Knight Frank

THE LONDON OFFICE MARKET REPORT

Q2 2019

MARKET ROUNDUP

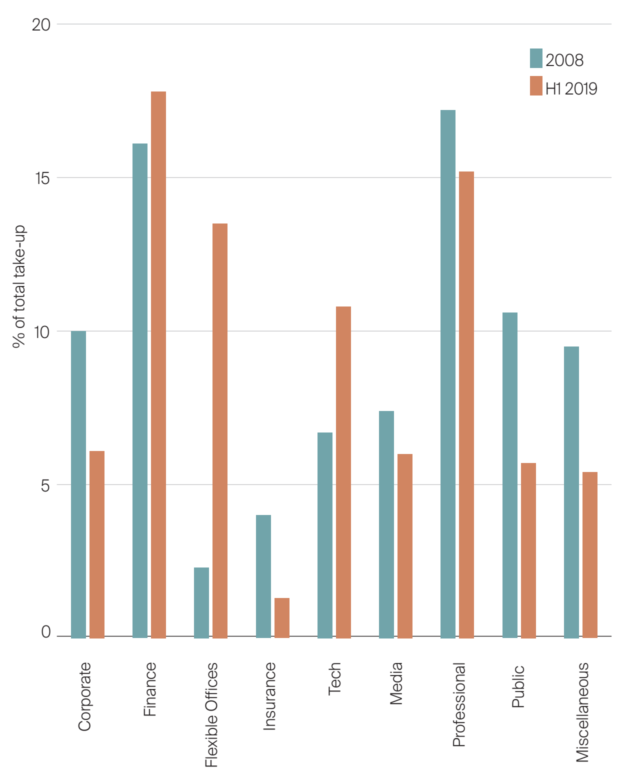
RESILIENCE IN OCCUPIER MARKET PERSISTS

Across the 20 London submarkets we monitor, occupier activity has remained resilient, with take up approaching 3.2 million sq ft in Q2, mirroring the market's performance in Q1 and a marginal 4.5% down on this time last year. This is a remarkable result for the market, against a backdrop of ongoing political uncertainty.

Still, the message we are receiving from occupiers is clear: the supply starved environment means many are keen to press ahead with plans to secure space. Furthermore, with rising evidence to suggest that global economic cycles are extending, albeit with slower growth ensuing, the prospect of the current rental growth cycle coming to an abrupt end appears remote.

The theme of expanding economic cycles is examined in detail in our recently published Active Capital report. A number of other factors are influencing the market in London and we explore these below.

Changing occupier demand over time



Source: Knight Frank

CORPORATE ACTIVITY RAMPING UP

In a trend that began during Q1, the balance of demand has shifted from the TMT (16%) and flexible offices (13%) sectors to professional, finance and corporates, which together account for 53% of active demand.

The headline grabbing Brexodus job loss estimates prior to the referendum have failed to materialise and in fact, net job creation rates since the decision to leave the EU was taken for London's finance sector stands at c. 8,000. The tech sector has added a further 72,000 jobs over the same period. And it is these two sectors that have underpinned requirements over the last three years.

Vacancy rates remain well below the long run average of 7.1%, currently standing at 5.6%. This is the lowest level since the autumn of 2007, aided of course by a severe dearth of supply.

5.6%

VACANCY RATES CONTINUE TO EDGE DOWN

INVESTMENT TURNOVER WEAKENS

Although the occupier market has largely weathered recent political uncertainty, investment in London's office market has weakened, with many international investor groups carefully watching from the sidelines. US investors have notably leapt to the top of the leader board of international investors, committing £1.9 billion to London's office market in H1. Investors are seeking political clarity and certainty and many are just looking for the Brexit issue to be settled before they resume investing in the London office market. The Prime Minister's resignation in May was certainly no surprise, but what the announcement has done is usher in yet another phase of uncertainty in the Brexit process, as the new prime minister begins tackling the UK's departure from the EU. However, uncertainty and risk are of course relative and other recent and ongoing geopolitical events are helping to position London as a relative safe haven.

