

London Offices Spotlight



Q2 2023

Knight Frank's ultimate guide to real estate performance and opportunities in the world's most exciting city.

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London Overview



Key Themes

1.

Take-up remains below trend but space under-offer and requirements rise in Q2.

2.

Rising available floor space is contained in relatively less buildings.

3.

Increasing interest rates lead to further re-pricing of City assets.

Submarket Prime Headline Rents

Submarkets	Vacancy rate	Prime Rent	Quarterly % Change	Rent Free Periods (months)
Aldgate/Whitechapel	17.2%	£60.00	◀▶	27
City Core	10.8%	£75.00	◀▶	24-27
Clerkenwell/Farringdon	13.9%	£85.00	◀▶	24
Midtown	10.7%	£70.00	◀▶	27
Southbank Core	6.2%	£77.50	▲	24-27
Vauxhall/Battersea	17.7%	£60.00	◀▶	24-27
Canary Wharf	17.3%	£55.00	◀▶	27-30
Rest of Docklands	11.1%	£32.50	◀▶	30
Stratford*	20.2%	£48.50	◀▶	27
Bloomsbury	7.1%	£77.50	◀▶	24-27
Fitzrovia	8.5%	£92.50	◀▶	24
King's Cross/Euston	8.8%	£82.50	◀▶	24-27
Knightsbridge/Chelsea	8.9%	£95.00	◀▶	24-27
Marylebone	2.9%	£97.00	◀▶	24
Paddington	4.8%	£80.00	◀▶	24-27
Soho	9.2%	£95.00	◀▶	24
Strand/Covent Garden	8.0%	£80.00	◀▶	24-27
Victoria	5.1%	£82.50	◀▶	24-27
West End Core	5.5%	£135.00	▲	21
White City	18.4%	£57.50	◀▶	24-27

*Note – Our Stratford data incorporates leasing activity in the newly developed locations of International Quarter London, Here East, Sugar House Island and Westfield Avenue from 2017 and does not include the office stock which existed prior to the regeneration.

