

City Office Market Watch

September 2017

Significant impact on the future pipeline as Deutsche Bank pre-let the whole of 21 Moorfields

Supply and demand snapshot

■ Take-up for August was 908,460 sq ft, bringing total take-up for 2017 to 4,435,383 sq ft, which is 29% up on this point last year. 81% of transactions to-date have been of a grade A standard.

■ The 12-month rolling take-up at the end of August was 6.8m sq ft, which is 21% above the same point in 2016 and 38% up on the long-term average.

■ A notable transaction to complete in August saw Deutsche Bank pre-let the entirety of the future scheme 21 Moorfields, EC2, which is circa 570,000 sq ft. The pre-let is subject to an impending planning consent, and the estimated completion date is Q2 2020. It is encouraging for the London office market to see such a large occupier committing their long-term future to the capital.

■ Also in August, Oath (previously known as Yahoo) acquired 77,436 sq ft at Mid City Place, WC1 across levels four and five. They have taken the sub-let space from Aecom on confidential terms, however the floors were being marketed at £48.50/sq ft.

■ In the year to the end of August, the Tech & Media sector accounted for the greatest proportion of take-up at 21%. This is followed by the Banking sector, largely due to Deutsche Bank, now accounting for 15%. The Professional services sector are next at 14%, and the Insurance & Financial services sector at 10%. There has been continued strong activity from Serviced Office Providers who have accounted for 7% of take-up to-date.

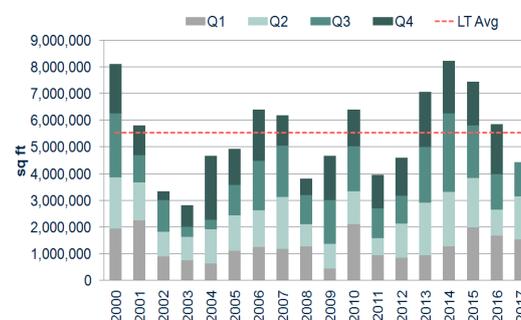
■ Total City supply stood at 7.3m sq ft at the end of August, equating to a vacancy rate of 5.8%, up on this point last year by 60 bps, however still down on the 10-year average by 80bps.

■ At the end of August, there was circa 1.7m sq ft of current and future supply under-offer, which is up on the long-term average by 29%.

■ The average grade A rent for 2017 at the end of August was £61.56/sq ft, which is only 3% down on last year. With little over a quarter left to go, our end of year forecasts of 5% down appear conservative.

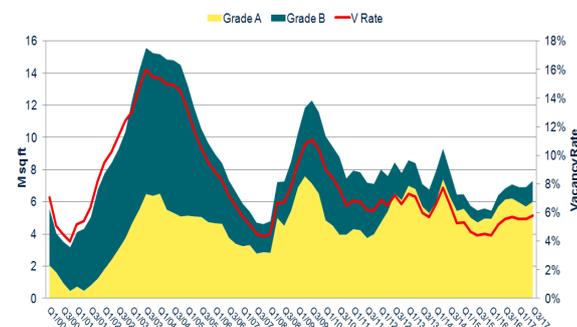
■ We have seen incentives rise on a straight 10-year lease from 19 months last year to 22 months so far this year.

GRAPH 1
City take-up



Source: Savills Research - data accurate to end of July 2017

GRAPH 2
City Supply



Source: Savills Research - data accurate to end of July 2017

TABLE 1'
Key August Stats

	August stats
Take-up	908,460 sq ft
2017 Take-up	4,435,383 sq ft
Supply	7,267,650 sq ft
Vacancy Rate	5.8%
Top Rent	£72.00/sq ft
Avg Grade A Rent	£64.07/sq ft