Total investment turnover during Q2 fell to £1.7 billion, with 40 properties transacting, compared to £5 billion during Q1 and £5.2 billion in Q2 2018. This slowdown has also in part been fuelled by a lack of assets for sale. Furthermore, there are no desperate vendors – in fact many are seeking premiums due to the dearth of quality stock. And so even though some investors continue to seek Brexit linked discounts, the mismatch between the expectations of sellers and buyers is likely to persist. Although investment turnover has declined this year, the ratio of stock under offer to availability has increased by a third over the last 12 months, highlighting the depth of demand for a slice of the London real estate pie.

London offices investor league Top 3 by nationality

2017	2018	H1 2019
Greater China (£7.1 billion)	Greater China (£3.5 billion)	USA (£1.9 billion)
UK (£2.7 billion)	UK (£2.7 billion)	UK (£1.6 billion)
Germany (£1.7 billion)	South Korea (£2.6 billion)	Malaysia (£1.6 billion)

3 KEY THEMES FOR THOUGHT

SUPPLY STILL WEAK

We've been reporting for some time on how a shortage of supply is driving occupiers to begin exploring options well in advance of lease expiries. At present, this is happening on average up to two years before the end of a 10-year lease, up from roughly 18 months historically.

This is particularly prevalent for space in excess of 20,000 sq ft, where competition is intense.

To put this into perspective, we are tracking 26 requirements for over 100,000 sq ft, however there are just 14 schemes that can accommodate a requirement of this size; none are in the West End.

Nevertheless, what this also means is that occupiers are remaining on the demand schedule for longer, suggesting requirements may be somewhat weaker than the headline numbers indicate.

Separately, the lack of options in the market means geographic loyalty is limited, with occupiers looking for West End options often drifting towards the City, driven by both cost and the availability of space.

Those that are determined to secure space in a particular location are willing to pay a premium in order to do so, such as the record breaking £250 per sq ft lease agreed at 30 Berkeley Square by an Asian hedge fund at the end of April. There are a growing number of such "super prime" deals and this is a theme we are monitoring closely.

Furthermore, prelets are continuing apace, with no discounts being offered, underscoring the challenge faced by occupiers.

The bottom line is that there is a demand-supply mismatch. Employment levels are at a historic high and this is translating into requirement levels that far outstrip the available stock. As a result, 50% of the development pipeline has already been prelet, with matters in the West End even more severe, where 68% of all space under construction is prelet.

Supply currently stands at 12.7 million sq ft, 9% below the 14 million sq ft recorded by the end of the first quarter and 21% below the long-term average.

FLEXIBILITY IS KEY

In contrast to the market for larger space, there is a growing volume of space available in the 2-5,000 sq ft bracket, which accounts for 26% of all stock. The sub 5,000 sq ft market itself accounts for about 37% of all floor plates in London, rising to 42% in the West End. Vacancy rates for this segment of the market are in the region of 10%.

The rise of flexible office space, which is able to provide plug and play solutions, with flexible lease terms, often at initial prices that are more competitive than traditional space of this size, means that landlords are having to innovate. They are being driven to offer their own version of flexible space in order to stay relevant.

Some larger landlords already offer break clauses at year five, on 10-year leases, with many others following suit. There is a small, but notable rise in concerns amongst landlords of a potential change in government and so some are pre-emptively attempting to make their assets work harder in the event of a Labour government.

Bridging the gap between the requirements of start-up businesses and large corporates is emerging as an area that many landlords can service effectively, which is in turn driving demand for fully managed solutions amongst this cohort of occupiers.

Structural market changes are often identified in hindsight; however given the way in which the market and occupiers are responding to the flex phenomenon, it's clear that we are indeed in the midst of such a shift. Our (Y)our Space report has identified the flex and core concept as being an emerging trend, whereby businesses will, in future, frequently have a need for both fixed core offices and space they can 'flex' in and out of.

UK INSTITUTIONS POISED FOR RETURN

International investors routinely account for 70-80%+ of total office investment activity in London. However, with some overseas investors paring back activity, we have noted an upturn in interest from UK institutions in the London office market. Some now sense an opportunity to acquire assets in a less competitive field. In addition, signs of a wider global economic slowdown may also be boosting the attractiveness of London.

The fact remains that there is a growing pile of capital waiting in the wings, both domestic and cross border; however the deployment of said funds does appear, at least in part, to be hinged on the resolution of all things Brexit.

