RESEARCH

Knight Frank

# CENTRAL LONDON

## QUARTERLY – OFFICES **Q1 2019**

OCCUPIER ACTIVITY SUBDUED AMID BREXIT UNCERTAINTY

LONDON SUPPLY REMAINS STABLE

LONDON PRIME YIELDS INCREASE

# EDITORIAL

Occupier activity was somewhat subdued in Q1 2019 in the midst of the Brexit uncertainty. Still, take-up was just 4% down on the Q1 long-term average, showing signs that occupiers are 'getting on with life'.

Take-up reached 2.88 m sq ft in Q1 2019, down 28% on the quarter and 11% below the long-term average. It should be noted that levels of take-up are historically low in Q1, so take-up levels in Q1 19 were in fact just 4% below the Q1 long-term average. There were two transactions over 100,000 sq ft, compared to a long-term quarterly average of three.

The TMT sector accounted for a quarter of take-up in Q1 2019, followed by flexible offices with 20%. Flexible offices now account for 12.8 m sq ft of space across the capital, which equates to 5.6% of London's office stock. The continued growth in flexible office space is a sign of London's dynamism and the vitality of the creative economy, but it is having an effect on the traditional sub-5,000 sq ft market. Take-up of units under 5,000 sq ft have been below average since Q1 2015, coinciding with when flexible office take-up started to soar.

Named active demand totalled 10.09 m sq ft at the end of Q1 2019, which although 5% down on the previous quarter, is still 21% ahead of the long-term quarterly average. The financial sector is now the most active in our demand profile, accounting for 62%, followed by professional at 19%. Interestingly, tech requirements are currently 52% above average, while media requirements are down 60% on average.

Supply levels across London reduced marginally by 1% over the quarter to 13.98 m sq ft, with levels now 13% below the long-term average. This equates to a vacancy rate of 6.1%, compared to a long-term average of 7.1%. Availability in the City is particularly tight, with levels currently 27% below the long-term average. In addition, the level of new and refurbished space available across London is currently 25% below the long-term average.

A total of 930,000 sq ft across seven schemes completed in Q1 2019, down 6% on the long-term average but 7% ahead of the same quarter last year. There is currently 13.14 m sq ft under construction across London, but 50% of this has already secured a pre-let, highlighting the depth of underlying demand. There is 4.26 m sq ft under construction and due to complete this year, of which only 1.51 m sq ft has not secured a tenant and is available speculatively.

Prime headline rents across the majority of submarkets remained stable over the first quarter of 2019, with the exception of Midtown and Aldgate, which increased to £69.50 per sq ft and £60.00 per sq ft, respectively. Prime West End and City rents have remained stable at £105.00 per sq ft and £70.00 per sq ft, respectively.

Investment activity has undoubtedly slowed so far this year, with the Brexit delay stalling decision making further, particularly amongst international investors. However, demand for London assets remains strong, with investment turnover during Q1 2019 reaching £5.04 bn, more than double the figure recorded in Q1 last year and is 33% ahead of the long-term average. It is worth noting that these figures have been boosted by two transactions over £1.00 bn: The sale of Battersea Power Station, SW8, for £1.58 bn and 25 Canada Square, E14, for £1.12 bn.

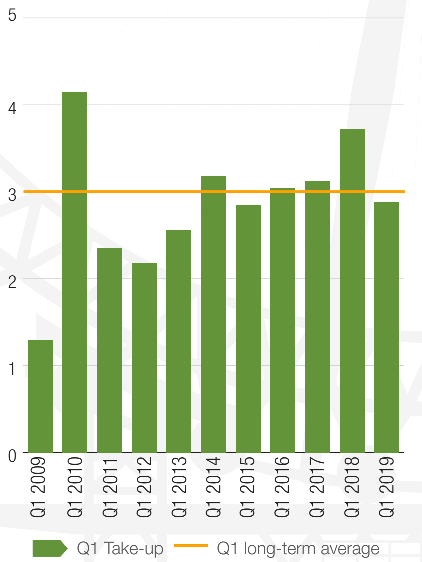
Overseas investors accounted for 73% of turnover in Q1, led by North American investors with 44%. Domestic purchasers accounted for 27% of turnover by price. Investment from Greater China reached just £227 m in Q1, accounting for just 8% of Q1 turnover; a stark contrast to the £1.14 bn invested in Q1 last year.

London remains an attractive destination for overseas investment, however we expect international buying at the large end to be muted for most of the year, with investment, particularly from the Far East largely on hold until there is more clarity on Brexit. In light of this, domestic and private equity buyers are starting to step forward to take advantage of the reduced competition from overseas and the strong occupier fundamentals.

"Demand for London assets remains strong, with investment turnover during Q1 2019 reaching £5.04 bn, more than double the figure recorded in Q1 last year."

VICTORIA SHREEVES
**Associate, London Research**

FIGURE 1
**London offices Q1 take-up**
(million sq ft)




**Source:** Knight Frank Research

# LONDON VIEW

WILLIAM BEARDMORE-GRAY, **HEAD OF LONDON OFFICES**

"Two deals over £1 bn took investment volumes above £5 bn, more than double the figure recorded at the same time last year. However, investment activity has undoubtedly slowed, with the Brexit delay stalling decision making further, particularly amongst the international buyers who are looking for clarity on Brexit, almost irrespective of how matters conclude."

JAMES MCCLUSKEY, **LONDON CAPITAL MARKETS**

"We have seen a polarisation in demand with strong competition at both ends of the spectrum. Domestic buyers have moved up the risk curve targeting value add opportunities that will take advantage of the restricted development pipeline while the overseas capital is targeting income opportunities as a hedge to the current political uncertainty. There is also a 'wall of capital' on the sidelines waiting for clarity on Brexit before it commits and once we have certainty we expect competition and pricing to increase accordingly."

