



## July sees highest monthly take-up since before the pandemic

July saw the highest take-up figure since March 2020, with take-up reaching 362,563 sq ft. Although this is still 30% down on the long-term monthly average take-up, it is the third consecutive month where we have seen an increase to take-up, reflecting growing demand for space in the City.

This brought current year-to-date take-up to 1.9m sq ft across 137 deals, however, this is still 43% down on the long-term average take-up for this point in the year. Furthermore, there continues to be a strong preference for Grade A space as 89% of year-to-date take-up has been of such quality. Sustained levels of strong occupier demand for new stock has resulted in pre-lets accounting for 30% of space that has been let so far this year.

Monthly take-up was aided by a notable pre-let which saw T. Rowe Price acquire 130,000 sq ft at Warwick Court, 5 Paternoster Square, EC4, terms on this transaction remain confidential. The investment management firm look to move out of their current offices at 60 Queen Victoria Street, EC4 and move into Warwick Court in 2023 following its completion.

Additionally, Mazars acquired a 14 year sublease of the 7th to 9th floors at Two New Ludgate, 60 Ludgate Hill, EC4 (56,920 sq ft) from Mizuho, at £62.50/sq ft. Another notable transaction during July was Fidelis' acquisition of the 42nd floor at TwentyTwo, 22 Bishopsgate, EC2 (25,376 sq ft) on a 10-year term, with a break option in the fifth year.

The Professional Services sector continues to dominate demand, accounting for 38% of total take-up last month, this has been the running theme for the last 18 months and since March 2020 the sector has accounted for 28% of total take-up across the City of London. The Insurance & Financial Services sector accounted for the second largest amount of take-up since the pandemic began (17%).

During the month just 132,682 sq ft of space was placed under-offer, bringing the total level of under offers to just over 1m sq ft, down on 1.4m sq ft in the previous month and on the long-term average by 21% (1.3m sq ft). Despite this, encouragingly active Central London & City requirements rose slightly over the month.

City supply rose slightly for the second consecutive month, whilst tenant controlled space remained broadly stable. Supply settled at 12.6m sq ft; equating to a vacancy rate of 9.1%. Currently, this is the highest the vacancy rate has been since 2009 and up 250 bps on the long-term average of 6.6%.

Tenant-controlled supply has accounted for 25% of total supply for the third consecutive month, this is also aligned with the long term average. At the end of July, 86% of supply was of Grade A standard, which is up on the five-year average. The majority of supply (61%) is within the City core and it therefore has a higher vacancy rate of 11.6%, compared with just 6.8% in the fringe.

Overall 9% of this year's pipeline has been let prior to completion and just under a quarter (23%) of space scheduled for completion in 2022 has already been pre-let. In total around 11.9m sq ft of speculative space for delivery between 2021 and 2024. However with the continued demand for premium office space, we can expect the pre-letting trend to continue with the 'flight to quality' trend showing no signs of subsiding.

The average prime rent across the City so far this year currently stands at £81.15/sq ft down slightly by 1.2% on £82.10/sq ft achieved over the same period in 2020. We are anticipating prime rents across Central London will remain stable during the remainder of the year.



**362,563 sq ft**  
of take-up in July across  
**19 deals**

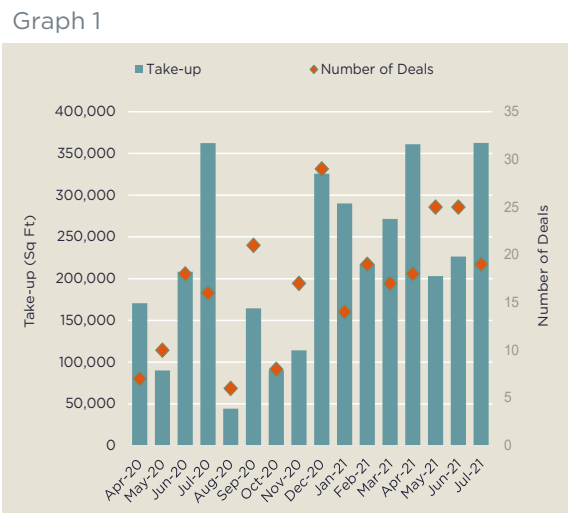


Total City & Central  
London requirements  
currently stand at **10.6m  
sq ft**