In addition, currency related discounts, relative to the period before the decision to leave the EU was taken, make London office assets cheaper than their counterparts in cities like New York, or Hong Kong. Despite this however, the rate of capital deployment is expected to remain subdued in the short term, especially amongst the international cohort.

This slowdown also echoes what we are recording across Europe as a whole as well, with investment volumes on the continent dipping by 12% to £30.8 billion when comparing H1 2018 and H1 2019 (RCA).

MARKETS IN REVIEW

West End

£107	1.1M	4.4M	£700M	3.75%
RENT (PSF)	TAKE-UP (SQ FT)	AVAILABILITY (SQ FT)	INVESTMENT TURNOVER	PRIME YIELD

OCCUPIER ACTIVITY WEAKENS

For a second consecutive quarter we have recorded subdued levels of market activity in the West End. Take-up reached 1.1 million sq ft, 17% below the level recorded in Q1 and the lowest level since 2016.

The slowdown in part can be attributed to the tightness of supply, especially for larger lot sizes. This is manifesting itself in the form of heightened competition for larger units in excess of 20,000 sq ft.

At the other end of the market, for units below 2-5,000 sq ft, the number of properties on the market remains high. As we have previously reported, 42% of properties in the West End fall in the sub 5,000 sq ft bracket, making it the most significant component of the market. And in order to differentiate themselves and drive more rapid lets, landlords are having to offer more than just CAT A space. Plug-and-play space is one way in which this is being achieved.

Furthermore, some landlords, are going a step further by offering greater flexibility on lease terms, such as break clauses at year five on 10-year leases. Structural changes in the market, supported by the rise of flexible office space and political uncertainty are together driving this behavioural shift amongst landlords.

TMT STILL DOMINATING

The TMT sector remained the most active, accounting for 30% of the market share, followed by financial services (19%) and public sector entities (14%). G-Research was responsible for the largest letting in Q2, taking 102,500 sq ft at Soho Place, W1.

With the war for talent ratcheting up, against a backdrop of record job vacancy levels and the average tenure of a tech industry worker standing at about 18 months, it comes as no surprise to see tech businesses targeting space in what are perceived to be the most prestigious parts of the city. Increasingly, as office space is seen as a window to the culture of a business and as the tech sector continues to expand rapidly, not just in London, but globally, we expect this sector to remain especially active.

LOWER GENUINE NEW DEMAND

Despite the slowdown in take up, named active demand is currently 77% ahead of the long-term average. The corporate sector (33%) is the most active in our demand profile, followed by financial services (29%) and the TMT sector (19%).

That said, occupiers who are looking for sizeable units remain under pressure and are launching their search for options well in advance of lease events. What this means in practice is that occupiers are remaining on the demand schedule for longer, implying lower levels of genuine new demand.

SUPPLY REMAINS RESTRICTED

While demand has weakened, supply has also diminished in parallel, with availability levels dropping by 11% to 4.4 million sq ft, leaving them at the lowest since Q4 2015 and 19% below the long-term average. This has helped to drive down the vacancy rate to 5.1%, against a long term average of 6.2%. In addition, prime headline rents have crept up in parallel to £107 psf, driven by the supply dearth.

As an illustration of the tightness of supply, there are currently 14 active requirements over 50,000 sq ft that are focused on the West End; however there are just eight buildings that can accommodate these.

Looking forward at the development pipeline, there is 4.75 million sq ft under construction in the West End, 68% of which is already committed. Furthermore, 45% of the 1.7 million sq ft under construction and due to complete in the next 12 months is already committed. This leaves just 937,000 sq ft of speculative space coming through, which equates to just under seven months of supply, assuming average levels of new and refurbished take-up.

INVESTMENT DENTED BY POLITICAL UNCERTAINTY

Investment turnover in Q2 totalled £700 million, down 68% quarter-on-quarter and approximately half the long-term average. There were 14 transactions during the quarter, the largest of which was the acquisition of Waterside House in Paddington.

The slowdown has been in large part blamed on the uncertainty surrounding Brexit as investors take a wait and see approach. In addition to this, a lack of stock on the market also appears to be exacerbating conditions. Divergent expectations from vendors, who appear unprepared to reflect the current uncertainty in their pricing and investors, who are on the hunt for discounts, means that transaction levels are likely to remain subdued.

