

City Office Market Watch

April 2015

Strong Q1 sees total take-up 56% up on this point last year

Supply and demand snapshot

■ Take-up for March was 990,568 sq ft across 55 transactions, bringing the year-to-date take-up to 1,984,599 sq ft, which is 56% up on this point last year. This year, 84% of all transactions have been of a Grade A standard.

■ The rise in take-up is a result of a greater number of transactions, as opposed to an increase in the size. There have been 138 deals so far this year compared with just 90 at this point last year, equating to a reduction in the average deal size for 2015 to 14,381 sq ft, from 15,080 sq ft last year.

■ The largest letting in March was the 258,063 sq ft pre-let of One New Street Square to Deloitte. The Land Securities development is currently under-construction and is due for completion Q2 2016.

■ Another notable deal for March was WeWork acquiring 167,912 sq ft of Moor Place. The serviced office provider continued their strong activity within the City by acquiring the Grd - 7th floors of the development on a 20 year lease at a confidential rent.

■ At the end of Q1, the traditional dominant occupiers of the City, the Insurance, Financial and Banking services sector have accounted for the majority of take-up at 22%. Furthermore, the Professional services sector has also been active so far this year, accounting for 21% of take-up. The Business & Consumer services and TMT sectors have accounted for 17% and 16% respectively. The

diverse occupier base within the City is a good indicator of a healthy market.

■ Current supply is at 6.5m sq ft, which equates to a vacancy rate of 6.7%. The limited future supply is resulting in the vacancy rate being driven downwards.

■ The majority of the supply at the moment is within the City Core, with EC2 and EC3 accounting for 26% and 20% respectively. Whereas, EC4 and EC1 have a more severe supply constraint accounting for 13% and 10% respectively.

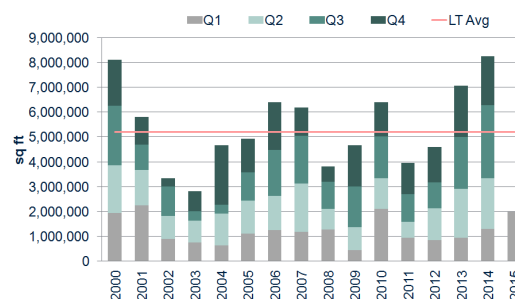
■ Supply in SE1 currently accounts for just 8% of total supply, equating to 490,934 sq ft of available office space. Moreover, The Shard accounts for 310,711 sq ft of this available space, which gives an even clearer idea of the lack of space within SE1.

■ At the end of Q1, the top rent achieved so far this year has been £75 per sq ft at The Leadenhall Building. Although, a rent of £90 per sq ft at the same building is believed to have been achieved this month. The average of the top ten rents of the quarter, otherwise known as the average Prime, has slightly risen on Q4 last year by 0.6% reaching £64.46 per sq ft.

■ Moreover, the average Grade A rent has risen from £48.95 per sq ft for the whole of 2014 reaching £51.16 per sq ft in Q1 2015.

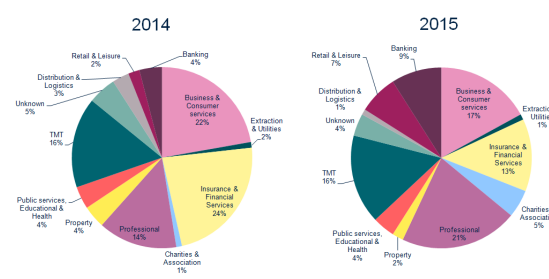
■ We are currently tracking 10m sq ft of either active or potential requirements who would consider options across Central London as a whole or the City specifically. This is up on the long term average by 14%.