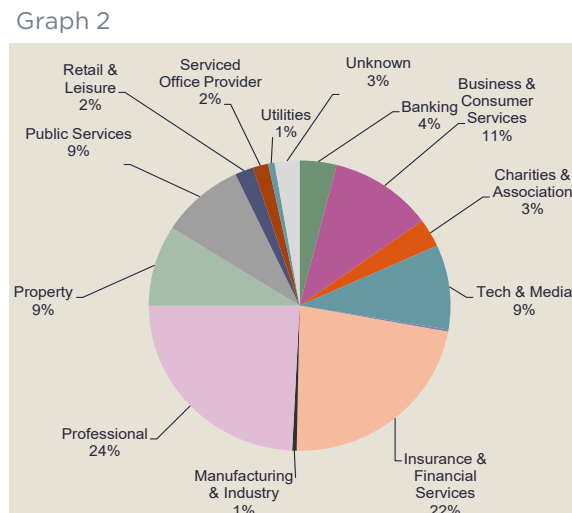
**The Professional  
Services sector** has  
accounted for **24%**  
of 2021 year-to-date  
take-up

### City monthly take-up since April 2020



Source: Savills

### City take-up by business sector



In terms of quantum  
space, **24%** of take-up  
have been over **100k sq  
ft deals**

## Analysis close up

### Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Aug-20	44,144	100%	4,962,046
Sep-20	164,364	80%	4,535,586
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	217,455	90%	2,526,463
Mar-21	271,580	94%	2,348,907
Apr-21	361,127	83%	2,539,463
May-21	203,005	78%	2,652,508
Jun-21	226,490	88%	2,670,651
Jul-21	362,563	89%	2,670,747

### Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan - Jul 20	2,181,031	-40%	89%
Jan - Jul 21	1,932,253	-11%	89%

### Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Aug-20	£70.00	£61.85			
Sep-20	£80.00	£61.20	£47.97	£77.00	25
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		

### Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
7,999,889	81%	1.2%	5.9%
8,784,217	83%	9.8%	6.5%
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%

### Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2021	1,603,374	478,405	2,081,779	9%
2022	1,430,884	2,719,257	4,150,141	23%
2023	1,780,668	2,163,867	3,944,535	18%
2024	1,691,696	2,487,439	4,179,135	16%
Total	6,506,622	7,848,968	14,355,590	17%

### Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.6m
City Active Requirements (sq ft)	8.0m
City Total Requirements (sq ft)	10.6m
% change on 12 month ave	10%
Total under offer (sq ft)	1.0m
Under offer this month (sq ft)	132,682
% change on average (total)	-21%
Landlord controlled supply	75%
Tenant controlled supply	25%

\*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 July transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Warwick Court, 5 Paternoster Square, EC4	N/A	130,000	A	Confidential	T. Rowe Price	Mitsubishi
Two New Ludgate, 60 Ludgate Hill, EC4	7, 8, 9	59,620	A	£62.50	Mazars	Mizuho
TwentyTwo, 22 Bishopsgate, EC2	42	25,376	A	Confidential	Fidelis	Axa
60 Threadneedle Street, EC2	7	22,400	A	Confidential	Berenburg	Talbot
TwentyTwo, 22 Bishopsgate, EC2	11 part	12,467	A	£80.00	Development Bank of Korea	Axa

