

# City Office Market Watch



## City experiences highest monthly take-up in 24 months, as year-to-date take-up passes 4m sq ft

A flurry of late activity before the Christmas period and year end brings November take-up to 750,115 sq ft, this is the highest monthly take-up since November 2019. Year-to-date take-up has reached 4.0m sq ft across 250 deals. Although 54% above the same point last year, this is down 24% on the five-year average. The underlying preference for Grade A space continues to dominate, as 91% of year-to-date take-up has been of such quality.

Compared to last year, we have seen a 28% increase in the average deal size across the City of London (16,022 sq ft), and a 2% increase on the five-year average. A contributing factor is the elevated proportion of large pre-lets as a percentage of total take-up this year. This is the highest on record (39%) with the 10-year average at 22%.

November was no different with six pre-lets crossing the line, the largest transaction to occur saw Allen & Overy acquire multiple upper floors at 1 Broadgate, EC2 (c.265,000 sq ft), in a move that would see the law firm move their HQ from 10 Bishops Square, E1.

In the second largest transaction in November, Snap Inc pre-let 114,808 sq ft across floors 2-6 at Bloom, 4 Farringdon, EC1 on a 10-year term at a blended rent of £83.00/sq ft. The social media giant has chosen HB Reavis's Bloom as its new London HQ, as part of its office expansion.

DUO, 280 Bishopsgate, EC2 saw two transactions complete last month, with Cognizant taking floors 3-5 (52,900 sq ft) as £74.00/sq ft and ABRDN acquiring the ground to second floor (42,345 sq ft) at £67.00/sq ft. With the addition of Getty Images signing in October, this sees the entirety of the building pre-let before the scheduled completion early next year.

As the year draws to an end, the Professional Services sector continues to be the main driver of demand across the City, accounting for over a quarter of quantum take-up (26%). This has been aided by three large pre-lets including Latham & Watkins at 1 Leadenhall, EC3, Travers Smith at Stonecutter Court, 1 Stonecutter Street, EC4 as well as Allen & Overy last month.

The Insurance & Financial Services sector accounts for 19% of take-up, and the Tech & Media and Business & Consumer Services sectors both make up 14% of year-to-date take-up.

Just 192,003 sq ft was put under offer in November, compared to five-year monthly average of 307,221 sq ft. Overall, total space under offer amounts to 2.2m sq ft, up 74% on the long term average. There continues to be a strong preference for brand new stock, with the development pipeline accounting for 45% of the space under offer.

City supply continued to fall for the third consecutive month, settling at 12.5m sq ft during November, equating to a vacancy rate of 9.0%, down 10bps on last month, but is still up 300bps on the long term average of 6.0%. 85% of supply is of Grade A standard, which is slightly above the five-year average. At the end of the month tenant-controlled supply stood at 3.5m sq ft, down 3% on a month earlier. This equates to 28% of total supply. 64% of all tenant-controlled space is located in the City Core

Prime rents continue to be insulated by sustained demand for best in class office space. The average prime rent achieved so far this year currently stands at £81.65/sq ft, which is up 1% on 2020 but up 16% on the 10 year average. The average Grade A rent currently stands at £64.68/sq ft, marginally down 2020 (£65.28/sq ft) but up 17% on the 10-year average.



**4,005,660 sq ft**  
YTD take-up, across **250**  
deals



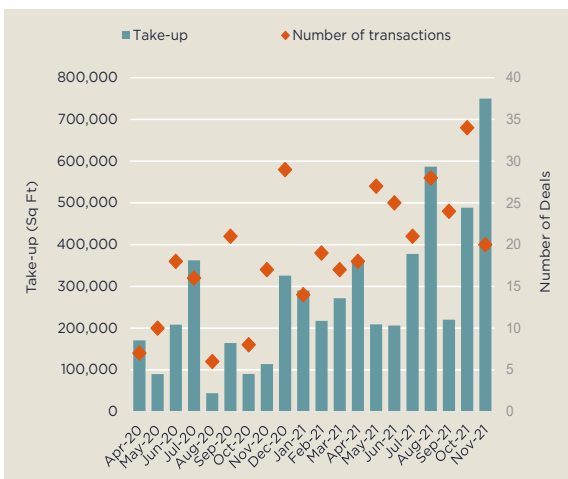
**45%** of under offers are  
on the development  
pipeline



