

City Office Market Watch



Down but not out: 2.4m sq ft under offer provides hope for City take-up figures

The numerous bank holidays in May seemed to have a dampening effect on the market. Total take-up for last month reached 332,068 sq ft across 24 transactions. Total take-up has reached 1.9m sq ft across 122 transactions, this is 28% down on the same point last year and 17% down on the 10-year long-term average.

The polarisation of the market has intensified further, with 95% of take-up being of Grade A quality, this is compared to 92% for 2021 and 2022.

Latham & Watkins exercised their option on the 16th to 20th floor at 1 Leadenhall Street, EC3, following their pre-letting in January of 2021 - in what was to be the largest transaction of the year. The law firm will now move into the lower 20 floors upon the development's completion in 2024.

With a severe lack of prime office space available, we expect that more occupiers with

an options on additional floors will look to exercise these as a precautionary measure.

In the second largest deal, the top four floors at Credit Suisse's The Carter, 11 Pilgrim Street, EC4 (46,157 sq ft) were pre-let to a top management consultancy firm. This leaves 69,500 sq ft remaining on L/G – 3rd floors with access to a communal terrace.

The current climate has frustratingly resulted in a prolonged transaction timeline, with average deals taking nearly seven months to complete, this is compared to 2.7 months last year and 5.4 months in 2020 (pre-Covid-19). The result, is a growing quantum of space under offer (2.4m sq ft), this is up 71% on the long-term average.

Moreover, we expect to see sustained take-up for best-in-class office space. Currently, 70% of space under offer is either recently redeveloped or refurbished or still in the development pipeline.

The appetite within the market is still high with active requirements breaching 9m sq ft for the first time on record. Currently, there are 63 active requirements in the market above 50,000 sq ft, of which seven have come online in Q2. It should be noted that most shortlists will include a 'Stay vs Go' Option.

Despite a faltering Q1, rental figures appear to have made somewhat of a correction. At the end of May, average Prime rents had settled at £85.40/sq ft, this is up 5% on the Q1 2023 figure, but down on the 2022 annual figure of £86.03/sq ft.

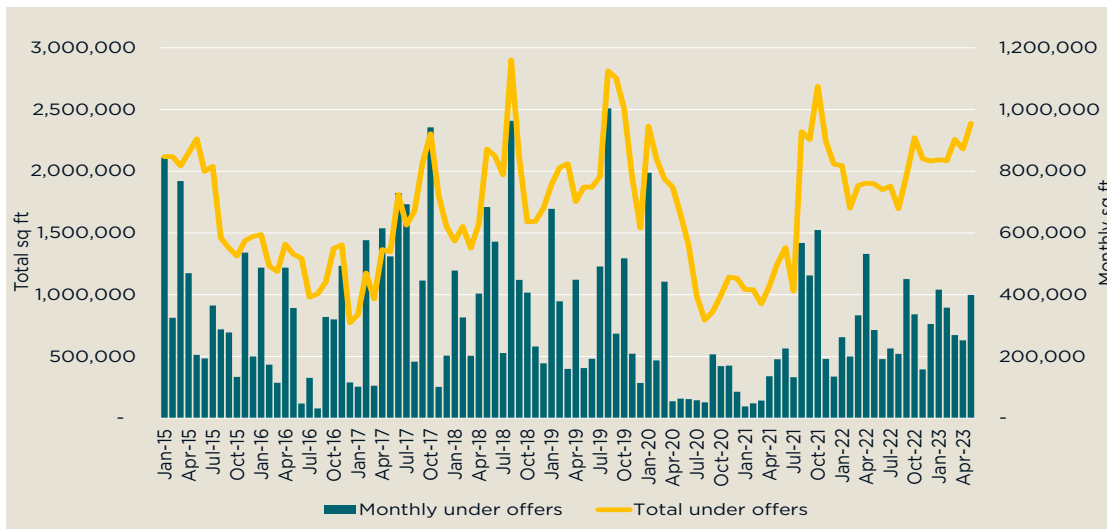
Impressively, average Grade A rent this year surpassed £68.00/sq ft, an increase of 2% on the 2022 figure. Taking Prime and Grade A averages into consideration, we can conclude that the market has experienced a high number of rents achieving late £70s and early £80s, but a reduced number achieving the £90 mark. This highlights the lack of premium floors available.

Key Stats



1.9m sq ft
year-to-date take-up,
across **122** deals

The slowing transaction speed is bolstering under offer numbers



Source Savills Research



Under offers continue to climb: **2.4m sq ft** of space currently under offer

Year-to-date take-up stats

% change on YTD 2022

-28%

Average YTD transaction size
15,288 sq ft

City rents

YTD Prime rent
£85.40

% change on May 2022

0.2%

Source Savills Research



Active requirements rise to **9.0m sq ft**, a 5% increase on last month

Year to date take-up

Table 1

	Sq ft	% change on previous year
Jan - May 22	2,600,429	92%
Jan - May 23	1,869,984	-28%

Development Pipeline

Table 2

	Refurb	Dev	Total	% Pre-let
2023	2,506,951	1,398,825	3,905,776	45%
2024	2,753,110	1,833,389	4,586,499	27%
2025	1,328,840	2,356,123	3,684,963	11%
2026	2,291,000	842,656	3,133,656	19%
Total	8,879,901	6,430,993	15,310,894	26%

Significant May transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
1 Leadenhall, EC3	16-20	77,000	A	£82.50	Latham & Watkins LLP	Brookfield Properties
Senator House, 85 Queen Victoria Street, EC4	4	21,409	A	£65.00	Kubrick	Quilter
10 Fleet Place, Limeburner Lane, EC4	3	19,835	A	£66.00	The Oil Brokerage	Wing Tai
Eighty Fen, 80 Fenchurch Street, EC3	8	19,763	A	£74.00	Aviva	Partners/Exemplar
Tabernacle Court, 16-28 Tabernacle Street, EC24DD	LG, G, M	16,988	B	£33.00	One of Us Ltd	Max Barney Estates

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