

# City Office Market Watch



## November sees highest monthly take-up in four years bolstered by HSBC's 556,000 sq ft move to the City

November saw 983,620 sq ft complete across 30 transactions. This brought year-to-date transactions to 5.4 million sq ft, a 6% increase on the 5-year average and a 6% decrease on the long-term average for this period.

This month saw a continued dominance from the Insurance and Financial sector driving leasing activity, it was responsible for 81% of take-up by sq ft this month and has accounted for just under a third of take-up for the year.

The high volume of space leased during November was largely as a result of HSBC's pre-let of Orion's Panorama Scheme at 81 Newgate Street, EC1 (556,000 sq ft). HSBC will be relocating from the 1 million sq ft they were occupying in 8 Canada Square.

November also saw the highest rent we have seen this year at the JJ Mack

Building; a BREEAM Outstanding, EPC A rated, NABERS 5\* building. This is alongside the extra amenity offering of three large roof terraces. Corio Generation has taken a 10-year lease on the 9th floor (13,408 sq ft) for £112.50 per sq ft. This highlights the rental premium paid for best-in-class space with the best sustainability ratings, we have seen a premium of 21% attached on Grade A BREEAM rated Excellent and Outstanding buildings compared to unrated Grade A buildings.

The stronger occupier preferences for office space with sustainability credentials is reflected by the fact that 66% of space acquired so far this quarter has been in BREEAM rated Excellent or Outstanding buildings. This is accentuated by a dwindling supply, evident in November where 68% of take-up was from spaces with 'BREEAM' excellent or outstanding credentials. However, only 17% of the

newly added space achieved BREEAM excellent or above, highlighting a growing disparity between demand and available supply in highly sustainable office spaces.

Looking ahead, development completions from 2024 to 2027 are expected to reach 16.6 million sq ft, with 19% having already been pre-let. However, over half of the pipeline, constituting 52%, is yet to commence construction.

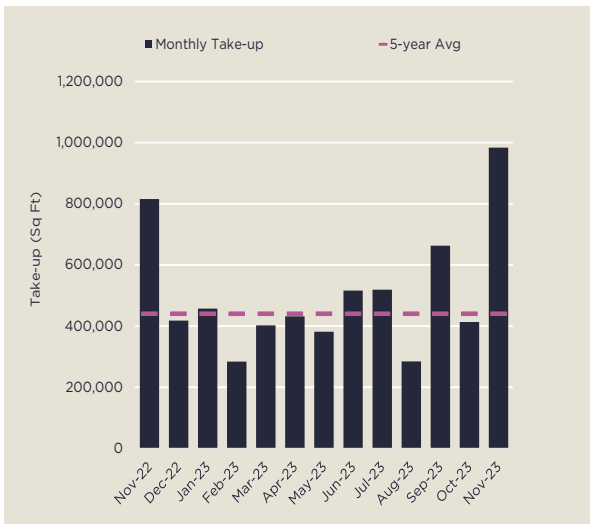
Despite the large amount of take-up this month, overall supply fell by 10 bps to 13.3m sq ft. Most of the space that has become available this month has been from small chunks in buildings, such as the 56th floor of 22 Bishopsgate, EC2. This meant vacancy rate fell to 9.5% from last month but is still 23% above the 5-year average.

### Key Stats

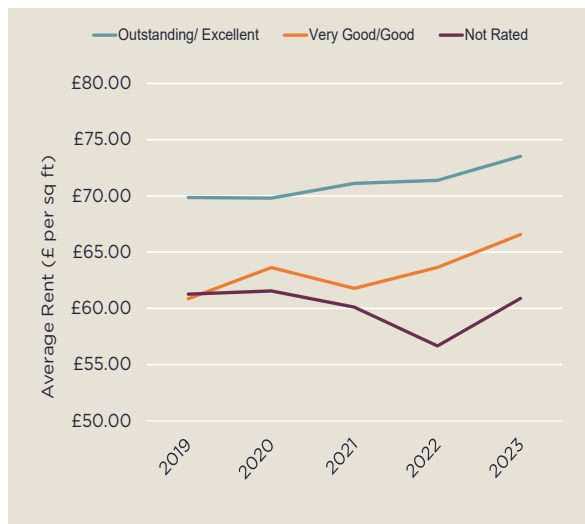


Space under offer at the end of November stood at 2.2m sq ft, up 28% on the long-term average

### City Take-up by Month



### City rents by BREEAM rating



Source Savills Research

### City Take-up (YTD)

% change on the 5-year average

6%

% change on the 10-year average

-6%

### City & Central London Active Requirements

Active Requirements (sq ft)

10.3M

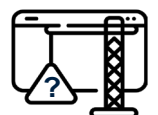
% change on the 10-year average

30%

Source Savills Research



The Insurance and Financial sector has accounted for 32% of this year's take-up



52% of the scheduled 2024-2027 pipeline is yet to start construction

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Nov 22	5,405,990	34%
Jan - Nov 23	5,342,522	-1%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2024	1,529,718	2,466,951	4,371,228	35%
2025	2,748,918	1,108,884	3,857,802	25%
2026	821,816	2,406,656	3,228,471	21%
2027	1,521,713	3,676,012	5,197,725	0%
Total	6,622,165	10,033,062	16,655,227	19%

Significant November transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Panorama, 81 Newgate Street, EC1	Building	556,000	A	Confidential	HSBC	Orion
160 Queen Victoria Street, EC4	LG,3-5	81, 512	A	Confidential	Confidential	Generali Real Estate
Blue Fin Building, 110 Southwark Street, SE1	3	40,085	A	£66.00	Stagwell Group	Oxford Properties
40 Leadenhall Street, EC3	10	35,236	A	Confidential	Shawbrook	M&G Real Estate
22 Bishopgate, EC2	37	26,081	A	£87.50	Canada Life	Axa

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