City Office
Market Watch

February 2016

Above average January take-up kicks off 2016

Supply and demand snapshot

■ Take-up for January was 428,373 sq ft, which is 30% down on January last year. 80% of all January transactions were of a Grade A standard.

■ This has brought the 12-month rolling take-up figure to 7.3m sq ft, which is still 49% up on the long-term average.

■ Despite the January take-up being down on last year, it is still 23% up on the 10-year average January take-up amount. Furthermore, with 45 transactions happening last month, this was 55% up on the 10-year average transaction amount for January.

■ The largest deal of the month was the acquisition of the LG, 5 - 8 floors (74,170 sq ft) of 8 Finsbury Circus, EC2 by Rathbones. The investment management company took the space on a lease until 2033, at an above ground average rent of circa £74.30/sq ft, with a reported 27 months rent free.

■ Another notable deal was the acquisition of Part 7th and Part 8th floors (35,451 sq ft) of The Shard, SE1 by MatchesFashion. The retailer took the space on confidential terms and are relocating from Clapham.

■ Total City supply stood at 5.8m sq ft, equating to a vacancy rate of 4.7%, down on this point last year by 0.8%.

■ Of the current availability 56% of it is situated in the City Core, with EC2 accounting for the greatest amount at 27% of total supply.

■ Furthermore, we are currently aware of 677 units available for let in the City, with the <5,000 sq ft bracket accounting for the majority at 280 units. Whereas, the 10-15,000 sq ft bracket and the 15-25,000 sq ft both account for 25% of the total sq ft available in the City (Graph 2).

■ There is currently 1.5m sq ft of space under-offer in the City, which is 14% up on the long-term average. Of this, 488,111 sq ft went under-offer in January alone.

■ The top rent achieved in January was £75.00/sq ft when Assured Guaranty took the 11th floor of 6 Bevis Marks, EC3 equating to 7,083 sq ft.

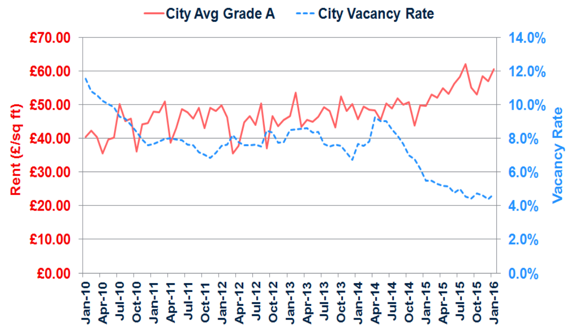
■ The average Grade A rent for January was £60.57/sq ft. This is only the second time ever the monthly City average Grade A rent figure has exceeded £60, the first being in August 2015 (Graph 1).

■ We are currently tracking 16.3m sq ft of refurbishments and developments due to arrive to the market between now and the end of 2019, of which 27% is already pre-let.

■ We are forecasting average annual rental growth of 2.3% for both average prime and average Grade A over the next five years (2016 - 2020).

GRAPH 1

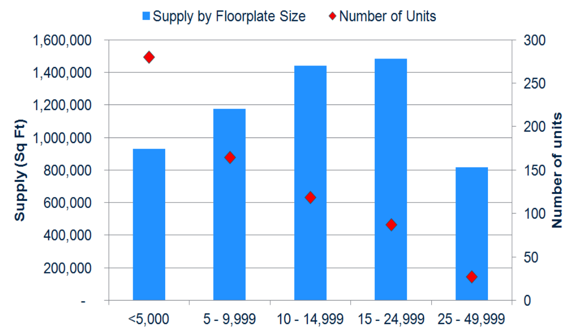
City monthly avg grade A & vacancy



Source: Savills Research

GRAPH 2

City supply by floorplate size



Source: Savills Research

TABLE 1

Key January Stats

	January stats
Take-up	428,373 sq ft
2016 Take-up	428,373 sq ft
Supply	5,848,356 sq ft
Vacancy Rate	4.7%
Top Rent	£75.00/sq ft
Avg Grade A Rent	£60.57/sq ft

Analysis close up

TABLE 2

Monthly take-up

	Sq ft	% Grade A
Jan-15	608,020	80%
Feb-15	385,973	84%
Mar-15	998,836	85%
Apr-15	546,110	85%
May-15	491,260	80%
Jun-15	793,310	82%
Jul-15	649,077	93%
Aug-15	724,348	93%
Sep-15	608,635	91%
Oct-15	302,899	75%
Nov-15	558,912	93%
Dec-15	772,590	87%
Jan-16	428,373	80%