GRAPH 1
City take-up by quarter



Source: Savills Research

GRAPH 2
City take-up by business sector



Source: Savills Research

TABLE 1.
Key March stats

	March stats	Monthly change
Take-up	990,568 sq ft	↑
Supply	6.5m sq ft	↓
Vacancy Rate	6.7%	↓
Top rent	£75.00	↑
Demand	10m sq ft	↓

Source: Savills Research

Analysis close up

TABLE 2
Monthly take-up

	Sq ft	% Grade A
Mar-14	383,818	77%
Apr-14	405,984	63%
May-14	777,760	91%
Jun-14	857,582	89%
Jul-14	933,037	69%
Aug-14	481,310	79%
Sep-14	1,533,713	88%
Oct-14	798,551	96%
Nov-14	472,631	74%
Dec-14	688,511	82%
Jan-15	608,020	82%
Feb-15	386,011	84%
Mar-15	990,568	85%

TABLE 3
Year to date take-up

	Sq ft	% change on previous year	% Grade A
Jan 14 - Mar 14	1,270,534	36%	75%
Jan 15 - Mar 15	1,984,599	56%	84%

TABLE 4
Rents

£ per sq ft	Top achieved	Average			Rent free**
		Grade A	Grade B	Prime*	
Mar-14	£70.00	£46.56	£28.01	£60.39	19
Apr-14	£63.50	£46.42	£27.92		
May-14	£72.50	£48.96	£42.67		
Jun-14	£80.00	£49.91	£33.22	£63.70	20
Jul-14	£65.00	£48.42	£36.16		
Aug-14	£64.00	£50.65	£36.59		
Sep-14	£69.50	£50.44	£36.80	£65.06	21
Oct-14	£83.50	£50.60	£23.03		
Nov-14	£61.50	£45.63	£36.30		
Dec-14	£83.50	£49.83	£38.30	£64.08	20
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	16

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

TABLE 5
Supply

Total	% Grade A	% chg on prev month	Vacancy rate (%)
7,931,546	75%	4.4%	8.3%
9,361,041	80%	18.0%	9.8%
9,142,794	79%	-2.3%	9.5%
9,214,569	80%	0.8%	9.6%
8,712,152	79%	-5.5%	9.1%
8,339,046	80%	-4.3%	8.7%
7,890,856	80%	-5.4%	8.2%
7,200,683	83%	-8.7%	7.5%
6,958,591	83%	-3.4%	7.2%
6,444,369	84%	-7.4%	6.7%
6,664,672	86%	3.4%	6.9%
6,676,125	87%	0.2%	7.0%
6,467,824	86%	-3.1%	6.7%

TABLE 6
Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2015	938,144	1,388,266	2,326,410	50%
2016	1,626,627	3,960,386	5,587,013	39%
2017	1,284,274	2,310,607	3,594,881	13%
2018	639,000	1,526,268	2,165,268	39%
Total	4,488,045	9,185,527	13,673,572	34%

TABLE 7
Demand & Under Offers

City Potential demand (sq ft)	3,489,000
City Active demand (sq ft)	6,490,000
City Total demand (sq ft)	9,979,000
% change on 12 month ave	10%
Total under offer (sq ft)	2.1m
Under offer this month (sq ft)	768,528
% change on average	57%
Landlord controlled supply	81%
Tenant controlled supply	19%

*Average prime rents for preceeding 3 months *

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

TABLE 8

Significant March transactions

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
1 New Street Square, EC4	Building	258,063	A	Confidential	Deloitte	Land Securities
Moor Place, EC2	G - 7	167,912	A	Confidential	WeWork	Brookfield
30 Fenchurch Avenue, EC3	5, 6, 7	52,361	A	£51.00	Deutsche Bank	Willis
1 Angel Square, EC1	Block 1	46,346	B	Confidential	Expedia	Derwent
25 Lavington Street, SE1	Building	31,300	B	Confidential	One Avenue Group	Confidential
71 Queen Victoria Street, EC4	4	29,131	A	£55.00	Funding Circle	Invesco
Milton Gate, 1 Moor Lane, EC2	4	26,863	A	£53.50	ICE Futures	Addleshaw Goddard
125 London Wall, EC2	9	19,170	A	£46.00	Morgan Hunt	JP Morgan
30 Fenchurch Avenue, EC3	4	17,458	A	£50.00	Starr Underwriting	Willis