Analysis close up

TABLE 2
Monthly take-up

	Sq ft	% Grade A	12 month rolling take-up
Aug-16	185,405	100%	5,677,401
Sep-16	537,493	61%	5,606,259
Oct-16	254,974	93%	5,558,334
Nov-16	795,695	55%	5,795,117
Dec-16	823,510	97%	5,846,037
Jan-17	279,922	64%	5,701,415
Feb-17	418,507	93%	5,731,486
Mar-17	825,952	77%	5,701,747
Apr-17	522,246	90%	5,890,803
May-17	425,152	77%	6,104,623
Jun-17	678,674	76%	6,340,358
Jul-17	376,470	79%	6,124,000
Aug-17	908,460	87%	6,847,055

TABLE 3
Year to date take-up

	Sq ft	% change on previous year	% Grade A
Jan 16 - Aug 16	3,434,365	-34%	84%
Jan 17 - Aug 17	4,435,383	29%	81%

TABLE 4
Rents

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Aug-16	£77.50	£62.77	£45.00		
Sep-16	£71.50	£58.08	£42.12	£81.00	19
Oct-16	£90.00	£64.16	£42.67		
Nov-16	£78.00	£62.10	£45.30		
Dec-16	£75.00	£62.40	£45.50	£77.50	20
Jan-17	£74.50	£61.88	£45.42		
Feb-17	£65.00	£54.70	£30.00		
Mar-17	£75.00	£60.59	£49.29	£72.08	22
Apr-17	£81.50	£63.73	£48.07		
May-17	£75.00	£61.05	£48.50		
Jun-17	£75.00	£57.17	£46.29	£76.21	22
Jul-17	£75.00	£59.33	£47.25		
Aug-17	£72.00	£64.07	£49.00		

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 (%)
6,459,289	89%	0.8%	5.2%
6,825,047	90%	5.7%	5.5%
7,467,041	86%	9.4%	6.0%
7,212,782	87%	-3.4%	5.8%
7,099,076	88%	-1.6%	5.7%
6,920,422	87%	-2.5%	5.6%
7,013,984	85%	1.4%	5.6%
6,888,892	86%	-1.8%	5.5%
6,914,578	84%	0.4%	5.6%
6,708,809	84%	-3.0%	5.4%
6,916,749	82%	3.1%	5.6%
7,505,292	81%	8.5%	6.0%
7,267,650	82%	-3.2%	5.8%

TABLE 6
Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2017	2,069,099	2,334,245	4,403,344	60%
2018	1,691,907	2,405,338	4,097,245	47%
2019	1,303,383	3,565,275	4,868,658	18%
2020	913,643	1,092,430	2,006,073	28%
Total	5,978,032	9,397,288	15,375,320	39%

TABLE 7
Demand & Under Offers

City Potential Requirements (sq ft)	3.6m
City Active Requirements (sq ft)	4.5m
City Total Requirements (sq ft)	8.0m
% change on 12 month ave	-10%
Total under offer (sq ft)	1.7m
Under offer this month (sq ft)	185,255
% change on average (total)	29%
Landlord controlled supply	75%
Tenant controlled supply	25%

Demand figures include Central London requirements

*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 August transactions

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
21 Moorfields, EC2	Building	570,000	A	Confidential	Deutsche Bank	Land Securities
Mid City Place, 71 High Holborn, WC1	4 5	38,736 38,743	B	£72.00 £50.23	Oath (Yahoo)	Oxford Properties Aecom (assignment)
Salesforce Tower, 110 Bishopsgate, EC2	3, 4	24,796	A	Confidential	Grant Thornton	Partnership Insurance
70 Mark Lane, EC3	7	14,183	A	£62.50	Blenheim Underwriting	Mitsui Fudosan
The Hallmark Building, 52 Leadenhall Street, EC3	7	12,104	A	£53.50	Aioi Nissay Dowa	TH Real Estate
Lacon London, 84 Theobalds Road, WC1	1 Part	11,890	A	Confidential	Brightcove	Blackstone
1 Finsbury Square, EC2	3	7,238	A	£67.50	Portfolio Payroll	Britannia Invest A/S
St Andrews House, 20 St Andrew Street, EC4	2	6,152	A	£64.00	Abellio	AXA
The Cursitor Building, 35 Chancery Lane, WC2	6	6,149	A	£72.00	Corker Binning	Aberdeen