Prime yields remain steady at 3.75%. Combined with West End core cumulative rental growth forecasts of nearly 13% through to the end of 2023, the West End appears more attractive than many other global locations.

MARKETS IN REVIEW

The City

£72.50	1.6M	6.1M	£800M	4.50%
RENT (PSF)	TAKE-UP (SQ FT)	AVAILABILITY (SQ FT)	INVESTMENT TURNOVER	PRIME YIELD

RENTS CREEP UP AS AVAILABILITY WEAKENS

Prime rents in the City Core rose to £72.50 psf, from £70 psf in Q1, underpinned by falling availability and strengthening demand levels. Stock levels are now the lowest they have been since the start of 2016, which has driven vacancy rates down to 4.9%.

Despite this, rent free periods have remained at 24 months on a typical 10-year lease.

ROBUST OCCUPIER ACTIVITY DESPITE BREXIT DELAY

The delay to Brexit has done little to dent demand, with occupier activity in the City rising by 16% during Q2. There were five deals over 50,000 sq ft, compared to four in Q1, with average deal size standing at roughly 13,800 sq ft. The largest deal was Brewin Dolphin's acquisition at 25 Cannon Street totalling 115,000 sq ft.

The professional and corporate sectors were the most active, accounting for 35% of total market activity, followed by flexible offices (19%) and financial services (15%).

Interestingly, despite the strong level of occupier activity, tightness of supply has meant that we are seeing a greater number of lease regears as occupiers are left with little option but to remain in situ. This is particularly true for larger floor space requirements, which remain in short supply outside the City Core.

ACTIVE REQUIREMENTS EDGE UPWARD

Active demand in the City increased by 19% to 5.1 million sq ft in Q2. Requirements have been bolstered by West End occupiers, drawn to the City by the promise of greater options for large floor plates and also by cost savings.

Requirement levels are now 22% above the long-term average of 4.1 million sq ft.

The level of active searches over 50,000 sq ft increased further from 24 to 27 during Q2. However, there are just 17 buildings available over 50,000 sq ft, 12 of which are located in the Core and only half of these are of new and refurbished stock.

A recent increase in global geopolitical tensions appears to be positioning London as a safe haven once more.

REFURBISHED STOCK DOWN, WHILE SUPPLY TIGHTENS

The supply of new and refurbished stock totalled 1.7 million sq ft at the end of Q2, nearly half the long-term average. There are just three 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 and 3 Minster Court, EC3. We are currently tracking 10 active requirements for space in excess of 100,000 sq ft by occupiers exclusively targeting the City.

Looking ahead at the supply pipeline, total under construction levels in the City are currently 6.7 million sq ft, of which 36% is already committed, leaving just 4.3 million sq ft of speculative space under construction.

There is 5.4 million sq ft under construction and due to complete in the next 12 months, of which 42% is committed. This leaves just 3.1 million sq ft of speculative space coming through, which equates to approximately 12 months of supply, assuming average levels of new and refurbished take-up.

INVESTMENT FALLS, BUT POSITIVE SIGNS EMERGE

City investment totalled a little over £800 million in Q2 2019, down 18% quarter-on-quarter, and 76% below the long-term average. There were just two transactions over £100 million.

While overall activity may have slowed, we have noted a number of interesting trends this quarter. Chief of these has been a return of UK funds, tempted perhaps by a slowdown in overseas appetite and therefore competition.

Furthermore, a recent increase in global geopolitical tensions appears to be positioning London as a safe haven once more, based on the rising international inquiries we have received since the start of July, including the return of private equity and funds from the US and Hong Kong.

Finally, we have also recorded an upturn in funds chasing value add properties, driven by the lack of quality stock in the market in general and the buoyancy in the occupier market. This has been evidenced by the high volume of above asking price bids our capital markets team have received on a number of assets in recent weeks.

