# CENTRAL LONDON REPORT

MARKETBEAT – Q4 2022

CUSHMAN & WAKEFIELD

# SUMMARY

A total of 2.59 million sq ft was transacted across central London during Q4 2022. While this was 4% below leasing totals in Q3, it was 6% ahead of the five-year Q4 average of 2.44 million sq ft and 9% above the five-year quarterly average of 2.38 million sq ft.

This took take-up for the full year to 10.47 million sq ft across the market, a notable 22% increase on leasing volumes recorded in 2021. The City market accounted for 53% of total activity during the year, with the West End taking a 40% market share and the remainder allocated to East London.

Pre-letting activity continues to be a key driver for the market, accounting for 26% of leasing activity in 2022 across 33 transactions. Of this, 9 were over 100,000 sq ft equating to 1.82 million sq ft.

The sector composition is also key, with the traditional office sectors (banking & financial, professional services, legal and insurance) in central London taking a 63% market share in Q4, reducing to 58% when looking across the whole year. Media & technology businesses have also remained active, with a 12% and 17% market share in Q4 and throughout the entire year respectively, however their share has dropped off when compared to the prior five years (25%).

Despite strong leasing activity in Q4, supply increased marginally by 0.2% during the quarter and by 7.3% year-on-year to 25.10 million sq ft. Newly built and refurbished stock accounted for 42% of total supply at the end of Q4, equating to 10.59 million sq ft, a 3% quarterly increase but down by 6% over the last 12 months.

The vacancy rate remained largely unchanged at 8.8% at the end of the year, however this is still higher than the 8.3% recorded at the end of 2021 and is 42% ahead of the five-year average of 6.2%.

"Leasing activity in 2022 was 22% above figures recorded in 2021 and was the highest annual total since the onset of the pandemic."

Investment activity across the central London office market noticeably reduced during the final three months of 2022, with only £1.62 billion trading. This was a 46% fall quarter-on-quarter and the lowest Q4 volume since our records began.

Despite this, full year investment totalled £12.67 billion in 2022, a modest 1% increase on 2021 and broadly in line with investment activity recorded in 2019.

Transactions during the year were significantly bolstered by the £1.2 billion sale of 5 Broadgate during Q1, which took investment during that quarter to £5.4 billion – the highest Q1 total on our records.

The well-documented headwinds facing the investment market, not only in this geography and sector, are expected to follow into 2023.

As a result, prime office yields in the City and West End markets have softened over 2022. In the City, yields have risen by 75 basis points to 4.50% during the year, while the West End saw yields shift outwards by 50 basis points to 3.75%.

**2.59 million sq ft leased in central London during Q4 2022**

6% above the five-year Q4 average

**604** **Number of transactions signed in 2022**

87% were for sub-25,000 sq ft units

**2.76 million sq ft under offer across the market at the end of December**

8% below the five-year quarterly average

**15.19 million sq ft under construction across the market**

30% is pre-let or under offer

**Investment volumes totaled £1.62 billion in Q4 2022**

51% below five-year quarterly average

**Prime yields across London**

**4.50%** City **3.75%** West End

# OUTLOOK

Leasing activity in 2022 reached 10.47 million sq ft at the end of year, up 22% on leasing volumes recorded in 2021. Given the particularly challenging macro-economic environment of the last two years, the market has demonstrated resilience, outperforming market expectations.

The year began with strong momentum after a healthy post-pandemic recovery during the second half of 2021. However, the economy faced a number of challenges during the second half of the year, but despite this, 2022 annual GDP growth for both Inner London and the UK is forecast to be strong, at 5.2% and 4.4% respectively, as at the end of December 2022.

While the outlook for 2022 was better than expected, 2023 forecasts have been downgraded from -0.7% reported in September to -2.1% in December for London and 0.1% to -1.2% for the UK. The largely-held expectations of a 2023 recession is being driven by weakened incomes and suppressed consumer spending, significantly different to previous recessions. Furthermore, political instability during 2022, which led to a large expansionary fiscal policy in the autumn and subsequently led to a surge in bond yields and further interest rises impacting on borrowing costs, has only added to the downgrade in economic growth.

This outlook will undoubtedly impact both the leasing and investment markets, not only in central London but across key regional locations too. Our forecasts suggest leasing activity in 2023 could well reduce when compared to 2022, before increasing thereafter as the UK economy recovers post-recession.

The impact on activity has already been evidenced in the investment market, with just £1.62 billion completing in central London during Q4 – the lowest Q4 total since our records began. However, driven by strong activity during the first three months of the year, £12.67 billion traded in 2022, virtually on par with volumes seen in 2021 and before the pandemic in 2019.

As a result of the economic turbulence, yields have been pushed out across both the West End and City markets in 2022, to 3.75% and 4.50% respectively at the end of the year. In the short-term, prices will be driven by the cost of borrowing and the perceived value of real estate when compared to other asset classes and bond yields.

Due to the depreciation of sterling in recent months, there is a currency opportunity for overseas investors, who will continue to seek out income-generating assets across the capital, which will ultimately drive up total returns.

Looking further ahead however, and into what will hopefully be the recession recovery phase in late-2023/early-2024, central London offices will continue to remain a long-term stability play, encouraged by prime rental value growth which is forecast from 2024 onwards.

> "Income-generating assets in London will continue to be sought-after for investors, as they seek higher total returns."

