



Year-to-date take-up surpasses 3.0m sq ft, whilst under offers continue to soar

October take-up brings year-to-date figures above last year's annual total. Last month, levels of leasing activity picked up slightly as transactions totalled 373,936 sq ft, across 25 transactions. This brings the year-to-date take-up to 3.11m sq ft, up 25% on the same point last year but down 37% on the 10-year average. The underlying preference for Grade A space continues to dominate, as 91% of year-to-date take-up has been of such quality. Moreover, pre-lets have accounted for 30% of take-up so far this year, offering a snapshot into the sustained demand for new office space. This is the highest on record with the 10-year average at 21%.

The largest transaction to occur in October saw Apple exercise their option over the 33rd, 34th and 35th floors at 22 Bishopsgate, EC2 (78,406 sq ft), having previously acquired the 31st and 32nd back in November 2019. Another notable transaction was the Decherts acquisition of the top three floors of 25 Cannon Street, EC4 (58,588 sq ft) on an assignment from Brewin Dolphin who had originally pre-let the entirety of the property in May 2019.

Another transaction to note saw Optiver acquire the ground and first floor at 20 Old Bailey, EC4 (30,473 sq ft) on an assignment from Metro Bank at £59.00/sq ft. Both these transactions contributed to an increase in occupier disposal activity in October. Moreover, last month saw the highest proportion of tenant release space take-up (44%) since March 2019.

Positively, City supply fell to 12.72m sq ft during October, equating to a vacancy rate of 9.1%, down 20bps on last month, but is still up 310bps on the long term average of 6.0%. 86% of supply is of Grade A standard, which is slightly above the five-year average.

With momentum in the market picking up, demonstrated by the increased amount of space are being put under offer, this certainly bodes well for the levels of leasing activity

going into next year. Last month 609,732 sq ft of space went under offer, bringing the total to 2.7m sq ft across the City of London, up 107% on the long-term average.

A significant proportion of the space that has gone under offer has been on buildings under construction or recently completed. Last month, William Blair went under offer on floors 47-49 at 22 Bishopsgate, EC2 (81,655 sq ft). Additionally, law firms Holman Fenwick Willan went under offer on the sixth, seventh and eighth floor at 8 Bishopsgate, EC2 and Lewis Silkin for circa 30,000 sq ft at The Arbor, Bankside Yards, SE1.

Such headline news percolates through the market providing a source of confidence for smaller requirements. This is shown in the size of unit being put under offer last month averaged at just over 10,000 sq ft, compared to August and September, which averaged 12,000 sq ft and 16,000 sq ft, respectively.

Central London requirements (excluding West End specific requirements) currently stands at 10.2m sq ft, this excludes West End specific requirements. 8.2m sq ft active demand and 2.0m sq ft potential demand. This is a 32% increase in active requirements compared to the start of this year. Once again the Insurance & Financial Services sector and the Professional Services sector are proving to be most resilient and active within the market, as they account for 22% and 21% of active requirements, respectively.

Currently there is 15.5m sq ft of new developments and extensive refurbishments which are scheduled to complete over the next four years. As it stands 2.5m sq ft (16%) of this space has already been pre-let. A combination of environmental protocols and climate concerns continue to drive demand for sustainable office space. Between now and the end of 2025, 68% of developments are rated BREEAM 'Very Good' or higher.



3,107,551 sq ft
YTD take-up, over taking
2020 annual take-up



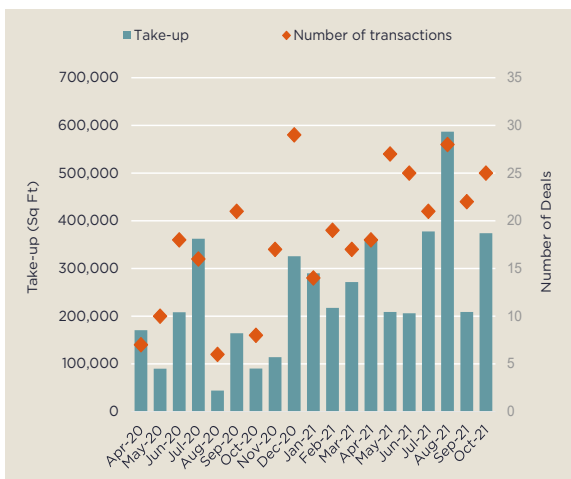
2.7m sq ft currently
under offer, the highest
figure in **25 months**



