



Under-offers rise to 2.4m sq ft, as the City is set to overcome a sluggish start to the year

Take-up for January reached 206,674 sq ft across 21 deals, which was down on this point last year by 15% and down on the 10-year average for January by 45%. Grade A space remained the clear preference as it accounted for 75% of take-up, which is up on the 10-year average of 73%. The 12-month rolling take-up is now at 6.7m sq ft, which is in-line with the 10-year average.

The largest deal to complete last month saw MVF Global acquire levels 1 and 2 (40,809 sq ft) at Wenlock Works, Shepherdess Walk, N1 on confidential terms. The digital marketing company joins Checkout.com who acquired levels 3 - 6 (63,874 sq ft) back in November last year. Only the G and LG floors now remain in the Schroders building.

Also last month, we saw Finn Cap Plc acquire level 5 (19,609 sq ft) at One Bartholomew, EC1 on confidential terms. They join occupiers such as The Trade Desk, The University of Chicago Booth and BDP Pitman LLP amongst others. The Helical/Ashby Capital building is now entirely let.

If we strip out the unknown tenants, the Tech & Media sector accounted for the greatest proportion of take-up in January with 53% including the MVF Global deal and deals to Brilliant Basics at The Tower, The Bower, EC1 (11,331 sq ft) and Zinc Media at 17 Dominion Street, EC2 (7,291 sq ft) amongst others. This was followed by a strong performance from the Insurance & Financial Services sector, who accounted for 26% of take-up over three deals.

Total City supply fell last month by 1.4% and currently stands at 7.2m sq ft, equating to a vacancy rate of 5.4%, which is up on this point last year by 50 bps, but still down on the long term average by 120 bps.

The low level of take-up seen last month is not expected to continue as 795,269 sq ft went under-offer in January alone. The most notable being Salesforce going under-offer on 113,543 sq ft at the new Partners/YardNine scheme Eighty Fen, Fenchurch Street, EC3. There is currently 2.4m sq ft of supply under-offer, which is up on the long-term average by 82%, and therefore we expect to see above average levels of take-up for the first quarter still.

The majority of supply is currently available within the City Core with 4.3m sq ft or 60% of total supply. Therefore, the vacancy rate within the Core, which currently stands at 6.7%, is 240bps higher than the City Fringe, which has a vacancy rate of 4.3%.

At the time of writing we are expecting an additional 1.7m sq ft of space to complete in H2 of this year, of which 28% is already pre-let, leaving just 1.2m sq ft of new supply to be added over the course of H1. The constraint on supply is not expected to be relieved throughout 2021 either, as we are currently expecting 3m sq ft of new supply, of which 29% is already pre-let, leaving just 2.1m sq ft of speculative space.

The amount of active requirements for the City and Central London have remained stable on last month, currently standing at 7.3m sq ft. However, the level of potential requirements fell on last month by 42%, currently standing at 1.4m sq ft, bringing the total to 8.7m sq ft, which is actually down on the 12-month average by 12%.

Of the 8.7m sq ft of known requirements, the Professional sector account for the greatest proportion at 34%, followed by the Tech & Media sector at 19% and the Insurance & Financial Services sector at 16%.



206,674 sq ft of take-up in January over 21 deals with an average deal-size of 9,842 sq ft



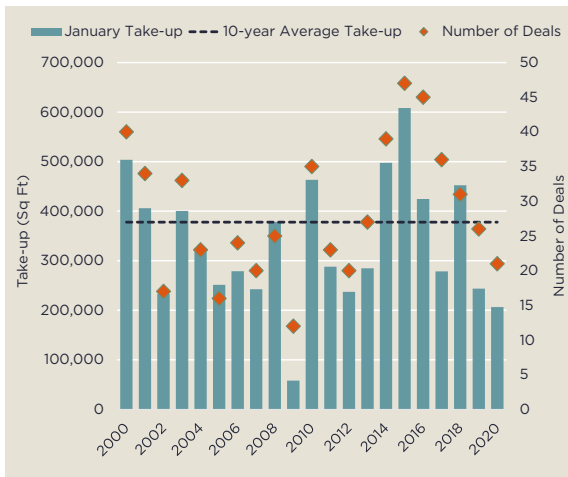
59% of the number of all leases signed in the last 6 months have been for 10 years or more



20% of the future pipeline for 2020 - 2023 has already been pre-let

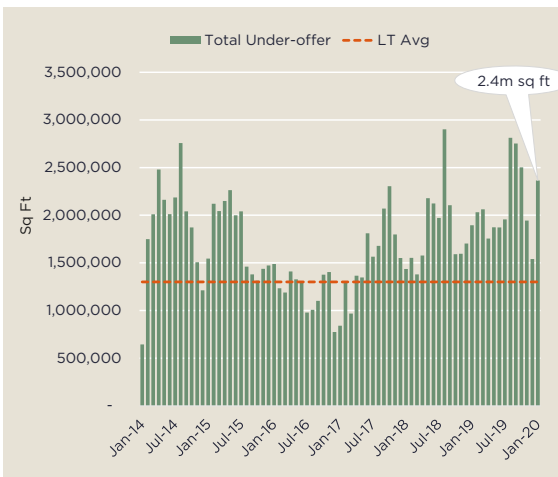
City January take-up and number of deals Total space under-offer in the City