**5.2%** Projected Inner London GDP growth in 2022

**-2.1%** Projected Inner London GDP growth in 2023

**4.4%** Projected UK GDP growth in 2022

**-1.2%** Projected UK GDP growth in 2023

Source: Moody's Analytics (December 2022)

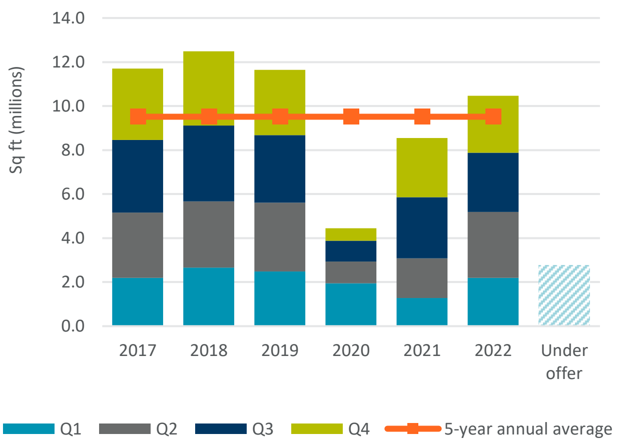
# CENTRAL LONDON OVERVIEW

## TAKE-UP

In Q4, 2.59 million sq ft of office space was leased across central London, with strong activity noted in the City market, where 1.40 million sq ft was leased, equating to a 54% market share. The West End market took a 38% market share (994,600 sq ft) with the remainder allocated to East London.

This took full year take-up to 10.47 million sq ft, a 22% increase on 2021 and 10% above the five-year annual average. However, leasing levels were 10% below the five-year annual pre-pandemic average of 11.67 million sq ft.

### LEASING VOLUMES – 2017-2022



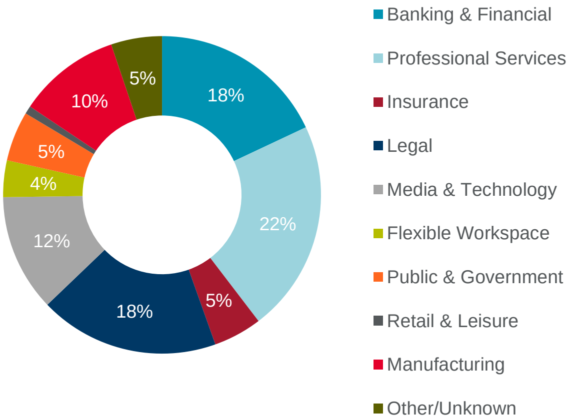

In Q4, 60% of space leased was grade A, with the proportion decreasing to 48% across the full year. Pre-let space remains a key portion of the market, amounting to 30% of take-up, with a further 739,000 sq ft of pre-let space under offer as at the end of the year.

The largest transactions of both the quarter and the year was Clifford Chance's 326,000 sq ft pre-let at 2 Aldermanbury Square, EC2, which has a delivery date of Q3 2025. This took the average deal size to 19,341 sq ft for the quarter, up from 16,229 sq ft in Q3.

### KEY OCCUPIER TRANSACTIONS – 2022 Q4

| CLIFFORD CHANCE | gsk | ReedSmith |
|---|---|---|
| 2 ALDERMANBURY, EC2 | THE EARNSHAW, 77-91 NEW OXFORD STREET, WC1A | NORTGATE FOLGATE – BLOSSOM YARD & STUDIOS, E1 |
| 326,000 SQ FT | 140,997 SQ FT | 126,800 SQ FT |
| * City Core | Covent Garden | Shoreditch |
| Pre-let, off-plan | Pre-let, under construction | Pre-let, under construction |

### TAKE-UP BY SECTOR – 2022 Q4




Leasing activity continues to be dominated by the traditional office sectors (banking & finance, professional services, insurance & legal), who acquired 1.63 million sq ft during Q4, taking a 63% market share. The legal sector has been particularly active with both the respective Q4 and full-year market share figures of 18% and 15% outpacing the 8% market share average achieved over the previous five years. This was driven by five transactions in excess of 100,000 sq ft that completed in 2022.

The media & technology sector has seen its market share reduce, both over the quarter (12%) and throughout the year (17%), when compared to the previous five-year market share of 25%. Although the number of transactions in this sector group has actually increased, reinforcing their continued appetite for office space across London, they have taken less space, which is reflected in the lower take-up figures.

## SUPPLY

Supply across central London increased marginally over the quarter to 25.10 million sq ft at the end of December, 45% above the five-year quarterly average. Due to minimal movements in supply levels during the quarter, the vacancy rate remained broadly unchanged at 8.8%. Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 3.20 years of demand, the highest level since 2004.

When looking at just grade A space, supply increased by 3% in Q4 to 10.59 million sq ft. This was 32% ahead of the five-year quarterly average and accounts for 42% of total supply, the third consecutive quarter in which the proportion has remained in the low-40% area. Based on current supply and the average three-year grade A take-up, the number of years of supply reduced to 2.46 years.

As at the end of December 2022, there were 33 buildings able to satisfy a requirement of 100,000 sq ft, 11 of which were tenant-driven. Of the 33 buildings, 18 were located across the City, nine in East London and six in the West End.

# CENTRAL LONDON OVERVIEW

## FUTURE SUPPLY

Over 900,000 sq ft of office space completed across central London in Q4 2022, taking completions for the full-year to 4.73 million sq ft, of which 54% was pre-let.

