

City Office Market Watch

November 2017

No evidence of a slow-down with under-offers 77% up on the long-term average

Supply and demand snapshot

■ Take-up for October was 632,395 sq ft, bringing total take-up for 2017 to 5.4m 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 October was 7.0m sq ft, which is 26% above the same point in 2016 and 40% up on the long-term average.

■ There was a total of 50 transactions in October with an average deal size of 12,648 sq ft. On average there have been 37 deals a month this year, up on the long-term average of 29 deals a month.

■ A notable transaction to complete in October saw WeWork acquire the whole of The Bard building in The Stage, EC2 development (137,404 sq ft). They took the space on a 25 year lease at an average overall rent of £69.15/sq ft. The serviced office provider also took the remaining 42,067 sq ft in The Hewett building of the same scheme on similar terms. The Cain Hoy mixed use development is due to complete in Q2 2019 and is now fully pre-let.

■ Also in October, WeWork acquired 49,212 sq ft across levels one to five at The Cursitor Building, 35 Chancery Lane, WC2. They took the space in the Midtown building on a 20 year lease at an average overall rent of £63.50/sq ft. The serviced office provider has now acquired 340,512 sq ft in the City, and 887,495 sq ft across Central London in 2017.

■ In the year to the end of October, the Tech & Media sector accounted for the greatest proportion of take-up at 22%. This is followed by the Professional services sector at 14% and the Banking sector at 12%. Following WeWork's acquisitions last month, the Serviced Office Provider sector has now accounted for 11% of take-up this year, of which WeWork alone account for 57% of the sector's activity. The Insurance & Financial services sector has accounted for 10%.

■ We should also note that four of the top six deals in October were to WeWork. In fact with Mindspace taking levels eight and nine at Broadgate West, EC2, five of the top six deals last month were to serviced office providers.

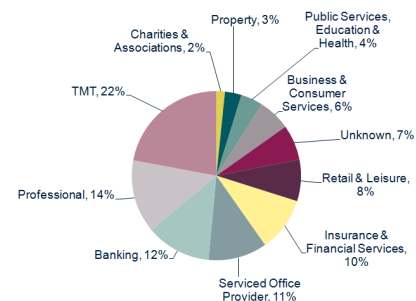
■ Total City supply stands at 7.5m sq ft at the end of October, equating to a vacancy rate of 6.0%, which is the same as this point last year and still down on the 10-year average by 60 bps.

■ Following 942,702 sq ft going under-offer last month, there is now 2.3m sq ft under-offer in the City, which is 40% up on the three year average and 77% up on the long-term average.

■ The top rent achieved in the City so far this year rose last month to £93.00/sq ft when CoStar acquired 15,911 sq ft on level 26 of The Shard, SE1.

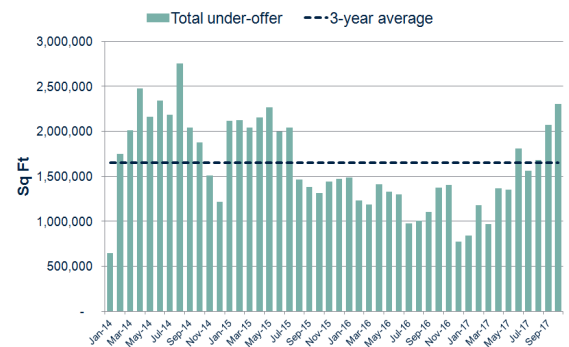
■ There is currently 8.7m sq ft of Central London and City requirements, of which 56% is either under-offer or active. This total is only down on the long-term average by 1% and down 2% on the 12-month average.

GRAPH 1
City take-up by business sector



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

GRAPH 2
City total under-offer



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

TABLE 1'
Key October Stats

	October stats
Take-up	632,395 sq ft
2017 Take-up	5,414,817 sq ft
Supply	7,515,814 sq ft
Vacancy Rate	6.0%
Top Rent	£93.00/sq ft
Avg Grade A Rent	£67.56/sq ft

Analysis close up

TABLE 2
Monthly take-up

	Sq ft	% Grade A	12 month rolling take-up
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	274,723	63%	5,696,216
Feb-17	418,507	93%	5,726,287
Mar-17	825,952	77%	5,696,548
Apr-17	522,246	90%	5,885,604
May-17	425,152	77%	6,099,424
Jun-17	685,853	78%	6,342,338
Jul-17	367,508	79%	6,117,018
Aug-17	763,892	86%	6,695,505
Sep-17	493,390	72%	6,651,402
Oct-17	632,395	85%	7,028,823

TABLE 3
Year to date take-up

	Sq ft	% change on previous year	% Grade A
Jan 16 - Oct 16	4,226,832	-25%	81%
Jan 17 - Oct 17	5,414,817	29%	81%

TABLE 4
Rents

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
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		
Sep-17	£70.00	£60.81	£44.10	£71.21	23
Oct-17	£93.00	£67.56	£46.35		

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 (%)
7,467,041	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%
7,532,867	82%	3.6%	6.1%
7,515,814	79%	-0.2%	6.0%

TABLE 6
Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2018	1,634,242	2,411,720	4,045,962	48%
2019	1,165,293	3,304,795	4,470,088	20%
2020	1,310,733	1,162,924	2,473,657	23%
2021	0	375,881	375,881	0%
Total	4,110,268	7,255,320	11,365,588	30%

