

# City Office Market Watch



## Modest take-up in April, but under offers continue to rise

A comparatively modest April, saw take-up reach 286,541 sq ft across 26 transactions, the lowest monthly take-up since September 2021. This brought total year-to-date take-up to 1.6m sq ft, up 3% on the five year average, but down 6% on the 10-year average. Positively, the 12-month rolling take-up is over twice that of this time last year.

There continues to be a continued preference for Grade A quality space, with 91% of take-up year-to-date being of such quality, this sustained appetite is compared with the long-term average of 83%. Environmental protocols and objectives continue to be an important consideration with regards to corporate responsibility and tenant decision making, as 60% of take-up has been BREEAM-rated 'Excellent' or higher. With a fifth being rated 'Outstanding'.

The largest transaction to complete last month saw Tata Consulting acquire the 43rd and 44th floors at 22 Bishopsgate, EC2 (52,495 sq ft), at a reported rent of £87.50/sq ft, this deal brings the tower to around 95% occupied, and it should also be noted that 6 more floors are currently under offer, leaving c.45,000 sq ft available.

Another notable transaction saw legal underwriting firm IQUW acquire the eighth floor at Plantation place, 30 Fenchurch Street, EC3 (33,879 sq ft) on a 10-year term with a break in the fifth year, at £68.50/sq ft.

The first few months of 2022 tell a familiar story, with the Professional Services sector accounting for a quarter of year-to-date take-up, again followed by the Business & Consumer Services sector and Insurance & Financial Services sector with 17% and 15%, respectively. We anticipate this dominance to carry on as between 2022 and the end of 2025 there are 4.5m sq ft of Professional Services sector occupiers with lease events.

The appetite for serviced offices appears to be returning, with the sector accounting for 6% of year-to-date take-up, this is compared to 2% last year and 4% in 2020. Moreover, currently there is c.165,000 sq ft of office space under offer to Serviced Office Providers, such as Knotel and Runway East.

April saw half a million sq ft go under offer, the third highest month since the start of the pandemic. This brought the total across the City to 1.9m sq ft, which is 35% above the long-term average. The continued narrative regarding the sustained demand for best in class office space is evident, as 66% of space under offer is either newly developed or refurbished or still on the development pipeline.

Total City supply remained relatively constant and currently stands at 12.9m sq ft, equating to a vacancy rate of 9.2% compared to the five-year average of 8.3m sq ft. The level of Prime office space still appears to be undersupplied with only 40% consisting of newly refurbished or development office space.

Looking ahead to future supply in the City of London, 2022 has seen 600,000 sq ft complete already, with 2.9m sq ft anticipated to enter the market before year end, of which 41% has already been pre-let. Between now and the end of 2025 there is 15.5m sq ft of office space scheduled to complete, with just over a fifth already pre-let (21%). Although the development pipeline looks healthy, 4.8m sq ft is yet to start construction, which equates to 31% of the total pipeline, and with the incumbent supply chain issues and increasing construction cost inflation, the certainty and viability of some projects may come into question.



**1.6m sq ft**  
Q1 take-up, across  
**115 transactions**



**60%** of year-to-date take-up has been rated BREEAM 'Excellent' or higher



**532,241 sq ft** of office space went under offer in April

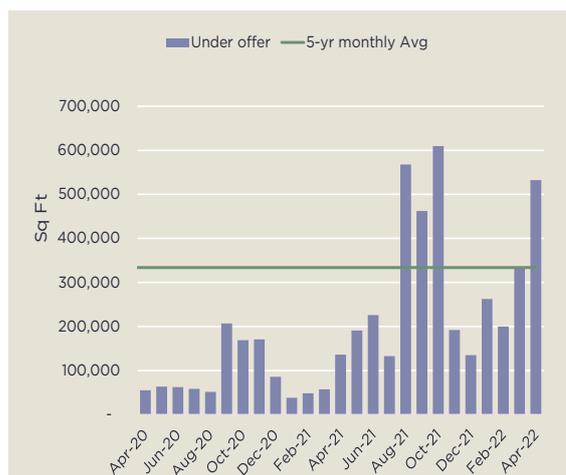
### City monthly take-up

Graph 1



### City monthly under offers

Graph 2



**Over a fifth** of the development pipeline between 2022 and 2025 is pre-let

## Analysis close up

### Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
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	320,104	82%	4,845,498
Feb-22	611,824	98%	5,234,813
Mar-22	394,830	90%	5,358,063
Apr-22	253,544	87%	5,250,480

### Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan - Apr 21	1,145,249	-25%	91%
Jan - Apr 22	1,580,302	38%	91%

### Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
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		
Feb-22	£77.00	£68.13	£40.00		
Mar-22	£103.50	£65.26	£44.00	£83.84	25
Apr-22	£87.50	£69.83	£43.75		

### Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
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%
12,424,204	85%	1%	9.0%
12,985,821	87%	5%	9.3%
12,933,492	87%	0%	9.3%

### Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2022	1,753,668	1,956,764	3,710,432	41%
2023	2,126,717	3,072,238	5,198,955	13%
2024	1,946,539	2,226,909	4,173,448	16%
2025	1,180,000	1,271,931	2,451,931	16%
Total	7,006,924	8,527,842	15,534,766	21%

### Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.4m
City Active Requirements (sq ft)	8.1m
City Total Requirements (sq ft)	10.5m
% change on 12 month ave	1%
Total under offer (sq ft)	1.9m
Under offer this month (sq ft)	532,241
% change on average (total)	36%
Landlord controlled supply	74%
Tenant controlled supply	26%

\*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 April transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
TwentyTwo, 22 Bishopsgate, EC2	43,44	52,495	A	£87.50	Tata Consulting	AXA
1 Plantation Place, Fenchurch Street, EC3	8	33,879	A	£68.50	IQUW	Brookfield
3-7 Throgmorton Avenue, EC2	Building	19,497	B	Confidential	Jackson River	Deutsche Bank
2 Gresham Street, EC2	6	19,160	A	£69.00	Piper Sandler	St Martins Property Investment Limited
Watermark Place, 1 Angel Lane, EC4	10 part	16,700	A	£68.00	Just Group	Nomura

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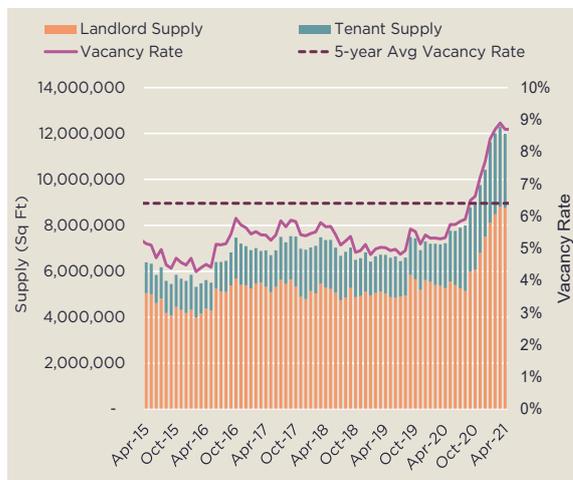
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## In Focus - Tenant supply

### City landlord vs tenant supply

Graph 3



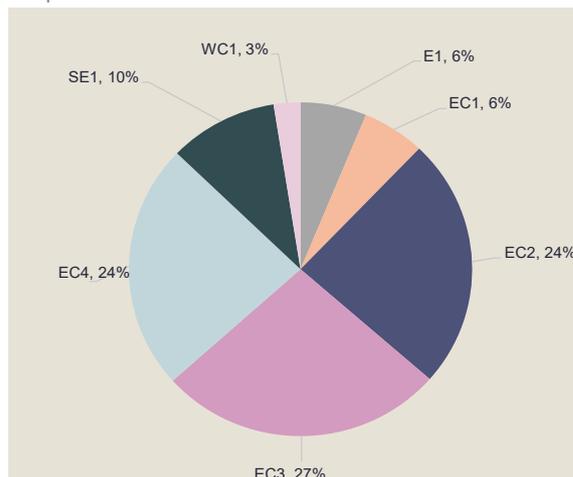
This month's 'In Focus' delves into tenant-controlled supply in the City. Currently, 26% of availability is grey space, this is compared to the long term average of 25%. 2.8m sq ft of current tenant supply has entered the market since the start of the pandemic, and currently accounts for 80% of the total.

Some notable recent additions include c.105,000 sq ft at the UBS Building, 5 Broadgate EC2 and c.66,000 sq ft at Fen Court, 120 Fenchurch Street, EC3. As per Graph 4, EC3 appears to host the greatest amount of tenant-controlled supply, equating to 27%.

55% of tenant-controlled supply is in buildings which are over 10 years old and/or Grade B quality. With occupiers showing sustained preference for Prime and Grade A quality stock, we are witnessing grey space getting stuck on the market. Notwithstanding, a lot of the space is on shorter terms, with just under half of tenant-release space available for five years or less.

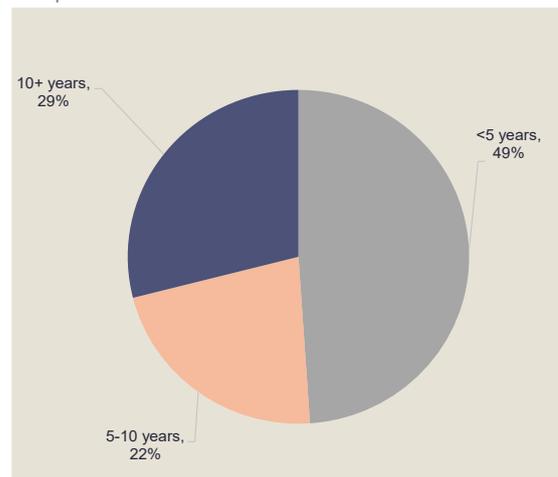
### City tenant supply by postcode

Graph 4



### Tenant supply lease expiries

Graph 5



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