



Q3 take-up figures provides air of positivity, with take-up highest since pre-Covid

September take-up was muted reaching 136,354 sq ft, although, this brought Q3 take-up to 1.08m sq ft across 64 deals, the highest quarterly take-up during the post-Covid era (since Q1 2020) and this brings the year-to-date take-up, to 2.65m sq ft (184 deals). Compared to the 10-year average this figure is down 50% in terms of quantum of space and 39% in the number of deals transacted. The underlying preference for Grade A space continues to dominate, as 91% of year-to-date take-up has been of such quality.

Of the 2.65m sq ft of take-up so far, the majority (59%) has been within the Core, with the Northern & Eastern Fringe, Midtown and Southbank accounting for 19%, 14% and 8% respectively.

The largest transaction to occur in September saw Wells Fargo's acquisition of the 6th floor at Bow Bells House, 11 Bread Street, EC4 (15,271 sq ft) on a short 3-year sub-lease at £52.50/sq ft, with 12 months rent free. Another notable transaction was the AEG Group acquisition of the part sixth floor at 240 Blackfriars Road, SE1 (12,067 sq ft) on a 10-year term.

The Professional Services sector was usurped in Q3, with the Insurance & Financial Services taking top spot accounting for 30%, albeit the Professional Services sector was only slightly behind accounting for 29%. However, sustained demand throughout the year from the Professional Services sector means that the sector now accounts for nearly a quarter of year-to-date take-up (24%), closely followed by the Insurance & Financial Services sector, accounting for 21%.

At the end of Q3, City supply settled at 13.01m sq ft; this equates to a vacancy rate of 9.3%, up 330bps on the long term average of 6.0%. 86% of supply is of Grade A standard, which is slightly above the five-year average. A contributing

factor to the rise in supply stemmed from the addition of development schemes due for practical completion in Q1 2022 being added.

Over the third quarter of this year, the City has experienced a slight increase in tenant supply entering the market, now accounting for 28% of total supply, this is up on the long term average (25%).

The continued bias for quality office space has insulated Q3 headline and prime rents. The average prime rent for Q3 in the City settled at £80.67/sq ft, which is up on Q2 by 4.4% and Q3 last year by 4.7%. The average grade A rent for Q3 settled at £67.05/sq ft, this is the highest quarterly figure since Q2 2020 (£68.10/sq ft).

Looking forward, we expect to see sustained rental growth for the Prime and Grade A office space over the next five years, with rents increasing 2.4% and 2.2% year-on-year, respectively. We expect that pricing for Grade B space, on the other hand will continue to come under pressure and are not expecting to see any positive growth to these rents over the next three years.

Currently, of the 10.4m sq ft of total requirements across Central London and the City, 8.0m sq ft is active demand and 2.4m sq ft potential demand. This is a 28% increase in active requirements compared to the start of this year. Positively, only 16% of active requirements are for less space than currently occupied. Therefore, 84% of Central London active requirements are the same size space or larger.

With momentum in the market picking up, we also continued to see increasing amounts of space going under offer, with space under off at 2.3m sq ft. This is up 117% on January 2021 and up 74% on the long-term average of 1.3m sq ft.



1,078,521 sq ft of take-up in Q3 2021, the highest since Q1 2020



2.3m sq ft currently under offer, **117%** increase on January 2021



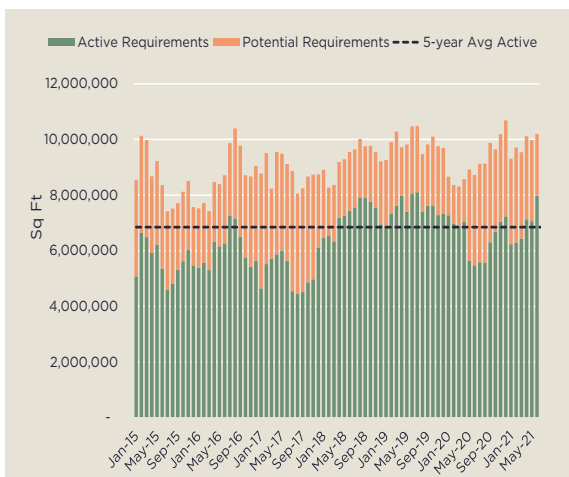
£80.67/sq ft is the average prime rent for Q3 2021, whilst Grade A settled at **£67.05/sq ft**