The completion of Sancroft, EC4 was the largest to complete during Q4, delivering 294,500 sq ft to the market.

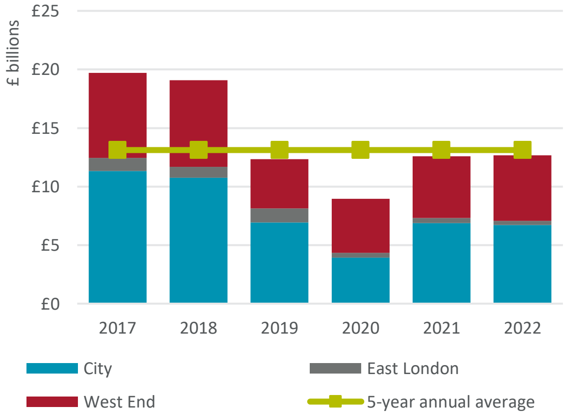
There is currently 15.19 million sq ft of office space currently under construction and due to be delivered over the next four year, 30% of which is already pre-let. We expect this proportion to increase further throughout 2023, particularly for schemes where 100,000+ sq ft is available, helping to satisfy some of the larger active requirements in the market.

## INVESTMENT

Investment volumes across central London totalled £1.62 billion in Q4, down by 46% on the previous quarter. This takes investment for 2022 to £12.67 billion, 1% above 2021 but 3% behind the five-year annual average of £13.12 billion.

The West End market accounted for 58% of Q4 volumes, with the remaining 42% allocated to the City market. In the City, the proportion has reduced due to the absence of larger transactions. For the year, £6.71 billion traded in the City, £5.60 billion across the West End and £369 million in East London.

### INVESTMENT VOLUMES – 2017-2022




The downturn of the UK economy during the second half of 2022 was not just isolated to the central London investment market but impacted the whole country. Given these challenges, 2022 was still a successful year, driven in large by a strong first quarter.

The largest transactions in Q4 was Lazari's acquisition of Fenwick, New Bond Street, W1 – an asset comprising both retail and office space – for £430 million.

### KEY INVESTMENT TRANSACTIONS – 2022 Q4

**FENWICK, 63 NEW BOND STREET, W1**

**£430m**

**Purchaser:**
Lazari

**Vendor:**
Fenwick

**FEN COURT, 120 FENCHURCH STREET, EC3**

**£312.5m**

*** Purchaser:**
MEAG / Munich RE

**Vendor:**
Generali

**50 FINSBURY SQUARE, EC2**

**£218.3m**

**Purchaser:**
Wirgten Invest Holdings GmbH

**Vendor:**
GPE

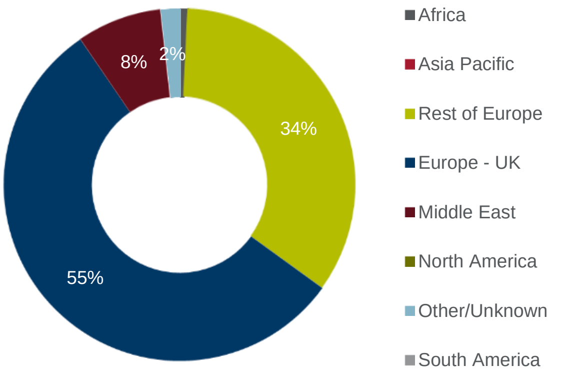
A total of 33 transactions completed during Q4, of which just four achieved in excess of £100 million and three between £50 million and £100 million, signifying a significant slowdown on Q3. The average lot size for central London therefore decreased, from £68.38 million during Q3 to £49.19 million in Q4.

UK purchasers were the dominant source of capital during Q4, accounting for 55% of total turnover, equating to £900 million. Across the whole year, however, purchasers from Asia Pacific were the most active, taking a 43% market share, followed by domestic investors (24%) and North American investors (14%).

