CENTRAL LONDON REPORT

MARKETBEAT – Q1 2023

CUSHMAN & WAKEFIELD

SUMMARY

A total of 1.92 million sq ft was transacted across central London during Q1 2023. This was 26% below leasing totals in Q4, and the first time leasing volumes have fallen below 2 million sq ft following six consecutive quarters.

This took take-up for the last 12-months to 10.2 million sq ft, which was 6% ahead of the 12-month rolling five-year average of 9.59 million sq ft. The City market accounted for 57% of total activity during the year, with the West End taking a 36% market share and the remainder allocated to East London.

Pre-letting activity was broadly aligned with the last two years, accounting for 25% of the quarter's leasing volumes. Ten transactions concluded, equating to 477,907 sq ft. Of these, two were over 100,000 sq ft – TikTok's acquisition in Clerkenwell and Pimco's pre-let in Marylebone.

The sector composition remains key in determining where demand is coming from. Activity in the Media sector, which accounted for 15% of Q1 take-up, is ahead of proportions of c.7% seen in the last five year, driven in large by the TikTok deal.

2022 was the year of the Legal sector, with a 15% market share, albeit activity has been subdued during Q1. Approximately 37,000 sq ft traded during the quarter, but there is close to 500,000 sq ft currently under offer across Central London, which will elevate proportions should they all complete this year.

Supply levels increased during Q1, to 26.54 million sq ft, which equates to a vacancy rate of 9.25% - its highest level since 2004. Newly built and refurbished stock accounts for 48% of total supply at the end of Q1, equating to 12.62 million sq ft, a 19% quarterly increase. As a result, the grade A vacancy rate increased to 4.4%.

"Prime rents increase in both the City and West End, as occupiers seek high quality office accommodation in well-located and amenity rich areas."

Investment activity across Central London increased by 35% during the quarter to £2.2 billion at the end of Q1 2023. Despite this, investment for the last 12 months has reduced to £9.47 billion, falling below £10 billion for the first time since Q1 2021 and prior to the pandemic, the lowest 12-month total in more than a decade.

Two thirds of Q1 volumes concluded in the City market, equating to £1.5 billion, with the remaining £697 million trading in the West End. A total of 28 deals completed across the market (18 in the City and 10 in the West End), of which seven recorded a sale price in excess of £100 million.

Supply constraints continue to limit investment activity, in addition to the high cost of debt, which in itself has attributed to the lower volumes recorded over the last six months.

As a result, prime office yields in the City and West End markets have softened by 25 basis points in Q1 2023 to 4.75% and 4.00% respectively. This means that during the last 12-months, prime yields have shifted outwards by 100 basis points across both markets.

1.92 million sq ft leased in central London during Q1 2023

2% below the five-year Q1 average

127

Number of transactions signed in Q1 2023

113 deals were for sub-25,000 sq ft units, equating to 1.25 million sq ft

3.18 million sq ft under offer across the market at the end of March

6% above the five-year quarterly average

14.62 million sq ft under construction across the market

31% is pre-let or under offer

Investment volumes totaled £2.19 billion in Q1 2023

33% below five-year quarterly average

Prime yields across London

City: **4.75%** West End: **4.00%**

OUTLOOK

Leasing activity for the 12-months to Q1 2023 remained above 10 million sq ft. Across the 127 transactions that completed in Q1, totalling 1.9 million sq ft, over half took place in March (69), which equated to close to 840,000 sq ft and elevated take-up for the quarter, despite no deals over 50,000 sq ft completing.

The economic landscape has been volatile, both for the UK and London, and we have seen forecasts for GDP and employment continuingly change, particularly in the last six months. The latest projections for GDP show an improved picture when compared to three months prior. GDP is expected to contract by 0.75% in London in 2023 (compared with a 2.1% contraction reported in December 2022), and for the UK, forecasts have improved from -1.2% growth reported in September to virtually 0% expected now.

Though improved over the short term, the fact remains that the macroeconomic outlook remains cautious with limited or no growth forecast over the next five years, with occupiers and landlords continuing to contend with elevated costs, as a result of sustained inflation, and structural increases to debt servicing costs.

While this outlook will undoubtedly impact the leasing market, activity for the first quarter has held up well and is in line with the post-pandemic "new normal".

In the investment world, volumes picked up during Q1, with £2.2 billion worth of assets sold across the market. While the market seems to have adjusted to the economic turbulence during the second half of 2022, further recovery this year have been impacted by reduced consumer confidence as a result of the well-documented turmoil in the banking sector.

Investors from Asia Pacific were the most active in Q1, accounting for 64% of volumes, driven by the top five deals where investors from this region were involved in.

With the value of sterling against major global currencies at low levels, overseas purchasers will find Central London a more cost effective market, in comparison to the peak of the market across previous property cycles.

Prime yields in the West End and City markets were pushed up by 25 basis points during Q1 to 4.00% and 4.75% respectively, and our forecasts suggest limited or no upward movement during the rest of the year, which shows signs of some stability for investors.

With limited supply in the market, investors and analysts will closely monitor the assets that are currently on the market. These assets will test the current market conditions and provide a true outcome of what the economic and banking turbulence over the last six to nine months actually means in terms of pricing.

"Assets that are currently on the market will provide the true test of what the economic and banking turbulence means for pricing."

