



City is slow to wake from festive slumber, however under offers continue to provide a positive outlook

The year started at a slower pace when comparing to 2022, with January take-up reaching 322,647 sq ft across 14 deals. This is 9% down on the 10-year average and the lowest monthly number of transactions since January 2021 (14).

Grade A space remained the clear preference as it accounted for 96% of take-up, which is up on the 10-year average of 84%. The ongoing economic uncertainty and associated headwinds has continued to exacerbate the bifurcation of the Central London office market.

January take-up was predominantly supported by TikTok's pre-letting of Verdant, 150 Aldersgate, EC1. The creative platform acquired the entirety of the Beltane & Topland development (134,279 sq ft), which is due to complete in Q2 2024. Tiktok are thought to have taken the space on a 15-year term, with a break option in the 10th year at a blended rent of £78.00/sq ft.

In the second largest transaction of the month Kantar Media acquired the 1st and 2nd floor at Vivo, Southbank Central, 30 Stamford Street, SE1 (46,628 sq ft) on a 10-year term at £62.00/sq ft with 29 months' rent free.

Total City supply rose by 1.4% from the 2022 end of year figure, to settle at 13.5m sq ft, this is the second consecutive month the City has experienced a rise. This has led to the vacancy rate moving out 10 bps to 9.7%. The proportion of tenant release space remains in line with the long-term average of 25%, albeit a higher quantum of space.

Moreover, there continues to be an under-supply of prime stock, with 46% of current supply consisting of space that has been newly developed or comprehensively refurbished in the past 10 years.

When comparing the future development pipeline to historic take-up figures, it is evident that there will continue to be an under-supply of prime to accommodate the intense demand for best in class stock.

The 2023-2027 development pipeline is expected to see 16.7m sq ft of speculative space complete. When comparing to a cumulative five-year Grade A take-up figure of 24.5m sq ft, there is a clear deficit that will continue to bolster prime rental forecasts. It should be mentioned that amidst relatively high construction and debt costs, there will be delayed starts and push backs on completion dates, which will further widen the disconnect between demand and supply. Between Q4 2021 and Q4 2022, 64% of the Central London pipeline was delayed at least one quarter.

At present, 22% of the pipeline between 2023 and 2026 has been pre-let, this is compared to 20% last year and 12% in 2021. Impressively, a little over a third of the total space expected to PC this year has been committed to (1.8m sq ft). Looking ahead, 3.9m sq ft of space is due to complete in 2024 of which 20% has been pre-let. With dwindling prime stock across the City, we anticipate an increase in demand for the space that is under construction or nearing completion.

416,398 sq ft of space went under offer last month, increasing the total figure 2.1m sq ft, which is 50% above the long-term average. The 'flight to quality', as discussed over the last two years, will continue to progress as three quarters of the total quantum space under offer is either recently developed or refurbished or still in the development pipeline.



322,647 sq ft
take-up, across **14** deals



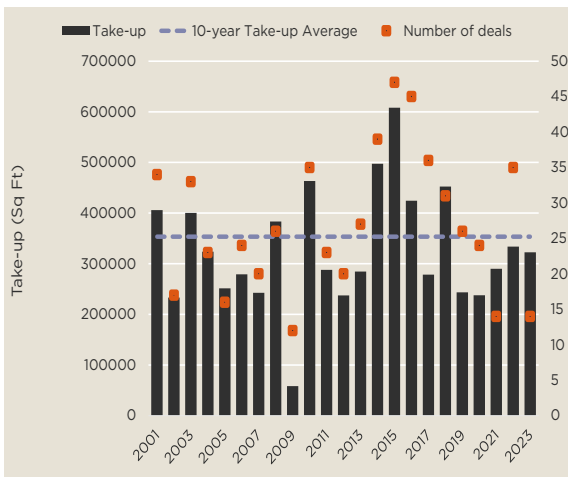
70% of the **2.1m sq ft**
under offer is on newly
refurbished or
developed stock



22% of 2023 - 2026
pipeline is pre-let

City January take-up

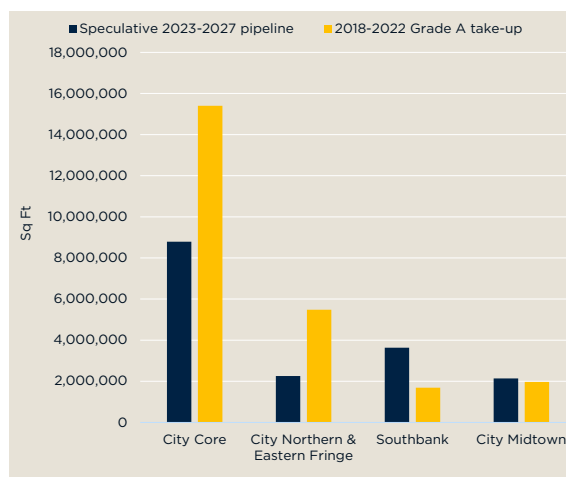
Graph 1



Source: Savills

City spec pipeline vs historic 5-year take-up

Graph 2



Vacancy rate increased
for the second
consecutive month, to
9.7%

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Feb-22	592,347	93%	5,228,914
Mar-22	488,201	92%	5,445,535
Apr-22	288,470	91%	5,372,878
May-22	897,729	93%	6,061,729
Jun-22	562,665	91%	6,409,946
Jul-22	172,117	91%	6,189,240
Aug-22	256,626	91%	5,843,350
Sep-22	845,413	90%	6,468,560
Oct-22	153,318	91%	6,128,265
Nov-22	815,422	92%	6,184,304
Dec-22	417,937	92%	5,823,927
Jan-23	322,647	96%	5,812,892

