

# City Office Market Watch



## City vacancy rate increases as more tenant release space comes onto the market.

Please note that this piece is not intended as an analysis of COVID-19 on the office market, rather a factual analysis of the current market metrics.

Take-up in the first month of 2021 reached 363,746 sq ft across 12 deals, this is an increase of 53% on this point last year, and this was achieved in half the number of transactions (24 in 2020). Though it should be noted that take-up is skewed due to Latham & Watkins acquiring 200,000 sq ft at One Leadenhall, EC3 on confidential terms.

100% of take-up in January 2021 was of grade A standard, this is compared to the 10-year average of 73%. The 12-month rolling average take-up is down 55% on January 2020 figures, reaching 3.1m sq ft.

Other notable transactions that occurred in January also included, Forrester Research acquiring the eighth floor (17,702 sq ft) at 25 Centrium, 61 Aldwych, WC2 on a 10-year lease at £63.00 per sq ft. Another transaction of note was Dolfin acquiring the sixth floor (10,519 sq ft) at 77 Coleman Street, EC2 on a 10-year lease with a break at five years at £81.50/sq ft.

The Professional Services sector continues the trend of 2020 being the main driver of take-up across the City, so far accounting for 60% of year-to-date take-up. Moreover, even without the Latham & Watkins LLP deal, the Professional Services sector still accounts for the highest proportion of take-up. This is followed by the Insurance & Financial sector with 13%, and then by the Public sector with 9%.

The uncertainty surrounding the pandemic can certainly be seen in the amount of space under offer, January 2021 figures fell to 1m sq ft, this is down 57% on this point last year and 23% down on the long term average.

Furthermore, total demand fell 14% from December 2020 to 9.3m sq ft, with both active and potential City & Central London requirements down on the previous month, standing at 6.3m sq ft, and 3.1m sq ft respectively.

The Professional Services sector accounts for over a quarter active occupational demand across the Central London & the City. This is followed by the Insurance & Financial sector and Tech & Media sectors with 25% and 18% respectively.

Supply continued to rise during January and at the end of the month supply stood at 11.6m sq ft, up 12% on the December 2020's 10.4m sq ft. This brought the vacancy rate to 8.4%, up 80 bps on the previous month and 170 bps on the 15-year average of 6.7%. The steep rise in supply was partially contributed to by the 461,567 sq ft of tenant supply entering the market over at the start of this year. Some notable tenant release spaces include, Thames Court, 1 Queenhithe, EC4 with 86,247 sq ft of tenant release space. Additionally, 20 Old Bailey, EC4 has 66,443 sq ft of tenant release space available.

Some noteworthy landlord supply that entered the market in January 2021 include, City Point, 1 Ropemaker Street, EC1 with 134,521 sq ft of space available and 68 King William Street, EC4 with 75,701 sq ft of available space.

A quick look ahead sees 3.7m sq ft in space due for completion in 2021, 34% of which is already pre-let, leaving 2.4m sq ft of space left to be delivered speculatively. 2022 has 2.8m sq ft in the pipeline, of which none is pre-let yet. 2023 see 5.1m sq ft and 2024 sees 4.4m sq ft scheduled for completion, with 6% and 9% pre-let respectively.



**363,746 sq ft**  
of take-up so far this  
year across **12** deals



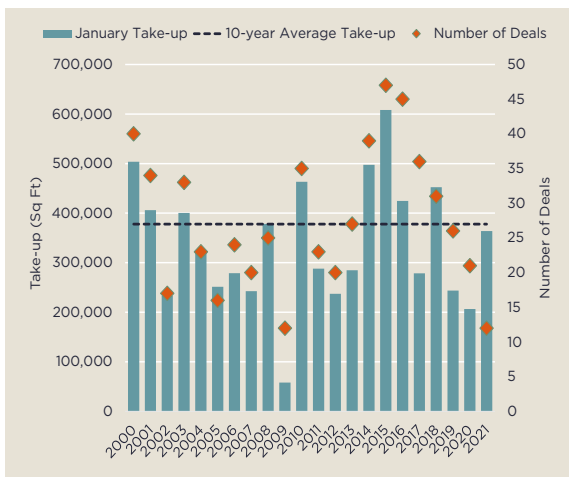
**11.6m sq ft**  
of supply, this is **69%** up  
on this point last year



