



Take-up will finish above average for the year, although Serviced Office Providers are to thank

Take-up for November reached 790,489 sq ft across 30 deals, resulting in the total for the year to date reaching 6m sq ft, which is down on this point last year by 14%. This brings the 12-month rolling total to 6.7m sq ft, of which 82% has been of a grade A standard, compared with the long-term average of 67%.

As the year-end closes in, we are aware of an additional 330,284 sq ft of December take-up, which would bring the 2019 total to 6.4m sq ft, which is 16% down on last year but 11% up on the long-term average and the sixth highest annual total on record.

The largest deal to complete last month saw Apple acquire levels 31 to 36 (156,442 sq ft) at 22 Bishopsgate, EC2 at a rent believed to be £75.00/sq ft. Apple will be using the space to house teams working on Apple Pay. Last month also saw Statkraft acquire the 19th floor (24,875 sq ft) of the same tower building on a straight 10-year lease at £70.00/sq ft. Going into the new year, the tallest building in the City is now 57% pre-let prior to completion in the first quarter.

Also last month we saw UK FinTech company Checkout.com acquire levels 3 to 6 (63,874 sq ft) at the new Schroders scheme Wenlock Works, N1. There is an additional 40,828 sq ft under-offer, leaving just the ground and lower ground floors available (total 23,841 sq ft).

So far this year, there have been good levels of demand from both the Tech & Media sector and the Insurance & Financial Services sector who have accounted for 20% and 19% of take-up. However, the Serviced Office Provider sector remain the source of the most demand, having accounted for 24%, the largest share of any year.

It could be argued that the Serviced Office Provider sector may have skewed the stats slightly this year, making the

leasing market appear more robust. For instance, if we look at the 6.4m sq ft of take-up we know has completed at the point of writing, 4.9m sq ft of it is from traditional style occupiers, which is down on last year by 27% and the 10-year average by 16%. However, as we know anecdotally that a lot of the new serviced office centres are either full or nearly full, it is likely that the demand that filled them would have chosen a traditional office in previous years when their percentage share of take-up was smaller.

Total City supply fell last month by 7% following the large amount of monthly take-up and currently stands at 6.9m sq ft, equating to a vacancy rate of 5.2%, which is up on this point last year by 20 bps, but still down on the long term average by 140 bps.

Looking at the future supply, we add in all schemes completing within the next six months into currently supply, therefore all first quarter completions are already being accounted for. We will add in the Q2 completions at the end of this year, which at the moment is a total of 696,850 sq ft, which will push the vacancy rate to circa 5.6%. Currently, there is an additional 2.1m sq ft of speculative space that will be added to supply throughout the course of next year.

There is currently 1.9m sq ft of supply under-offer, which is up on the long-term average by 50%, and therefore we expect to see above average levels of take-up for the first quarter.

Forward looking demand looks strong as we are currently aware of 9.8m sq ft of Central London and City requirements, which is up on the long-term average by 10%. Interestingly, while Professional Services have only accounted for 13% of take-up this year, they currently account for 29% of the known requirements, the largest of any sector.

26,350 sq ft

was the average November deal size, the second highest monthly average this year



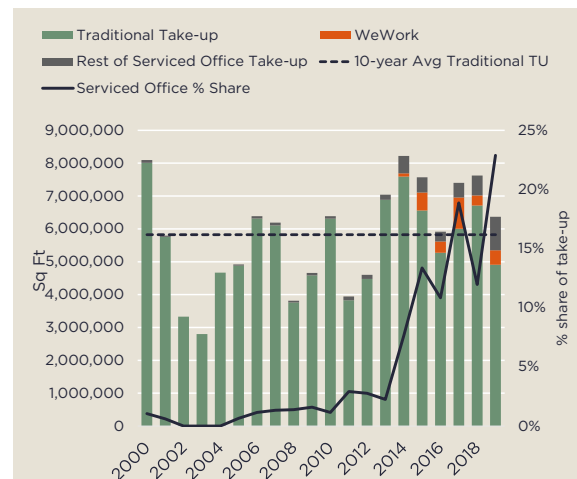
21% of the 2020 - 2023 development pipeline is already pre-let



