



September sees uptick in take-up, driven by demand from Financial sector occupiers

September leasing showed encouraging signs of activity, with a take-up of 662,588 sq ft. This marked the most active month since November 2022, bringing the total take-up for Q3 to 1.46 million sq ft across 103 transactions. Although this was 15% below the long-term average for Q3, leasing activity increased by 10% compared to the previous quarter, making it the most robust quarterly take-up this year.

This resurgence in leasing activity may be attributed to stabilizing interest rates and decreasing inflation, which have contributed to increased business confidence and, consequently, more activity in the leasing market.

The Insurance and Finance sector continued to be the primary driver of leasing activity, contributing to 21% of the take-up in September. The Professional sector closely followed with 20%.

The largest deal in September was secured by ICE Futures who acquired the 2nd to 4th floors (127,000 sq ft) of The Sancroft at 10 Newgate Street, EC1. The next significant deal involved NorthEastern University, leasing the 5th to 8th floors (98,388 sq ft) of 1 Portsoken Street at £50.76 per sq ft.

The Insurance and Financial sector is expected to continue as a key driver of leasing activity in the short term, accounting for over a third (35%) of active demand for the City and Central London.

Notably, more occupiers are seeking to increase their space (43%) than decrease it (20%), with an additional 28% looking to acquire a similar amount of space (within 5,000 sq ft of their current occupation). This shift may be attributed to a movement away from remote work, as firms encourage workers back to the office or introduce a minimum days mandate.

The supply of office spaces in the city increased to a total of 13.9 million sq ft in September, resulting in a vacancy rate of 9.9%, up 10 basis points from the previous quarter. This increase is partly due to the addition of prospective completions for Q1 2024 to the supply. Tenant-controlled space made up only 22% of the total supply, the lowest since September 2019.

Looking ahead, development completions from Q4 2023 until the end of 2027 are expected to reach 17 million sq ft, with 17% already pre-let. However, 54% of the scheduled space for delivery over this period has yet to commence. Elevated costs and pressure on project timescales are expected to result in further delays and viability challenges for schemes that have not yet started. With this tightening of supply and continued demand for best in class assets we are expecting to see rents continue to rise for the buildings that do complete.

Key Stats



Space under offer at the end of Q3 stood at 2.9m sq ft, up 45% on the 5-year average

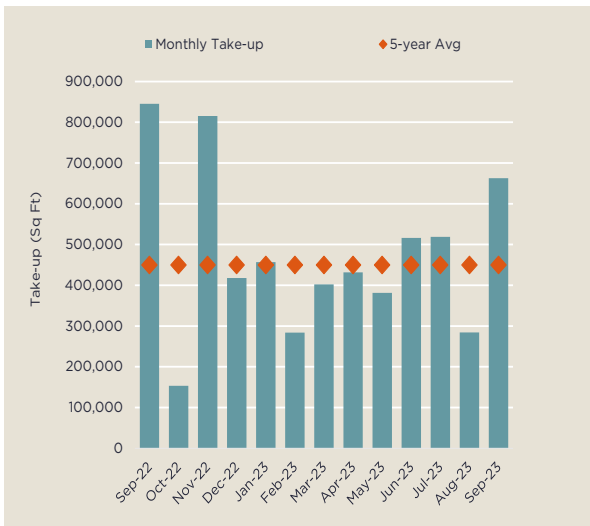


Average prime rents stood at £86.58 for Q3, up 18% on the 10-year average

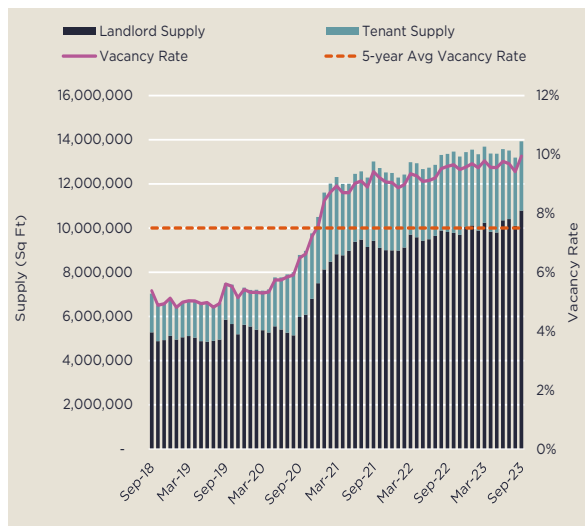


Year-to-date development completions at the end of Q3 reached 2.43m sq ft

City Take-up by Month



City Supply and Vacancy Rates

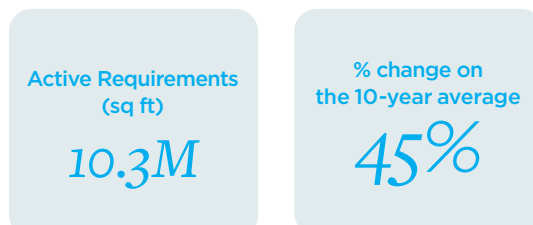


Source Savills Research

City Take-up (YTD)



City & Central London Active Requirements



Source Savills Research

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Sep 22	4,437,250	59%
Jan - Sep 23	3,937,444	-11%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2024	1,409,718	2,841,510	4,251,228	34%
2025	2,748,918	1,272,931	4,021,849	10%
2026	842,656	2,466,909	3,309,565	20%
2027	1,521,713	3,156,012	4,677,725	0%
Total	6,523,005	9,737,362	15,387,128	15%

Significant August transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
The Sancroft, 10 Newgate Street, EC1	2,3,4	127,000	A	Confidential	ICE Futures Europe	Greycoat
One Portsoken, 1 Portsoken Street, E1	5-8	98,388	A	£50.76	NorthEastern University	Alfred Equities
6-8 Bishopsgate, EC2	22-25	57,000	A	Mid £80's	Proskauer Rose LLP	Mitsubishi Estate/ Stanhope
6-8 Bishopsgate, EC2	27-31	41,125	A	£87.50	King & Spalding	Mitsubishi Estate/ Stanhope
70 Gracechurch Street, EC3	4,7	37,000	A	TBC	Orega	Cadillac Fairview

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