ABBY BROWN, **LONDON OFFICE LEASING**

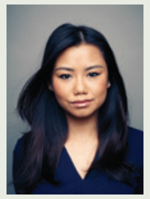
"Occupier activity paused for breath in Q1, particularly at the larger end, on the back of a busy Q4. Still, take-up is just 4% down on the Q1 long-term average, demonstrating the attitude amongst occupiers to be 'getting on with life'. Active requirements are still 21% above average and concurrent with this is the reducing supply."

JULIAN WOOLGAR, **LONDON TENANT REPRESENTATION**

"Whilst Brexit has been further delayed, occupier clients have adopted a "business as usual" approach to their real estate needs as they cannot stand still which is particularly the case given the need to retain and recruit best in class staff. This, in combination with the constrained supply side, means that larger, well advised occupiers are initiating searches at a far earlier stage than has ever previously been the case. We don't see the supply side constraints easing in the short to medium term."

FAISAL DURRANI, **LONDON RESEARCH**

"It is clear that the London office market is now a tale of two halves. Investment activity is slowing as some investors pause for clarity on the Brexit negotiations, while on the occupier side matters are very different. The supply crunch is amongst the biggest challenges faced by the market. We are tracking 28 active requirements over 100,000 sq ft, but there are just 18 schemes that can service these, highlighting the depth of the supply dearth."



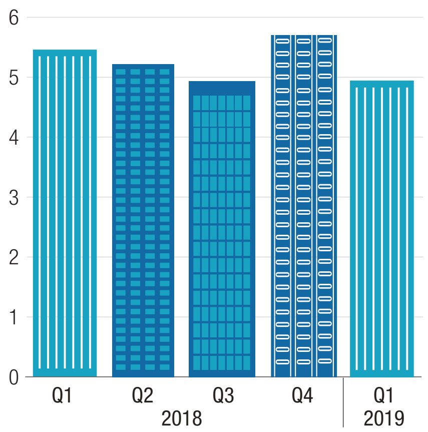
AMANDA LIM, **FLEXIBLE OFFICE SOLUTIONS**

"The flexible office market is continuing to expand throughout the UK with an increasingly diverse and specialised range of providers. Flexibility is becoming paramount to the strategy of larger corporates, with HSBC taking 1200 desks with WeWork in Q1 – believed to be one of the largest flexible deals in London to date – and echoing the sentiment that flexibility is becoming increasingly mainstream and the size of average deal has increased exponentially. Despite rapid expansion by existing providers and many new entrants to the market average occupancy remains high, exceeding 80% in most established buildings."

"The TMT sector dominated take-up in Q1, accounting for 48% of market share."

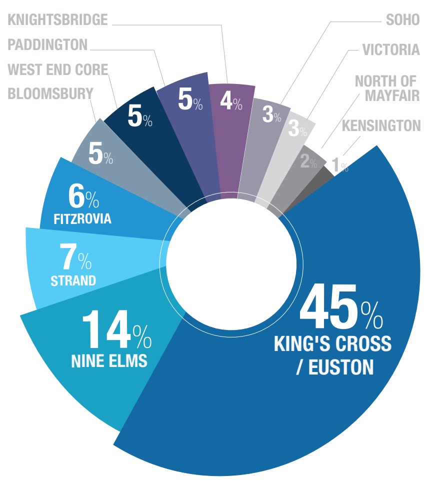
HAYLEY BLACKWELL
**Associate, London Research**

FIGURE 2
**West End availability**
(million sq ft)




**Source:** Knight Frank Research

FIGURE 3
**West End under construction by submarket**
Q1 2019




**Source:** Knight Frank Research

# WEST END

Q1 2019 take-up reached **1.27m** sq ft

Prime headline rents stable at **£105.00** per sq ft

Vacancy rate fell to **5.8%**

Prime West End yield increased to **3.75%**

## Take-up

Take-up in the West End reached 1.27 m sq ft in Q1 2019, down 25% on the quarter, but 8% ahead of the long-term quarterly average. It should be noted that Q1 levels of take-up are historically low, so take-up levels in Q1 19 were in fact 17% higher than the Q1 long-term average. There were six deals over 50,000 sq ft. The largest included Facebook's acquisition at 10 Brock Street, NW1, Sony's acquisition at S1 Handyside Street, N1C, and Spaces acquiring 68,600 sq ft at 127 Kensington High Street, W8.

Take-up of new and refurbished space totalled circa 484,000 sq ft, down 17% on the quarter, but 42% ahead year-on-year.

The TMT sector dominated take-up, accounting for 48% of the market share (tech 28%, media 20%), followed by corporate (17%), and flexible office providers (12%).

## Active requirements

Named active demand is currently 2.61 m sq ft, down 6% on the quarter, but still 27% ahead of the long-term average. The corporate sector is now the most active in our demand profile, accounting for 33%, followed by finance (24%) and TMT (22%). There are currently 16 active requirements over 50,000 sq ft that are focussed on the West End. Occupiers who are looking for sizeable units, especially new and refurbished options, appear to be launching their search well in advance of their lease events to secure the right option.

## Supply and development

Supply in the West End totalled 4.94 m sq ft in Q1, down 13% on the quarter and 11% below the long-term average. Furthermore, nearly 1.00 m sq ft of this is under offer. There are currently 14 buildings available over 50,000 sq ft. This reflects a vacancy rate of 5.8% compared to a long-term average of 6.3%. There is just 782,000 sq ft of new and refurbished stock available in the next six months in the West End market. The largest unit available is located in West Works, White City Place, W12, totalling 132,000 sq ft, albeit, over 50,000 sq ft is already under offer.