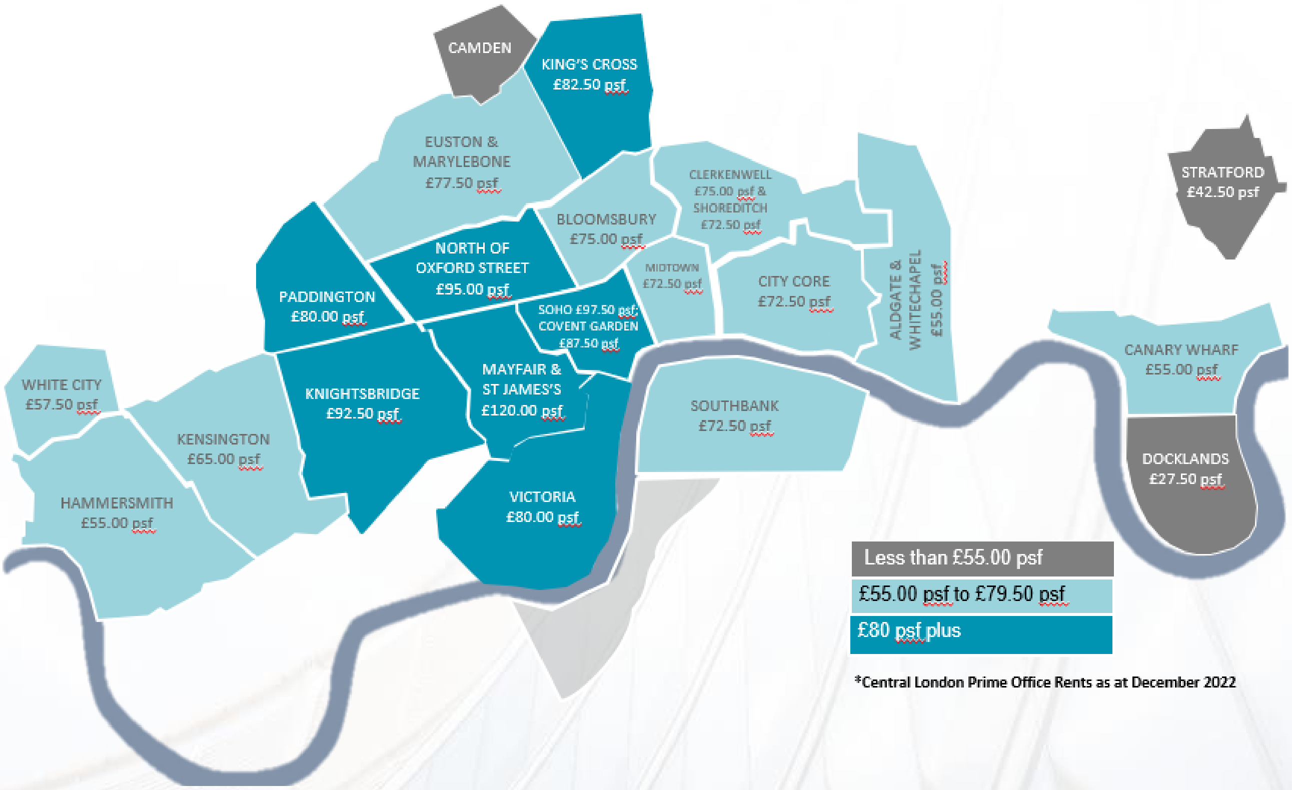
As at the end of December 2022, there was £5.09 billion available or at the bids stage across central London office market, with a further £2.22 billion under offer. This is broadly in the same region as levels seen three months earlier.

Prime yields of 3.75% were recorded across the West End and 4.50% in the City markets. This reflects a 50 bps and 75 bps outward shift respectively throughout 2022.

### INVESTMENT BY PURCHASER ORIGIN – 2022 Q4



# PRIME RENTS




*Central London Prime Office Rents as at December 2022

Prime rents in central London **remained stable** over the quarter across all submarkets except Soho and King's Cross, where they improved by 3%.

Prime rents have **increased by an average of 3.8% over the last 12 months.**

**Average annual rental change across London markets**

- City – average annual change of **2.0%**
- East London – average annual change of **0.9%**
- West End – average annual change of **5.3%**

Vacancy rates remained stable across central London, with a reduction noted across the West End this quarter, while increases were recorded in the City market.

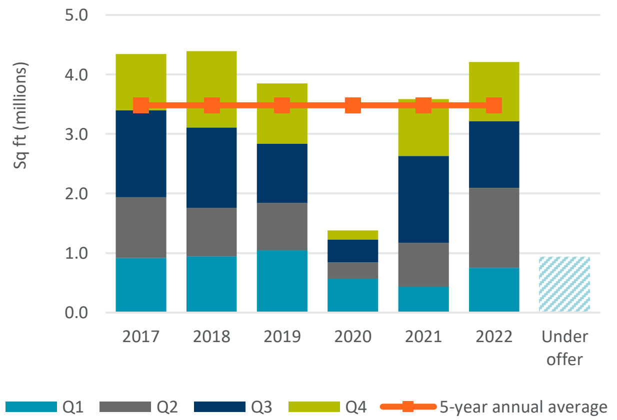
# WEST END OVERVIEW

## TAKE-UP

Take-up in the West End totalled 994,600 sq ft in Q4 2022, and was 11% down on the previous quarter but 4% ahead of the same period of 2021. Figures were also 14% above the five-year quarterly average. Grade A space accounted for 68% of leasing activity for the quarter, ahead of the five-year quarterly average of 55%.

This takes annual leasing activity to 4.21 million sq ft, a strong increase of 17% on 2021. Take-up for the year was also ahead of the five-year annual average and pre-pandemic annual average of 3.48 million sq ft and 3.90 million sq ft respectively.

### LEASING VOLUMES – 2017-2022



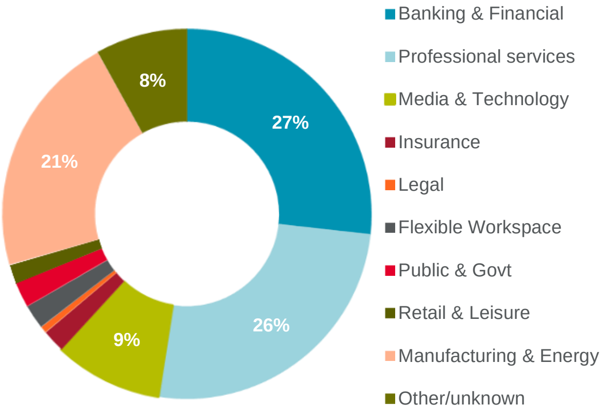

During Q4, only two deals in excess of 50,000 sq ft completed – GSK's 140,997 sq ft pre-let of The Earnshaw and Lazard Asset Management's pre-let of 81,281 sq ft at 20 Manchester Square. The GSK transaction contributed to volumes in the Covent Garden submarket reaching its highest annual total since 2018.

