The Future Works in Slough

The Portland Building in Brighton

Green shoots of recovery or another subdued year?

With multiple economic and political headwinds impacting the South East office market during 2023, Alex Bell explores what 2024 has in store

'Given the market changes seen in 2023, we expect 2024 to provide green shoots of recovery as property markets stabilise and investor confidence returns.' An important line in Colliers' South East Offices January 2024 Snapshot report.

With arguably more uncertainty ahead in 2024 – for example, the US and UK elections – will green shoots appear and, if so, when?

Let's make no bones about it, 2023 was tough going. Annual South East office investment transaction volumes – £1.5bn across 98 transactions – represented a 48 per cent decrease on the five-year annual average of £2.9bn and a 50 per cent decrease on the £3bn transacted in 2022.

Despite this, Q4 2023 take-up was the highest quarterly figure for five years surpassing 1 million sq ft.

Wood Group signing for 120,000 sq ft at 400 Longwater Avenue in Reading's Green Park was a key 'green shoot' factor.

Stepping away from investment and into key cities and towns across the South East, we explore what trends and disruptions are emerging in the workspaces of today – and the workspaces of tomorrow.

Brighton

Seaside town Brighton has cemented itself as a technology, media and telecom (TMT) hub, and it's a place that can land big deals.

Take the £120m Edward Street Quarter, led by Socius and Patron Capital, that can't stop winning awards – including Commercial Development of the Year at the Insider South East Property Awards.

Working with commercial lettings agents, SHW and Cushman & Wakefield, Brighton's coolest new neighbourhood has signed office leasing deals with Octopus Energy, NatWest Group and Knights.

Will sustainable grade-A office block The Portland Building – revitalising a North Laine site vacant for more than 20 years – follow suit? Ready for occupation in Q1 this year, The Portland Building will bring 30,000 sq ft of high-quality EPC A-rated space to market. Photovoltaic (PV) panels, a green roof and two green walls, encouraging biodiversity and wellbeing, are just some of the features.

Ben MacPhee, development manager at MRP, says: "One area that we are continuing to see businesses prioritising is wellbeing and sustainability in their workspaces.

"There is a thriving demand for grade-A office developments that prioritise wellbeing and user experience, which also incorporate exemplary sustainability and technological features that satisfy the ESG [environmental, social and governance] goals and commitments of businesses in the city."

MacPhee adds: "The Portland Building is a great example of this, with one floor pre-let and another under offer before completion, partly supported by its central location in the heart of Brighton just a short walk from the rail station. This best-in-class office development will be a hub for sustainable and innovative businesses helping to support and grow the city's economy.

"The all-electric, operationally net-zero carbon scheme will achieve an EPC A rating, BREEAM Excellent and a WiredScore Gold standard, presenting a real opportunity for occupiers to secure first-class workspace that helps them meet sustainability goals."

Slough

Twenty miles west of central London, Slough borough covers 12 and a half square miles, and, according to the Centre for Cities, is home to the largest trading estate in Europe – 600 businesses employing 20,000 people.

The Future Works building, moments from Slough station and the Elizabeth Line, is a feather in Slough's cap. With 100,000 sq ft of grade-A office, it is at the cutting edge of workspace. Global tech protection and support specialist Likewize and Tesco Mobile are the latest companies to agree leasing deals, taking 14,797 sq ft on the third floor and 7,004 sq ft on the second floor respectively. These follow last year's Plus X Innovation coworking hub deal.

The building's amenities include a 3,100 sq ft communal roof terrace with views of Windsor Castle, all-day café Lucy's Kitchen and secure basement parking with electric car charging spaces. Facilities for cyclists and runners include bicycle parking, luxurious changing rooms with towel service, a drying room and a smart vending machine.

The Future Works is also Wired Certified Platinum for its high-speed wifi connectivity and digital infrastructure. A tailor-made app connects occupiers to the building's systems and community, and promotes sustainability and wellness. Features include contactless access via smartphone, energy monitoring and occupancy sensors, with digital screen displays helping occupiers understand and reduce their energy usage.