Graph 1



Source: Savills

Graph 2



73% of the 2.4m sq ft that is under-offer, is under-offer in the City Core

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Feb-19	274,691	78%	7,539,708
Mar-19	634,869	69%	7,386,715
Apr-19	407,221	76%	7,328,111
May-19	501,292	88%	6,853,239
Jun-19	441,285	84%	6,617,673
Jul-19	1,080,760	91%	7,048,320
Aug-19	423,956	75%	7,142,982
Sep-19	587,979	75%	6,945,043
Oct-19	713,018	71%	6,808,018
Nov-19	797,973	91%	6,776,515
Dec-19	597,334	76%	6,703,975
Jan-20	206,674	75%	6,667,052

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 19	243,597	-46%	85%
Jan 20	206,674	-15%	75%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Feb-19	£76.00	£66.38	£45.43		
Mar-19	£85.00	£63.32	£48.50	£77.94	23
Apr-19	£83.00	£72.63	£45.63		
May-19	£80.00	£64.24	£54.17		
Jun-19	£72.00	£61.41	£51.25	£77.22	23
Jul-19	£98.00	£68.49	£45.25		
Aug-19	£85.00	£68.29	£53.70		
Sep-19	£92.21	£67.67	£50.91	£87.38	23
Oct-19	£79.00	£64.64	£49.83		
Nov-19	£77.50	£63.30	£45.00		
Dec-19	£87.50	£63.25	£48.29	£78.03	23
Jan-20	£84.00	£68.78	£40.40		

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
6,656,045	71%	3.6%	5.0%
6,727,363	73%	1.1%	5.1%
6,717,804	74%	-0.1%	5.1%
6,595,845	74%	-1.8%	5.0%
6,647,554	73%	0.8%	5.0%
6,444,820	73%	-3.0%	4.9%
6,599,029	72%	2.4%	5.0%
7,494,152	78%	13.6%	5.7%
7,441,712	77%	-0.7%	5.6%
6,923,583	75%	-7.0%	5.2%
7,301,561	79%	5.5%	5.5%
7,199,122	79%	-1.4%	5.4%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2020	2,651,399	2,763,888	5,415,287	47%
2021	1,698,788	1,304,258	3,003,046	29%
2022	1,619,839	1,167,289	2,787,128	0%
2023	407,615	5,564,961	5,972,576	0%
Total	6,377,641	10,800,396	17,178,037	20%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	1.4m
City Active Requirements (sq ft)	7.3m
City Total Requirements (sq ft)	8.7m
% change on 12 month ave	-12%
Total under offer (sq ft)	2.4m
Under offer this month (sq ft)	795,269
% change on average (total)	82%
Landlord controlled supply	77%
Tenant controlled supply	23%

*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
Wenlock Works, Shepherdess Walk, N1	1, 2	40,809	A	Confidential	MVF Global	Schroders
One Bartholomew, Barts Square, EC1	5	19,609	A	Confidential	Finn Cap Plc	Helical/Ashby Capital
Capital House, 85 King William Street, EC4	3	14,206	A	£58.50	Arthur J Gallagher	GFT
Salesforce Tower, 110 Bishopsgate, EC2	2	12,950	A	Confidential	TBC	Partnership Assurance (Assignor)
The Bower, The Tower, 207 Old Street, EC1	15	11,331	A	Confidential	Brilliant Basics	Helical
ARNOLD, 21 - 33 Great Eastern Street, EC2	3	9,149	A	£65.00	MCCGLC	Property Trust Group
30 St Mary Axe, EC3	Part 32	6,660	A	£80.00	Polycom	Standard Life
30 St Mary Axe, EC3	Part 15	6,210	A	£61.50	Vantage Insurance	Swiss Re
110 Cannon Street, EC4	5	5,749	A	£60.00	International Capital Market	Soundwill
100 St John Street, EC1	4	4,952	A	£73.50	Palace Skateboards	Aberdeen Standard

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Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
TwentyTwo Bishopsgate	EC2	354,552	further 186,453 sq ft under offer
Sixty London Wall	EC2	287,312	further 37,309 sq ft under offer
100 Bishopsgate	EC2	95,960	further 12,500 sq ft under offer
Kaleidoscope Farringdon	EC1	90,884	
155 Bishopsgate	EC2	82,723	further 78,123 sq ft under offer
The Hickman, 2 Whitechapel Rd	E1	76,327	
Fetter Yard, 86 Fetter Lane	EC4	64,840	
Eighty Fen, Fenchurch Street	EC3	61,207	further 113,543 sq ft under offer
The Scalpel, 52 Lime Street	EC3	49,338	
Devon House	E1W	48,701	

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