At the end of Q4, there was 933,500 sq ft under offer in the West End across 57 transactions. Of this, 244,700 sq ft were pre-lets (seven transactions) and 136,700 sq ft were tenant-driven (nine transactions).

### KEY OCCUPIER TRANSACTIONS – 2022 Q4

| gsk | LAZARD | MichaelPage |
|---|---|---|
| THE EARNSHAW, 77-91 NEW OXFORD STREET, WC1A | 20 MANCHESTER SQUARE, W1U | 80 STRAND, WC2 |
| 140,997 SQ FT | 81,281 SQ FT | 39,468 SQ FT |
| Covent Garden | North of Oxford St | * Covent Garden |
| Pre-let, under construction | Pre-let, under construction | New lease |

### TAKE-UP BY SECTOR – 2022 Q4




The professional services and banking & financial sectors remained the largest contributors of take-up in the West End, accounting for 27% and 26% of the total respectively in Q4.

GSK's pre-let bolstered market share for the manufacturing & energy sector, while take-up across the other business sectors were all sub-10%.

As with the entire central London market, the media & technology sector has seen a drop off in take-up, with under 100,000 sq ft acquired in Q4, equating to a 9% market share. When looking at the year as a whole, the sector took a 14% share of take-up, behind the 32% share recorded in aggregate in the five years prior.

## SUPPLY

Supply in the West End reduced to 6.74 million sq ft at the end of Q4. Although this was a 4% reduction on Q3, supply remains 23% above the five-year average.

Of the total supply, 3.64 million sq ft is classified as grade A, a 3% quarterly increase. This led to a fall in the vacancy rate, from 6.0% in Q3 to 5.7% in Q4, while the grade A vacancy rate ticked up from 3.0% to 3.1%.

There were six buildings available at the end of Q4 which could satisfy a requirement in excess of 100,000 sq ft, two of which are listed under construction and will complete in 2023.

Tenant-controlled supply in the West End reduced by 4% during Q4 and 36% year-on-year to 990,100 sq ft, equating to 15% of total supply. This is the first time this measure has fallen below 1 million sq ft since Q2 2017. The West End is the only market when tenant-controlled supply has reduced over the last 12-months, against 21% and 27% annual increases seen across the central London and in the City markets respectively.

# WEST END OVERVIEW

## FUTURE SUPPLY

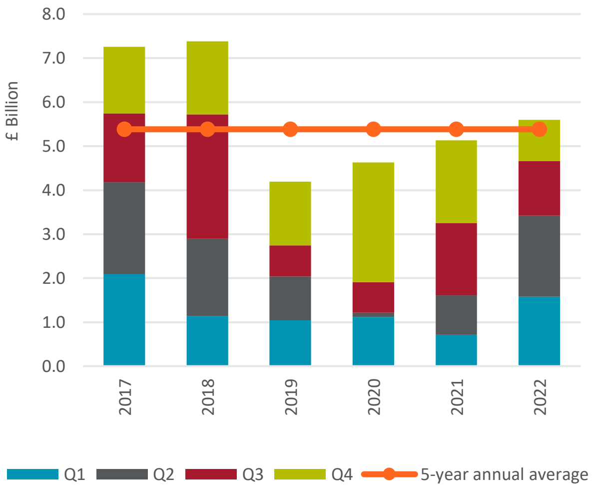
In the West End 139,500 sq ft of office space was delivered in Q4, taking 2022 completions to 1.37 million sq ft, of which 720,000 sq ft was pre-let – 53% of total new supply.

There is currently 7.12 million sq ft under construction across the market, with pre-lets secured for 30%. Over half of the total space under construction is scheduled for delivery in 2023, with some schemes originally due to deliver in 2022 being pushed back.

A further 7.31 million sq ft of office space has planning permission in place but construction has not yet commenced – of this, 10% has been pre-let.

## INVESTMENT

### INVESTMENT VOLUMES – 2017-2022




Investment volumes in the West End totalled £938.85 million in Q4 2022, a 24% reduction on the previous quarter and 53% behind the same period of 2021. However, owing to strong performance at the start of the year, full-year volumes for 2022 reached £5.60 billion, 9% ahead of 2021 and 4% above the five-year annual average.

There were 15 transactions that completed in Q4, five of which were in excess of £50 million including two with a price tag above £100 million. The average deal size of £62.59 million in Q4 was ahead of the equivalent total for Q3.

The largest transaction of the quarter, both in the West End and across the entire central London market, was Lazari's acquisition of Fenwick, New Bond Street, W1 for £430 million.