Pre-let space

30.6%

City & Southbank



0.0%

Docklands & Stratford



27.1%

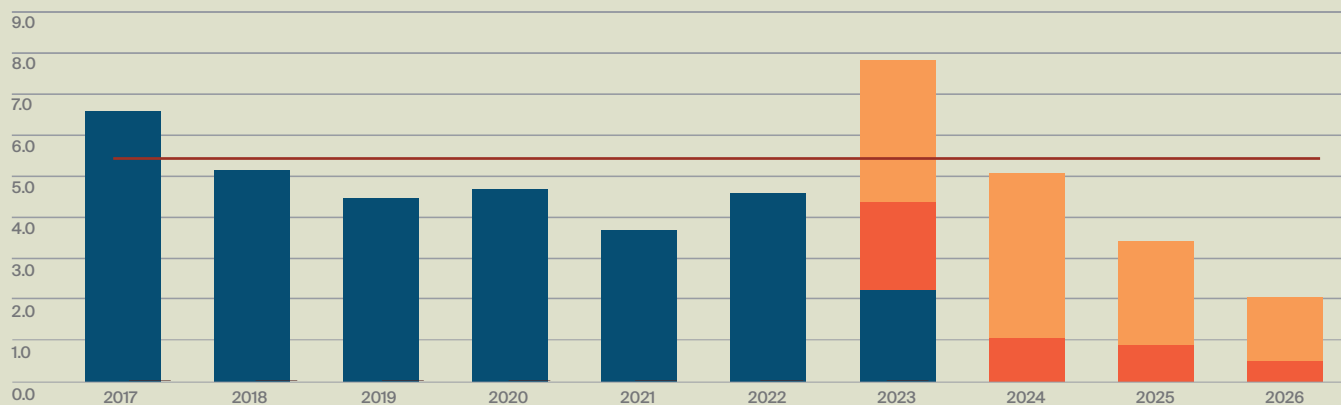
West End



London Development Pipeline

m sq ft

■ Completed ■ U/C Pre-let ■ U/C Speculative — Long-term new/refurb take-up



Source: Knight Frank Research

City & Southbank Overview

LEASING MARKET

m sq Ft, % of stock	22 Q2	22 Q3	22 Q4	23 Q1	23 Q2	% Change		Long-term average
						3M	12M	
Take-up	1.64 m	1.18 m	1.50 m	1.03 m	1.28 m	24.2%	-22.1%	1.65 m
Availability	11.18 m	12.48 m	12.72 m	13.81 m	15.11 m	9.4%	35.2%	8.53 m
Vacancy Rate*	8.4%	9.3%	9.5%	10.2%	11.1%	0.9%	2.7%	6.9%
Active Requirements	4.18 m	5.04 m	4.59 m	4.60 m	4.46 m	-3.1%	6.6%	4.30 m

* difference from previous quarter/year

KEY LEASING DEALS

Building	Sq ft	Occupier	Rent (PSF)
Sancroft, 10-15 Newgate Street, EC1	89,645	Goodwin Procter (UK) LLP	Confidential
1 Liverpool Street, EC2	66,372	Dentons UK and Middle East LLP	Confidential
20 Ropemaker Street, EC2	65,780	Pension Insurance Corporation plc	£88.00
The Carter, 11 Pilgrim Street, EC4	46,220	Teneo Business Consulting Limited	£77.50
Sancroft, 10-15 Newgate Street, EC1	44,670	Convene	£62.50

Knight Frank deals

INVESTMENT MARKET

£bn, % per annum	22 Q2	22 Q3	22 Q4	23 Q1	23 Q2	% Change		Long-term average
						3M	12M	
Turnover	1.50 bn	2.00 bn	0.56 bn	1.48 bn	0.53 bn	-63.8%	-64.4%	2.13 bn
Availability	3.46 bn	3.60 bn	3.37 bn	2.70 bn	2.93 bn	8.4%	-15.3%	3.19 bn
Under Offer	2.83 bn	1.22 bn	1.78 bn	0.84 bn	0.86 bn	3.0%	-69.5%	1.28 bn
Yield*	4.00%	4.25%	4.75%	4.75%	5.25%	0.50%	1.25%	

* difference from previous quarter/year

KEY INVESTMENT DEALS

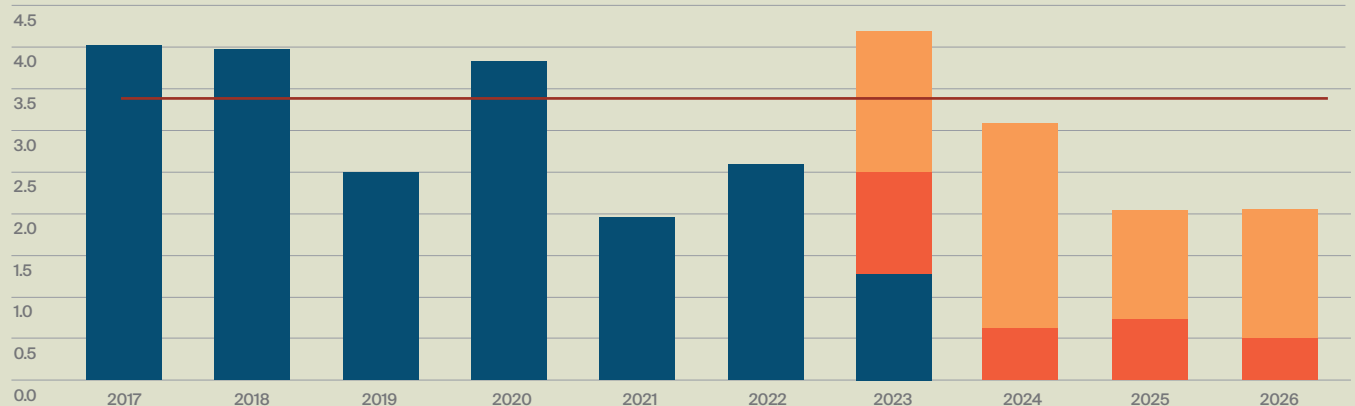
Building	Price	Capital Value (PSF)	Yield	Purchaser
Sancroft, 10-15 Newgate Street, EC1	£315m	£1,020	-	Greycoat/Mitsui Fudosan
265 Strand, WC2	£105m	£1,411	4.91%	New York University
5-10 Great Tower Street, EC3	£28m	£493	-	Dominvs Group
Churchill House, 142-146 Old Street, EC1	(Q) £25m	(Q) £943	-	Private Investor
Bramah House, 65-71 Bermondsey Street, SE1	£14m	£891	5.90%	GPE