Tom Smithers, property director at AshbyCapital, says: "The Future Works offers the best in class office building. We have excellent environmental credentials and it is operated efficiently, with workers able to access The Future Works app and have the best technology at their fingertips.

"The more you can get in to office buildings, the more attractive they are. You are able to attract tenants and retain them."

Andy Morris, executive vice president of Likewize Europe, says: "We're moving into this high-quality new office space so that we can be closer to our valued clients in the technology and financial services sectors, while offering our colleagues an exceptional working environment.

"We were also drawn to the building's strong environmental credentials, which are aligned to our own sustainability goals."

Smithers says AshbyCapital is looking to create more buildings in the future and says of the office market of the future: "I think there'll be even more focus on the amenities within buildings going forward.

"Tenants now are asking a lot more questions about what the building is putting back into society and what social value it has.

"The next few years are going to be really interesting. In tomorrow's market, people are going to have to wait due to a lack of availability of stock. What that should do however is set the scene for the next wave of development in years to come hopefully."

DEVELOPMENT PIPELINE

Property	Building status	Total available space (sq ft)	Year built	Developer/owner
One Station Hill, Reading	Under Construction	270,163	2024	Stanhope plc, MGT Investment Management
Phase 2, Rookery Avenue, Solent Business Park	Proposed	250,000	2024	ARC
500-600 Longwater Avenue, Green Park, Reading	Proposed	240,000	2026	Mapletree Investments Ltd
One Chobham Road, Woking	Proposed	150,000	2026	Acklam Group
700 South Oak Way, Green Park, Reading	Proposed	105,000	2024	Mapletree Investments Ltd
800 South Oak Way, Green Park, Reading	Proposed	105,000	2024	Mapletree Investments Ltd
Kings Chase, Maidenhead	Proposed	88,100	2024	Aberdeen Standard Investments
Building 3, Chatham Waters, Kent	Proposed	80,000	2024	The Peel Group
Glasshouse, Basing View, Basingstoke	Proposed	51,022	2025	Basingstoke & Deane Borough Council
Highway House, Maidenhead	Proposed	44,978	2024	Campmoss Property Company, The Cardiff Property PLC

Source: CoStar

Emma Lockey, CBRE

Southampton

The predicted drivers of the Southampton office market in 2024 are high-quality refurbishment to existing sites coupled with the best sustainability credentials.

In its UK Real Estate Market Outlook 2024, CBRE revealed grade-A rent rates jumped to £29 per sq ft at the end of 2023 from a previous high of £25.50 per sq ft.

Emma Lockey, director at CBRE, says rents are continuing to rise on the south coast city due to lack of availability: "The Southampton market and much of the south coast, apart from Brighton, hasn't seen any new office development. There's definitely a focus on the best-quality refurbishments that are coming to the market.

"Really, it all comes down to ESG credentials and making an office that people want to come back to, as there's still a push on to get people back in. Where people were perhaps looking at downsizing by up to 50 per cent, I would say the downsize is reducing across the board to around 75 per cent.

"And there's definitely a trend across our corporate clients in that they want to see people back in the office more regularly."

CBRE has predicted signs of an economic recovery in the second half of 2024 with a stronger rebound forecast for 2025 as debt burdens ease on businesses and households. A period of price discovery is also expected, with the industry set to improve its understanding of the cost of sustainability capital expenditures and how sustainable properties perform relative to less sustainable assets.

Lockey says: "There's a shortage of good quality grade-A space in Southampton, Bournemouth, right across the market really, and it is going to get tighter.

"I don't think the office will ever return to what it was before, though. Companies that do see themselves moving in the next couple of years probably need to think about it sooner rather than later because the level of choice is going to continue to diminish.

"Some companies that perhaps jumped quite early and downsized significantly, may in the next 18 months to two years decide they need slightly more space than what they've got, but that's yet to be seen." ■