Looking forward at the development pipeline, there is 5.08 m sq ft under construction in the West End, of which 70% is already committed. There is 1.46 m sq ft under construction and due to complete in the next 12 months, of which 63% is committed. This leaves just 546,217 sq ft of speculative space coming through, which equates to just four months of supply, assuming average levels of new/refurbished take-up.

## Prime rents and incentives

The prime headline rent in the West End Core remained stable at £105.00 per sq ft. Rent-free periods remain between 21-24 months on a typical 10-year lease. All West End submarket rents have remained stable in Q1.

## Investment

Investment turnover in Q1 2019 totalled £2.75 bn, which includes the sale of Battersea Power Station for £1.58 bn. The turnover during Q1 was approximately double the long-term average of £1.35 bn. There were 19 transactions during the quarter, four of which were over £100 m.

Overseas investors accounted for 77% of turnover by value. However, it should be noted that UK investment into London increased by 26% quarter-on-quarter. Prime yields increased for the first time since Q2 2016 from 3.50% to 3.75%, as sentiment dampened values slightly.

# CITY

Q1 2019 take-up reached **1.40m** sq ft

Prime headline rents remained at **£70.00** per sq ft

Vacancy rate fell to **5.3%**

Prime City yield increased to **4.50%**

## Take-up

Take-up in the City reached 1.40 m sq ft in Q1 2019, down 38% on the quarter and 22% below the long-term quarterly average. As with other London markets, Q1 levels of take-up are historically low, so take-up levels in Q1 19 were in fact just 8% below the Q1 long-term average. There were just four deals over 50,000 sq ft, compared to 11 last quarter. The largest deal in Q1 19 was Bulb's 75,987 sq ft sublease from Barings at 155 Bishopsgate, EC2.

The financial sector accounted for 23% of take-up during the quarter, followed by flexible office providers (18%) and professional services (17%).

## Active requirements

Active demand in the City is currently 4.24 m sq ft, which is stable on last quarter and in-line with the long-term average. The financial sector accounts for 35% of active demand followed by professional with 33%. The level of active searches over 50,000 sq ft increased from 20 to 24 over the quarter, all of which have focussed their search on the City.

## Supply and development

Supply in the City totalled 6.53 m sq ft in Q1 19, marginally down on the quarter, but 27% below the long-term average. This reflects a vacancy rate of 5.3%, compared to a long-term average of 7.7%. There are currently 20 buildings available over 50,000 sq ft, but around a quarter of this is already under offer.

The supply of new and refurbished stock totalled 1.93 m sq ft, with just four buildings that could offer an occupier over 100,000 sq ft. All located in the City Core, these include: 70 St Mary Axe, EC3; The Scalpel Tower, 52-54 Lime Street, EC3; 100 Bishopsgate, EC2 and 3 Minster Court, EC3.

Looking at the future pipeline, total under construction levels in the City are currently 6.11 m sq ft, of which 39% is already committed, leaving just 3.71 m sq ft of speculative space under construction. There is 3.22 m sq ft under construction and due to complete in the next 12 months, of which 69% is committed. This leaves just 989,052 sq ft of speculative space coming through, which equates to just 3.8 months of supply, assuming average levels of new and refurbished take-up.

## Prime rents and incentives

The prime City Core rent remained stable at £70.00 per sq ft in Q1, unchanged since Q4 2015. Rent free periods have remained at 24 months on a typical 10-year lease. Prime rents in Midtown increased by 3% to £69.50 per sq ft and in the Aldgate/Whitechapel market, we saw growth of 9% from £55.00 per sq ft, to £60.00 per sq ft.

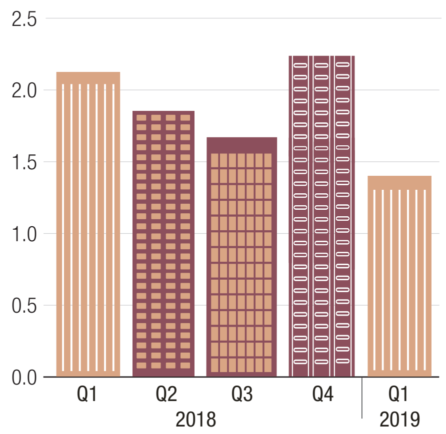
## Investment

City investment totalled £1.00 bn in Q1 2019, down 30% year-on-year but 51% below the long-term average. There were 24 transactions during Q1, down from 38 in Q4 18, just two of which were over £100 m. The largest transaction of the quarter was the sale of Ibex House, 42-47 Minories, EC3, purchased by a UK investor for £121 m, which reflected a NIY of 4.07% and a capital value of £633 per sq ft. Overseas investors accounted for 65% of the market share by value. This figure reflects both a slowdown in overseas activity, as well as a pick-up amongst UK buyers.

The availability of investment stock on the market increased by 33% over the quarter from a low in Q4, to £2.52 bn, of which 19% is under offer. The prime yield in the City Core increased for the first time since Q2 2016 from 4.25% to 4.50%, as buyers are typically awaiting more political certainty before committing to new deals, unless pricing moves favourably.

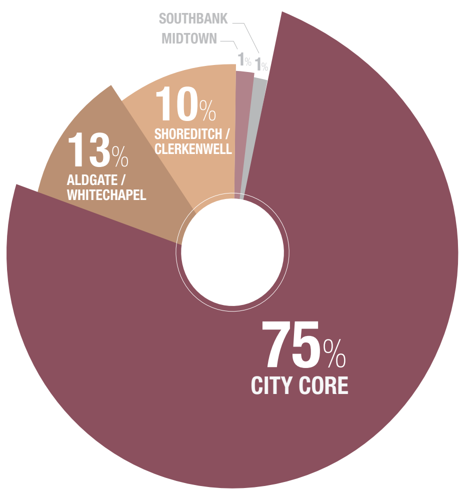
"The level of larger requirements remained strong in Q1 19, with the level of active searches over 50,000 sq ft increasing from 20 to 24 quarter-on-quarter."