LONDON OFFICE MARKET

Performance dashboard Q2 2019

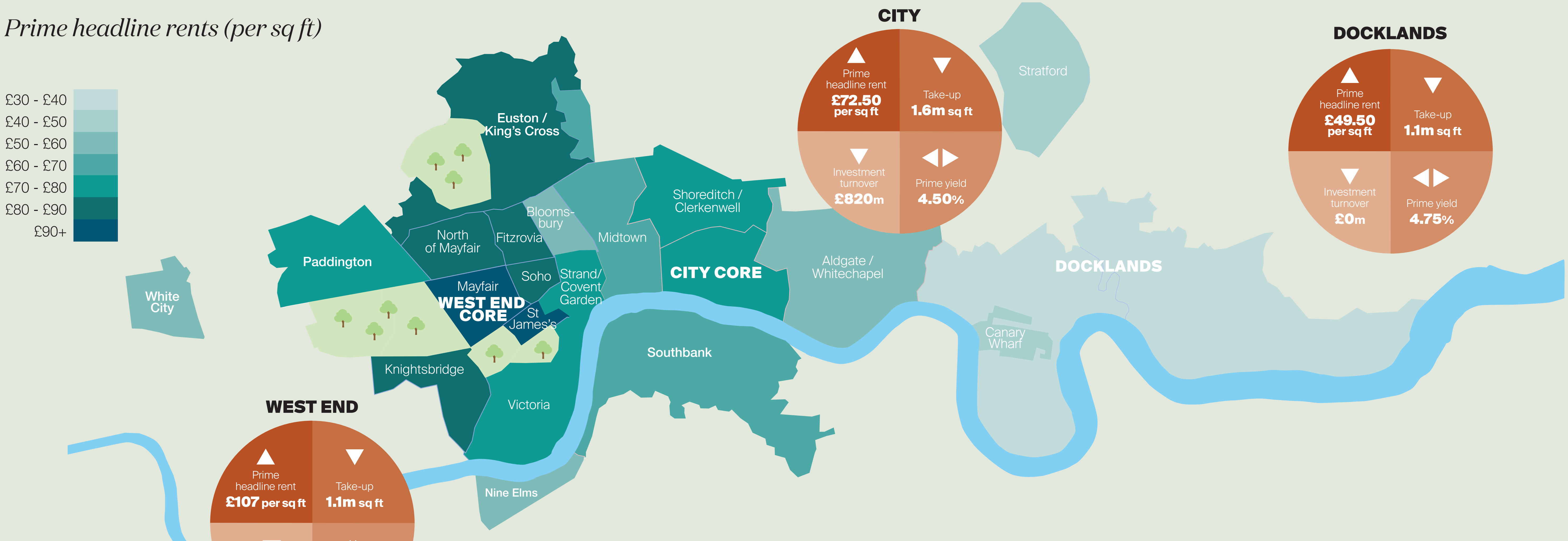
	▲ 3.1M TAKE-UP (SQ FT)	▼ 12.7M AVAILABILITY (SQ FT)	▼ 5.6% VACANCY RATE	▲ 13.4M UNDER CONSTRUCTION (SQ FT)
Change on				
Q1 2019	10% ▲	10% ▼	n/a	2% ▲
LTA	3.2 million sq ft	15.9 million sq ft	7.1%	n/a

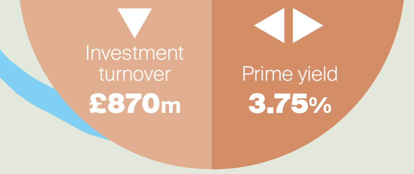
◀▶ 4.50% **CITY YIELD**

◀▶ 3.75% **WEST END YIELD**

◀▶ 4.75% **DOCKLANDS YIELD**

Prime headline rents (per sq ft)





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.

Source: Knight Frank

MARKETS IN REVIEW

Docklands & Stratford

RENT (PSF)	TAKE-UP (SQ FT)	AVAILABILITY (SQ FT)	INVESTMENT TURNOVER	PRIME YIELD
▲	▲	▼	▼	◀▶
£49.50	470K	2.2M	nil	4.75%

FINANCE SECTOR STILL MOST ACTIVE

Take-up in the Docklands and Stratford market totalled 472,000 sq ft in Q2, significantly higher than the 224,000 sq ft recorded in Q1 and double the long-term average.