TABLE 9

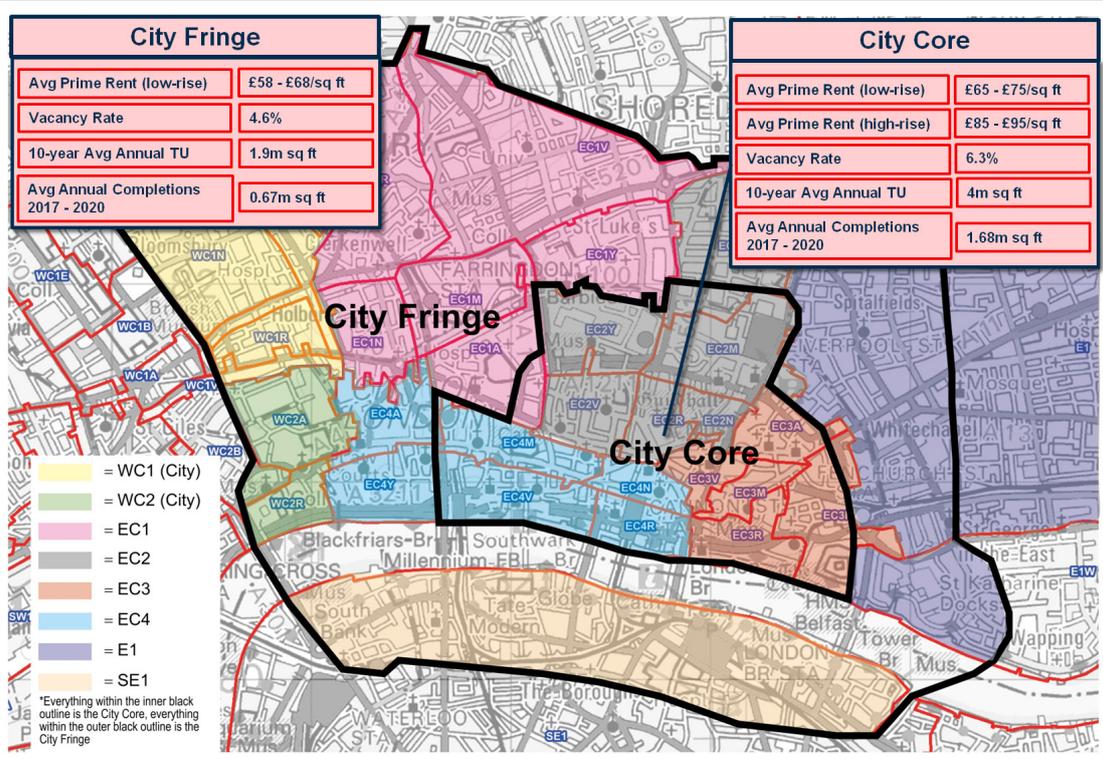
Significant supply

Address	Postcode	Available Sq ft	Comments
Creechurch Place	EC3	272,505	
3 Minster Court	EC3	269,060	
Salisbury Square House	EC4	144,324	
30 St Mary Axe	EC3	139,806	further 9,946 sq ft under offer
Angel Court	EC2	139,520	further 21,810 sq ft under offer
1 Poultry	EC2	131,534	
The Spice Building, 8 Devonshire Sq	EC2	123,856	
Two London Wall Place	EC2	117,134	
1 Appold Street	EC2	98,146	
Southbank Alto & Vivo	SE1	93,119	further 38,586 sq ft under offer
10 Queen Street Place	EC4	75,673	further 21,140 sq ft under offer

MAP 1

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

City 2017 Q2 stats



Source: Savills – end of Q2 2017

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