### KEY INVESTMENT TRANSACTIONS – 2022 Q4

**FENWICK, 63 NEW BOND STREET, W1**

**£430m**

**Purchaser:**
Lazari

**Vendor:**
Fenwick

**50 BROADWAY, SW1**

**£115m**

**Purchaser:**
Private Investor
**Vendor:**
Harel Insurance Investments & Financial Services

**6 DUKE STREET, SW1**

**£62.5m**

**Purchaser:**
Darin partners

**Vendor:**
Abrdn

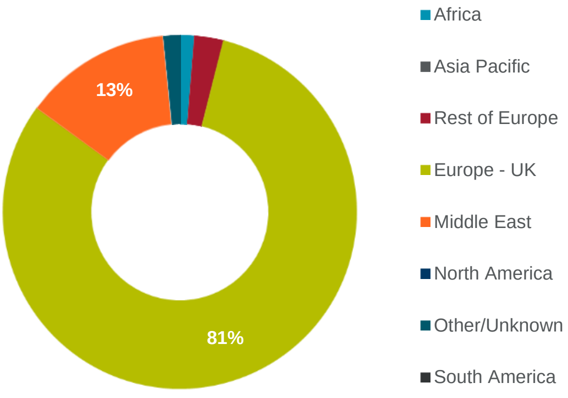
UK purchasers accounted for 81% of total turnover during Q4, equating to £761 million. This was across 10 out of the 15 transactions that completed during the quarter. Vendors from the UK were equally active, involved in 12 sales totalling £797 million.

For the full-year, UK purchasers took a 34% market share, followed by Asia Pacific and North American investors, who took 23% and 22% market shares respectively.

The amount of available stock on the market declined once again in Q4, with an estimated £1.62 billion available or at bids stage at the end of December, compared with £1.98 billion in September. There was an additional £1.22 billion under offer at the end of the year, reflecting an increase on the previous quarter.

Prime yields in the West End ended the year at 3.75%, however have moved out by 50 basis points over the course of the last year.

### INVESTMENT BY PURCHASER ORIGIN – 2022 Q4



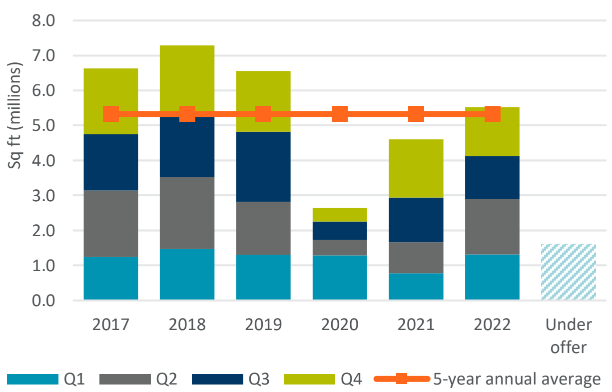
# CITY OVERVIEW

## TAKE-UP

Leasing activity in Q4 totalled 1.40 million sq ft in the City market, a quarterly increase of 14% but down 16% on the same period of 2021.

This took take-up for the full-year to 5.53 million sq ft – a significant increase of 20% on 2021 and 4% above the five-year annual average of 5.33 million sq ft. During the year, grade A space accounted for 47% leasing volumes, equating to 2.59 million sq ft.

### LEASING VOLUMES – 2017-2022



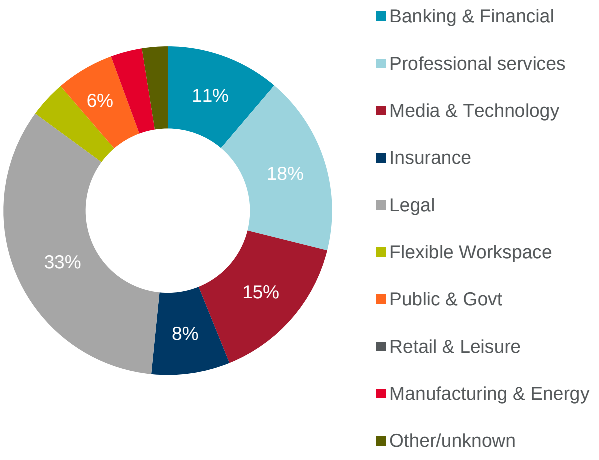

Pre-letting activity accounted for 1.34 million sq ft of take-up during the year, which was 24% of total take-up for the market. Although this was a reduction on 2021, both in terms of sq ft and proportion, certain key deals completed, including the largest deal of both the quarter and the year for central London – Clifford Chance's pre-let of 326,000 sq ft at 2 Aldermanbury Square, EC2. Two further transactions over 100,000 sq ft also completed in Q4, namely Reed Smith's pre-let in Shoreditch and Grant Thornton's sublease in the City Core.

The sub-50,000 sq ft size bracket remained active, taking a 51% market share (714,764 sq ft) in Q4, and increasing to 65% (3.59 million sq ft) across the year.

### KEY OCCUPIER TRANSACTIONS – 2022 Q4

| CLIFFORD CHANCE | ReedSmith | GrantThornton |
|---|---|---|
| 2 ALDERMANBURY SQUARE, EC2 | NORTON FOLGATE – BLOSSON YARD & STUDIOS, E1 | 5 BROADGATE, EC2 |
| 326,000 SQ FT | 126,800 SQ FT | 106,605 SQ FT |
| * City Core | Shoreditch | City Core |
| Pre-let, off-plan | Pre-let, under construction | Sublease |

### TAKE-UP BY SECTOR – 2022 Q4




The Clifford Chance pre-let contributed to the legal sector taking the largest market share in Q4, along with Reed Smith's 126,800 sq ft pre-let in Shoreditch. The sector has seen a hive of activity in 2022, leading the way throughout the year and taking a 28% share of 2022 City leasing totals, equating to 1.54 million sq ft.

Media & technology occupiers remained active, with a 15% market share in Q4, increasing to 20% across the year. However, unlike previous years where larger size transactions took place, this proportion consisted of more smaller deals, with the largest deal in this sector during the year being a 76,100 sq ft lease taken at 22 Bishopsgate.

