

# Thames Valley occupiers slow to take up offices

Vacancy rates are rising and rents are falling all over the region. **Aditi Shah** reports

When PMB Holdings launched the 14-storey Blade office tower in Reading in May, prospective occupiers were appreciative of the top-floor views – but not enough to pay £30/sq ft for them.

Last week, PMB exchanged contracts with educational institution Kaplan on 14,000 sq ft on the ground and first floors. While this is good news for PMB, Kaplan is swimming against the Thames Valley occupational tide. Jones Lang LaSalle data show vacant space in the region stands at 7.4m sq ft – up 25% on the same period in 2008.

And the vacancy rate of 17.5% (graph 1) is likely to rise. Next February Terrace Hill is scheduled to complete its 194,210 sq ft Maxis building in Bracknell, adding to the town's 300,000 sq ft of empty offices, following the completion of Landid and RREEF's 185,000 sq ft Capitol and Freshwater Group's 45,000 sq ft Beaufort Park by this year.

Rob Lane, development director at Terrace Hill, says, "[Supply] is not as bad as the dot.com times but I don't see any speculative development for a few years [graph 1].

"It will be difficult for developers to raise finance and occupiers will need to consider prelets, which will eventually push up rents."

Lane need not panic: Maxis is one of four options under consideration by German pharmaceutical manufacturer Boehringer Ingelheim, which is seeking 90,000 sq ft of offices in the Thames Valley.

But he needs to be wary of rent levels. Since last year, landlords are dropping "headline" rents and offering incentives. Land says occupiers can negotiate as much as eight months rent free on a five-year lease.

Because of this, rents in Bracknell have dropped by 11% over the last 12 months to £19/sq ft. Average Thames Valley rents have fallen by 13% to £18.60/sq ft (graph 3). Maidenhead has been worst affected: rents have fallen 25% to £20/sq ft.



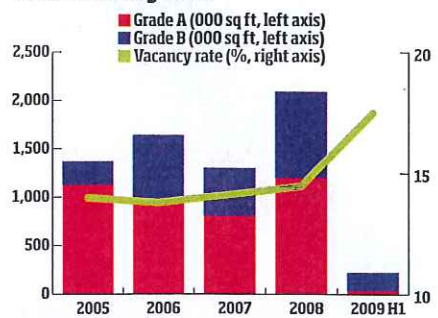
Cut and thrust: PMB is pushing for £30/sq ft at the top floor of the Blade in Reading

Reading has suffered the least lowest fall in rents – by 6% to an average of £21.31/sq ft. This would have been propped up by Thames Water taking a lease from Prupim at £28.50/sq ft. The water supplier took 550 South Oak Way, totalling 43,000 sq ft, on a 15-year lease and is believed to have been offered four and a half years rent free.

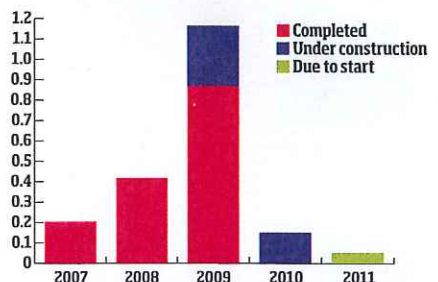
This took total take-up for the Thames Valley to 300,000 sq ft at the end of the third quarter in 2009. This compares well with the 231,000 sq ft of take-up in the first half of the year.

■ Read Jones Lang LaSalle's report at [propertyweek.com/data](http://propertyweek.com/data)

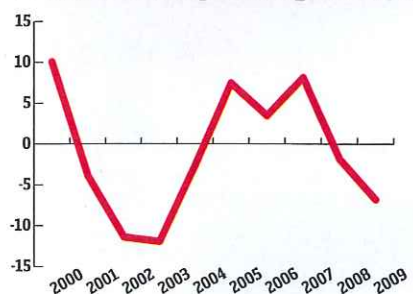
## 1 Thames Valley take-up and vacancy rate



## 2 Thames Valley speculative development pipeline (m sq ft)



## 3 Thames Valley rental growth (%)



SOURCE: JONES LANG LASALLE

## And finally ... now and then



Next month it will be 20 years since Thames Valley agent Roger Hicks set up Hicks Baker with Nigel Baker. The firm has grown from five to 18 – and includes one of the few female Thames Valley agents, Fiona Brownfoot.

In the 20 years the firm has taken Reading to MIPIM, advised Lloyds Bank on the sale of Doust Shipyard in Rochester, valued properties, including public loos, for West Berkshire Council, and been tasked with disposing of Cisco Systems' vacant 500,000 sq ft at Green Park and finding retailers for Sir John Madjeski's Station Hill.

But the unforgettable moment for Hicks was being appointed by Air India in 1996. After five years of working for the airline he discovered he had won the instruction because Air India thought the firm was Healey & Baker. ■