Vacancy rate down
20bps on last month

City take-up

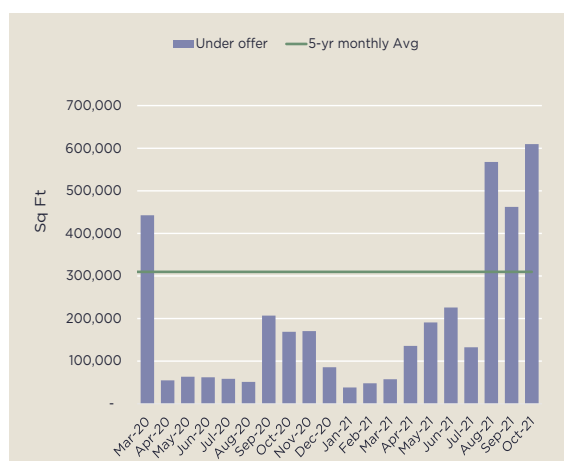
Graph 1



Source: Savills

City under offers

Graph 2



The Professional
Services sector account
for **23%** of YTD take-up

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Nov-20	114,071	88%	3,215,462
Dec-20	325,760	82%	2,927,511
Jan-21	290,033	97%	2,979,900
Feb-21	222,509	90%	2,531,517
Mar-21	271,580	96%	2,353,961
Apr-21	361,127	83%	2,544,517
May-21	208,878	79%	2,663,435
Jun-21	206,038	85%	2,661,126
Jul-21	377,830	87%	2,676,489
Aug-21	586,805	98%	3,219,150
Sep-21	208,815	90%	3,263,601
Oct-21	373,936	91%	3,469,586

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan - Oct 20	2,593,675	-58%	89%
Jan - Oc-21	3,107,551	25%	91%

Rents

Table 5

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Nov-20	£78.00	£67.93	£43.00		
Dec-20	£85.00	£65.09	£39.81	£75.00	23
Jan-21	£81.50	£66.64	£50.00		
Feb-21	£81.50	£58.42	£33.63		
Mar-21	£108.75	£67.88	£55.00	£82.50	28
Apr-21	£72.00	£61.50	£43.34		
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		

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
9,764,541	82%	8.9%	7.2%
10,419,978	84%	6.7%	7.6%
11,609,763	82%	11%	8.4%
12,009,405	83%	3%	8.7%
12,312,231	84%	3%	8.9%
12,004,918	84%	-2%	8.7%
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%	9.3%
12,718,905	86%	-2%	9.1%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2022	1,528,986	2,666,161	4,195,147	23%
2023	1,843,353	2,513,867	4,357,220	16%
2024	1,691,696	2,395,673	4,087,369	16%
2025	1,797,776	1,109,397	2,907,173	5%
Total	6,861,811	8,685,098	15,546,909	16%

Demand & Under-offers

Table 6

City Potential Requirements (sq ft)	2.0m
City Active Requirements (sq ft)	8.2m
City Total Requirements (sq ft)	10.2m
% change on 12 month ave	-1%
Total under offer (sq ft)	2.3m
Under offer this month (sq ft)	609,732
% change on average (total)	107%
Landlord controlled supply	72%
Tenant controlled supply	28%

*Average prime rent is for preceeding 3 months

** Average rent free on leases of 10 years with no breaks for preceeding 3 months

Note: Completions due in the next 6 months are included in the current supply figures

Significant October transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
TwentyTwo, 22 Bishopsgate, EC2	33, 34, 35	78,406	A	Confidential	Apple	Axa
25 Cannon Street, EC4	3, 4, 5	58,588	A	Confidential	Decherts	Brewin Dolphin
20 Old Bailey, EC4	G, 1	30,473	A	£59.00	Optiver	Metro Bank
3 Paris Garden, SE1	Building	21,017	A	£43.00	Halkin	Overcourt
Aldgate Tower, Whitechapel High Street, E1	12	20,274	A	Confidential	Youview Media	AECOM

Savills contacts

Please contact us for further information

Stuart Lawson

Director
City Agency
020 7409 8920
slawson@savills.com

Josh Lamb

Director
City Agency
020 7409 8991
jlamb@savills.com

Victoria Bajela

Associate Director
Research
020 7409 5943
victoria.bajela@savills.com

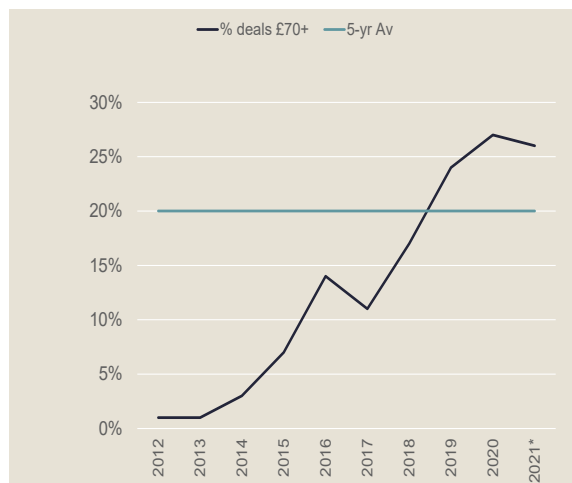
Will Wilson

Analyst
Research
020 7409 8791
will.wilson@savills.com

In Focus - Rents

City rents (£70/sq ft+)

Graph 3

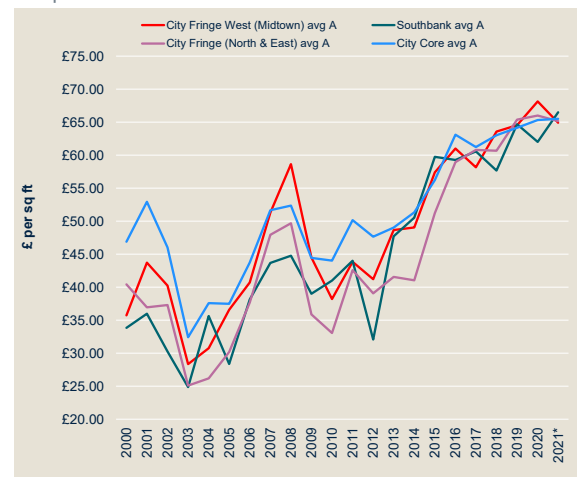


This month's 'In Focus' takes a closer look at the rents achieved in 2021. So far this year, we have seen strong rental performance for prime office space. The continued bias for quality units has insulated 2021 headline and prime rents. The City of London has experienced an increased proportion of higher rents, with nearly a quarter of rents achieved this year being in excess of £70.00/sq ft (23%), this is compared to the five-year average of 14%. The year-to-date average prime rent has settled at £81.33/sq ft, a 1% increase on 2019 (pre Covid-19).

Taking a more granular view at grade A average rents, the strongest performing sub-market, this year, has been Southbank with average grade A rents increasing 7% on last year. Aided by a handful of pre-lets and the anticipation of a large development pipeline, we forecast rents in the Southbank sub-market to increase 2.8% over the next five years. The City Core is the second best performing, with average grade A rents increasing marginally from £65.31/sq ft to £65.50/sq ft. The N&E Fringe and Midtown have decreased 1% and 5% respectively.

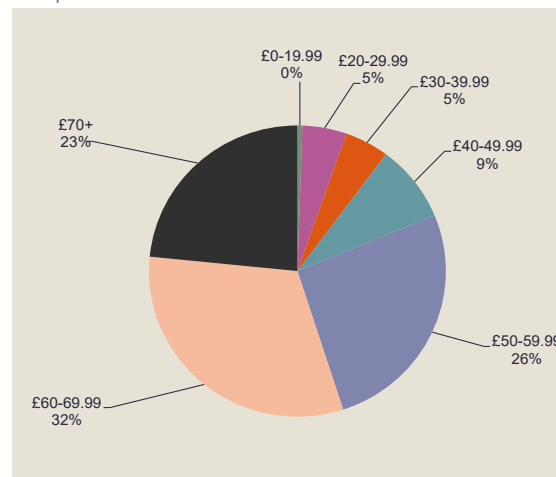
City sub-market average grade A rents

Graph 4



City take-up by rent band

Graph 5



Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