## SUPPLY

Supply levels in the City increased by 2% this quarter to 14.25 million sq ft. Marginal increases were noted across all grades of space during the quarter, therefore resulting in a rise of both the overall and grade A vacancy rates to 9.9% and 3.9% respectively.

Grade A supply accounts for just 40% of the total. While the amount of space has increased since the onset of the pandemic, the pace of growth has been slower when compared to the speed at which second hand supply has increased during the same period.

Tenant-controlled supply reduced by 6% this quarter to 3.78 million sq ft, however it remains almost three times higher than pre-pandemic levels.

During 2022, 3.36 million sq ft of office space has completed across the market, of which 54% was pre-let prior to completion, leaving around 1.53 million sq ft of newly build space available.

# CITY OVERVIEW

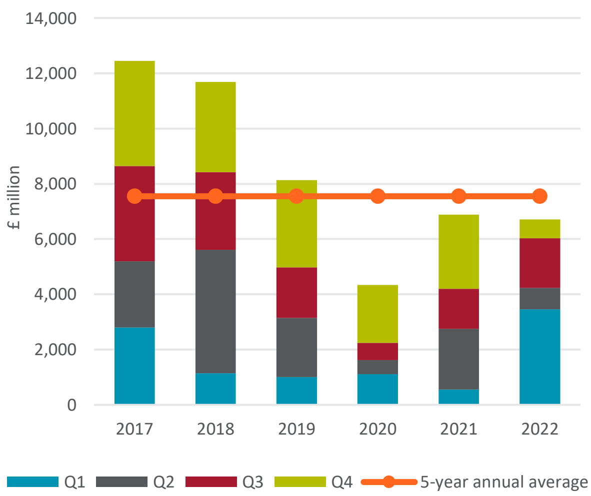
## FUTURE SUPPLY

The development pipeline for the next five years continues to be restricted in the City. As at the end of 2022, there was 7.08 million sq ft of space under construction, of which 2.40 million sq ft is already pre-let, leaving the remaining 4.67 million sq ft to be developed speculatively.

Key schemes expected to complete in 2023 with space still available include 40 Leadenhall, 8 Bishopsgate and Millennium Bridge House, all of which are located in the city core submarket.

## INVESTMENT

### INVESTMENT VOLUMES – 2017-2022




Turnover for Q4 2022 totalled £681 million, showing a substantial slowdown in transactional activity. This took full year investment to £6.71 billion, just 3% below volumes recorded in 2021, and significantly bolstered by the £1.2 billion acquisition of 5 Broadgate, EC2 earlier in the year.

The absence of larger lot sizes impacted on volumes considerably, with only two deals in excess of £100 million completing – the sale of Fen Court, EC3 (£312.5 million) and 50 Finsbury Square, EC2 (£218.3 million).

Although there was good activity in the smaller lot sizes, with 13 transactions below £20 million completing, this only add £83.5 million to total volumes for Q4.

### KEY INVESTMENT TRANSACTIONS – 2022 Q4

**FEN COURT, 120 FENCHRUCH STREET, EC3**

**£312.5m**

**Purchaser:**
MEAG / Munich RE

*** Vendor:**
Generali

**50 FINSBURY SQUARE, EC2**

**£218.3m**

*** Purchaser:**
Wirgten Invest Holding GmbH
**Vendor:**
GPE

**85 LONDON WALL, EC2**

**£34.7m**

**Purchaser:**
City Corporation

**Vendor:**
LaSalle Investment Management

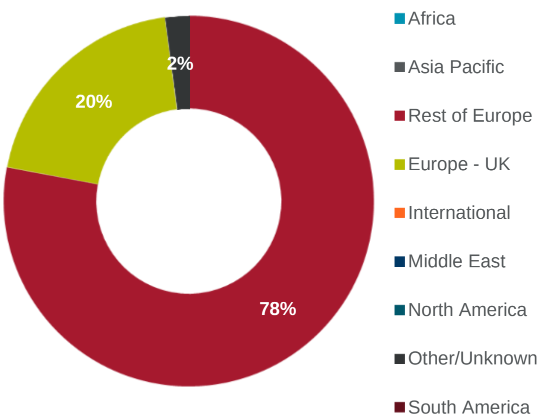
Investors from the UK and the rest of Europe were the only active purchasers during Q4, taking market shares of 20% and 78% respectively.

However, looking across the entire year, purchasers from Asia Pacific acquired £3.83 billion, including the aforementioned 5 Broadgate transaction, giving them a market share of 57%. This was followed by investors from both UK and elsewhere in Europe, who took 16% and 15% shares respectively.

The amount of stock on the market in the City increased during the quarter, with an estimated £3.34 billion of assets on the market, including those subject to bids. There was an additional £1 billion under offer at the end of December, a reduction on three months prior.

Prime City yields softened further to 4.50% at the end of Q4 due to the current headwinds that are affecting the market. This means that throughout 2022, yields have increased by 75 basis points.