Knight Frank deals

City & Southbank Development Pipeline

m sq ft

■ Completed ■ U/C Pre-let ■ U/C Speculative — Long-term new/refurb take-up



Source: Knight Frank Research

Docklands & Stratford Overview

LEASING MARKET

m sq Ft, % of stock	22 Q2	22 Q3	22 Q4	23 Q1	23 Q2	% Change		Long-term average
						3M	12M	
Take-up	0.06	0.30	0.16	0.11	0.07	-36.9%	23.0%	0.22
Availability	3.06	3.63	3.81	3.80	4.11	8.3%	34.3%	2.04
Vacancy Rate*	12.8%	15.2%	15.9%	15.6%	16.6%	1.0%	3.8%	9.3%
Active Requirements	0.12	0.11	0.15	0.30	0.22	-28.7%	80.4%	0.57

* difference from previous quarter/year

KEY LEASING DEALS

Building	Sq ft	Occupier	Rent (PSF)
Cargo, 25 North Colonnade, E14	24,506	BP International Limited	£57.50
40 Bank Street, E14	20,801	HCA International Limited	£50.00
5 Churchill Place, E14	9,038	World Association of Nuclear Operators	£35.00
20 Churchill Place, E14	7,971	Association for Financial Markets in Europe	£28.00

Knight Frank deals

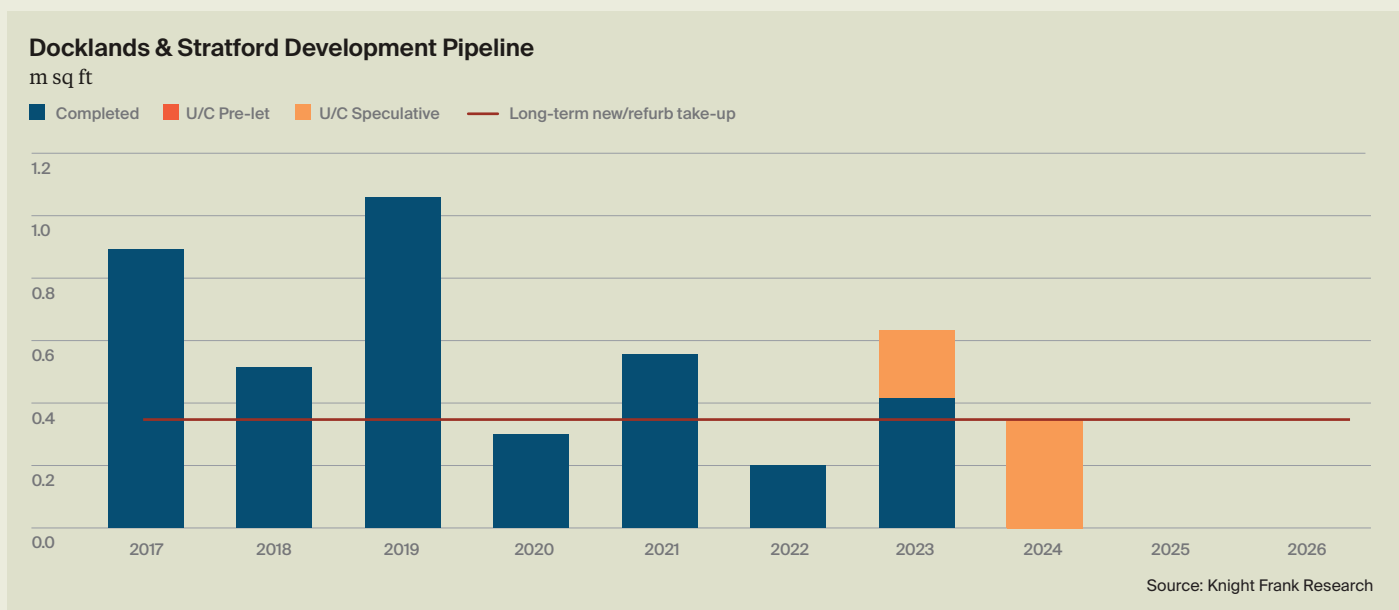
INVESTMENT MARKET

£bn, % per annum	22 Q2	22 Q3	22 Q4	23 Q1	23 Q2	% Change		Long-term average
						3M	12M	
Turnover	0.00 bn	0.00 bn	0.00 bn	0.13 bn	0.02 bn	-86.0%		0.19 bn
Availability	0.00 bn	0.00 bn	0.30 bn	0.30 bn	0.28 bn	-4.2%		0.02 bn
Under Offer	0.00 bn	0.00 bn	0.16 bn	0.16 bn	0.02 bn	-87.1%		0.01%
Yield*	4.75%	5.00%	5.50%	6.00%	6.50%	1.25%	1.75%	

