



City showed significant rental growth during 2019 as a result of strong take-up and low supply

Take-up for December reached 579,329 sq ft across 43 deals, giving a total for the year of 6.7m sq ft, which was down on 2018 by 13% but up on the 10-year annual average by 5%. This shows the strength of the City leasing market in a year which had two Brexit block dates and a general election, with total take-up still remaining above the 10-year average. The additional 113 deals done in Q4, brings the total for the year to 390, which was down on 2018 by 51 deals and the 10-year average by 20 deals. Grade A space remained the clear preference as it accounted for 81% of take-up, which is up on the 10-year average of 73%.

The largest deal to complete last month saw Convene acquire levels LG - 3 (67,245 sq ft) at the new Partners/ YardNine scheme Eighty Fen, 80 Fenchurch Street, EC3 which is due for completion in Q2 2020. It is rumoured that levels 7 - 14 (113,543 sq ft) have recently been placed under-offer to Salesforce. This was Convene's second deal in the City following their pre-letting of levels 3 - 6 (99,297 sq ft) at TwentyTwo Bishopsgate, EC2 in August last year.

Also last month, we saw Chaucer acquire levels 6 - 8 (44,377 sq ft) at The Scalpel, 52 Lime Street, EC3. The insurance firm will be relocating from their current premises in Plantation Place, EC3 when their lease expires next year. This has resulted in just 64,124 sq ft remaining in the 367,000 sq ft building that completed in mid-2018.

For the first time on record in the City the Serviced Office Provider sector accounted for the greatest proportion of take-up at 23% equating to 1.5m sq ft. This was 74% up on their quantum of take-up last year when they accounted for 12% of total take-up. There was a total of 44 deals to providers in 2019, with WeWork accounting for 15 of these and 440,000 sq ft. They were followed by Knotel who acquired nine new centres equating to 223,112 sq ft. There were good levels of demand from both the Tech &

Media sector and the Insurance & Financial Services sector who both accounted for 20% of take-up. However, even though the Professional Services sector only accounted for 12% last year, they account for the greatest proportion of current requirements at 28% so we are expecting them to be a key driver of demand going forward.

Total City supply rose last month by 6% following the addition of new supply and currently stands at 7.3m sq ft, equating to a vacancy rate of 5.5%, which is up on this point last year by 30 bps, but still down on the long term average by 110 bps. We are not forecasting the vacancy rate to rise above the long-term average in the next 12 months as there is only 2.4m sq ft of speculative space to be added to supply throughout the course of this year and 225,000 sq ft of this supply is already under-offer.

There is currently 1.5m sq ft of supply under-offer, which is up on the long-term average by 19%, and therefore we expect to see above average levels of take-up for the first quarter.

The average prime rent for 2019 settled at £80.74/sq ft, up on 2018 by 3.8% and the highest annual figure on record. Similarly, the average grade A rent for 2019 settled at £64.76/sq ft, up on 2018 by 4.8% and also the highest annual figure on record.

Interestingly, the average grade A rent of the City Fringe in 2019 was £64.73/sq ft, which was in-line with the average grade A rent of the City Core at £64.79/sq ft. This compares to a difference of £3.86/sq ft that separated the two submarkets in 2018.

Also, in 2019 we saw 61 deals over £70.00/sq ft, which is another annual record, up on the previous record of 43 in 2016, clearly displaying the strong rental growth last year.



1.1m sq ft of take-up last year was in the City's tower buildings, up on last year by 33% and the 10-year average by 85%



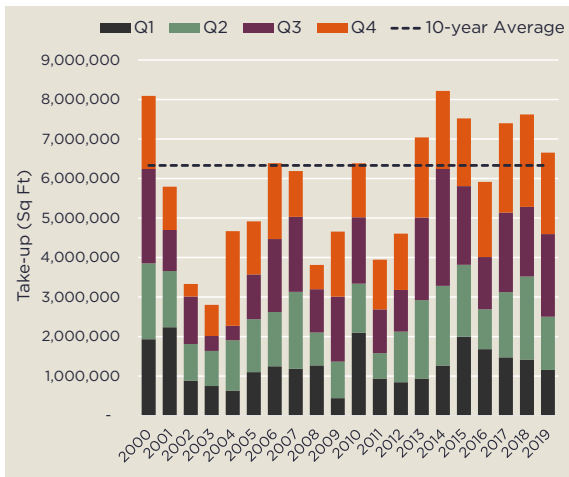
47% of the 2020 development pipeline is already pre-let