Supply falls for the  
third consecutive month

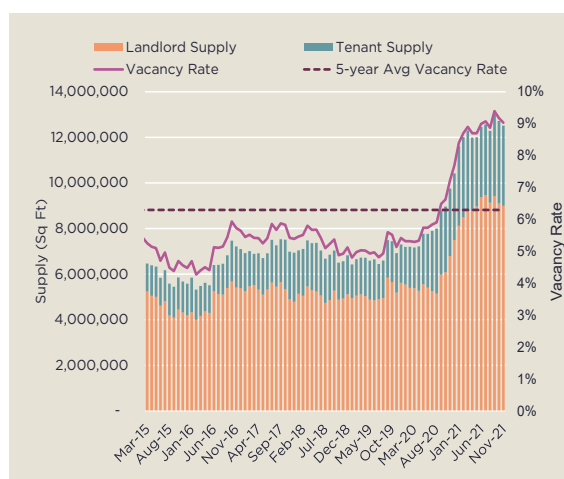
### City monthly take-up since April 2020

Graph 1



### City supply

Graph 2



**28%** of the 2022  
development pipeline is  
pre-let

## Analysis close up

### Monthly take-up

Table 1

|        | Sq ft   | % Grade A | 12 month rolling take-up |
|--------|---------|-----------|--------------------------|
| 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 | 204,020 | 85%       | 2,659,108                |
| Jul-21 | 392,007 | 88%       | 2,688,648                |
| Aug-21 | 596,564 | 97%       | 3,241,068                |
| Sep-21 | 220,203 | 90%       | 3,296,907                |
| Oct-21 | 488,624 | 91%       | 3,695,376                |
| Nov-21 | 750,115 | 98%       | 4,331,420                |

### Year to date take-up

Table 3

|              | Sq ft     | % change on previous year | % Grade A |
|--------------|-----------|---------------------------|-----------|
| Jan - Nov 20 | 2,593,765 | -58%                      | 89%       |
| Jan - Nov 21 | 4,005,660 | 54%                       | 92%       |

### Rents

Table 5

| £ per sq ft | Top     | Average |         |        |             |
|-------------|---------|---------|---------|--------|-------------|
|             |         | Grade A | Grade B | Prime* | Rent free** |
| 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          |
| Oct-21      | £75.00  | £64.13  | £44.50  |        |             |
| Nov-21      | £84.50  | £70.14  | £33.25  |        |             |

### Supply

Table 2

| Total      | % Grade A | % chg on prev month | Vacancy rate (%) |
|------------|-----------|---------------------|------------------|
| 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%                  | 9.4%             |
| 12,718,905 | 86%       | -2%                 | 9.2%             |
| 12,516,925 | 85%       | -2%                 | 9.0%             |

### Development pipeline

Table 4

| Sq ft | Refurb    | Devs      | Total      | % Pre-let |
|-------|-----------|-----------|------------|-----------|
| 2022  | 1,594,130 | 2,669,161 | 4,263,291  | 28%       |
| 2023  | 1,843,353 | 2,513,867 | 4,357,220  | 16%       |
| 2024  | 1,691,696 | 2,395,673 | 4,087,369  | 16%       |
| 2025  | 1,797,776 | 1,769,931 | 3,567,707  | 11%       |
| Total | 6,926,955 | 9,348,632 | 16,275,587 | 18%       |

### Demand & Under-offers

Table 6

|                                     |         |
|-------------------------------------|---------|
| City Potential Requirements (sq ft) | 2.2m    |
| City Active Requirements (sq ft)    | 7.8m    |
| City Total Requirements (sq ft)     | 10.0m   |
| % change on 12 month ave            | 0%      |
| Total under offer (sq ft)           | 2.2m    |
| Under offer this month (sq ft)      | 192,003 |
| % change on average (total)         | 73%     |
| Landlord controlled supply          | 72%     |
| Tenant controlled supply            | 28%     |