* difference from previous quarter/year

KEY INVESTMENT DEALS

Building	Price	Capital Value (PSF)	Yield	Purchaser
Harbour Island, Harbour Exchange Square, E14	£19 m	£271	7.52%	AEW



West End Overview

LEASING MARKET

m sq Ft, % of stock	22 Q2	22 Q3	22 Q4	23 Q1	23 Q2	% Change		Long-term average
						3M	12M	
Take-up	1.49 m	1.17 m	1.31 m	0.80 m	0.76 m	-5.2%	-49.2%	1.12 m
Availability	6.17 m	5.21 m	5.13 m	6.34 m	6.55 m	3.3%	6.1%	5.31 m
Vacancy Rate*	6.8%	5.7%	5.6%	6.9%	7.1%	0.2%	0.3%	6.1%
Active Requirements	1.03 m	1.40 m	1.43 m	1.96 m	1.99 m	1.4%	93.5%	1.99 m

* difference from previous quarter/year

KEY LEASING DEALS

Building	Sq ft	Occupier	Rent (PSF)
36-38 Berkeley Square, W1	88,327	Chanel	Confidential
Lucent, 1 Sherwood Street, Piccadilly Circus, W1	49,287	Financial Occupier	Confidential
One Knightsbridge, SW1	48,802	3i Plc	£99.35
80 Strand, WC2	48,024	Spencer Stuart/Samsung Electronics	£70.00 to £80.00
65 Davies Street, W1	19,146	Harris Williams	£192.87

Knight Frank deals

INVESTMENT MARKET

£bn, % per annum	22 Q2	22 Q3	22 Q4	23 Q1	23 Q2	% Change		Long-term average
						3M	12M	
Turnover	1.68 bn	1.30 bn	0.90 bn	0.76 bn	0.88 bn	16.9%	-47.3%	1.43 bn
Availability	2.25 bn	2.23 bn	2.66 bn	2.96 bn	2.65 bn	-10.5%	17.8%	1.59 bn
Under Offer	1.21 bn	1.58 bn	1.03 bn	0.84 bn	0.78 bn	-7.1%	-35.5%	0.76 bn
Yield*	3.25%	3.50%	3.75%	3.75%	3.75%	0.00%	0.50%	