FIGURE 4
**City take-up**
(million sq ft)




**Source:** Knight Frank Research

FIGURE 5
**City under construction by submarket**
Q1 2019




**Source:** Knight Frank Research

"While some occupiers may take comfort in the fact that rents have remained relatively stable since the Brexit referendum, the issue of the looming rates revaluation in 2021 appears to be going relatively unnoticed. Our calculations suggest a 17% increase in rates payable across the board, with some markets such as Shoreditch/ Clerkenwell likely to see a 50% uplift, driving up total occupancy costs in parallel."

BJORN BOWLES
**Partner, Business Rates**
**bjorn.bowles@knightfrank.com**

# BUSINESS RATES SET TO BITE: PREPARING FOR THE RATES REVALUATION IN 2021/22

The next Business Rates Revaluation comes into effect on 1st April 2021 and will result in large changes in rates payable across London.

The Revaluation is based on rental values as at 1st April 2019, with the aim to redistribute the amount of rates payable by reflecting changes in rental values.

In order to forecast the effects on London offices, we have created a heat map of our London office submarkets, showing the Rates Payable for the current year, 2019/20, against the projected rates payable following the Revaluation in 2021/22.

## What has caused these changes?

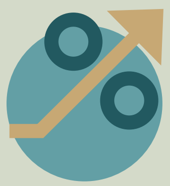
The average increase in Rates Payable across London will primarily be driven by the success of London as a global financial capital. Despite the uncertainty surrounding Brexit, rental values have continued to increase in most submarkets.

Whilst in the West End values for prime offices in areas such as St James's, or Berkeley Square have continued to increase, the core market has seen falls driven by an increase in supply. On the other hand, the City Core market has seen a moderate increase, with areas such as Shoreditch/Clerkenwell outstripping traditional locations thanks to the rise of the TMT sector around Silicon Roundabout.

## How are Business Rates calculated?

Business rates are calculated by multiplying the 'rateable value' of a property by the uniform business rate (UBR). The 'rateable value' is the Valuation Office's estimate of a property's market rent at a set valuation date. We are currently in the 2017 Rating List, with rateable values being based on a valuation date of 1st April 2015. The next Revaluation takes place in 2021.

## WHAT DOES THIS MEAN FOR BUSINESSES?



**LONDON OFFICE RENTS SET TO RISE**

With office rents in London set to rise by as much as 10-13% over the next five years, despite the political rumblings in Westminster in the wake of Brexit, occupiers need to be prepared for higher business rates bills.