8.0 m sq ft of active requirements, up **28%** since the start of 2021

City requirements

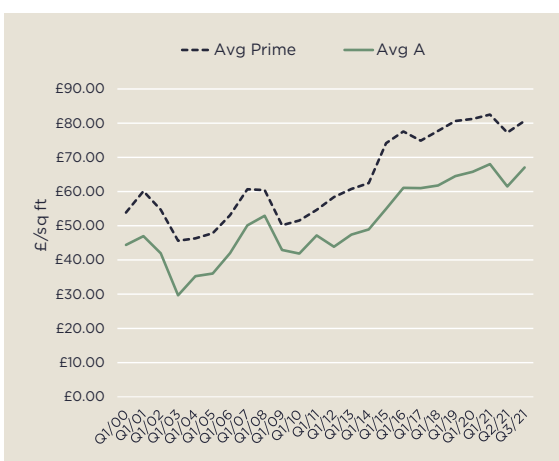
Graph 1



Source: Savills

City Prime and Grade A average quarterly rents

Graph 2



Source: Savills

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Oct-20	90,155	96%	3,899,364
Nov-20	114,071	88%	3,215,462
Dec-20	325,760	82%	2,927,511
Jan-21	290,033	97%	2,979,900
Feb-21	222,509	90%	2,531,517
Mar-21	271,580	96%	2,353,961
Apr-21	361,127	83%	2,544,517
May-21	208,878	79%	2,663,435
Jun-21	214,448	86%	2,669,536
Jul-21	377,830	87%	2,684,899
Aug-21	564,157	98%	3,204,912
Sep-21	136,534	88%	3,177,082

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan - Sep 20	2,389,539	-49%	89%
Jan - Sep-21	2,647,096	11%	91%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Oct-20	£64.00	£61.51	£55.00		
Nov-20	£78.00	£67.93	£43.00		
Dec-20	£85.00	£65.09	£39.81	£75.00	23
Jan-21	£81.50	£66.64	£50.00		
Feb-21	£81.50	£58.42	£33.63		
Mar-21	£108.75	£67.88	£55.00	£82.50	28
Apr-21	£72.00	£61.50	£43.34		
May-21	£74.50	£60.77	£58.85		
Jun-21	£82.50	£62.28	£43.50	£77.25	27
Jul-21	£107.25	£73.27	£54.94		
Aug-21	£81.50	£68.42	£48.75		
Sep-21	£83.00	£67.49	£49.43	£80.67	27

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
8,966,457	83%	2.1%	6.6%
9,764,541	82%	8.9%	7.2%
10,419,978	84%	6.7%	7.6%
11,609,763	82%	11%	8.4%
12,009,405	83%	3%	8.7%
12,312,231	84%	3%	8.9%
12,004,918	84%	-2%	8.7%
12,004,541	84%	0%	8.7%
12,457,214	84%	4%	9.0%
12,566,227	86%	1%	9.1%
12,289,019	85%	-2%	8.9%
13,010,829	86%	6%	9.3%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2022	1,442,294	2,801,161	4,243,455	23%
2023	1,843,353	2,163,867	4,007,220	18%
2024	1,691,696	2,395,673	4,087,369	16%
2025	1,797,776	1,109,397	2,907,173	5%
Total	6,775,119	8,470,098	15,245,217	10%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.4m
City Active Requirements (sq ft)	8.0m
City Total Requirements (sq ft)	10.4m
% change on 12 month ave	4%
Total under offer (sq ft)	2.3m
Under offer this month (sq ft)	462,379
% change on average (total)	74%
Landlord controlled supply	72%
Tenant controlled supply	28%

