



A strong November bolsters year-to-date take-up figures

Following a quieter start to the fourth quarter, November experienced a much stronger take-up, as anticipated, totalling 775,514 sq ft across 24 transactions. This is 45% above the 10-year monthly average and brings the year-to-date take-up figure to 5.3m sq ft across 351 transactions. However, despite last month's strong performance, take-up is currently down 5% on the 10-year average. It should be noted that December is historically a strong month, with both tenants and landlords hoping to get transactions 'across the line' before the year ends.

The demand for prime offices has continued throughout 2022, with the current economic headwinds exacerbating this trend. In October, an incredible 99% of take-up was of Grade A quality, whilst 92% of year-to-date take-up has been of such quality, against a 10-year average of 85%.

Sustainability and amenity offering remains high on occupiers wishlists, as 92% of take-up in November has been BREEAM rated 'Excellent' or higher. So far this year 62% of all transactions were rated 'Excellent' or 'Outstanding'.

A number of key deals transacted in November, Clifford Chance acquired the entirety of 2 Aldermanbury Square, EC2 (327,000 sq ft) in not only the most anticipated deal of the year, but the largest deal since the start of 2020. The law firm has acquired the lower ground to twelfth on separate 20-year leases, with break options in the 15th year, and is thought to be paying a blended rent of £77.00/sq ft with 38 months' rent free. The completion of the scheme is expected to tie in with the expiry of Clifford Chances' current lease at 10 Upper Bank Street in 2028.

Reed Smith pre-let nine upper floors at British Land's Norton Folgate development. The law firm will acquire the Blossom Yards building (126,800 sq ft) on a 15-year term, at a blended rent of £80.00 sq ft with 38 months' rent free.

Finally, Partners Group acquired the sixth and seventh floors at the JJ Mack Building, 33 Charterhouse Square, EC1 (37,050 sq ft), on a 20-year term with a break option in the 15th year. The deal achieved a top rent for 2022, with the Swiss-based private equity group paying £107.00/sq ft on the terraced, seventh floor.

This is the first time (in the City) that a rent over £100.00/sq ft that is not an upper floor in a tower has been achieved. Average Prime rents have continued to increase throughout 2022 as the dwindling supply of prime office space meets increasing demand. 96 transactions have achieved rents over £70.00/sq ft (33%), this is the highest on record both in terms of number and percentage. More impressively, 9% have seen rents of over £80.00/sq ft transact.

At the end of November there is currently 13.2m sq ft of available supply, equating to a vacancy rate of 9.5%, this is a 10 bps decrease on last month but up on the long-term average of 6.3%. As mentioned above, the City is experiencing an inherent under supply of Prime office stock, with just 43% of supply being recently developed or comprehensively refurbished. Whilst the overall vacancy rate is still relatively high, compared to the long-term average, the vacancy rate in Prime office stock is far lower.

Taking a look at the future supply of Prime office stock, the development pipeline is scheduled to see 17.0m sq ft complete between 2023 and 2026. The strong pre-letting performance of the past two years means 23% of the 4.1m sq ft due to complete in 2023 has been committed to. Just under a fifth of the 3.8m sq ft scheduled for completion in 2024 has been pre-let. Looking further ahead, 9.1m sq ft of space is scheduled to complete in 2025 and 2026 with 11% pre-let. However, with economic headwinds including supply chain issues and cost inflation, it is to be expected that a number of these schemes will experience delayed starts and pushbacks, as their viability is questioned.



5.3m sq ft
YTD take-up, across
351 transactions



Vacancy rate drops 10
bps to **9.5%**



2.1m sq ft of under
offers, **50%** above the
LTAV

City year-to-date take-up

Graph 1



Source: Savills

City transactions achieving £70/sq ft +

Graph 2



Active requirements
increase **9%** to reach
8.3m sq ft

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Dec-21	333,682	100%	4,815,427
Jan-22	592,347	82%	4,859,076
Feb-22	488,201	98%	5,228,914
Mar-22	288,470	90%	5,445,535
Apr-22	897,729	85%	5,372,878
May-22	562,665	97%	6,061,729
Jun-22	174,124	85%	6,409,946
Jul-22	249,173	84%	6,191,247
Aug-22	825,234	91%	5,837,904
Sep-22	153,318	87%	6,442,935
Oct-22	775,514	97%	6,102,640
Nov-22	159,036	99%	6,118,771

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan - Nov 21	4,037,113	56%	91%
Jan - Nov 22	5,340,457	32%	92%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Dec-21	£94.50	£64.75		£83.06	25
Jan-22	£85.00	£69.93	£51.75		
Feb-22	£77.00	£68.13			
Mar-22	£103.50	£65.26	£44.00	£83.84	25
Apr-22	£87.50	£69.83	£43.75		
May-22	£90.00	£67.83	£45.07		
Jun-22	£105.00	£65.85	£47.12	£83.72	23
Jul-22	£87.00	£71.63	£45.27		
Aug-22	£90.00	£71.15	£35.15		
Sep-22	£103.50	£67.51	£45.12	£85.61	24
Oct-22	£73.50	£63.02	£37.50		
Nov-22	£107.00	£73.58	£60.94		