TABLE 3

Year to date take-up

	Sq ft	% change on previous year	% Grade A
Jan 15 - Jan 15	608,020	23%	80%
Jan 16 - Jan 16	428,373	-30%	80%

TABLE 4

Rents

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Jan-15	£70.00	£50.70	£34.90		
Feb-15	£64.00	£53.00	£36.25		
Mar-15	£75.00	£52.44	£33.70	£64.46	20
Apr-15	£90.00	£54.79	£27.50		
May-15	£75.00	£55.29	£43.07		
Jun-15	£83.00	£56.81	£32.80	£74.97	19
Jul-15	£81.00	£58.18	£39.19		
Aug-15	£90.00	£61.94	£42.38		
Sep-15	£75.00	£55.00	£39.15	£80.20	21
Oct-15	£70.00	£53.05	£36.80		
Nov-15	£64.00	£58.45	£28.75		
Dec-15	£76.79	£57.60	£44.08	£69.52	18
Jan-16	£75.00	£60.57	£21.00		

TABLE 5

Supply

Total	% Grade A	% chg on prev month	Vacancy rate (%)
6,664,672	86%	3.4%	5.5%
6,676,125	87%	0.2%	5.5%
6,467,824	86%	-3.1%	5.3%
6,392,871	86%	-1.2%	5.2%
6,334,352	87%	-0.9%	5.1%
5,844,052	87%	-7.7%	4.7%
6,177,038	87%	5.7%	5.0%
5,582,209	87%	-9.6%	4.5%
5,452,795	86%	-2.3%	4.4%
5,854,776	88%	7.4%	4.7%
5,681,604	88%	-3.0%	4.6%
5,583,260	89%	-1.7%	4.5%
5,848,356	88%	4.7%	4.7%

TABLE 6

Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2016	1,711,848	3,225,187	4,937,035	48%
2017	2,052,091	2,043,664	4,095,755	21%
2018	765,700	2,891,630	3,657,330	31%
2019	779,713	2,873,268	3,652,981	0%
Total	5,309,352	11,033,749	16,343,101	27%

TABLE 7

Demand & Under Offers

City Potential Requirements (sq ft)	2.1m
City Active Requirements (sq ft)	5.4m
City Total Requirements (sq ft)	7.5m
% change on 12 month ave	-10%
Total under offer (sq ft)	1.5m
Under offer this month (sq ft)	488,111
% change on average	14%
Landlord controlled supply	74%
Tenant controlled supply	26%

Completions due in the next 6 months are included in the supply figures

*Average prime rents for preceeding 3 months *

* Average rent free on leases of 10 years with no breaks for preceeding 3 months

N.B. We have amended our historic stock figures, resulting in a slight change of our historic vacancy rates (Aug 2015)

TABLE 8

Significant January transactions

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
8 Finsbury Circus, EC2	LG, 5, 6, 7, 8	74,170	A	£69.73	Rathbones	Mitsubishi Estate London
The Shard, SE1	Part 7, Part 8	35,451	A	Confidential	MatchesFashion	Teighmore Ltd via REM
63 St Mary Axe, EC3	1, 2	19,057	A	£50.00	Regus	AXA
The Eye, 110 High Holborn, WC1	2	18,111	A	Confidential	REED	UBS
Condor House, 14 St Pauls Churchyard, EC4	4	18,016	A	Confidential	Moelis & Company	SGB
Condor House, 14 St Pauls Churchyard, EC4	6	16,180	A	Confidential	Morgan Lewis & Bockius	SGB
The Relay Building, 1 Commercial Street, E1	2	15,897	A	Confidential	Smart Focus	Angelo Gordon/ Hondo Enterprises
The Relay Building, 1 Commercial Street, E1	1	14,816	A	£52.50	General Assembly	Angelo Gordon/ Hondo Enterprises
95 Gresham Street, EC2	1	14,139	A	Confidential	Fragomen	Monitise
Register House, 4 Holford Yard, WC1	Unit 4	12,714	B	Confidential	Etsy	Shaftesbury Plc

