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Business Space

Reading Office Market Commentary

2024 review

After a relatively buoyant year in 2024, and signs of more momentum at the start of 2025, we once again reflect upon how the Reading office market performed over the last 12 months.



Wider context

The broader economic backdrop remained challenging for the UK office market during 2024. Continued market uncertainties remained persistent throughout the year, compounded by stubborn inflation levels, political elections at home and overseas, and international tensions caused by the ongoing conflicts in Ukraine and the Middle East. These wider macro-economic and geopolitical events have undoubtedly continued to impact occupier and investor confidence.

Stronger 2024 performance:

The Reading Office market saw more consistent letting activity levels throughout all four quarters of 2024, and a notably stronger second half of the year.

Total office take-up for the greater Reading market in 2024, comprising Reading town centre plus the out- of-town areas and business parks on the M4 junctions of 10,11 &12, has been reported at approx. 570,000 sq ft. This was the highest level of total office take-up over the last 5 years, and a further improvement on last year, comparing well against both the longer-term (5 year) average level of c. 425,000 sq ft and 2023's total take-up of approx. 478,000 sq ft.

The news of this market performance in 2024 may seem quite surprising, given the wider economic backdrop and ongoing sense of subdued business confidence. We have seen ongoing caution in business decision-making, resulting in a continued 'drag' on the pace and frequency of transactions across the local market.

In some cases, occupiers have acquired space initially and then returned to the market to subsequently lease additional space a few months later. Wood Group acquired further space at Green Park last year on this basis.

However, Reading's strong strategic location, (often regarded as the capital of the Thames Valley region) with its close proximity to Greater London, Heathrow Airport, the M4 and wider motorway network beyond, evidently still generates demand from a wide range of occupiers, based locally and from further field.

Larger occupiers considering a wider search area often focus upon more established towns, which offer easy access to public transport, diverse connectivity and solid demographics. Many relocating occupiers typically continue to seek higher quality buildings, with an array of amenities and strong ESG credentials. To read more insights about the attractiveness of amenity-rich office buildings. Please see our article at: **Responding to the demands of today's office occupiers - Hicks Baker**

Considering rental levels, there has been some duality across the local market. Whilst the newest, higher quality, stock has performed well in Reading, (in some cases setting higher headline rents), contrastingly a small number of older buildings (with more significant vacancy and growing void) have more recently been offered at lower quoting rents.





Larger Deals and Town centre Dominance

In a marked contrast to 2023, and mirroring a wider trend seen in other Thames Valley towns, such as Maidenhead; letting activity in Reading was more heavily weighted towards the town centre, rather than out-of-town locations in 2024.

Reading town centre attracted 60 % of all deals done, and a similar proportion of total floor space acquired last year. This was largely driven by three of the largest deals of the year - at 1 Station Hill, where PepsiCo, PWC and Newflex collectively acquired over 110,000 sq ft.

We also saw a higher frequency of bigger lettings in 2024, compared to previous years. Transactions of over 5,000 sq ft (the threshold we use to monitor longer term market trends) contributed approx 478,000 sq ft (83% of total take-up). Notably, there was also a wider array of deals over 20,000 sq ft, (which accounted for over 50% of total take up) that significantly 'buoyed up' the market.

Amongst the most active occupier sectors in 2024 were; professional services, pharma, tech/ science, and defence, who all remain well represented in the Reading market.

Looking back

We saw a much stronger start to 2024, with just over 105,000 sq ft office take-up and 14 deals during Q1 2024 (compared with virtually no take up for the same period in 2023). Take-Up also grew more consistently throughout the year, with 17 deals and 124,000 sq ft let in Q2, then over 160,000 sq ft take up reported for Q3 and Q4 respectively.

Development Pipeline:

Occupiers seeking prime office space in more established locations across the region are still often faced with a limited choice, depending on their scale and specific search criteria.

Beyond the completion of the flagship 1 Station Hill scheme adjacent to Reading Station, the Reading market saw no significant new space completions in 2024.

Given the ongoing 'headwinds' of rising construction costs, high interest rates and inflation; we currently see no sign of any additional 'new office development', and few significant refurbishment projects, planned for the year ahead'.

The pipeline of new office development in the wider local market (surrounding Thames Valley towns) also remains limited. This has helped to sustain rising rents for the best-in-class space, with record-level prime headline rents being achieved in recent months for some buildings.





Looking ahead:

The strong finish to 2024 has also spurred a positive start and greater momentum for the start of 2025, with some larger occupier requirements, such as Deloitte and Centrica understood to be considering options in the town centre. Kenvue was also announced as a new additional occupier at Station Hill, supporting a greater sense of anticipation for continued activity this year.

Headline rental levels have also grown for best-in-class space, now typically ranging between late £30's and mid £40's per sq ft.

Local market sentiment currently feels broadly positive, with the hope of falling inflation, lower interest rates and a little more stability and clarity for the year ahead.

Landlords should remain dynamic and responsive to tenants requirements, and continue to invest in their buildings (where possible), to create high-quality collaborative office space, with good access to local amenities.

The improved local office take-up demonstrates Reading's strong credentials as a business location. Looking forward, the outlook remains cautious but overall positive. Wider market sentiment also paints a brighter picture, hopefully supporting continued consistency in transaction levels for the year ahead.

Our latest views and insights on local office market trends, including the Oxford Lifescience sector, businesses returning to the office, and amenity-rich buildings can also be viewed in the following location:

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