



## Vacancy rates fall for the fifth consecutive month as the City springs back into life

Take-up for January reached 291,355 sq ft across 31 deals, the highest January figure since 2018, moreover, this was up on this point last year by 22%, but still down on the 10-year average for January by 20%.

Grade A space remained the clear preference as it accounted for 84% of take-up, which is up on the 10-year average of 80%. The 12-month rolling take-up is now at 4.8m sq ft, which is up 90% on last year's figure but still down on the 10-year average by a quarter.

The largest deal to complete last month saw Montagu Private Equity acquiring levels 5 and 6 at 2 More London Riverside, SE1 (28,819 sq ft) on 15-year term at £75.00/sq ft.

22 Bishopsgate, EC2 saw the continuation of activity from last year. Law firm McDermott Will & Emery acquired the 46th floor (27,211 sq ft) for a reported £85.00/sq ft, the top rent recorded last month.

The Insurance & Financial Services sector accounted for the greatest proportion of take-up in January with 28%, including deals to EPAM at 9 Devonshire Square, EC2 (15,402 sq ft) and Cowan International at Broadgate Quarter, 9 Appold Street (14,248 sq ft) amongst others. This was followed by a strong performance from the Business & Consumer Services sector, which, accounted for 24% of take-up over five deals.

Total City supply fell last month by 1.4% and currently stands at 12.3m sq ft, equating to a vacancy rate of 8.9%, this is the fifth consecutive month where supply has fallen. However this is still up 6% on the same point last year and up on the five-year average of 8.3m sq ft.

Additionally, 41% of current supply consists of space that has been newly developed or comprehensively refurbished in the past 10 years. The majority of supply (60%) is within

the City Core and which consequently has a higher vacancy rate of 11.1% compared to 6.8% in the City Fringe.

262,402 sq ft of space went under offer last month, maintaining a total figure of 2.0m sq ft, which is 46% above the long-term average. The 'flight to quality', as discussed over the last two years, will continue to progress as 77% of the total quantum space under offer is either recently developed or refurbished or still in the development pipeline.

The amount of active requirements for the City and Central London has remained stable on last month, currently standing at 7.4m sq ft. However, the level of potential requirements has increased on last month, currently standing at 2.9m sq ft, bringing the total to 10.3m sq ft, which is actually down on the 12-month average by 3%. Of the 7.4m sq ft of known active requirements, the Insurance & Financial Services sector accounts for 38%. This is followed by the Professional Services sector and Tech & Media sector accounting for 22% and 17%, respectively.

Fueled by environmental and social motivations, 2021 witnessed record pre-lettings as a percentage of annual take-up, at 36%. This continued occupier preference for prime office space is anticipated to continue. Looking at the development pipeline, there is 3.4m sq ft scheduled for completion over the course of 2022, of which 36% is already pre-let. The pipeline will see 4.4m sq ft of office space enter the market in 2023 and 4.6m sq ft in 2024, of which 17% and 14% are pre-let, respectively. Between 2022 and 2025 there is 15.7m sq ft of office space scheduled for completion, with a fifth already committed. However, this figure will almost certainly increase, as the growing demand for prime office space persists.