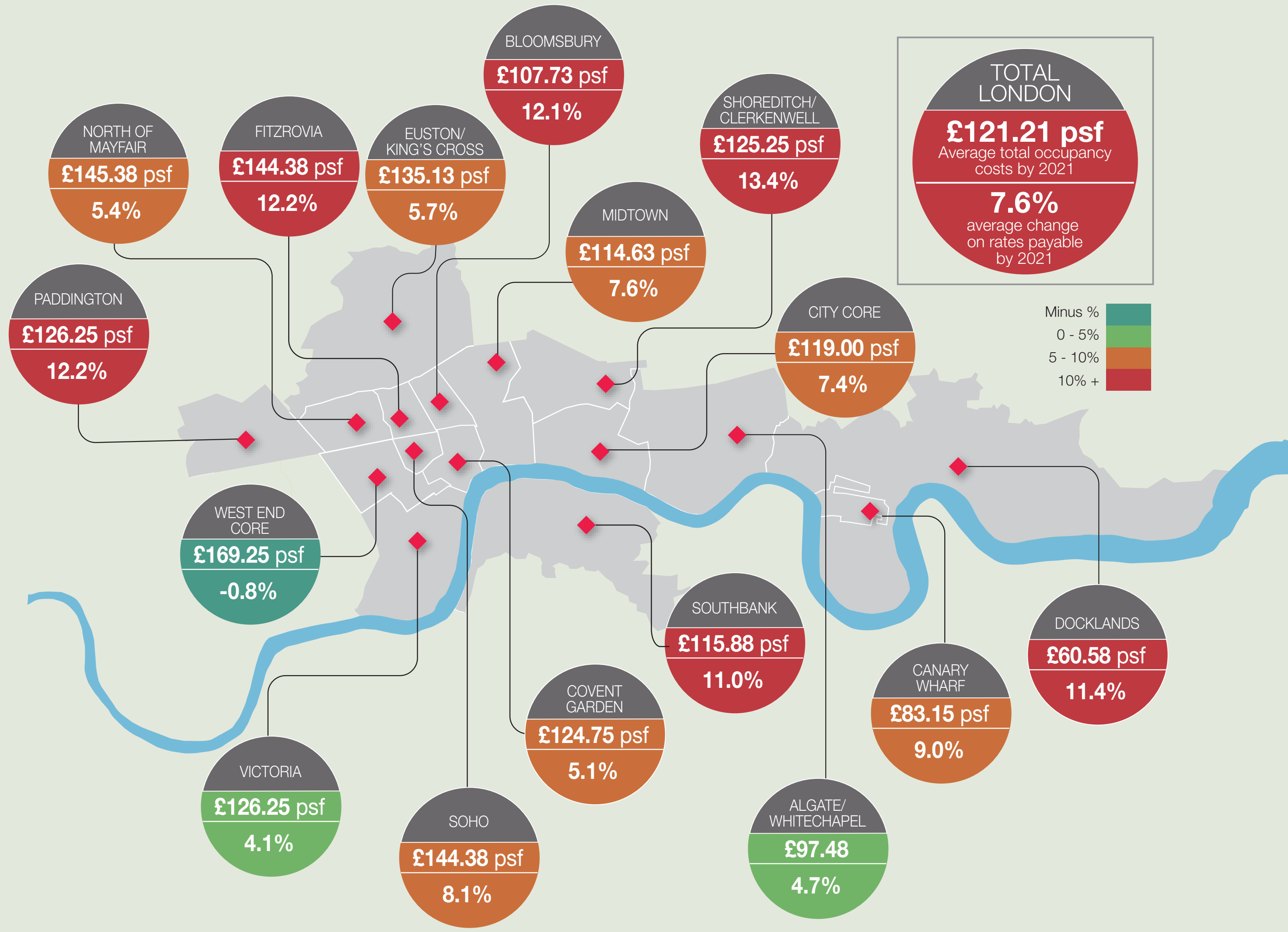
**HIGHER OCCUPANCY COSTS**

When combined with service charges and rents, business rates can have a significant impact on the attractiveness of a location for potential occupiers.

**APPEALING YOUR RATEABLE VALUE AND APPLYING FOR RELIEFS ARE MORE IMPORTANT THAN EVER**

For occupiers phasing occupation of a space, or vacating a property, understanding empty rates relief will be crucial. Similarly, challenging your Rateable Value as a result of the impact of nearby construction activity on a business will also be very important.

FIGURE 6
**Forecast changes to occupancy costs and rates payable by 2021**



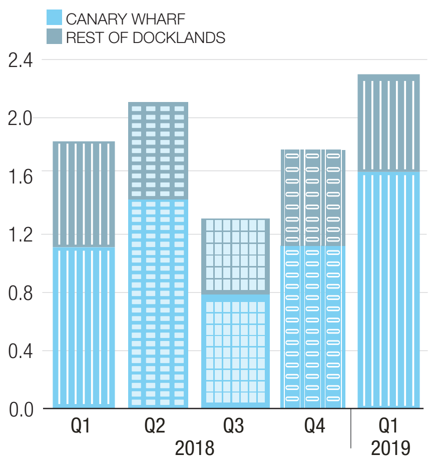

| Submarket | Rates Payable 2021/22 | % Change on Rates Payable 2019/20 | Total Occupancy Costs (per sq ft) 2019 | 2020 | 2021 | % Change on 2019 |
|---|---|---|---|---|---|---|
| Aldgate/Whitechapel | £24.75 | 7.0% | £93.12 | £95.21 | £97.48 | 4.7% |
| Bloomsbury | £33.75 | 38.7% | £96.14 | £98.18 | £107.73 | 12.1% |
| Canary Wharf | £21.15 | 15.9% | £76.26 | £78.67 | £83.15 | 9.0% |
| City Core | £31.50 | 9.3% | £110.83 | £114.49 | £119.00 | 7.4% |
| Covent Garden | £33.75 | 6.7% | £118.64 | £122.37 | £124.75 | 5.1% |
| Docklands | £14.63 | 30.6% | £54.38 | £56.02 | £60.58 | 11.4% |
| Euston/King's Cross | £37.13 | 13.0% | £127.86 | £130.61 | £135.13 | 5.7% |
| Fitzrovia | £39.38 | 34.8% | £128.71 | £132.38 | £144.38 | 12.2% |
| Midtown | £30.38 | 8.5% | £106.49 | £110.63 | £114.63 | 7.6% |
| North of Mayfair | £39.38 | 1.1% | £137.94 | £142.34 | £145.38 | 5.4% |
| Paddington | £33.75 | 32.1% | £112.56 | £116.14 | £126.25 | 12.2% |
| Shoreditch/Clerkenwell | £33.75 | 50.1% | £110.49 | £113.01 | £125.25 | 13.4% |
| Soho | £39.38 | 15.5% | £133.58 | £137.36 | £144.38 | 8.1% |
| Southbank | £30.38 | 27.3% | £104.35 | £107.40 | £115.88 | 11.0% |
| Victoria | £33.75 | -4.1% | £121.29 | £126.10 | £126.25 | 4.1% |
| West End Core | £47.25 | -11.8% | £170.55 | £174.78 | £169.25 | -0.8% |

**Source:** Knight Frank Research

"The Docklands remains one of London's most undervalued markets. The Elizabeth line is expected to fuel demand and rents when it opens."

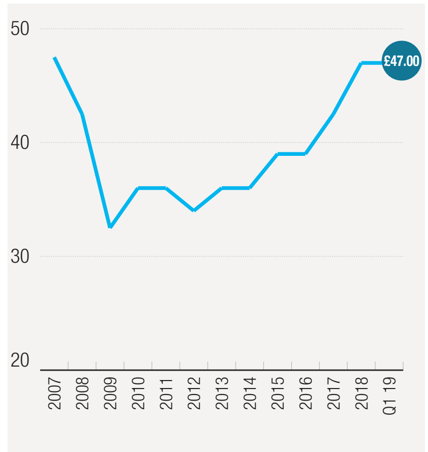
FAISAL DURRANI,
**Associate, London Research**

FIGURE 7
**Docklands availability**
(million sq ft)