**£64.99/sq ft**  
is the average Grade A  
rent achieved from  
October 2020 to  
January 2021

### City January take-up

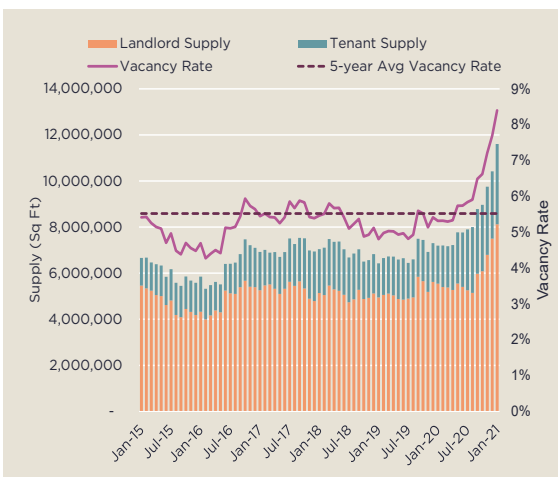
Graph 1



Source: Savills

### City supply & vacancy rate

Graph 2



**6.3m sq ft**  
of current City and  
Central London  
requirements are active

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Feb-20	670,892	93%	7,204,484
Mar-20	449,136	88%	7,014,404
Apr-20	170,571	89%	6,738,109
May-20	89,960	89%	6,322,131
Jun-20	208,347	89%	6,080,085
Jul-20	362,467	89%	5,356,637
Aug-20	44,144	89%	4,962,046
Sep-20	164,364	89%	4,535,586
Oct-20	90,155	89%	3,899,364
Nov-20	114,071	89%	3,215,462
Dec-20	325,760	88%	2,927,511
Jan-21	363,746	100%	3,053,613

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 20	237,644	-2%	81%
Jan 21	363,746	53%	100%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Feb-20	£82.00	£66.48	£48.75		
Mar-20	£77.50	£62.60	£51.67	£80.43	23
Apr-20	£95.00	£71.71	N/A		
May-20	£79.00	£70.00	£59.50		
Jun-20	£72.00	£64.34	£47.00	£80.70	25
Jul-20	£80.00	£67.13	£37.50		
Aug-20	£70.00	£61.85	N/A		
Sep-20	£80.00	£61.20	£47.97	£77.00	25
Oct-20	£64.00	£61.51	£55.00		
Nov-20	£78.00	£67.93	£43.00		
Dec-20	£85.00	£65.09	£39.81	£75.00	23
Jan-21	£85.00	£65.44	N/A		

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
7,203,744	79%	0.1%	5.3%
7,171,009	80%	-0.5%	5.3%
7,219,970	80%	0.7%	5.3%
7,770,557	80%	7.6%	5.7%
7,772,292	81%	0.0%	5.7%
7,907,629	81%	1.7%	5.8%
7,999,889	81%	1.2%	5.9%
8,784,217	83%	9.8%	6.5%
8,966,457	83%	2.1%	6.6%
9,764,541	82%	8.9%	7.2%
10,419,978	84%	6.7%	7.6%
11,785,915	83%	13%	8.6%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2021	1,974,210	1,515,675	3,489,885	34%
2022	1,934,283	884,412	2,818,695	0%
2023	1,613,613	3,515,735	5,129,348	6%
2024	2,332,388	2,104,385	4,436,773	9%
Total	7,854,494	8,020,207	16,043,857	12%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	3.1m
City Active Requirements (sq ft)	6.3m
City Total Requirements (sq ft)	9.3m
% change on 12 month ave	-2%
Total under offer (sq ft)	1.0m
Under offer this month (sq ft)	38,113
% change on average (total)	-20%
Landlord controlled supply	70%
Tenant controlled supply	30%

