

LONDON OFFICES SPOTLIGHT Q2 2020

LONDON OVERVIEW

1.3m
sq ft

Total Office Take-up
Q2 2020



8.1m
sq ft

Named Active
Demand



6.1%

Office
Vacancy Rate



14.2m
sq ft

Total Office
Availability
Q2 2020



£595m

Total Investment
Turnover Q2 2020



13.8m
sq ft

Total Under
Construction
(46% committed)



KEY THEMES

1

Occupier activity subdued

2

Developments restart, but
delays inevitable

3

Investment activity rising
post lock-down

SUBMARKET PRIME HEADLINE RENTS

SUBMARKETS	VACANCY RATE	PRIME HEADLINE RENT (PSF)	CHANGE 3M	RENT FREE PERIODS*
West End Core	7.4%	£115.00	↕	24
Marylebone	4.9%	£97.50	↕	24
Fitzrovia	6.9%	£92.00	↕	24
Soho	4.7%	£92.00	↕	24
Knightsbridge/Chelsea	6.5%	£90.00	↕	21-24
King's Cross/Euston	3.2%	£85.00	↕	21
Victoria	2.4%	£80.00	↕	24
Strand/Covent Garden	5.3%	£80.00	↕	21-24
Bloomsbury	6.6%	£80.00	↕	21-24
Clerkenwell/Farringdon	6.3%	£79.50	↕	18
Paddington	3.7%	£77.00	↕	21-24
Midtown	3.5%	£72.50	↕	24
City Core	7.7%	£72.50	↕	27
Southbank	3.4%	£72.00	↕	21-24
Aldgate/Whitechapel	4.8%	£62.50	↕	24-27
Battersea/Vauxhall	1.8%	£57.50	↕	21-24
White City	3.4%	£55.00	↕	24
Canary Wharf	8.9%	£52.50	↕	27
Stratford	16.5%	£44.00	↕	24
Docklands	14.2%	£32.50	↕	27

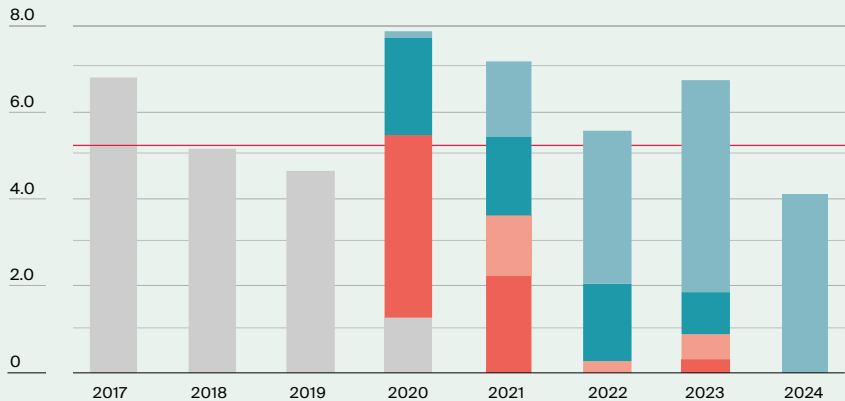
*Rent free period on a 10 year lease

London development pipeline

sq ft millions

■ U/C Pre-let
 ■ Pipeline Pre-let
 ■ U/C Speculative
 ■ Pipeline Speculative
 ■ Completed

— Long-term annual average take-up of new and refurbished space



Source: Knight Frank

WEST END OVERVIEW

LEASING MARKET

SQ FT	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Take-up	1.05 m	1.03m	1.53 m	0.66 m	0.46 m	-31%	-57%	1.22 m
Availability	4.47 m	4.59m	4.35 m	3.75 m	4.32 m	15%	-3%	5.06 m
Vacancy Rate	5.2%	5.3%	5.0%	4.6%	5.0%	9%	-4%	5.9%
Active Requirements	2.22 m	2.22m	2.10 m	2.15 m	1.49 m	-31%	-33%	2.06 m

KEY LEASING DEALS

BUILDING	SQ FT	OCCUPIER	RENT (PSF)
25 Golden Square, W1	65,869	Confidential	Confidential
2-6 St Pancras Way, NW1	60,008	Confidential	Confidential
1 Newman Street, W1	39,425	Exane	Confidential
1 Eagle Place, SW1	13,960	Leonardo MW Ltd	£92.00
Ferguson House, 15 Marylebone Road, NW1	11,926	Tosca Fund Investment	£70.00