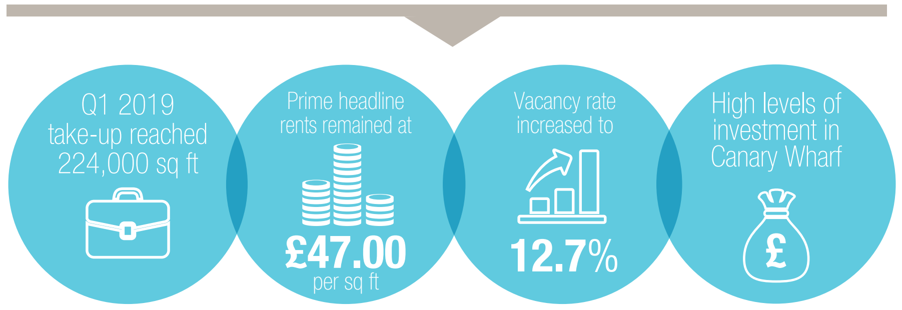

**Source:** Knight Frank Research

FIGURE 8
**Canary Wharf prime headline rents**
£ per sq ft




**Source:** Knight Frank Research

# DOCKLANDS & STRATFORD




## Take-up

Take-up in the Docklands and Stratford market reached 224,000 sq ft in Q1 2019, significantly higher than the 41,000 sq ft recorded in the previous quarter and close to long-term average levels of 244,000 sq ft. There were just seven deals recorded over the quarter, the largest of which was the Spaces deal at The Cabot, 25 Cabot Square, E14, totalling 72,210 sq ft.

All sectors were active across the Docklands and Stratford market, but it was the flexible office sector that was the most active during the quarter, accounting for 34% of transactions, followed by professional with 26% and the public sector with 20%. There is already 552,000 sq ft under offer in the Docklands and Stratford market, a sign that take-up in Q2 2019 is likely to exceed average levels.

It should be noted that levels of take-up and supply can be effected considerably from a single large transaction completing from one quarter to the next.

## Active requirements

Named active requirements reached 912,000 sq ft in Q1 2019, an increase for the second consecutive quarter and the highest level recorded since Q3 2016. Current active requirements are nearly double the long-term average of 458,000 sq ft. It should also be noted that there are a large number of searches across London that will consider Docklands and Stratford as part of their wider search. The Elizabeth Line is likely to fuel this dynamic further when it opens.

## Supply and development

Supply in Docklands and Stratford totalled 2.51 m sq ft in Q1 19, up 41% on the quarter and 61% ahead of the long-term average. Now that the EMA have relocated to Amsterdam, circa 280,000 sq ft is now on the market at 30 Churchill Place, E14. The current vacancy rate is now 12.7% for the whole Docklands market, with Canary Wharf at 10.8%.

However, future supply remains tight. Looking at the development pipeline there is 1.95 m sq ft under construction due for completion by the end of 2022. However, approximately 52% of this is already either pre-let or under offer. There is just over 1.00 m sq ft due to complete this year, albeit only 180,000 sq ft of this is currently untenanted. This includes the refurbishment of R2 Republic, East India Dock, E14 and 2 Redman Place (S9), International Quarter London, E20.

## Rental profile

The prime headline rent remained stable at £47.00 per sq ft for the second consecutive quarter in Canary Wharf. Prime headline rents for Stratford remained stable at £44.00 per sq ft and the Rest of Docklands at £32.50 per sq ft.

## Investment

There were three investment sales during the first quarter of the year totalling £1.29 bn, the highest level of turnover recorded in the Docklands market since Q4 2014. The largest transaction of the quarter was the sale of 25 Canada Square, E14, to Citi for circa £1.12 bn, which reflects a NIY of 4.25% and a capital value of £908 per sq ft. Overseas purchasers accounted for all three transactions during the quarter. The availability of stock in this market continues to determine transaction levels on a quarterly basis. There are just two assets available in Canary Wharf; 20 Churchill Place, E14 and 1 Cabot Square, E14, which is already under offer. In Stratford there are a number of opportunities on the market at International Quarter London.



# BREXIT AND GLOBAL TALENT

A risk for London's tech sector is that Brexit could shut out international talent, but recent developments suggest pragmatism is emerging.

"Despite Brexit, the UK is still regarded by overseas talent as an attractive place to pursue a career. The government needs to follow up on its sensible decision to end visa caps on PhD jobs, with more steps to help firms recruit high value workers."

JAMES ROBERTS
**Partner, Chief Economist**

The latest UK GDP figures, with growth at 0.3% in the three months to February 2019, were sluggish by historic standards, but better than expected. The consensus forecast was for 0.2%, and given the backdrop of chaotic politics at Westminster, it would not have been surprising had GDP come in below expectations.

The figures underline the significance of London for the UK economy. The Information and Communication sector has done much to support growth, expanding by 1.5% in the three months to February. In other words, this sector is growing five times faster than the wider economy, and one third of the UK Information and Communication sector (based on jobs) is located in the London area, according to ONS. Since the vote to leave the EU in June 2016, half of all newly created jobs in the UK for this sector were based in London.

## Specialist roles

This is both cause for encouragement and concern. It bodes well for London property that this growth sector remains in robust health, and firmly committed to the city. However, Information and Communication typically shops for staff in the global market, and an end to freedom of movement as a result of Brexit means EU workers will eventually require visas to join tech firms in London. According to the Technation 2018 report, 31% of staff with London tech firms are foreign born. If London's tech hub cannot access the necessary talent, it will struggle to grow.

In this regard, there have been two developments that give cause for optimism. The first occurred in the Chancellor of the Exchequer's spring statement, where the government pledged to remove visa caps for jobs that require a PhD. This should make it easier for London tech firms to access talent for very specialist roles.

Critically, the announcement did not attract a political backlash, probably due to highly technical jobs being less of a political football than unskilled posts. This opens up the possibility of reducing visa controls for those holding other post-graduate or vocational qualifications in the future.