*Average prime rent is for preceeding 3 months

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

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

Significant September transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Bow Bells House, 11 Bread Street, EC4	6	15,271	A	£52.50	Wells Fargo	Aberdeen Standard Investment
240 Blackfriars Road, SE1	6 part	12,067	A	-	AEG Group	Al Gurg Group
The Tower, The Bower, 207 Old Street,	17	11,300	A	£83.00	Verkada	Helical
70 Mark Lane, EC3	11	9,901	A	£57.50	PGMBM	Zurich Insurance
LDN:W, 3 Noble Street, EC2	10	8,028	A	£78.00	Heleba	MEAG

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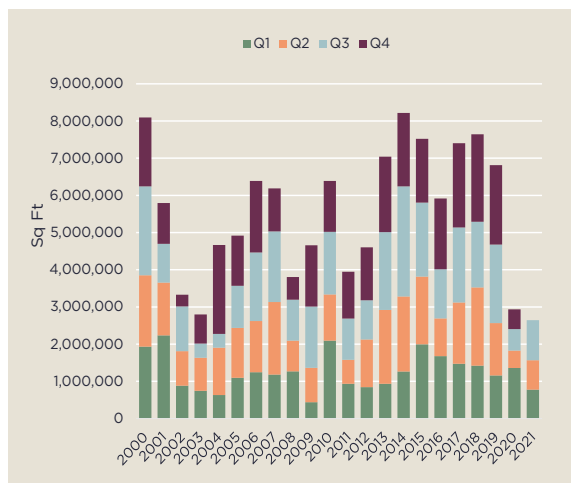
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In Focus - Take-up

City quarterly take-up

Graph 3



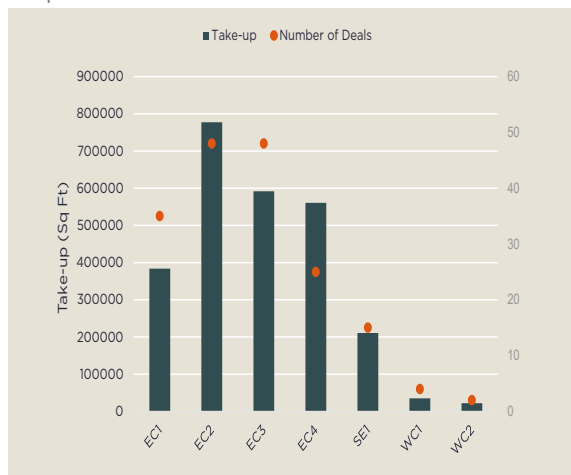
This month's In Focus takes a closer look at the take-up figures in 2021. Positively, when looking at occupiers who have taken over 15,000 sq ft so far this year, 35% of take-up has been expansion related, with only 4% downsizing.

On a more granular level, the postcode seeing the most activity in terms of quantum space and number of transactions was EC2, where take-up reached 777,454 sq ft across 48 deals. EC3 and EC4 follow behind with 584,775 sq ft and 560,621 sq ft of take-up, respectively.

The increasing preference for buildings with high sustainability credentials is reflected by the fact that 65% of take-up this year has been of BREEAM rated 'Very Good' or higher, with a staggering 44% being rated 'Excellent'.

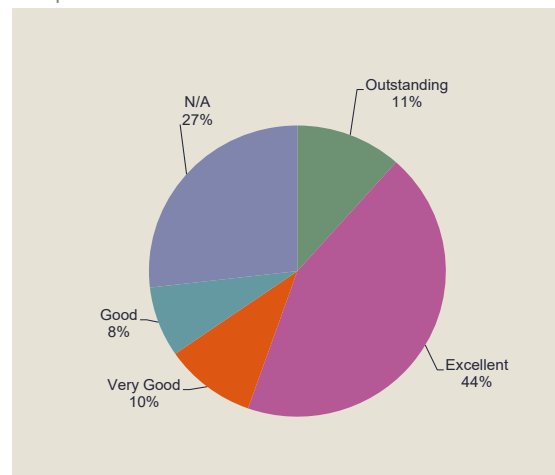
2021 City take-up by postcode

Graph 4



City YTD take-up by BREEAM rating

Graph 5



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