

## **United Kingdom Office Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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### **Report description:**

The Office Real Estate Market in the United Kingdom is expected to grow at a CAGR of more than 6% during the forecast period (2022-2027).

Improving economic data over the past few months, followed by the reopening of the economy, has helped lift the mood in the office real estate sector. Leasing momentum is back as most offices are safely implementing Return-to-Work. Inquiries have picked up around city centers and so has the leasing activity. The IT, ITeS sectors are among the prime drivers of overall leasing activity in the top cities, and bulk hiring by these firms will influence demand for large quality office spaces.

COVID-19 has mixed impact on the Office Real Estate market in the United Kingdom including its services. Real estate has been badly hit by the COVID-19 pandemic with a sharp decline in values across all markets and sectors. The office Real Estate take-up was below normal due to flexibility given to employees (Work from Home) by the companies. The lockdown measures have forced millions of people to work from home and on the other hand, the short-term nature of contracts has left offices with very low occupancy across the United Kingdom.

Confidence in the United Kingdom office property market had already been knocked by the uncertainty surrounding Brexit. Although Brexit has been sharply put into perspective, leaving the European Union has not helped the United Kingdom to address severe labor and material shortages as well as crippling supply chain issues. Occupiers, for instance, are increasingly renewing their office spaces since the pandemic started. Occupiers are looking to be in new-generation offices with modern amenities with a focus on health and wellness.

UK Office Real Estate Market Trends

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## Declining Vacancy Rates and Increasing Rents of Office Spaces in London

There was a resurgence in demand in the Greater London & South East office market in 2021, after the weaker take-up recorded in 2020 as a consequence of lockdowns. Take-up reached 3.5 million sq ft, which reflected a 46% and 12% increase in the take-up recorded in 2020 and 2019, respectively. The transactional activity was only 2% below the pre-COVID-19, illustrating the healthy levels of occupier activity in the market. The Western Sector was the most active geographical region, accounting for 45% of total take-up recorded in 2021.

The market received a confidence boost, with several large corporations committing their long-term future to the region. This included Unilever, ITV, and Intercontinental Hotels Group, which all leased over 50,000 sq ft in 2021. There were ten deals recorded over 50,000 sq ft, which was the highest total since 2018 and the second highest quantum in the last five years. Notable transactions in Q4 2021 included Skanska leasing 67,000 sq ft at Leavesden Park, Watford.

## Decrease in office real estate investment volume in the United Kingdom

Office real estate has traditionally accounted for the lion's share of the commercial property investment market in the United Kingdom, but since the start of the coronavirus (COVID-19) pandemic, investors' interest has been switching towards industrial real estate. With the eCommerce sector growing and supply chain management becoming more important than ever, so has the industrial and logistic sector. This increase in importance is also reflected in the occupiers market, with the annual take-up exceeding the ten-year average for three years in a row.

Commercial real estate investment volumes in the United Kingdom have been fluctuating in recent years. In the second quarter of 2020, investment activity slowed down dramatically because of the coronavirus (COVID-19) crisis, affecting all three major sectors: office, industrial, and retail. 2020 ended with a strong fourth quarter, indicating early signs of recovery, but fell again in the first three months of 2021. Office, which has traditionally been the most attractive sector for investors saw GBP 2.12 billion in real estate investments, more than one billion less than industrial.

## UK Office Real Estate Market Competitor Analysis

United Kingdom Office Real Estate Market is fragmented due to a low level of market share concentration. The industry is highly competitive. The United Kingdom's office real estate market is extremely attractive to investors both at the domestic and international levels. Companies are leveraging on strategic collaborative initiatives to increase their market share and profitability.

### Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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