42% of take-up last year was in the City Fringe, slightly down on the 10-year average of 43%

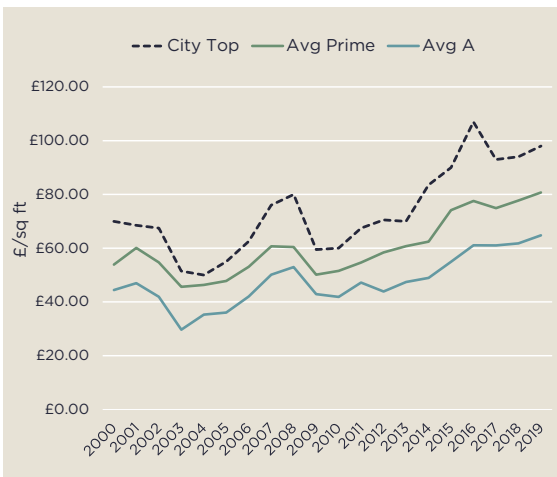
City take-up

Graph 1



City rents

Graph 2



Source: Savills. 2019 data accurate to end of Q4

9.7m sq ft of current City and Central London requirements, up on the long-term average by 10%

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Jan-19	243,597	87%	7,441,667
Feb-19	274,691	78%	7,539,708
Mar-19	634,869	69%	7,386,715
Apr-19	407,312	76%	7,328,202
May-19	501,292	88%	6,853,330
Jun-19	441,285	84%	6,617,764
Jul-19	1,080,760	91%	7,048,411
Aug-19	423,956	75%	7,143,073
Sep-19	587,979	75%	6,945,134
Oct-19	690,118	74%	6,785,209
Nov-19	814,310	91%	6,770,043
Dec-19	579,329	75%	6,679,498

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 18 - Dec 18	7,650,402	3%	86%
Jan 19 - Dec 19	6,679,498	-13%	81%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Jan-19	£83.50	£63.53	£42.00		
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

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
6,426,517	74%	-5.9%	4.9%
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%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2020	2,645,797	2,763,888	5,409,685	47%
2021	1,741,620	1,311,207	3,052,827	28%
2022	1,516,296	1,214,047	2,730,343	0%
2023	772,615	5,245,776	6,018,391	0%
Total	6,676,328	10,548,908	17,225,236	20%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.4m
City Active Requirements (sq ft)	7.3m
City Total Requirements (sq ft)	9.7m
% change on 12 month ave	-2%
Total under offer (sq ft)	1.5m
Under offer this month (sq ft)	114,553
% change on average (total)	19%
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 December transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Eighty Fen, 80 Fenchurch Street, EC3	LG, G, 1, 2, 3	67,245	A	Confidential	Convене	Partners/YardNine
1 Plantation Place, Fenchurch Street, EC3	10, 11, 12, 13	64,127	B	Confidential	Aspen Insurance UK Ltd	Safra Group
The Scalpel, 52-54 Lime Street, EC3	6, 7, 8	44,377	A	Confidential	Chaucer	WR Berkley
TwentyTwo Bishopsgate, EC2	16 part, 17	34,919	A	£66.50	THB Group	Axa
70 St Mary Axe, EC3	11 part, 12	26,094	A	£70.00	Montagu Evans	Nuveen Real Estate
240 Blackfriars Road, SE1	4, 5	24,091	A	Confidential	Square Enix	GPE
200 Aldersgate Street, EC1	3	22,399	A	£54.00	Equitix Ltd	Thomas Cook (Assignor)
100 Wood Street, EC2	4	17,139	A	Confidential	Mount Street Mortgages	Ponte Gadea
49-51 Southwark Bridge Road, SE1	3, 4, 5	11,590	B	£57.50	Knotel	Dolby Group
Counting House, 53 Tooley Street, SE1	1	10,983	A	£59.50	Buzzfeed	St Martins

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Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
TwentyTwo Bishopsgate	EC2	440,320	further 100,685 sq ft under offer
Sixty London Wall	EC2	324,621	
155 Bishopsgate	EC2	160,846	
100 Bishopsgate	EC2	108,460	
Kaleidoscope Farringdon	EC1	90,884	
The Hickman, 2 Whitechapel Rd	E1	76,327	
77 Coleman Street	EC2	67,371	
The Scalpel, 52 Lime Street	EC3	64,124	
Eighty Fen, Fenchurch Street	EC3	61,201	further 113,543 sq ft under offer
Devon House	E1	60,940	

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