\*Average prime rent is for preceeding 3 months  
\*\* Average rent free on leases of 10 years with no breaks for preceeding 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
One Leadenhall, EC3	1-15	200,000	A	N/A	Latham & Watkins	Brookfield Properties
25 Copthall Avenue, EC2	5 & part 6	26,509	A	N/A	JM Finn	Hypo Real Estate Capital
Centrium, 61 Aldwych, WC2	8	17,702	A	£63.00	Forrester Research	Aviva
Thames Court, Queenhithe, EC4	1	11,548	A	£50.00	Alphasights	Rabobank
77 Coleman Street, EC2	6	10,516	A	£81.50	Dolphin	Kajima

Savills contacts

Please contact us for further information

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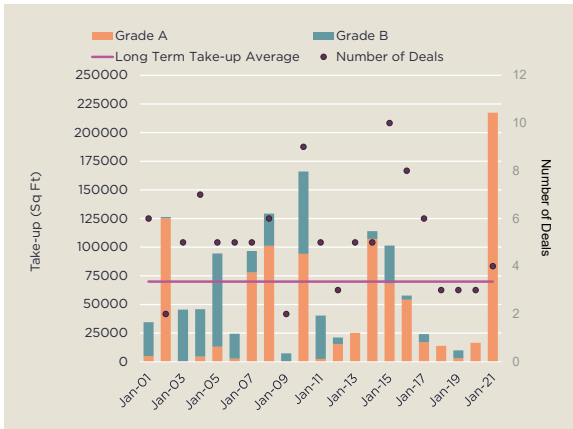
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Market of the Month - EC3

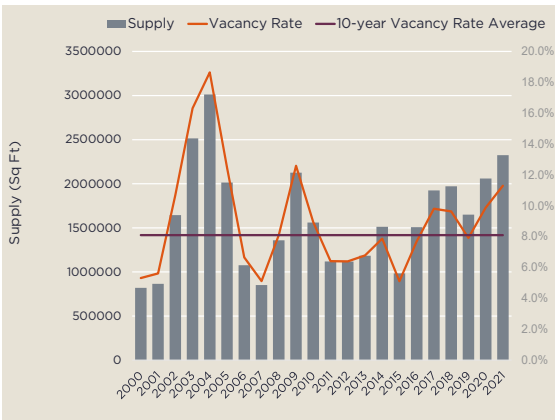
January take-up

Graph 3

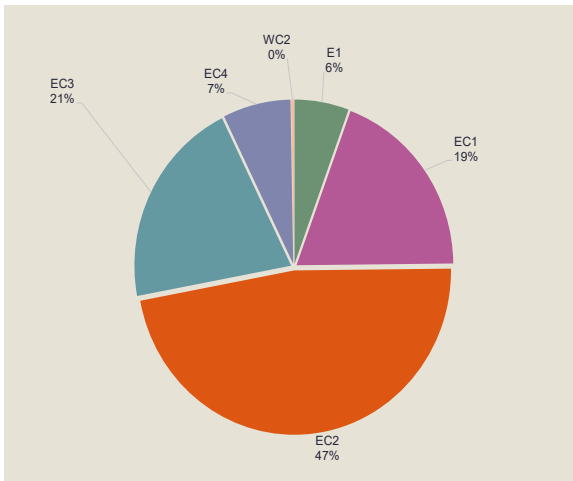


Supply

Graph 4



Under offers in City Postcodes



For this month's City Market Watch, we are focusing on EC3, this is because of the record take-up during January 2021 (217,410 sq ft), this was up on the long-term average by 210%. As discussed above, the Latham and Watkins LLP deal at The Leadenhall Building, EC3 contributed massively (200,000 sq ft) to the total take-up figure.

Currently, there is 2.3m sq ft of supply available, this is up on January 2020 by 15% and up 54% on the 10-year average. Additionally, 88% is of grade A quality and therefore, 12% is of grade B quality. The vacancy rate for EC3 in January 2021 was 11% compared to the long-term average of 8.1%. On a more positive note, 21% percent of under offers have EC3 postcodes, illustrating continued demand for space in this sub-market.

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