This was also the highest level recorded since Q2 2015 and the second highest in nearly 10 years. Although a reflection of the strength of demand in the market, like elsewhere in London, this performance was underpinned by some exceptionally large lettings. Chief of these was the acquisition of 359,000 sq ft at 5 Bank Street, E14, by the European Bank for Reconstruction & Development (EBRD), which accounted for 76% of take-up.

The EBRD's transaction in Q2 has helped to cement the financial service sector's position as the most active, accounting for 39% of transactions in the last 12 months. This is followed by the public sector at 18%.

Following the completion of EBRD's requirement, the level of under offers in this market has fallen to below 100,000 sq ft.

STRONG ACTIVE REQUIREMENTS

Looking at active requirements in this market, total pent up demand stands just shy of 860,000 sq ft, marginally below the 912,000 sq ft registered in Q1, but still well above the long-term average of around 450,000 sq ft.

It is worth pointing out that the shortage of stock across London generally is driving an end to geographic loyalty, with many of those on our demand schedule from other submarkets who are actively considering the Docklands and Stratford as part of their wider search.

The European Bank for Development and Reconstruction's transaction in Q2 has helped to cement the financial service sector's position as the most active.

AVAILABILITY SET TO FALL

Supply in Docklands and Stratford totalled 2.1 million sq ft in Q2 19, down 14% on the quarter, however, levels are still 36% ahead of the long-term average. Despite this, we believe availability in Canary Wharf will fall in Q3, as WeWork has just completed their acquisition from the European Medicines Agency of circa 280,000 sq ft at 30 Churchill Place, E14. Supply in Stratford remains limited, with just over 200,000 sq ft available on the market. However, here too, availability is set to fall following HMRC's 58,000 sq ft prelet commitment in a 12 storey office building under development near Westfield Stratford in early July, making the government department the sole tenant in the building.

The current vacancy rate is now 10.9% for the whole Docklands market, with Canary Wharf at 8.7%.

RESTRICTED FUTURE SUPPLY

Despite the seemingly high vacancy rates when compared to other submarkets in London, future supply remains tight. Looking at the development pipeline, there is close to 2 million sq ft of office space due to complete by the end of 2022.

However, approximately 52% of this is already either pre-let, or under offer. There is just over 1 million 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.

MIXED RENTAL PROFILE

The prime headline rent increased quarter-on-quarter from £47 per sq ft in Q1 to £49.50 per sq ft in Canary Wharf.

Prime headline rents for Stratford remained stable at £44 per sq ft and the Rest of Docklands at £32.50 per sq ft.

The demand we are recording in this market, coupled with the availability of larger lot sizes means occupiers from other parts of London are giving serious consideration to the Docklands as a viable alternative, which is underpinning our rental expectations.

LACK OF INVESTMENT STOCK

There were no investment transactions during the second quarter of the year. The supply of investment stock is extremely limited in this market.

There are two assets on the market in Stratford, with a number of opportunities available at International Quarter London, E20.

MARKET OUTLOOK

In our supply starved environment, we are currently tracking 26 requirements for over 100,000 sq ft; however there are just 14 schemes in London that can service this.

RENTS RISE ACROSS THE BOARD

Rents across London have remained unchanged for the better part of three years, however with the supply dearth becoming ever more acute, prime headline rents have risen across the board, with the West End (£107 per sq ft), the City (£72.50 per sq ft) and the Docklands (£49.50 per sq ft) all registering growth of 2%, 4% and 5%, respectively during Q2. These increases have been exacerbated by robust demand levels from occupiers, despite the uncertainty around Brexit.

To put this into context, 50% of all space under construction is currently prelet and this figure rises to 68% in the West End. Occupiers are being driven by the quality of space on offer and to an extent are location agnostic, but there are those who will pay a premium to secure space in a specific location.

Overall, we expect rental growth to be the strongest in Southbank, the City Core and Canary Wharf, with all three markets likely to see rents rise by over 17% in the five year period ending 2023. Stronger than expected economic growth since the referendum, coupled with robust job creation levels in London's tech, professional and finance and banking sectors are helping to underpin demand, with most occupiers seemingly keen to 'get on with life', irrespective of how Brexit concludes.

Inflation however, could expand by between 12-15% over the same period, making the growth in these locations seem less exceptional. Nevertheless, we are forecasting these markets to experience a period of real rental growth.

CANARY WHARF SET TO SHINE?