TABLE 9

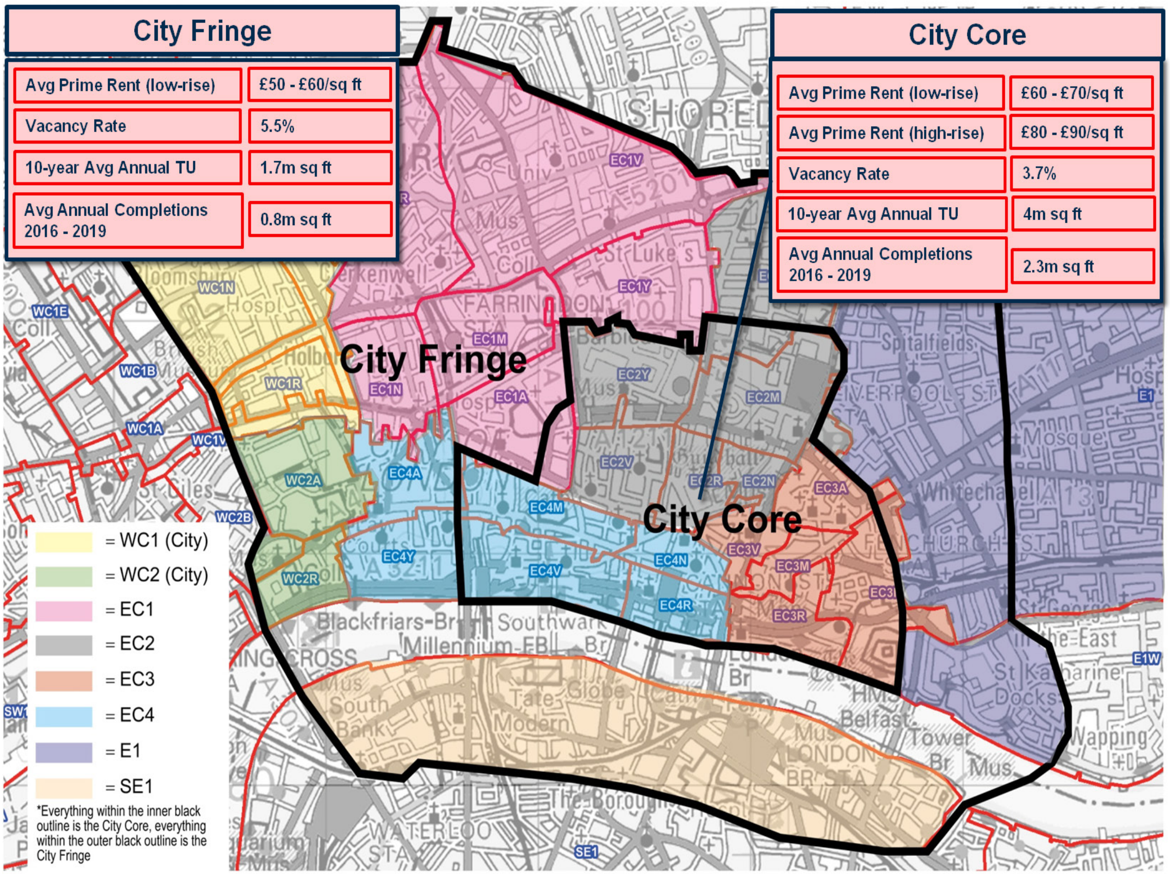
Significant supply

Address	Postcode	Available Sq ft	Comments
Lacon House	WC1	208,035	
The Shard	SE1	108,037	further 41,252 sq ft under offer
1 King William Street	EC4	94,775	
The Monument Building	EC3	92,689	
Cannon Place	EC4	84,751	
52 Leadenhall Street	EC3	77,751	
Herbal House	EC1	67,650	further 43,217 sq ft under offer
8 Finsbury Circus	EC2	62,164	further 22,141 sq ft under offer
99 Gresham Street	EC2	57,970	further 13,950 sq ft under offer
71 Queen Victoria Street	EC4	31,356	further 41,463 sq ft under offer
100 Cheapside	EC2	28,590	further 10,237 sq ft under offer

MAP 1

Savills City office market area (updated at the end of each quarter)

City 2015 Q4 stats



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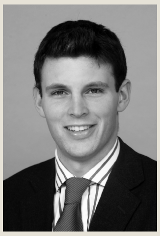

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