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 22	333,682	15%	82%
Jan 23	322,647	-3%	96%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Feb-22	£77.00	£68.13	£40.00		
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		
Dec-22	£93.00	£64.35	£49.50	£88.36	23
Jan-23	£81.00	£71.10	£39.00		

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
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%
13,354,569	86%	1%	9.6%
13,546,203	87%	1%	9.7%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2023	1,552,430	3,312,132	4,864,562	36%
2024	1,840,784	2,058,529	3,899,313	22%
2025	2,663,788	1,770,340	4,434,128	9%
2026	1,445,776	2,041,000	3,486,776	17%
Total	7,502,778	9,182,001	16,684,779	22%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.4m
City Active Requirements (sq ft)	7.9m
City Total Requirements (sq ft)	10.2m
% change on 12 month ave	-3%
Total under offer (sq ft)	2.1m
Under offer this month (sq ft)	416,398
% change on average (total)	50%
Landlord controlled supply	75%
Tenant controlled supply	25%

*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 January transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Verdant, 150 Aldersgate, EC1	Building	134,279	A	£78.00	Bytedance	Beltane/Topland
Viva, Southbank Central, 30 Stamford Street, SE1	1, 2	46,628	A	£62.00	Kantar Media	Starwood Capital
Park House, 16 - 18 Finsbury Circus, EC2	6	22,109	A	£67.50	Cisco Systems Limited	DWS
100 Wood Street, EC2	3	17,552	A	£57.00	Post Office Ltd	Ponte Gadea
Bow Bells House, 11 Bread Street, EC4	6	15,271	A	Confidential	Project Zebra	Aberdeen Standard

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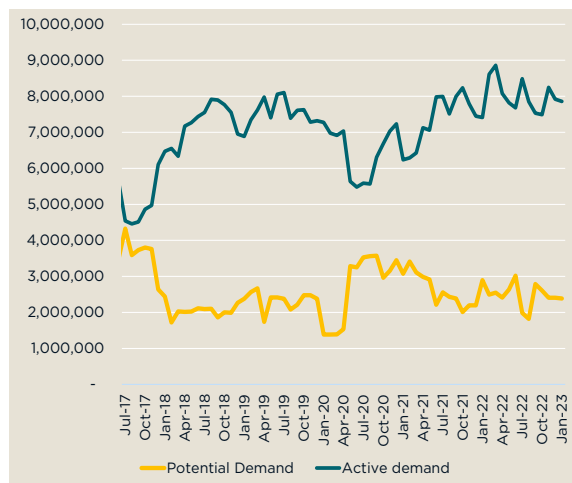
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In Focus - Demand analysis

City active vs potential requirements

Graph 3



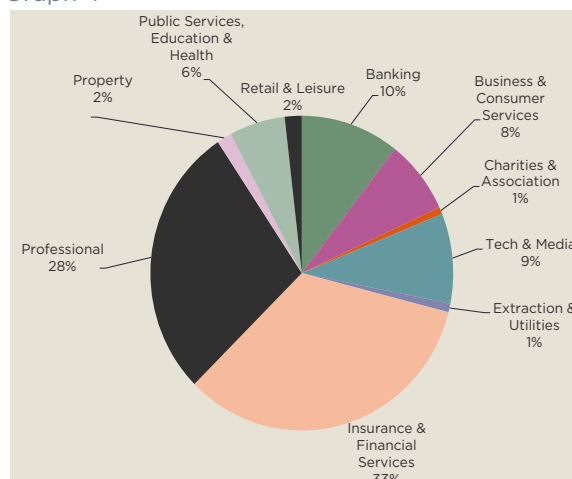
With the ongoing uncertainty tainting market outlook, it is worthwhile looking into the current active requirements for the City and Central London. At the end of January 2023, there was 7.9m sq ft of active requirements, this eliminates West End specific searches. This is 13% up on the long-term average.

Positively, there are a number of mid to large size-bracket requirements becoming active, in the last three months there have been an additional 11. Conclusively, 68% of active requirements are looking for 50,000 sq ft of office space, which provides an air of positivity for the market in the coming months.

With regards to which occupiers are active in the market, the rhetoric remains similar to the last couple of years. The Insurance & Financial Services sector account for a third of all active requirements, with the Professional Services sector a close second (28%). It will be interesting to monitor the Tech & Media sector following the muted activity in the American and European markets.

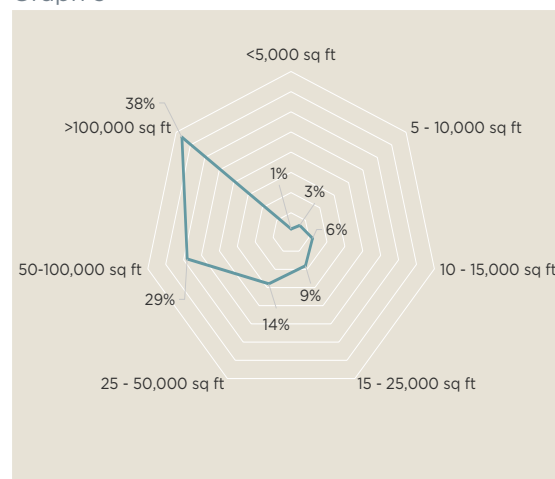
City demand by business sector

Graph 4



City demand by size-band

Graph 5



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