In our supply starved environment, we are currently tracking 26 requirements for over 100,000 sq ft; however there are just 14 schemes in London that can service this. The West End has none and the Docklands contain nine; five of which are in Canary Wharf. This availability in Canary Wharf, combined with an expected positive boost arising from the completion of the Elizabeth Line, plus the fact that net job creation rates in London's technology and finance sectors are expected to underpin demand for space in the short to medium term – core pillars of demand for Canary Wharf. This means that we expect the area to be amongst the strongest rental performers in the London market over the next five years.

Furthermore, with rents still hovering just shy of £50 per sq ft, they do offer relatively good value, when compared to locations in the West End and the City.

The Elizabeth Line's impact will be to bring Canary Wharf 'closer' to other markets due to quicker transport links, which may well provide the impetus for occupiers to continue to look more favourably at this market.

OCCUPANCY COSTS TO CURB WEST END ENTHUSIASM?

Elsewhere, in the West End, rising Business Rates, as detailed in our Q1 Central London Quarterly report, may start to temper the attractiveness of the area to some, as occupancy costs rise. This could curtail rental value growth to an extent. With a lack of stock and occupiers being driven eastward towards the City due to better availability and indeed, pricing, the question possibly needs to be raised?

INVESTMENT VOLUMES REMAIN SUBDUED OVER H1

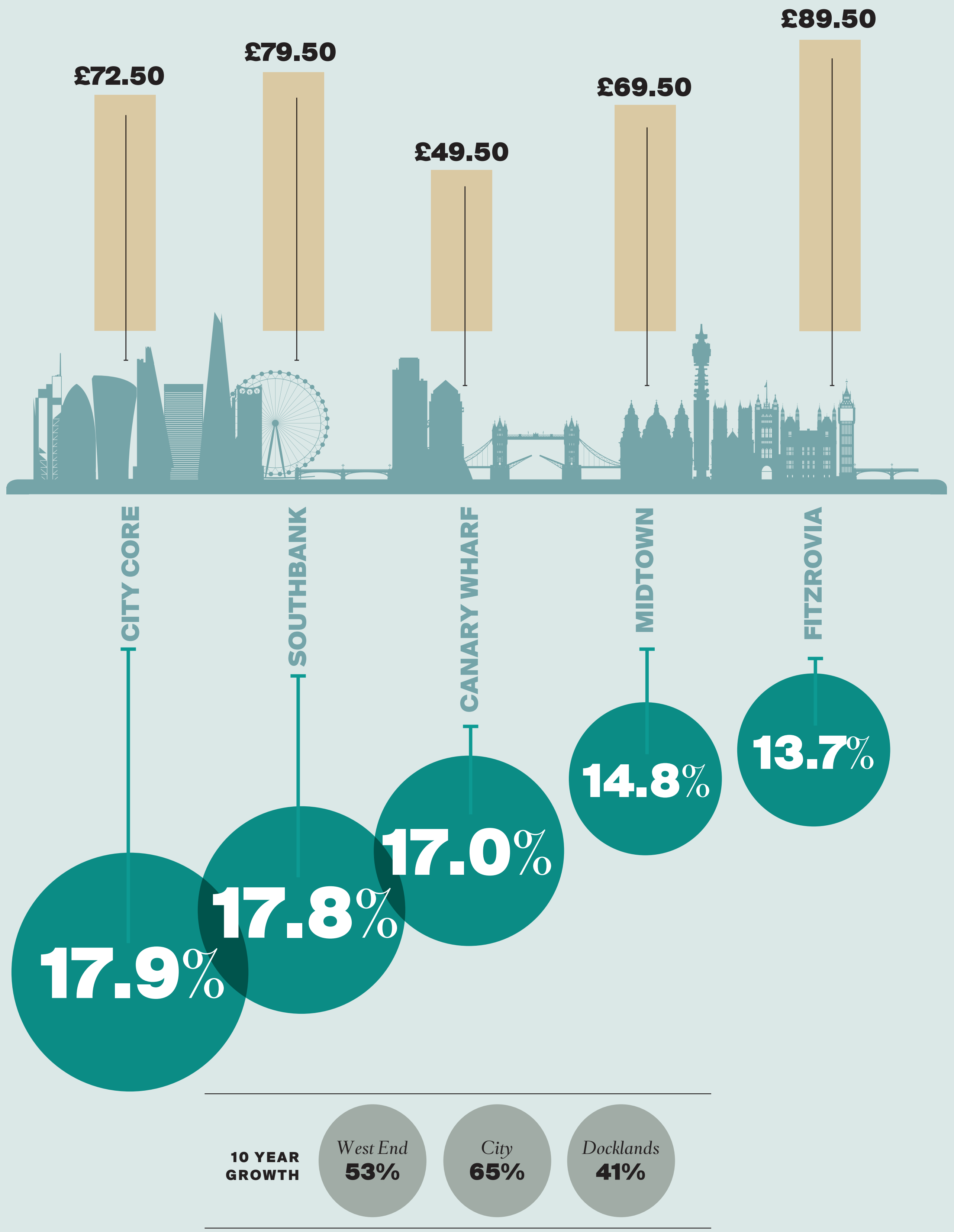
The spectre of Brexit has prompted a strategy of 'wait and see' for some investors over H1 2019, contributing to lower investment volumes. However, London remains one of the largest, liquid and most transparent markets globally and ranks third globally for cross-border office volumes in Q2, according to RCA.

