

# U-turn on London office subletting

- » Savills says trend has peaked
- » Occupiers take space off market

Emma Shone

The flood of new tenant-controlled office space coming on to the central London market is slowing down as tenants start to U-turn on “knee-jerk” decisions made during the pandemic to sublet space.

New research from Savills, shared exclusively with *Property Week*, shows that 238,135 sq ft of new tenant-controlled space hit the London market between March and May, compared with 601,712 sq ft in the three previous months.

May also saw the largest monthly decline in the total amount of tenant-controlled space on the market since March 2020,

according to the data, falling 7% to 5.88m sq ft, although this figure was still 45% higher than the long-term average.

Despite 290,000 sq ft of tenant-controlled space coming to market from JLT at the St Botolph Building in Aldgate in June, Savills said the overall amount of space up for grabs was likely to remain lower than the 6.4m sq ft peak seen in February. The fall was a result of tenants withdrawing space from the market, it added.

“There was definitely a knee-jerk reaction, because Covid was a completely new situation that we’ve never been in before,” Victoria Bajela, associate director, commercial research at Savills, told *Property Week*. “They were thinking: ‘If we’re not going to be in the office, then why not try and offload that space?’”

Occupiers taking space off the market

include New Look, which withdrew 60,989 sq ft at 45 Mortimer Street, and Westminster Council, which withdrew 56,526 sq ft at 64 Victoria Street.

“A lot of tenants are now thinking: ‘Actually, we’re going to hold on to that space and rethink our strategy,’” Bajela continued. “I didn’t expect to see it so soon - I thought we would see a bit later on this year.”

Bajela added she expected “mixed signals” in the sublet market in the coming months as occupiers grapple with their future office requirements.

“September is going to be crucial to see how things play out,” she said. “It’s really hard to say what the dynamic will be, but my gut feeling is that space will reduce. At first, the thought was ‘we don’t need the office, as everyone’s working from home’, but as the year progressed that wore off.”

## The new space race

» After years of densification, the era of lower density offices dawns  
See p30



# Markets



## Thames Valley

# Business parks up their game

V7's Here + Now office scheme will offer range of amenities to attract top talent. **Rob Brown** reports



Building blocks: V7 Asset Management's redevelopment project Here + Now comprises 145,000 sq ft of workspace at Thames Valley Park

You might think San Francisco and Reading have little in common. One has blue skies, giant redwoods and bronzed surfers; the other has the UK's longest railway viaduct and a jail with a dubious history.

Well, think again. One East Reading business park is transforming into the kind of green, amenities-rich, campus-style workplace that Silicon Valley is famed for. Thames Valley Park is already home to some of America's biggest tech giants, including Oracle, Hewlett

Packard and Microsoft. Now, it wants to attract more tenants of this ilk.

"It's never been more important as an employer to bring people to quality locations with lots of amenities and better designs," says Chris Hunt, co-founder and director at V7 Asset Management.

Hunt's company is the development manager of Here + Now, the bold new redevelopment of two buildings comprising 145,000 sq ft of workspace at Thames Valley

Park. So what are the chances of the project luring more tech titans to the park?

BauMont Real Estate Capital acquired the two buildings from Microsoft in the middle of last year at the height of the pandemic and teamed up with V7 to create the kind of workspace that the current generation of tenants really wants, according to Natalie Harrison, director, head of investments - UK at BauMont.

"While the emphasis on sustainability continues, the

pandemic has fast-tracked emerging trends in the office sector with occupiers intensifying their focus on employee health and wellbeing in order to attract and retain talent," says Harrison.

"The BauMont team has a long-standing experience of investing in out-of-town business parks and believes that the highest-quality buildings in out-of-town locations are capable of being repositioned to offer amenity-rich, sustainable environments, which will prove »

« particularly appealing in the new and future environment.”

One of the key things occupiers are looking for at the moment are well-located, high-quality buildings. Hunt says the flight to quality was happening before Covid and the pandemic has accelerated the push.

“If you are a massive plc occupying three or four buildings across the Thames Valley area that are all substandard, how on earth do you expect to get your staff back to work after so long working at home?”

The answer, says Hunt, is by offering your talent more than even the swishest, most cutting-edge workspaces of central London - or the previous generation of drab out-of-town business parks - can provide.

Business parks need to offer everything city centre sites cannot - clean and green with wide open spaces.

### Natural habitat

“Forward-thinking business parks in the region are undergoing a renaissance, creating a natural habitat that enables talent to thrive,” says Shiraz Jiwa, chief executive of Valesco Group, owner of Microsoft’s UK HQ at Thames Valley Park, which is next door to V7’s Here + Now development.

“Campus-style layouts with multiple occupiers encourage the cross-fertilisation of ideas. This is exactly the kind of collaboration that businesses have missed out on over the past 16 months,” he says.