INVESTMENT MARKET

	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Turnover	£0.87 bn	£0.62 bn	£1.46 bn	£1.08 bn	£0.16 bn	-85%	-81%	£1.36 bn
Availability	£1.46 bn	£0.85 bn	£1.69 bn	£1.85 bn	£1.91 bn	3%	31%	£1.27 bn
Under Offer	£0.82 bn	£1.18 bn	£0.96 bn	£0.59 bn	£0.82 bn	39%	-	£0.68 bn

KEY INVESTMENT DEALS

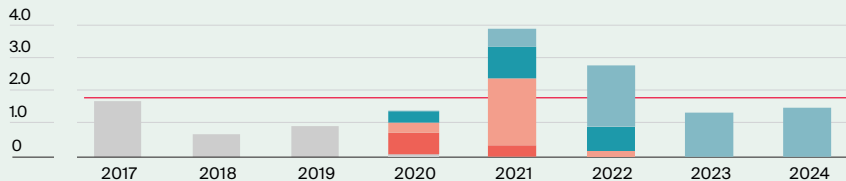
BUILDING	PRICE	CAPITAL VALUE (PSF)	YIELD	PURCHASER
Marylebone House, 129-137 Marylebone Road, NW1	£48.50 m	£778	n/a	Angelo Gordon / Beltane
Maple & Midford, 4-8 Maple Street, W1	£32.0 m	£1,269	4.25%	Zima Capital
1 Old Queen Street, SW1	£24.0 m	£1,104	4.55%	GMG
108 New Bond Street, W1	£19.0 m	£3,000	n/a	Henry Group
21-23 Pembridge Villas, W11	£16.30 m	£1,376	3.57%	Private European Investor

West End development pipeline

sq ft millions

■ U/C Pre-let
 ■ Pipeline Pre-let
 ■ U/C Speculative
 ■ Pipeline Speculative
 ■ Completed

— Long-term annual average take-up of new and refurbished space



Source: Knight Frank

CITY & SOUTHBANK OVERVIEW

LEASING MARKET

SQ FT	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Take-up	1.62 m	1.97 m	1.62 m	1.28 m	0.56 m	-56%	-65%	1.77 m
Availability	6.08 m	6.14 m	6.43 m	7.16 m	7.44 m	4%	22%	8.31 m
Vacancy Rate	4.9%	4.8%	5.2%	5.2%	6.0%	15%	22%	7.1%
Active Requirements	5.05 m	5.58 m	5.17 m	4.44 m	3.51 m	-21%	-30%	4.20 m

KEY LEASING DEALS

BUILDING	SQ FT	OCCUPIER	RENT (PSF)
22 Bishopsgate, EC2	85,800	Covington & Burling LLP	Confidential
EightyFen, 80 Fenchurch Street, EC3	40,854	Arcadis	Confidential
Riverside House, 2A Southwark Bridge Road, SE1	34,791	Axon Communications	Confidential
One New Change, EC4	29,030	CDW	£55.00
20 Fenchurch Street, EC3	27,763	Baker Botts	£72.50

INVESTMENT MARKET

	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Turnover	£0.82 bn	£1.77 bn	£3.07 bn	£1.48 bn	£0.43 bn	-71%	-47%	£2.12 bn
Availability	£2.18 bn	£2.04 bn	£0.57 bn	£0.69 bn	£3.86 bn	459%	77%	£2.35 bn
Under Offer	£0.94 bn	£1.24 bn	£1.12 bn	£2.28 bn	£2.65 bn	16%	182%	£1.47 bn

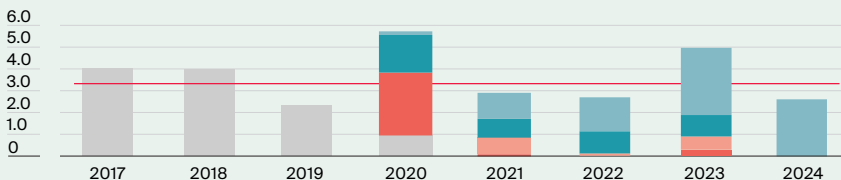
KEY INVESTMENT DEALS

BUILDING	PRICE	CAPITAL VALUE (PSF)	YIELD	PURCHASER
10 Fenchurch Street, EC3	£95 m	£1,137	4.25%	Mighty Divine
90 Bartholomew Close, EC1	£48.5 m	£1,568	3.92%	La Francaise Group
Chapter House, Cranwood Street, EC1	£46.5 m	£1,368	4.48%	RTP Global
Eldon House, 2-3 Eldon Street, EC2	£40 m	£878	4.81%	Dartriver London
Panther House, 38 Mount Pleasant, WC1	c. £36 m	c. £435	n/a	Credit Suisse

City & Southbank development pipeline

sq ft millions

■ U/C Pre-let
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 ■ Completed
 — Long-term annual average take-up of new and refurbished space



Source: Knight Frank

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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 £1m 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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