

City Office Market Watch



April take-up performance improves, albeit still 10% down on the 10-year average

April has produced the highest monthly take-up so far this year, totalling 420,641 sq ft across 22 transactions. However, no month has reached the average monthly take-up figure of 516,000 sq ft. Consequently, 2023 is down 12.5% on the year-to-date 10-year average of 1.75m sq ft.

With economic uncertainty and the cost of fitting out resulting in more 'stay put' options, tenants that do commit to moving are focusing on higher-quality office stock. 94% of take-up this year has been of Grade A quality, this is the highest proportion for this point in the year on record.

Most notably in April, Christchurch Court, 10 Newgate Street, EC1 saw a duo of long-anticipated transactions cross the line, totalling c.156,000 sq ft. Goodwin Procter acquired the fifth, sixth and seventh floors on a 15-year term with a break option in the tenth year and thought to be paying a blended rent of £82.50/sq ft. Convene acquired the LG to first floor

on a 20-year term, reinforcing the returning confidence within the Service Office Provider sector. It is believed ICE futures are under offer on the remaining space in the building.

Positively, despite a strong monthly take-up figure, under offers have stabilised at 2.2m sq ft, with 252,361 sq ft of space going under offer in April. This is 57% up on the long-term average of 1.4m sq ft.

Total City supply fell by 2.2% on last month, currently standing at 13.4m sq ft, this equates to a vacancy rate of 9.6%. The bifurcation in the market extends to availability, the intense demand for best-in-class, coupled with headwinds in the debt and construction markets are resulting in fewer completions and dwindling supply of prime office buildings. At present, 40% of current availability has a BREEM rating of 'Excellent' or 'Outstanding'

The future Prime pipeline is expected to remain challenged through development slippages and delays. The lack of availability for such quality has augmented the strong pre-letting trend that the City has experienced over the last three years. Faced with fewer options, tenants are facing an increasingly competitive market for Prime office space, 26% of the 2023 - 2027 pipeline has been pre-let. This is extremely front-heavy, with 45% of developments scheduled for completion this year being pre-let and 27% in 2024.

When comparing the Q1 2022 pipeline to the Q1 2023 pipeline, research found that 64% of schemes had been delayed by at least a quarter. An inherent undersupply of Prime office stock, a faltering pipeline of new supply and an increased demand for such quality, ensure strong rental growth for the next five years. Savills forecast Prime rents to grow by 3.4% on average per annum, between 2023 and 2027.

Key Stats



1.5m sq ft
year-to-date take-up,
across **97** deals

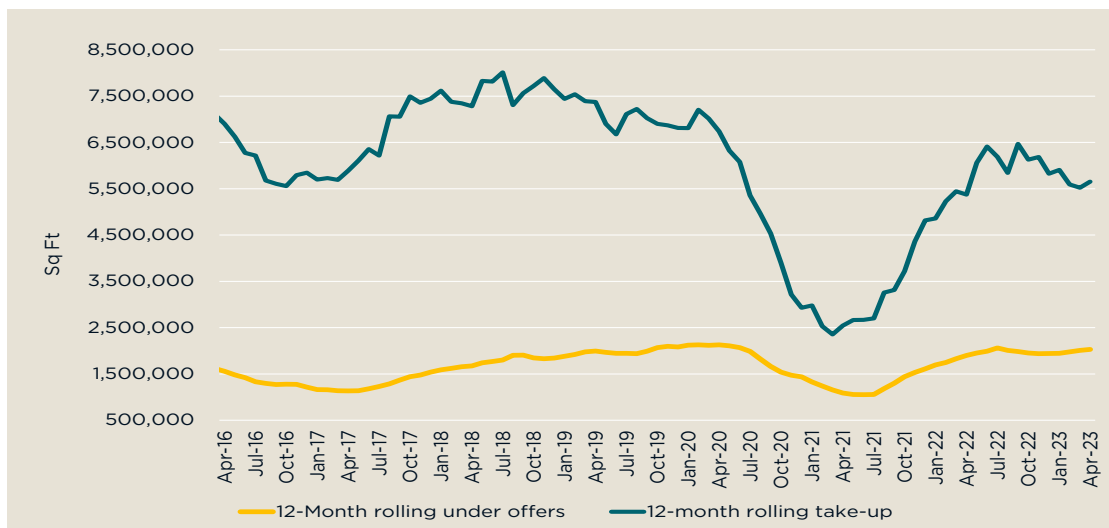


Strong pre-letting
activity: **26%** of the
2023-2026 pipeline is
pre-let



Active requirements
stabilise at **8.6m sq ft**,
following strong month
for take-up

Although take-up is muted, under offers are reaching record levels



Source Savills Research

Year-to-date take-up stats

% change on YTD 2022

-10%

Average YTD
transaction size

15,742 sq ft

City rents

YTD Prime rent

£84.81

% change on April 2022

0.4%

Source Savills Research

Year to date take-up

Table 1

	Sq ft	% change on previous year
Jan - Apr 22	1,702,700	49%
Jan - Apr 23	1,531,743	-10%

Development Pipeline

Table 2

	Refurb	Dev	Total	% Pre-let
2023	1,398,825	2,506,951	3,905,776	45%
2024	1,833,389	2,753,110	4,586,499	27%
2025	2,311,123	1,328,840	3,639,963	11%
2026	842,656	2,291,000	3,133,656	19%
Total	6,385,993	8,879,901	15,265,894	26%

Significant April transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Christchurch Court, 10 Newgate Street, EC1	5, 6, 7	89,645	A	£82.50	Goodwin Procter	Greycoat
20 Ropemaker Street, EC2	18-23	65,380	A	£90.00	PIC	Old Park Lane/CORE
10 Fenchurch Avenue, EC4	4	33,011	A	Confidential	Arch Insurance	M&G
Arbor, Bankside Yards, SE1	8, 9	27,321	A	Confidential	Winckworth Sherwood	Native Land
1 Angel Court, EC2	4	25,522	A	£63.82	Seven Investment Management Limited	Prudential

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