**291,355 sq ft**  
take-up, across **31** deals

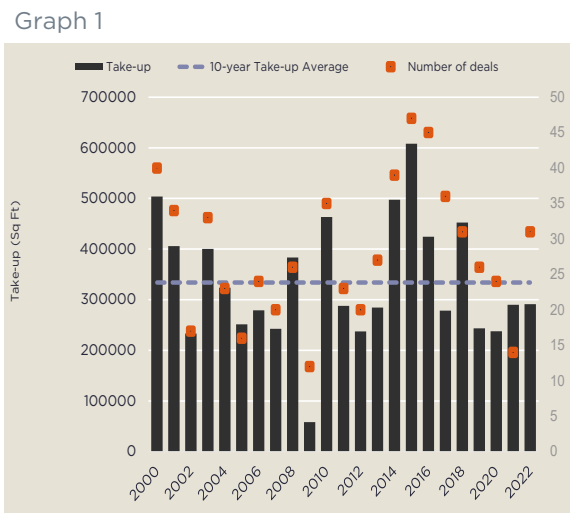


**65%** of the **2m sq ft**  
under offer is in the City  
Core



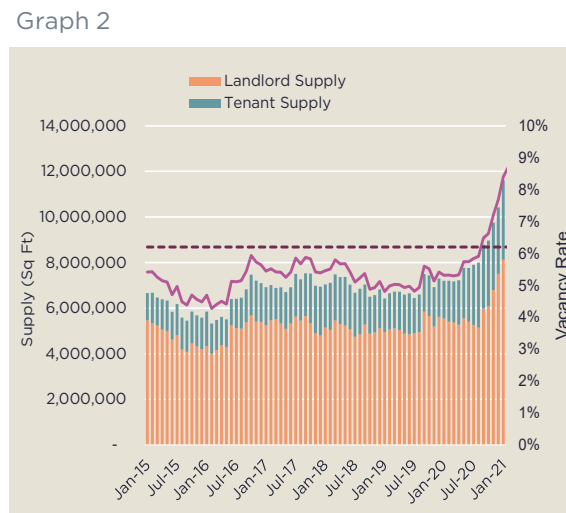
**36%** of 2022 & 2023  
pipeline is pre-let

### City January take-up



Source: Savills

### City landlord vs tenant supply



Vacancy rate falls for the  
fifth consecutive month,  
to **8.9%**

## Analysis close up

### Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Feb-21	222,509	90%	2,531,517
Mar-21	271,580	96%	2,353,961
Apr-21	361,127	83%	2,544,517
May-21	208,878	79%	2,663,435
Jun-21	214,448	81%	2,669,536
Jul-21	392,823	88%	2,699,892
Aug-21	602,516	96%	3,258,264
Sep-21	220,203	90%	3,314,103
Oct-21	493,613	90%	3,717,561
Nov-21	759,383	97%	4,362,873
Dec-21	778,314	100%	4,815,427
Jan-22	260,488	88%	4,785,882

### Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 21	290,033	22%	97%
Jan 22	291,355	0%	84%

### Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Feb-21	£81.50	£58.42	£33.63		
Mar-21	£108.75	£67.88	£55.00	£82.50	28
Apr-21	£72.00	£61.50	£43.34		
May-21	£74.50	£60.77	£58.85		
Jun-21	£82.50	£62.28	£43.50	£77.25	27
Jul-21	£107.25	£73.27	£54.94		
Aug-21	£81.50	£68.42	£48.75		
Sep-21	£83.00	£67.49	£49.43	£80.67	27
Oct-21	£75.00	£64.13	£44.50		
Nov-21	£84.50	£70.14	£33.25		
Dec-21	£94.50	£64.75		£83.06	26
Jan-22	£85.00	£69.93	£51.75		

### Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
12,009,405	83%	3%	8.7%
12,312,231	84%	3%	8.9%
12,004,918	84%	-2%	8.7%
12,004,541	84%	0%	8.7%
12,457,214	84%	4%	9.0%
12,566,227	86%	1%	9.1%
12,289,019	85%	-2%	8.9%
13,010,829	86%	6%	9.4%
12,718,905	86%	-2%	9.2%
12,516,925	85%	-2%	9.1%
12,490,925	85%	0%	9.0%
12,285,458	85%	-2%	8.9%

### Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2022	1,797,775	2,147,059	3,944,834	36%
2023	1,258,288	3,178,840	4,437,128	17%
2024	2,283,442	2,341,909	4,625,351	14%
2025	1,502,064	1,271,931	2,773,995	14%
Total	6,841,569	8,939,739	15,781,308	20%

### Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.9m
City Active Requirements (sq ft)	7.4m
City Total Requirements (sq ft)	10.3m
% change on 12 month ave	6%
Total under offer (sq ft)	2.0m
Under offer this month (sq ft)	262,402
% change on average (total)	46%
Landlord controlled supply	73%
Tenant controlled supply	27%

\*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
2 More London Riverside, SE1	5, 6	28,819	A	£75.00	Montagu Private Equity	St Martins
TwentyTwo, 22 Bishopsgate EC2	46	27,211	A	£85.00	McDermott Will & Emery	AXA
52-60 Tabernacle Street, EC2	Building	22,884	A	£44.00	Runway East	Overcourt
70 St Mary Axe, EC3	8	17,438	A	£72.00	Clarivate Analytics	Nuveen
9 Devonshire Square, EC2	5	15,402	A	£72.00	EPAM	Nuveen

