concerns over the post-referendum landscape, occupiers continue to show that for the right product, they will pay ground-setting rents. What it also demonstrates is that for too long, much of the South East market has been under-rented. Occupiers want the best product to recruit and retain the best staff and will pay accordingly.

“If there is any concern, it is that much talked about supply shortages in many locations have and are being addressed which could go some way towards removing the supply dynamic which has driven rental growth. What also remains abundantly clear is that most occupiers still look to move very locally and the old adage of ‘standing on your rooftop and seeing your future tenants’ remains very true. We certainly need to see more outward migration from Central London occupiers particularly with the scale of some of the new developments.”

Investment volumes have also allayed negative speculation, with £1.67bn deployed year-to-date, an increase of 2% Y-O-Y. However, this is slightly skewed, with over half of the total investment volume derived from four big deals, the most notable being the £563m paid by
Singaporean investors Mapletree to Oxford Properties for the 190-acre Green Park in Reading.

While a slight slowdown is expected for the rest of the year, the South East remains an attractive prospect for both investors and occupiers due to the current supply and demand dynamic and its status as a strategic location for international businesses.

Hugh White, Head of National investment at BNP Paribas Real Estate said: “With bank financing remaining at historic lows and recent movements in Sterling, UK real estate continues to prove a very appealing asset class to overseas investors, who are attracted by the generous cash-on-cash returns that can be generated in an otherwise low income return environment.

“We anticipate overseas investors and UK Local Authorities, many of which are seeking alternative sources of income, to be major players on the buy side for the remainder of the year.”

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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 36 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 20 by its Alliance network, which represents more than 3,200 people).

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