## Savills contacts

Please contact us for further information

**Peter Thursfield**  
 Director  
 City Agency  
 020 7409 8928  
 pthursfield@savills.com

**Stuart Lawson**  
 Director  
 City Agency  
 020 7409 8920  
 slawson@savills.com

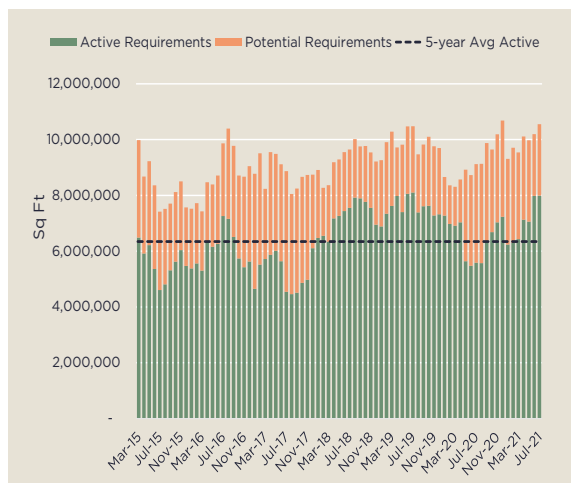
**Josh Lamb**  
 Director  
 City Agency  
 020 7409 8991  
 jlamb@savills.com

**Will Wilson**  
 Analyst  
 Research  
 020 7409 8791  
 will.wilson@savills.com

## In Focus - City and Central London demand

### City and Central London demand

Graph 3



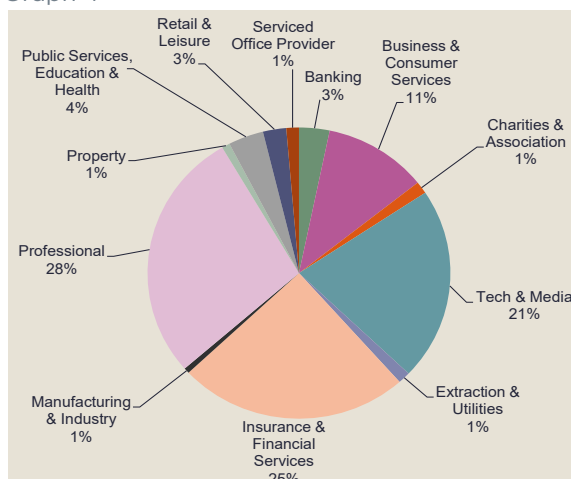
This month's In Focus takes a deeper look at the active demand requirements across the City and Central London. As the success of the Covid-19 vaccine rollout goes from strength to strength and the office environment regains increasing normality, we are witnessing continued rising demand for office space. Since the start of the year total requirements have increased by 14%. Currently, of the 10.6m sq ft of total requirements across central London and the City, 8.0m sq ft is active demand and 2.6m sq ft potential demand.

Delving deeper into the demand, 47% of total requirements are over 100,000 sq ft, such requirements are likely to fuel the pre-letting trend for the foreseeable future. Moreover, 1.2m sq ft of these requirements have been activated in 2021, suggesting a growing demand for large office spaces.

As portrayed in Graph 4, active demand is dominated by the Tech & Media, Professional and Insurance & Financial Services sectors, whom account for 74% of active demand requirements.

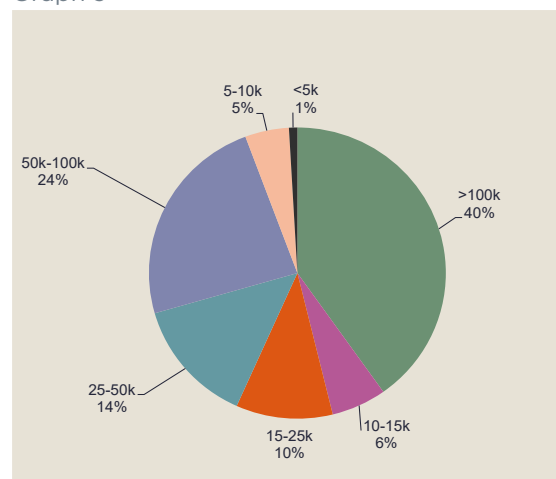
### Active demand by business sector

Graph 4



### Active demand by size-band

Graph 5



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