TABLE 9

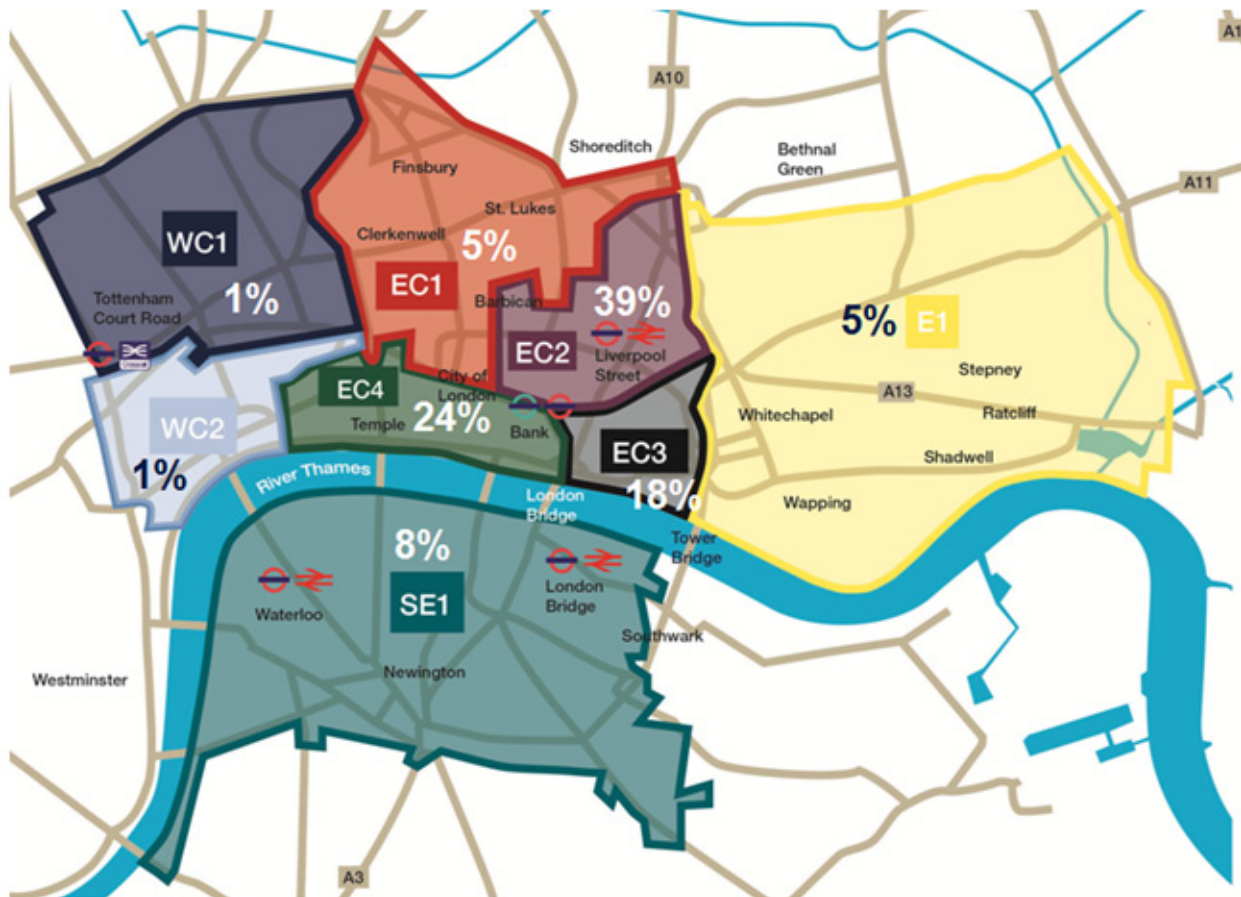
Significant supply

Address	Postcode	Available Sq ft	Comments
Aldwych Quarter	WC2	346,133	Entire estate under offer to King's College
The Shard	SE1	310,711	
Aldgate Tower	E1	291,052	97,573 sq ft under offer
The Leadenhall Building	EC3	220,704	98,777 sq ft under offer
71 Queen Victoria Street	EC4	154,660	29,131 sq ft under offer
3 Thomas More Square	E1	126,010	31,370 sq ft under offer
6 Bevis Marks	EC3	110,292	35,780 sq ft under offer
One New Ludgate	EC4	108,432	56,804 sq ft under offer
120 Holborn	EC1	101,014	
Cannon Place, Cannon Street	EC4	98,945	
67 Lombard Street	EC3	87,218	53,667 sq ft under offer

MAP 1

Savills City office market area

City 2015 percentage of take-up by postcode at the end of Q1



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