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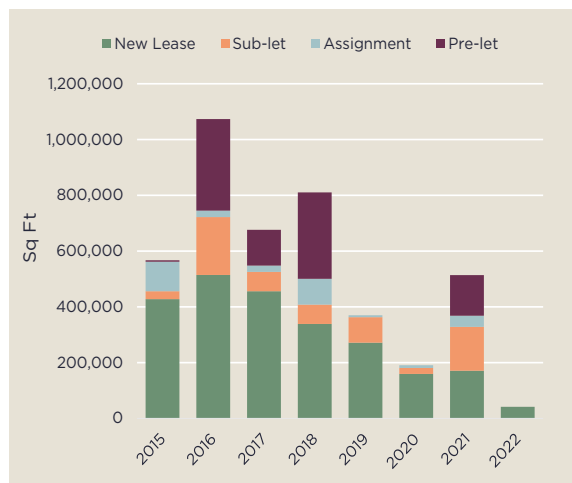
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## In Focus - Southbank sub-market

### Southbank annual take-up

Graph 3



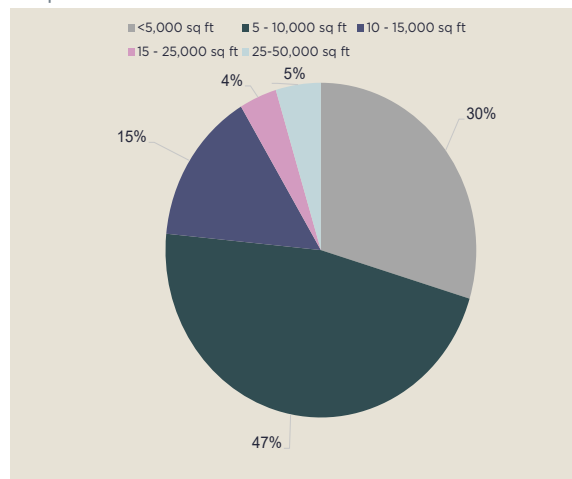
This month's In Focus turns its attention to the Southbank submarket. Take-up for the SE1 postcode last year reached 513,797 sq ft across 30 deals, this was considerably up on 2020 figures and 38% up on 2019, although it is 30% below the 10 year-average. Southbank was no stranger to its fair share of pre-lettings, having accounted for 28% of the sub-market's annual take-up.

Looking at graph four, the majority of supply is within the sub-10,000 sq ft floorplate size, accounting for 77% of the total number of units available. When looking at the future supply for the sub-market, there is 463,952 sq ft scheduled for completion this year, with only 6% pre-let. Moreover, looking forward, there is a 2.8m sq ft scheduled for completion between 2023 and 2025, with 11% pre-let.

Additionally, with the completion of these schemes, the supply of larger floorplate sizes is set to increase. From an environmental stand-point, 78% of the Southbank development pipeline is BREEAM-rated 'Very Good' or higher.

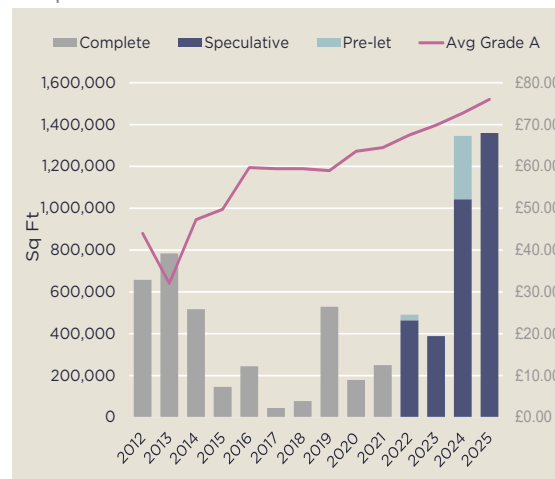
### Southbank supply (number of units)

Graph 4



### Southbank development pipeline

Graph 5



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