TABLE 7
Demand & Under Offers

City Potential Requirements (sq ft)	3.8m
City Active Requirements (sq ft)	4.9m
City Total Requirements (sq ft)	8.7m
% change on 12 month ave	-2%
Total under offer (sq ft)	2.3m
Under offer this month (sq ft)	942,702
% change on average (total)	77%
Landlord controlled supply	71%
Tenant controlled supply	29%

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 October transactions

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
The Bard, The Stage, 8 Curtain Road, EC2	Building	137,404	A	£69.15	WeWork	Cain Hoy
The Cursitor Building, 35 Chancery Lane, WC2	1 - 5	49,212	A	£63.50	WeWork	Aberdeen
The Hewett, The Stage, 8 Curtain Road, EC2	4 - 8	42,067	A	£69.15	WeWork	Cain Hoy
Broadgate West, 9 Appold Street, EC2	8, 9	40,489	A	Confidential	Mindspace	Hines
1 Aylesbury Street, EC1	Building	30,771	A	Confidential	Alexander McQueen	Meritcape
South Bank Vivo, Stamford Street, SE1	6	23,498	A	Confidential	WeWork	Hermes
The Shard, London Bridge Street, SE1	Part 26	15,911	A	£93.00	CoStar	Leonteq
One Angel Court, EC2	20	8,750	A	£82.00	ConocoPhillips Limited	Mitsui Fudosan/ Stanhope
White Collar Factory, EC1	Part 12	6,266	A	£67.50	Egress Software	Derwent

TABLE 9

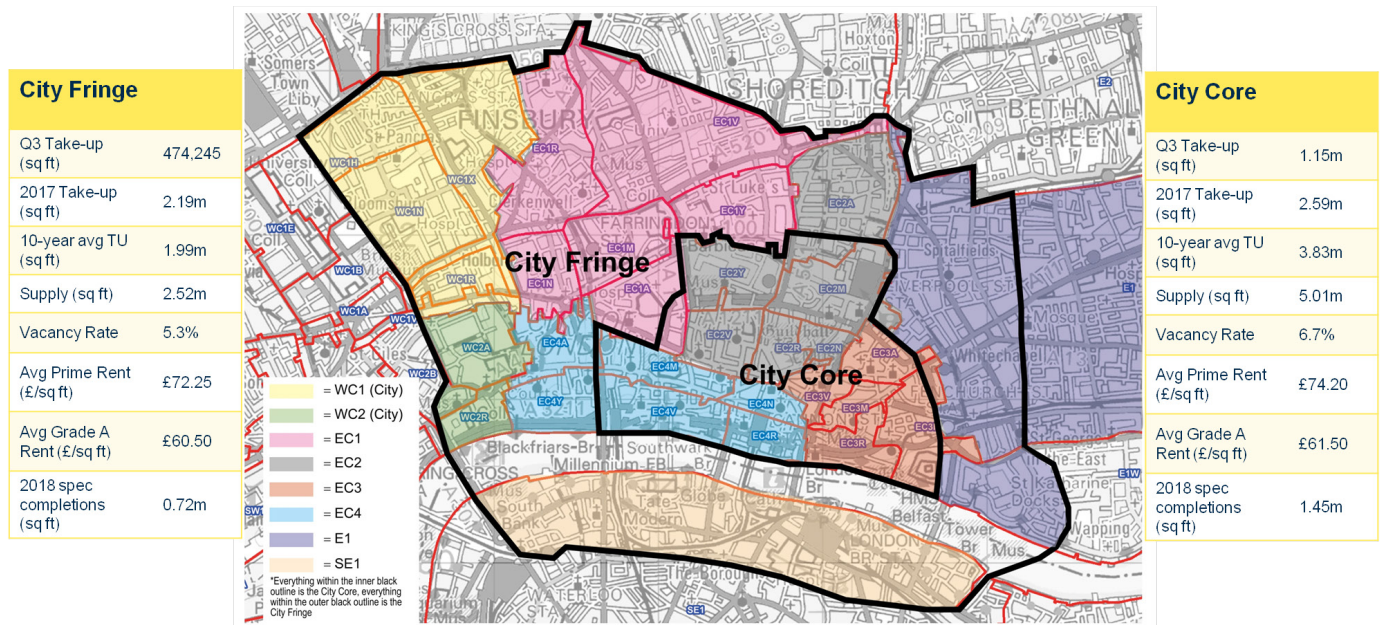
Significant supply

Address	Postcode	Available Sq ft	Comments
3 Minster Court	EC3	269,060	
Salisbury Square House	EC4	144,324	
30 St Mary Axe	EC3	138,008	further 6,135 sq ft under offer
The Spice Building, 8 Devonshire Sq	EC2	123,856	
Angel Court	EC2	115,285	further 8,760 sq ft under offer
50 Finsbury Square	EC2	114,951	
Senator House, 85 Queen Victoria St	EC4	109,589	
Creechurch Place	EC3	86,000	further 54,197 sq ft under offer
Two London Wall Place	EC2	81,839	further 35,295 sq ft under offer
Forum St Paul's, Gutter Lane	EC2	62,788	

MAP 1

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

City 2017 Q3 stats



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