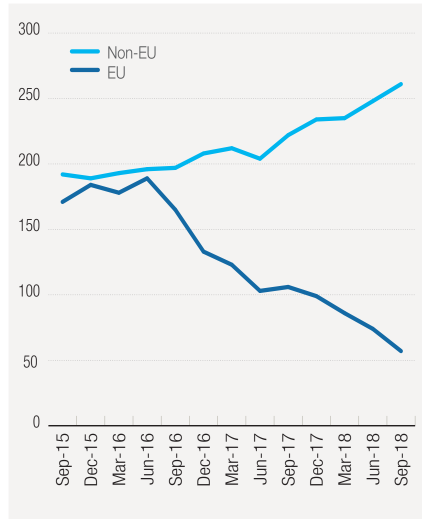
## Still rising

Another positive trend can be seen in the latest immigration figures. There have been a lot of news headlines suggesting that immigration by EU nationals to the UK is now falling, but this is not case. Net immigration from the EU continues to rise, what has fallen is the rate of expansion. In the three months to June 2016, the number of EU immigrants in the UK increased by 189,000 people. The equivalent figure in the three months to September 2018 was 57,000. There is no net outflow occurring, the figures are just rising at a slower rate – see figure 9.

Turning to non-EU immigration, in the three months to September 2018, there was a net rise of 261,000 non-EU immigrants, up from 248,000 in June 2018 and 196,000 in June 2016. So, while the rate of expansion has fallen back for EU citizens, those outside of the EU seem more than happy to fill the void. The UK is clearly growing in popularity with foreign workers from beyond Europe.

This shows that despite Brexit, the UK is still regarded by overseas talent as an attractive place to pursue a career. The government needs to follow up on its sensible decision to end visa caps on PhD jobs, with more steps to help firms recruit high value workers. However, firms in London's key digital sector still appear to be successfully accessing the international talent pool.