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
12,490,925	85%	0%	9.0%
12,285,458	85%	-2%	8.9%
12,424,204	85%	1%	9.0%
12,985,821	87%	5%	9.3%
12,933,492	87%	0%	9.3%
12,669,761	87%	-2%	9.1%
12,715,255	86%	0%	9.1%
12,862,646	86%	1%	9.2%
13,309,212	86%	3%	9.5%
13,413,477	86%	1%	9.6%
13,464,167	86%	0%	9.6%
13,238,224	85%	-2%	9.5%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2023	1,360,351	2,757,378	4,117,729	29%
2024	1,697,265	2,062,529	3,759,794	19%
2025	2,535,076	1,585,340	4,120,416	9%
2026	2,181,329	2,814,256	4,995,585	12%
Total	7,774,021	9,219,503	16,993,524	17%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.4m
City Active Requirements (sq ft)	8.3m
City Total Requirements (sq ft)	10.7m
% change on 12 month ave	0%
Total under offer (sq ft)	2.1m
Under offer this month (sq ft)	158,275
% change on average (total)	50%
Landlord controlled supply	73%
Tenant controlled supply	27%

*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
City Place House, 2 Aldermanbury Square, EC2	Building	327,581	A	£77.00 (blended)	Clifford Chance	GPE
Blossom Yards, Norton Folgate, E1	1-9	126,800	A	£80.00 (blended)	Reed Smith	British Land
5 Broadgate, EC2	9, 10	104,410	A	£69.50	Grant Thornton	UBS
JJ Mack Building, 33 Charterhouse Square, EC1	6, 7	37,050	A	£107.00 (top)	Partners Group	Helical/Ashby Capital
Fen Court, 120 Fenchurch Street, London, EC3	3	33,023	A	£67.50	Munich Re	M&G Real Estate

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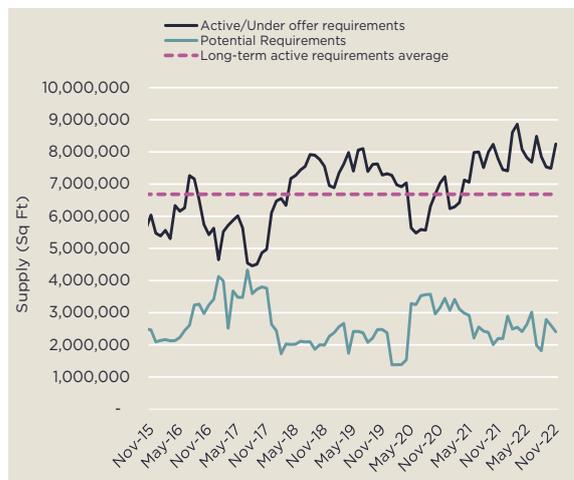
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In Focus - City and Central London Demand

Historic City and Central London demand

Graph 3



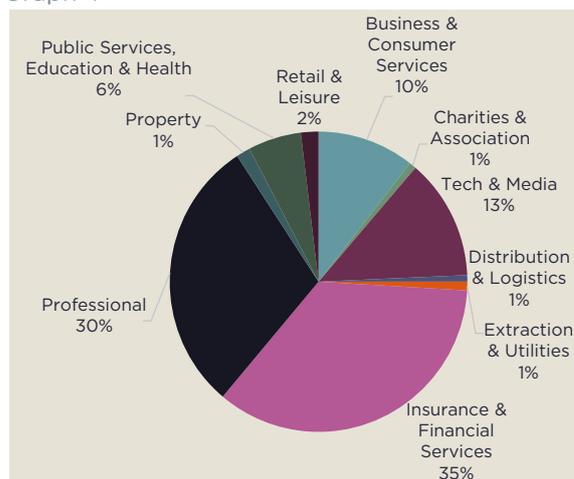
Occupiers with an active requirement considering options in the City and Central London increased 9%, rising to 8.2m sq ft. This is up 18% on the long-term average. The increase was aided by the return of the mid-to-large requirement size bracket, in the last two months, 11 active requirements over 50,000 sq ft have been brought to the market. Moreover, 66% of the total active requirements are looking for space over 50,000 sq ft, a good metric to judge where market sentiment is at. The same sectors continue to prove their resilience, with the Professional Services and Insurance & Financial Services sectors accounting for 64% of total active requirements, followed by the Tech & Media sector (13%).

Despite the economic downturn, on the whole, we are yet to see any strong indication that occupiers are seeking to take less space. The largest proportion, reflecting 45% of occupiers with an active requirement, are currently seeking to acquire a greater amount of space when they relocate, in contrast to only 26% seeking to reduce it.

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City and Central London demand by sector

Graph 4



Active requirements vs previous footprint

Graph 5