55% of all Serviced Office Provider deals this year have been within the City Core, with the Northern & Eastern Fringe only accounting for 13%

City take-up by year

Graph 1



Source: Savills. 2019 data accurate to mid December

City future pipeline

Graph 2



189

deals so far this year have been for sub 10,000 sq ft, which is down on the 5-year average to the end of November by 76 deals

Analysis close up

Monthly take-up

Table 1

| | Sq ft | % Grade A | 12 month rolling take-up |
|--------|-----------|-----------|--------------------------|
| Dec-18 | 669,874 | 89% | 7,650,402 |
| Jan-19 | 243,597 | 87% | 7,441,667 |
| Feb-19 | 274,691 | 78% | 7,539,708 |
| Mar-19 | 634,869 | 69% | 7,386,715 |
| Apr-19 | 407,312 | 76% | 7,328,202 |
| May-19 | 501,292 | 88% | 6,853,330 |
| Jun-19 | 432,245 | 86% | 6,608,724 |
| Jul-19 | 1,061,722 | 91% | 7,020,333 |
| Aug-19 | 420,900 | 75% | 7,111,939 |
| Sep-19 | 587,979 | 75% | 6,914,000 |
| Oct-19 | 682,184 | 73% | 6,746,141 |
| Nov-19 | 790,489 | 91% | 6,707,154 |

Year to date take-up

Table 3

| | Sq ft | % change on previous year | % Grade A |
|-----------------|-----------|---------------------------|-----------|
| Jan 18 - Nov 18 | 6,980,528 | 7% | 86% |
| Jan 19 - Nov 19 | 6,037,280 | -14% | 82% |

Rents

Table 5

| £ per sq ft | Top | Average | | | |
|-------------|--------|---------|---------|--------|-------------|
| | | Grade A | Grade B | Prime* | Rent free** |
| Dec-18 | £77.50 | £64.66 | £49.17 | £76.85 | 22 |
| Jan-19 | £83.50 | £63.53 | £42.00 | | |
| Feb-19 | £76.00 | £66.38 | £45.43 | | |
| Mar-19 | £85.00 | £63.32 | £48.50 | £77.94 | 23 |
| Apr-19 | £83.00 | £72.63 | £45.63 | | |
| May-19 | £80.00 | £64.24 | £54.17 | | |
| Jun-19 | £72.00 | £61.41 | £51.25 | £77.22 | 23 |
| Jul-19 | £98.00 | £68.49 | £45.25 | | |
| Aug-19 | £85.00 | £68.29 | £53.70 | | |
| Sep-19 | £92.21 | £67.67 | £50.91 | £87.38 | 23 |
| Oct-19 | £79.00 | £64.64 | £49.83 | | |
| Nov-19 | £77.50 | £63.30 | £45.00 | | |

Supply

Table 2

| Total | % Grade A | % chg on prev month | Vacancy rate (%) |
|-----------|-----------|---------------------|------------------|
| 6,826,661 | 72% | 3.9% | 5.2% |
| 6,426,517 | 74% | -5.9% | 4.9% |
| 6,656,045 | 71% | 3.6% | 5.0% |
| 6,727,363 | 73% | 1.1% | 5.1% |
| 6,717,804 | 74% | -0.1% | 5.1% |
| 6,595,845 | 74% | -1.8% | 5.0% |
| 6,647,554 | 73% | 0.8% | 5.0% |
| 6,444,820 | 73% | -3.0% | 4.9% |
| 6,599,029 | 72% | 2.4% | 5.0% |
| 7,494,152 | 78% | 13.6% | 5.7% |
| 7,441,712 | 77% | -0.7% | 5.6% |
| 6,923,583 | 75% | -7.0% | 5.2% |

