



## Q2 take-up subdued, but underlying occupier demand remains strong

Whilst leasing activity picked up in June, with 529,662 sq ft completing during the month, take-up at the end of Q2 was down 12% on the long-term average for Q2, with 1.3m sq ft transacting over the quarter. This brought H1 take-up to 2.4m sq ft, down 15% on the long-term average with prolonged transaction timelines continuing to have an impact on the volume of transactions completing. Though it is worth noting this is only 5% down on our prediction of the medium term impact of agile working.

The largest transaction to complete in June was law firm Denton's pre-let of the 1st- 5th floors, (85,000 sq ft), at Aviva's 1 Liverpool Street development, EC2 on confidential terms.

The increased activity seen so far this year from the Serviced Office sector was also visible in June, with 4 operators, Halkin, Orega, Unity Workspace and

The Workhouse Company, collectively acquiring 91,000 sq ft.

The increased divergence in the market between the best quality space continues, with Grade A take-up accounting for 95% of leasing and with average Grade A rents at the end of June standing at £67.28/sq ft, up 1% on the average in H1 2022. With a pick-up in prime leasing activity, the average prime rent for the year stands at £88.99/sq ft, this was up 7% on the previous quarter.

Despite overall modest leasing activity, Insurance & Financial Services sector take-up was up 22% on the 5-year H1 average. Furthermore, the sector currently accounts for 31% of active Central London and City requirements. Encouragingly, underlying demand remains buoyant with active Central London and City requirements standing at 8.8m sq ft, which is up 28% on the 5-year average. Further to

this, space under offer stands at 2.6m sq ft, also up on the long-term average (by a very significant 88%). Most notable space to go under offer during the month was HSBC going under offer on 560,000 sq ft at Orion's Panorama, 81 Newgate Street EC1 development.

At the end of June, supply stood at 13.7m sq ft, this is in line with supply at the end of Q1 and equates to a vacancy rate of 9.8%. The most notable change to supply was a slight drop in the quantity of tenant-controlled space on the market. At 3.2m sq ft this was down 7% on the previous quarter.

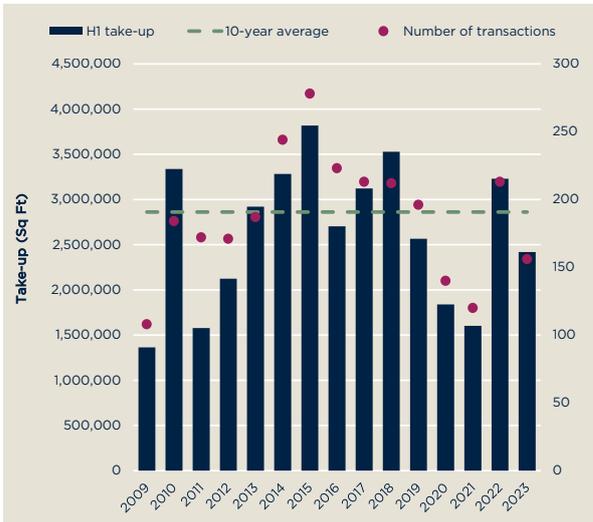
Over the next 5 years, stated development completions stand at 19m sq ft, but with 21% of this already pre-let. However, in reality, we believe the level of completions will most likely be lower than this with 47% of scheduled completions yet to start construction.

### Key Stats

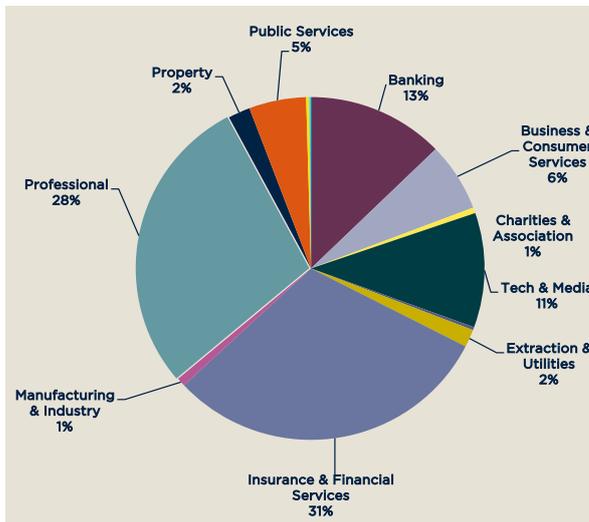


2.6m sq ft remained under offer at the end of Q2, up 88% on the long-term average

### H1 take-up and transaction numbers



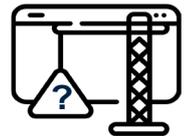
### H1 2023 active demand and under offers by sector



Source Savills Research



51% of H1 take-up is 'BREEAM' 'Excellent' or 'Outstanding'



21% of the 2023-2027 pipeline is still at pre-planning application stage

### City Take-up H1 2023

% change on the 5-year average

**-22%**

% change on the 10-year average

**-15%**

### City Prime Rents

City H1 2023 Prime Rent (per sq ft)

**£88.99**

% change on H1 2022

**7%**

Source Savills Research

## Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Jun 22	3,163,094	102%
Jan - Jun 23	2,421,922	-23%

## Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2023	2,043,172	718,492	2,761,664	57%
2024	2,841,510	1,904,389	4,745,899	28%
2025	1,152,931	2,403,495	3,556,426	11%
2026	2,466,909	842,656	3,309,565	20%
Total	8,504,522	5,869,032	14,373,554	21%

## Significant June transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
1 Liverpool Street, EC2	1st-5th	85,000	A	Confidential	Dentons	Aviva
Johnson Building, 77 Hatton Garden, EC1	4-6	50,293	A	£52.93	Pentland Group	Derwent London
68 King William Street, EC4	4-7	35,120	A	£66.91	Halkin	Private Overseas
51 Lime Street, EC3	6, 7	34,901	A	£60.00	Orega	Willis Towers Watson
Ropemaker Place, 25 Ropemaker Street, EC2	18-20	34,282	A	Confidential	Raymond James	Axa

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