\*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           |
|-------------------------------------|------------|---------|-------|---------------|---------------|------------------|
| 1 Broadgate, EC2                    | 4-7, 9-12  | 267,442 | A     | Confidential  | Allen & Overy | British Land/GIC |
| The Bloom, 4 Farringdon, EC1        | 2-6        | 114,808 | A     | £83.00        | Snap inc      | HB Reavis        |
| 280 Bishopsgate, EC2                | 3, 4, 5    | 52,900  | A     | £74.00        | Cognizant     | CBREGi/ARAX      |
| Lion Plaza, 5 Old Broad Street, EC2 | Part 5 & 6 | 42,345  | A     | Confidential  | White & Case  | Doric            |
| 280 Bishopsgate, EC2                | G, 1, 2    | 39,326  | A     | £67.00        | ABRDN         | CBREGi/ARAX      |

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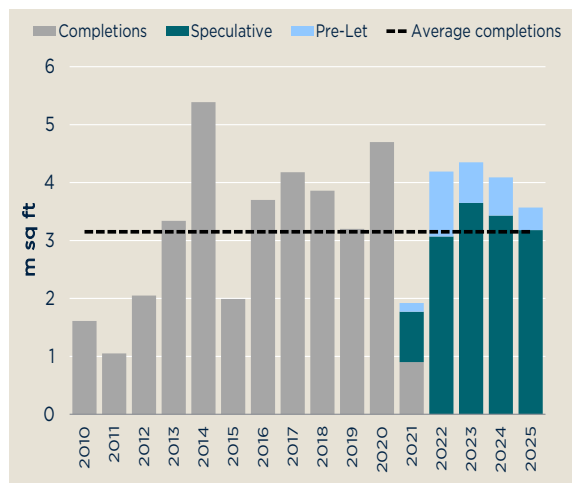
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## In Focus - Development pipeline

### City development pipeline

Graph 3



Currently, there are 16.3m sq ft of new developments and extensive refurbishments scheduled to complete over the next four years. Strong pre-letting activity over recent years has led to 28% of space scheduled for completion next year already being pre-let. Pre-lets already account for 16% of anticipated completion for 2023 and 2024, but we expect more space to be acquired prior to completion as the demand for prime office space increases.

Over the next four years, the City Core has 8.2m sq ft scheduled for practical completion, of which 23% has been pre-let. The Northern & Eastern Fringe and Southbank are due to see 3.7m sq ft and 3.4m sq ft of office space brought to market, respectively with a combined 26% of this space committed overall.

A combination of environmental protocols and climate concerns continue to drive demand for sustainable office space. Between now and the end of 2025, 68% of developments are rated BREEAM 'Very Good' or higher.

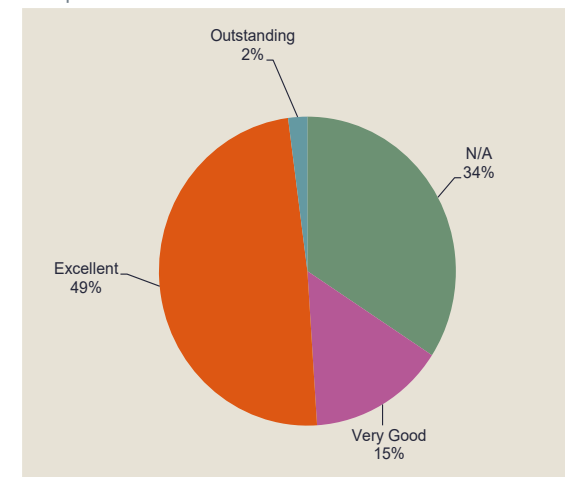
### City development pipeline by sub-market 2022 - 2025

Graph 4



### City development pipeline by BREEAM rating

Graph 5



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