Development pipeline

Table 4

| Sq ft | Refurb | Devs | Total | % Pre-let |
|-------|-----------|-----------|------------|-----------|
| 2020 | 2,700,913 | 2,801,541 | 5,502,454 | 41% |
| 2021 | 1,761,518 | 1,050,063 | 2,811,581 | 31% |
| 2022 | 2,022,199 | 1,638,322 | 3,660,521 | 15% |
| 2023 | 1,902,282 | 4,075,069 | 5,977,351 | 0% |
| Total | 8,386,912 | 9,564,995 | 17,951,907 | 21% |

Demand & Under-offers

Table 6

| | |
|-------------------------------------|---------|
| City Potential Requirements (sq ft) | 2.5m |
| City Active Requirements (sq ft) | 7.3m |
| City Total Requirements (sq ft) | 9.8m |
| % change on 12 month ave | -1% |
| Total under offer (sq ft) | 1.9m |
| Under offer this month (sq ft) | 208,989 |
| % change on average (total) | 50% |
| Landlord controlled supply | 75% |
| Tenant controlled supply | 25% |

*Average prime rent is for preceding 3 months

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

Note: Completions due in the next 6 months are included in the current supply figures

Significant November transactions

Table 7

| Address | Floor/s | Sq ft | Grade | Rent achieved | Tenant | Lessor |
|---------------------------------------|--------------------|---------|-------|---------------|----------------------|------------------------------|
| TwentyTwo, 22 Bishopsgate, EC2 | 31 - 36 | 156,442 | A | £75.00 | Apple | Axa |
| Broadwalk House, 5 Appold Street, EC2 | G (north), 4, 5, 6 | 122,280 | A | £49.00 | Monzo | GIC/British Land |
| Wenlock Works, Shepherdess Walk, N1 | 3, 4, 5, 6 | 63,874 | A | Confidential | Checkout.com | Schroders |
| 10 Bishops Square, E1 | Part 2 | 45,238 | B | £50.50 | Adecco | Allen & Overy |
| The Eye, 110 High Holborn, WC1 | 2, 3, 4 | 42,750 | A | Confidential | Knotel | UOL |
| 100 Bishopsgate, EC2 | Part 8, 9 | 37,000 | A | £72.00 | Fried Frank | Brookfield |
| Two London Wall Place, EC2 | Part 5, 6, 7 | 29,793 | A | £68.00 | MHA MacIntyre Hudson | Brookfield/Oxford Properties |
| 1 Finsbury Avenue, EC2 | 7 | 29,114 | A | £77.50 | Workday | British Land/GIC |
| TwentyTwo, 22 Bishopsgate, EC2 | 19 | 24,875 | A | £70.00 | Statkraft | Axa |
| Broadgate West, 9 Appold Street, EC2 | 5 | 21,384 | A | £67.50 | Yelp | Ashurst |

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Significant supply

Table 8

| Address | Postcode | Available Sq ft | Comments |
|---------------------------------|----------|-----------------|----------------------------------|
| TwentyTwo Bishopsgate | EC2 | 465,195 | further 90,686 sq ft under offer |
| 155 Bishopsgate | EC2 | 160,846 | |
| Kaleidoscope Farringdon | EC1 | 90,884 | |
| 77 Coleman Street | EC2 | 67,371 | |
| 1 Old Jewry | EC3 | 64,746 | |
| The Scalpel, 52 Lime Street | EC3 | 64,124 | further 44,260 sq ft under offer |
| Devon House | E1W | 60,940 | |
| Broadgate West, 9 Appold Street | EC2 | 60,715 | |
| 70 St Mary Axe | EC3 | 50,946 | further 43,133 sq ft under offer |
| 100 Liverpool Street | EC2 | 45,058 | further 35,344 sq ft under offer |

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