Yields in Central London also remain attractive compared to many other European prime markets, albeit there has been a certain lack of appropriate stock for purchase.

For those investors waiting on the side-lines for more political certainty, clarity around a Brexit resolution could pull yields back from 3.75% and 4.50% for the West End and City respectively. In the interim, while activity has seen a dampening, there have been no forced or distressed sales. Looking forward, we are seeing an increase in enquiries from cross-border investors, many of whom are facing their own domestic geopolitical considerations.

FIVE YEAR GROWTH CURRENT RENTS

2019–2023 RENTAL FORECASTS
TOP FIVE PERFORMERS



KEY STATISTICS

London office market

	Q4 18	Q1 19	Q2 19	% CHANGE 3 MONTHS	% CHANGE 12 MONTHS
TAKE-UP (sq ft)					
West End	1.72m	1.26m	1.05m	-17%	-22%
City	2.24m	1.40m	1.62m	19%	-10%
Docklands	0.04m	0.22m	0.47m	114%	236%
TOTAL LONDON	4.00m	2.88m	3.14m	10%	-5%
AVAILABILITY (sq ft)					
West End	5.69m	4.94m	4.47m	-11%	-15%
City	6.69m	6.53m	6.08m	-7%	-27%
Docklands	1.78m	2.51m	2.15m	-14%	1%
TOTAL LONDON	14.16m	13.98m	12.70m	-10%	-19%
VACANCY RATE					
West End	6.6%	5.8%	5.1%	n/a	n/a
City	5.5%	5.3%	4.9%	n/a	n/a
Docklands	8.8%	12.7%	10.9%	n/a	n/a
TOTAL LONDON	6.2%	6.1%	5.5%	n/a	n/a
UNDER CONSTRUCTION (sq ft)					
West End	3.77m	5.08m	4.71m	-7%	124%
City	5.68m	6.11m	6.72m	10%	-14%
Docklands	1.63m	1.95m	1.95m	0%	14%
TOTAL LONDON	11.08m	13.14m	13.38m	2%	16%
DEVELOPMENT COMPLETIONS (sq ft)					
West End	0.26m	0.2m	0.62m	210%	675%
City	0.90m	0.95m	0.22m	-77%	-67%
Docklands	0 m	0 m	0 m	0%	0%
TOTAL LONDON	1.16m	1.15m	0.84m	-27%	14%
INVESTMENT TURNOVER					
West End	£1.45bn	£2.75bn	£0.87bn	-68%	-26%
City	£2.82bn	£1.00bn	£0.82bn	-18%	-76%
Docklands	£0.08bn	£1.29bn	£0bn	n/a	n/a
TOTAL LONDON	£4.35bn	£5.04bn	£1.69bn	-66%	-64%
PRIME YIELDS					
West End	3.50%	3.75%	3.75%	n/a	n/a
City	4.25%	4.50%	4.50%	n/a	n/a

Source: Knight Frank

THE LONDON OFFICE MARKET REPORT Q2 2019

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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