* difference from previous quarter/year

KEY INVESTMENT DEALS

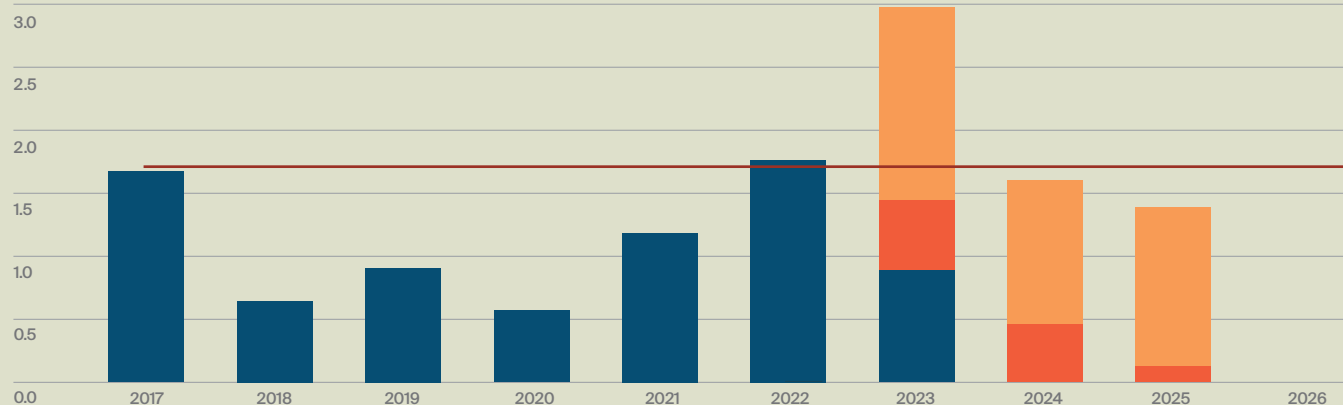
Building	Price	Capital Value (PSF)	Yield	Purchaser
Film House, 142 Wardour Street, W1	£130 m	£1,239	-	Hines
20 Rathbone Place, W1	£61 m	£1,480	4.68%	JP Morgan Chase & Co.
The Forum, 135-141 Wardour Street, W1	£39 m	£1,157	-	Great Portland Estates plc
31 Old Burlington Street, W1	£31 m	£3,226	-	Private Investor (UK)
44 Old Bond Street, W1	£18 m	£11,314	2.26%	Private Investor (Middle East)

Knight Frank deals

West End Development Pipeline

m sq ft

Completed U/C Pre-let U/C Speculative Long-term new/refurb take-up



Source: Knight Frank Research

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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General Note

This report has been prepared by Knight Frank Research, the research and consultancy division of Knight Frank. Knight Frank Research gratefully acknowledges the assistance given by the London office teams in the compilation and presentation of this material. Certain data sourced from LOD. All graph data sourced by Knight Frank.

Technical Note

The following criteria have been adopted in the preparation of this report.

- i. All floorspace figures quoted in this report refer to sq ft net.
- ii. Take-up figures refer to space let, pre-let, or acquired for occupation during the quarter.
- iii. Availability refers to all space available for immediate occupation, plus space still under construction which will be completed within six months and which has not been let.
- iv. Availability and take-up are classified into three grades: New/refurbished: Space under construction which is due for completion within six months or space which is currently on the market and is either new or completely refurbished.
Second-hand A Grade: Previously occupied space with air-conditioning.
Second-hand B Grade: Previously occupied space without air-conditioning.
- v. Demand figures quoted in this report refer to named requirements for over 10,000 sq ft.
- vi. Under construction figures quoted in this report refer to developments of over 20,000 sq ft which are currently underway. They do not include properties undergoing demolition.
- vii. Investment figures quoted in this report refer to accommodation where the majority of income/potential income is from office usage and comprises transactions of £1 m and above. The data includes standing investments, site purchases and funding transactions.
- viii. This report is produced to standard quarters.
Quarter 1: January 1 – March 31,
Quarter 2: April 1 – June 30,
Quarter 3: July 1 – September 30,
Quarter 4: October 1 – December 31