### INVESTMENT BY PURCHASER ORIGIN – 2022 Q4



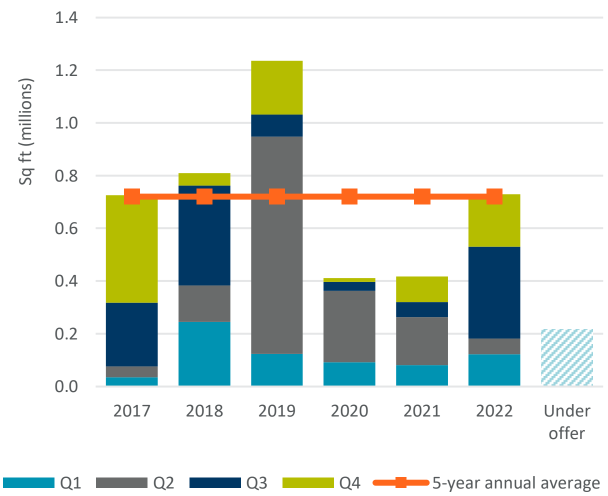
# EAST LONDON OVERVIEW

## TAKE-UP

2022 was a successful year for East London in terms of transactional activity, with 729,566 sq ft of office space leased across the market, of which just under 200,000 sq ft took place in Q4. The full-year volumes were driven by increased activity in Q3, when c. 350,000 sq ft was leased.

The 2022 total was 75% higher than figures recorded in 2021, and marginally ahead of the five-year annual average of 720,602 sq ft. However, over a 10-year period where average annual leasing volumes of 919,695 sq ft have transacted, the 2022 total remains behind.

### LEASING VOLUMES – 2017-2022



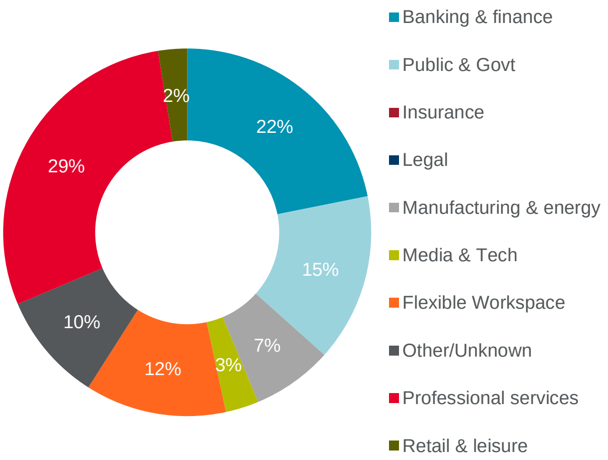

There were 11 transactions that completed in Q4, the largest of which was Kadans' 38,310 sq ft letting in Wood Wharf.

This took the average deal size to 18,100 sq ft in Q4, compared with 24,904 sq ft in Q3 and against a deal size of 21,458 sq ft for the whole year.

### KEY OCCUPIER TRANSACTIONS – 2022 Q4

| KADANS Science Partner | LMA | DIVISIBLE. |
|---|---|---|
| WOOD WHARF, 20 WATER STREET. E14 | HERE EAST (BROADCAST CENTRE), WATERDEN ROAD, E20 | SUGAR HOUSE ISLAND, 1 SUGAR HOUSE LANE, E15 |
| 38,310 SQ FT | 36,000 SQ FT | 24,687 SQ FT |
| * Canary Wharf | * Stratford | Stratford |
| New Lease | New lease | New lease |

### TAKE-UP BY SECTOR – 2022 Q4




The professional services sector accounted for the largest share of take-up in Q4 (29%) followed by banking & finance businesses (22%) and government & public sector bodies (15%).

When looking across the whole year, banking & finance occupiers led with a 38% market share, driven by Citi's acquisition of 188,631 sq ft across multiple floors at 40 Bank Street earlier in the year. The professional services sector followed, with a market share of 26%, equating to 188,368 sq ft.

## SUPPLY

Supply across East London submarkets rose by 3% over the quarter to 4.12 million sq ft, reflecting a vacancy rate of 17.34%. The total supply figure for Q4 2022 is 61% above the five-year quarterly average of 2.56 million sq ft.

Grade A supply totalled 1.27 million sq ft at the end of 2022, up by just 2% year-on-year. However, with no completions across the market in 2022, newly built stock is extremely limited. Second-hand units continue to dominate availability in East London, accounting for 69%, or 2.85 million sq ft of total supply.

Tenant-controlled supply remains a key attribute of the market, with 1.94 million sq ft recorded as available at the end of the year, marginally down on the previous quarter but high in a historical context.

## FUTURE SUPPLY

At the end of December, there was 990,500 sq ft of space under construction across the market, all of which is still available. Four schemes are scheduled to deliver in 2023, including YY London (c .415,000 sq ft) and three building on Sugar House Island, Stratford, totalling c. 221,000 sq ft.

# CONTACT

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## REPORT DEFINITIONS

- All market statistics relate to units/transactions over 5,000 sq ft.
- Supply is defined as space available for immediate occupation and space under construction that is due to complete within the next six months and is not let. It includes space under offer.
- Grade A related to supply that is newly built or refurbished.
- Take-up figures refer to space let, pre-let, or acquired for occupation during the quarter.
- Under offer relates to units which a potential occupier has agreed in principle to acquire, subject to negotiation.
- Pre-lets include both off-plan – i.e. before construction has started on site – and pre-lets while under construction but prior to practical completion.
- Speculative development relates to newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant. It excludes buildings due for completion within six months.
- Prime rents relate to a consistently achievable headline rental figure that relate to new prime, well-located, high specification units of a standard size (10,000 sq ft) commensurate within the predefined market area, assuming there is always existing demand and available supply.
- **Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction**