

City Office Market Watch



Leasing activity slows over the summer but demand from the Financial Services sector remains robust.

City monthly take-up was at its lowest level in 6 months, with the typical summer lull in activity resulting in only 320,233 sq ft completing across 16 transactions. This brought year-to-date take-up to 3.2m sq ft, down 18% on the long-term average.

Leasing activity remains heavily weighted towards Grade A space, with 89% of take-up being of this quality. The sustained occupier preference for prime office space is reflected by the fact that two thirds of space leased has been in newly developed or extensively refurbished buildings. With occupier demand focused on best in class office space, the average prime rent for the year so far currently stands at £87.96 per sq ft, which is up 1% on the same period in 2022.

The largest transaction to complete in August was UK private Bank Arbutnot Latham's acquisition of The Alpheus building, 20 Finsbury Circus, EC2, (78,512

sq ft), on a 15 year term. The next largest transaction was at 60 London Wall, EC2, with Rabobank leasing the part 4th and part 5th floors (48,457 sq ft), at £67.50 per sq ft.

Whilst leasing remained subdued we have continued to see high levels of underlying demand with active City and Central London requirements standing at 9.9m sq ft, up 48% on the long-term average. Further to this we saw 390,000 sq ft going under offer during August, which helped maintain space under offer at 2.8m sq ft, up 103% on the long-term average.

So far this year, the Insurance & Financial services sector has been the main driver of leasing activity across the City and has so far accounted for 23% of space acquired by sq ft and 20% by number of transactions.

The Professional Services sector accounted for the next highest share of

sector take-up with 17%. The majority of which (83%) was driven by Law firms.

We are expecting the Insurance & Financial services sector will continue to be the main driver of demand as the sector currently accounts for 30% of active requirements. These occupiers have continued to show a strong preference for City Core locations reflected by the fact that 85% of space acquired by this sector has been in this sub-market area.

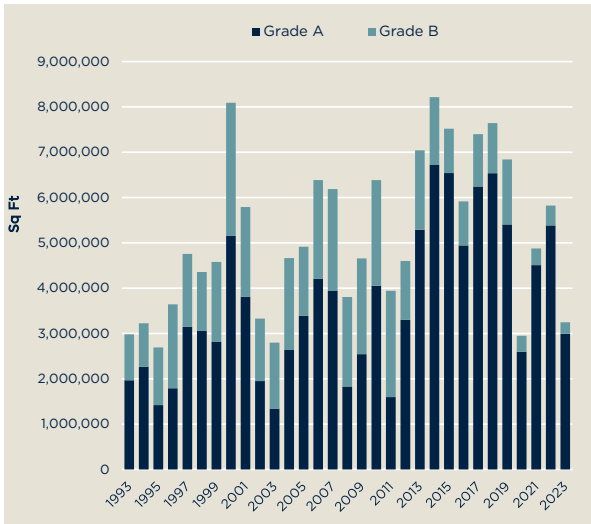
Overall supply was down 30 bps in August with the vacancy rate standing at 9.4%. However, we are expecting this to rise with 1.6m sq ft of speculative development completions anticipated over the first half of 2024, (which will be added to supply by the end of Q4).

Key Stats

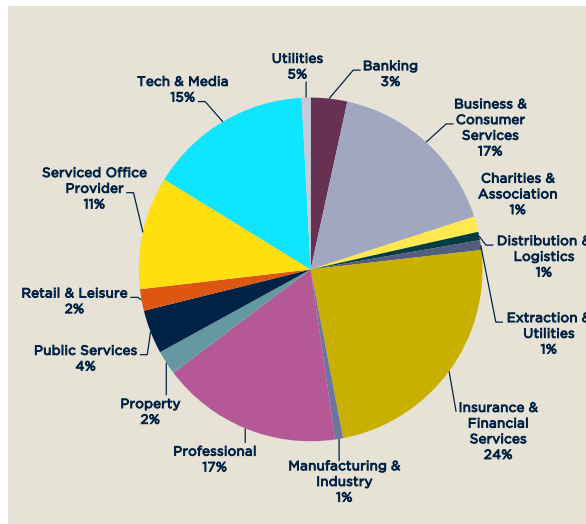


City and Central London active requirements stand at 9.9m sq ft, up 48% on the long-term average.

City Take-up by Grade



Year-To-Date Take-up by sq ft



Source Savills Research



Grade A take-up has accounted for 89% of space acquired so far this year.

City Take-up (YTD)

% change on the 5-year average

-4%

% change on the 10-year average

-18%

City & Central London Active Requirements

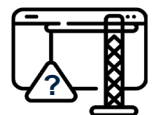
Active Requirements (sq ft)

9.9M

% change on the 10-year average

39%

Source Savills Research



52% of the 2024-2027 pipeline is yet to start construction

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Aug 22	3,591,837	40%
Jan - Aug 23	3,244,249	-10%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2023	1,266,535	2,466,951	3,733,486	46%
2024	1,465,640	2,841,510	4,307,150	32%
2025	2,748,918	1,272,931	4,021,849	10%
2026	842,656	2,466,909	3,309,565	20%
Total	6,323,749	9,048,301	15,372,050	27%

Significant August transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
20 Finsbury Circus, EC2	Building	78,512	A	£68.00	Arbuthnot Latham	NTT
60 London Wall, EC2	Part 4, Part 5	48,457	A	£67.50	Rabobank	LaSalle Investment Management
The Typewriter Building, 140 Borough High Street, SE1	Building	21,969	A	£69.00	Work.Life	W.RE
1 Angel Court, EC2	3	16,920	A	£61.50	LEX Ankura	Mitsui Fudosan/ Stanhope
20 Farringdon Street, EC4	8	15,591	A	£67.50	The Berkeley Partnership	Private Investor

Savills contacts

Please contact us for further information

Stuart Lawson

Director
City Agency
020 7409 8920
slawson@savills.com

Catherine Facer

Director
City Agency
020 7330 8616
catherine.facer@savills.com

Victoria Bajela

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

Ed Robinson

Analyst
Research
020 7299 3043
ed.robinson@savills.com

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.