“This is one of the main reasons that many [occupiers] are gravitating towards best-in-class business parks in the Thames Valley and South East. Their vibrancy and cohesion make them a holistic option that’s worlds apart from isolated floors in individual buildings.”

This is central to the philosophies that underpin Here + Now and the Microsoft HQ, which is undergoing a redevelopment similar to the



Prize place: the Here + Now scheme is on course to win the BREEM ‘Outstanding’ standard for sustainability

Here + Now project. Both are about helping the people who work there strike a better work/life balance.

“We have initiated a large-scale repositioning and rebranding of Thames Valley Park and will be looking to make it one of the premier technology parks in Europe,” says Jiwa.

“This will involve opening up the public realm, including the nearby nature trails and riverfront, revolutionising both the offline and online occupier experience, creating a landscaped amphitheatre, a summer cinema, as well as a luxury food and beverage offering that is anchored by a barge moored on the water meadow.”

Here + Now will include two cafés, an outdoor cinema and outdoor working area, as well as a large area of landscaped space including lakes, rivers, wildflower-rich meadows and

running trails. At the centre of the development will be a large indoor and outdoor gym. “People have said to me that the only other places you’ll find a gym outside is Muscle Beach in LA or prison,” jokes Hunt.

“We think amenities like this are much more important than the office space itself. If you are happy at work and have a lovely experience while you’re there, you are likely to be more productive for your employer.”

There is certainly plenty to distract workers at the park from

the pressures of the job. “Here + Now has got 1,000 acres, the River Thames and some beautiful places to go for a walk or a run along the towpaths or just sit and read,” says Hunt.

“In your lunchbreaks, you can speak to our lifestyle manager and get kettlebells, yoga mats or wetsuits and pump up a couple of paddleboards and go paddle boarding along the Thames.”

This all sounds decidedly Californian. As does the outdoor workspace. “Yes, we’ve got office space, but we’ve also got an outdoor working area,” says Hunt. “It’s flooded with very quick wifi so that you can go outside and work just as efficiently as you could if you were inside at your desk.”

Being able to work in the fresh air has become more attractive since Covid, as have offices with sensor-controlled doors and toilet flushes to reduce touchpoints and opportunities



Chris Hunt  
V7

“If you are happy at work, you are likely to be more productive”



Fresh air: Here + Now will feature an outdoor working area

for germs to spread. Prior to Covid, V7's schemes were Reset-accredited, meaning indoor air quality is maintained and monitored by a network of sensors that occupiers can access via an app. Since its arrival, good air quality has become a prerequisite for many.

"There has been a huge swing in what people are focusing on," says Hunt. "Before, it was all urban, urban, urban. Investors wanted buildings next to train stations and they didn't really care if you could open a window and get some fresh air or go for a walk in nature during your lunchbreak.

"There's been a massive uptick in enquiries about Here + Now because it's in the countryside and offers so much more than those urban sites."

This is reflected in the rents tenants are prepared to pay for out-of-town developments in the Thames Valley area. Rates

are approaching £40/sq m, close to what quality office space in central Reading can command.

To justify such prices, developments like Here + Now, which is offering leases of a year, need to be able to demonstrate their sustainability to would-be tenants.

"The trend towards some degree of decentralisation out of our city centres has been accelerated by the pandemic," says Nick Gaskell, partner and workplace sector lead at Here + Now's architect Hawkins\Brown.



Nick Gaskell  
Hawkins\Brown

**“ Out-of-town business parks are long overdue a re-evaluation**

"One of the consequences has been a re-evaluation of out-of-town business parks," says Gaskell. "In recent years, these have been much-maligned as outdated, unsustainable and car-dependent. However, they offer enormous opportunities. They're long overdue a re-evaluation, driven by sustainable and worker-focused design principles."

**Sustainable buzz**

As part of an initiative to position Thames Valley Park as a sustainable and attractive place to work, the park's private shuttle bus to central Reading is being converted to electrical power. The Here + Now redevelopment includes the installation of multiple electric vehicle charge points.

All timber used in the buildings is FSC-certified, the fabric in the atrium is made from recycled plastic bottles and

all carpets in the buildings are carbon neutral.

Rooftop beehives will contribute to the site's biodiversity and the development will be net zero for both operational and embedded carbon with emissions offset by tree planting.

Such efforts have put Here + Now on course to win the BREEAM 'Outstanding' standard for sustainability and has helped it achieve the three-star Fitwel certification, the highest rating for emphasis on health and wellness in building design, development and operation.

"Our team has left no stone unturned," says Hunt. "There's only one other three-star building in the world, which is in Canada, so we are really proud of that."

And so they should be. After all, it gives Thames Valley something that not even California has to offer. ■