FIGURE 9
**Net Immigration into the UK**
000s




**Source:** ONS

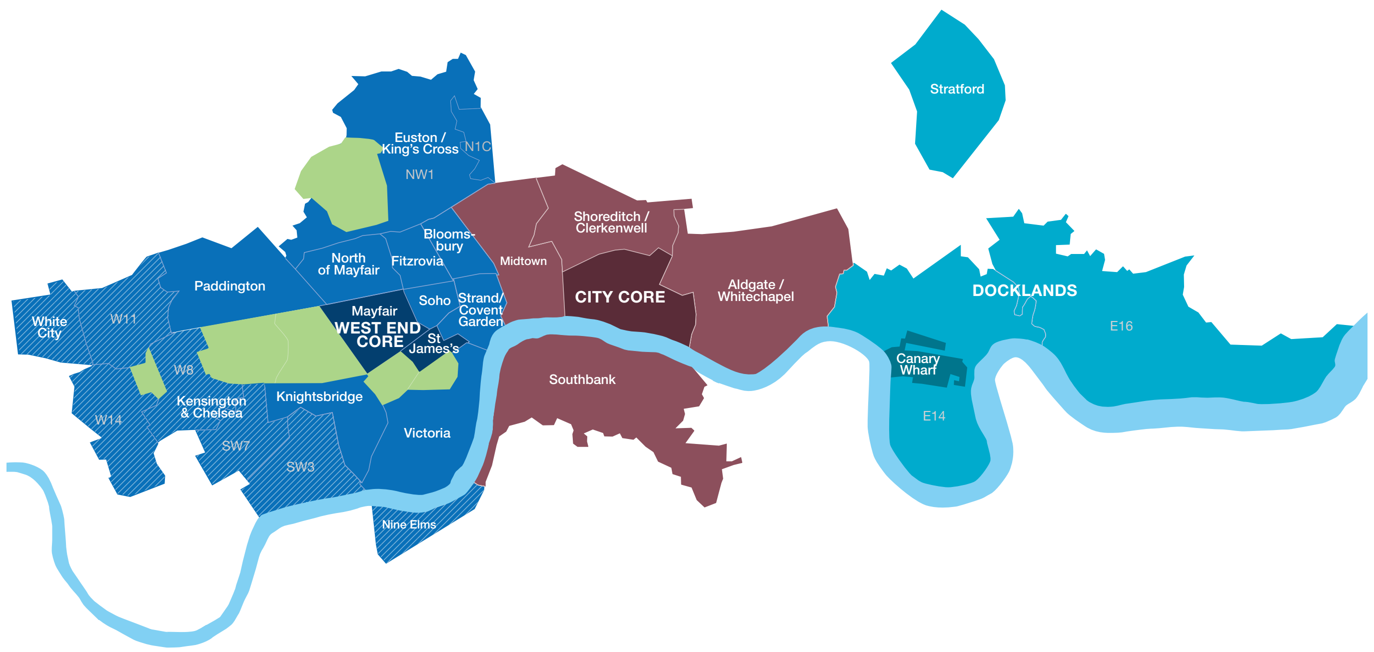
# KEY STATISTICS

London office market

| | | Q1 18 | Q2 18 | Q3 18 | Q4 18 | Q1 19 | % CHANGE 3 mths | % CHANGE 12 mths | 10-year quarterly average |
|---|---|---|---|---|---|---|---|---|---|
| AVAILABILITY (sq ft) | West End | 5.46 m | 5.22 m | 4.95 m | **5.69 m** | **4.94 m** | -13% | -10% | 5.57 m |
| | City | 8.27 m | 8.30 m | 7.99 m | **6.69 m** | **6.53 m** | -2% | -21% | 8.99 m |
| | Docklands | 1.83 m | 2.12 m | 1.31 m | **1.78 m** | **2.51 m** | 41% | 37% | 1.56 m |
| | Total London | 15.56 m | 15.64 m | 14.25 m | **14.16 m** | **13.98 m** | -1% | -10% | 16.12 m |
| VACANCY RATE | West End | 6.3% | 6.1% | 5.8% | **6.6%** | **5.8%** | n/a | n/a | 6.3% |
| | City | 6.9% | 6.9% | 6.6% | **5.5%** | **5.3%** | n/a | n/a | 7.7% |
| | Docklands | 8.1% | 10.4% | 6.5% | **8.8%** | **12.7%** | n/a | n/a | 7.6% |
| | Total London | 6.8% | 6.9% | 6.3% | **6.2%** | **6.1%** | n/a | n/a | 7.1% |
| TAKE-UP (sq ft) | West End | 1.21 m | 1.34 m | 1.58 m | **1.72 m** | **1.26 m** | -27% | 4% | 1.21 m |
| | City | 2.12 m | 1.85 m | 1.67 m | **2.24 m** | **1.40 m** | -38% | -34% | 1.79 m |
| | Docklands | 0.39 m | 0.14 m | 0.49 m | **0.04 m** | **0.22 m** | 450% | -44% | 0.24 m |
| | Total London | 3.72 m | 3.33 m | 3.74 m | **4.00 m** | **2.88 m** | -28% | -23% | 3.24 m |
| ACTIVE REQUIREMENTS (sq ft) | West End | 3.36 m | 2.63 m | 2.31 m | **2.79 m** | **2.61 m** | -6% | -22% | 2.05 m |
| | City | 4.27 m | 4.58 m | 4.65 m | **4.15 m** | **4.23 m** | 2% | -1% | 4.13 m |
| | Docklands | 0.28 m | 0.70 m | 0.26 m | **0.73 m** | **0.91 m** | 25% | 225% | 0.46 m |
| | Unspecified | 3.44 m | 3.10 m | 3.65 m | **2.99 m** | **2.34 m** | -22% | -32% | 1.72 m |
| | Total London | 11.35 m | 11.01 m | 10.87 m | **10.66 m** | **10.09 m** | -5% | -11% | 8.36 m |
| UNDER CONSTRUCTION (sq ft) | West End | 2.14 m | 2.10 m | 2.32 m | **3.77 m** | **5.08 m** | 35% | 137% | 2.38 m |
| | City | 7.95 m | 7.77 m | 5.83 m | **5.68 m** | **6.11 m** | 8% | -23% | 5.99 m |
| | Docklands | 1.29 m | 1.71 m | 1.53 m | **1.63 m** | **1.95 m** | 20% | 51% | 0.51 m |
| | Total London | 11.38 m | 11.58 m | 9.68 m | **11.08 m** | **13.14 m** | 19% | 15% | 8.88 m |
| INVESTMENT | West End | £0.76 bn | £1.17 bn | £2.21 bn | **£1.45 bn** | **£2.75 bn** | 90% | 262% | £1.35 bn |
| | City | £1.43 bn | £3.42 bn | £2.82 bn | **£2.82 bn** | **£1.00 bn** | -65% | -30% | £2.06 bn |
| | Docklands | £0 bn | £0.11 bn | £0.04 bn | **£0.08 bn** | **£1.29 bn** | 1513% | n/a | £0.39 bn |
| | Total London | £2.19 bn | £4.70 bn | £5.07 bn | **£4.35 bn** | **£5.04 bn** | 16% | 130% | £3.80 bn |

**Source:** Knight Frank Research

# THE LONDON OFFICE MARKET




## WEST END

**West End Core** – West End Core refers to Mayfair and St James's, the area bounded by Oxford Street, Regent Street and Park Lane in W1 and by Green Park, St James's Park and The Mall in SW1.

**North of Mayfair** – North of Mayfair refers to the area north of Oxford Street, west of Portland Place.

**Fitzrovia** – Fitzrovia also known as Noho, refers to the area north of Oxford Street, east of Portland Place.

**Soho** – Soho refers to W1B, W1F and W1D.

**Euston/King's Cross** – Euston/King's Cross refers to NW1 and N1C.

**Victoria** – Victoria refers to SW1 (excluding St James's) and SW1X.

**Bloomsbury** – Bloomsbury refers to the area of WC1 bounded by Euston Road, Southampton Row, New Oxford Street and Tottenham Court Road.

**Strand/Covent Garden** – Strand/Covent Garden refers to WC2, west of Kingsway.

**Paddington** – Paddington refers to W2.

**Kensington/Chelsea** – Kensington/Chelsea refers to SW3, SW7, W8, W11, W14.

**Knightsbridge** – Knightsbridge refers to SW7 and SW1X, which includes Belgravia.

**White City** – White City refers to W12.

**Nine Elms/Battersea** – Nine Elms refers to SW8.

## CITY

**City Core** – City Core refers to EC2 (excluding EC2A), EC3, EC4 (excluding EC4A and EC4Y), and EC1A.

**Midtown** – Midtown refers to EC1N, EC4A, EC4Y, WC1 (excluding Bloomsbury), and WC2 (excluding Strand/Covent Garden).

**Shoreditch/Clerkenwell** – Shoreditch/Clerkenwell refers to EC1 (excluding EC1A and EC1N), and EC2A.

**Aldgate/Whitechapel** – Aldgate/Whitechapel refers to E1.

**Southbank** – Southbank refers to SE1.

## DOCKLANDS

**Canary Wharf** – Canary Wharf refers to the area comprising Canary Riverside, Westferry Circus, Columbus Courtyard, Cabot Square, Canada Square, Blackwall Place and Heron Quays (East).

**Rest of Docklands** – Rest of Docklands refers to E14 and E16 including the Royal Business Park (excluding Canary Wharf), and Stratford E20.

### 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

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