-0.75% Projected Inner London GDP growth in 2023

0.46% Projected Inner London GDP growth in 2024

0.04% Projected UK GDP growth in 2023

0.95% Projected UK GDP growth in 2024

Source: Moody's Analytics (March 2023)

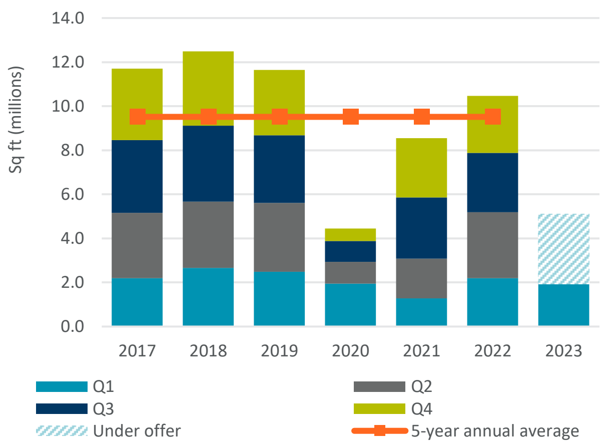
CENTRAL LONDON OVERVIEW

TAKE-UP

Leasing activity across Central London in Q1 totalled 1.92 million sq ft, with grade A space taking a 66% market share – the highest proportion recorded since Q3 2018. Take-up for Q1 has fallen for the third consecutive quarter, and is the first time since Q2 2021 where quarterly volumes have fallen below 2 million sq ft.

Despite this, the 12-month rolling take-up figure remains above 10 million sq ft, and is ahead of the five-year rolling annual average of 9.6 million sq ft.

LEASING VOLUMES – 2017-2023



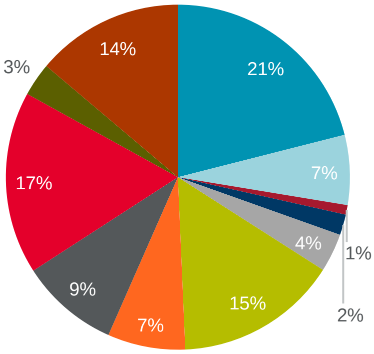
During the quarter, 11 pre-let transactions completed, two of which were over 100,000 sq ft – TikTok's 139,000 sq ft deal in Clerkenwell and Pimco's 106,000 sq ft transaction in Marylebone. Both deals, in addition to two other pre-lets, made up the top four transactions in Q1.

The City market took the largest market share (57%) with over 1 million sq ft taken up, while the West End's 688,344 sq ft accounted for 36% of Q1 leasing volumes with the remainder trading in East London. All Q1 totals for the markets represent a quarterly decline in take-up.

KEY OCCUPIER TRANSACTIONS – 2023 Q1

VERDANT, 150 ALDERSGATE STREET, EC1A	**25 BAKER STREET, W1**	**PADDINGTON CENTRAL, 3 SHELDON SQUARE, W2**
139,404 SQ FT	**106,087 SQ FT**	**83,054 SQ FT**
*** Clerkenwell**	*** Marylebone**	*** Paddington**
Pre-let, under construction	**Pre-let, under construction**	**Pre-let, under construction**

TAKE-UP BY SECTOR – 2023 Q1



Leasing activity in the Media sector was bolstered by the TikTok deal – overall approximately 293,000 sq ft of take-up was recorded for the sector equating to a 15% Q1 market share. This is a rise in trends that have previously been recorded for the sector, where 7% market share has been noted for the last five years.

The Banking & Finance sector continues to hold significant importance for Central London. Over 400,000 sq ft of take-up was recorded in Q1 – including the Pimco pre-let– equating to a 21% share, which is broadly in line with historic trends.

Activity by Legal occupiers has reduced in Q1. Just 37,000 sq ft completed across four transactions, all of which were located in the City market. However, there is close to 500,000 sq ft under offer across the market, including 210,000 sq ft of option space which, if taken, will elevate proportions throughout the year.

SUPPLY

Supply across Central London increased once again to 26.54 million sq ft at the end of March. This was a 6% increase during the quarter and is 47% above the five-year quarterly average. As a result, the vacancy rate increased to 9.25%, its highest level since Q3 2004. Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 3.39 years of demand, the highest level since 2004.

The supply of grade A space was the largest contributor to the overall increase, rising by 19% over the quarter and up by 51% on the five-year quarterly average. This equated to a 4.4% grade A vacancy rate, however rates did vary among individual submarkets.

As at the end of March 2023, there were 40 buildings able to satisfy a requirement of 100,000 sq ft, 8 of which are available as pre-lets and 10 are tenant-driven. Of the 40 buildings, 22 were located across the City and nine in both East London and the West End.

Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction

CENTRAL LONDON OVERVIEW

FUTURE SUPPLY

During Q1, close to 1.16 million sq ft completed across the market across seven schemes, of which 37% was pre-let. This included the 355,526 sq ft delivery of Paddington Square, all of which was pre-let, and the completion of Arbor in Southbank, where 12% of the 223,459 sq ft scheme was pre-let. A further three developments over 100,000 sq ft completed, namely The Northcliffe (Midtown), The Forge (Southbank) and The Ark (Hammersmith).

At the end of the quarter, there was 14.62 million under construction and due to deliver by 2026. Almost half of this is earmarked for delivery in 2023 (6.81 million sq ft), and if successful could take full-year completions to over 8 million sq ft, the largest volume of annual deliveries since 2003.

KEY INVESTMENT TRANSACTIONS – 2023 Q1

ST KATHERINE'S DOCKS, E1

£395 m

Purchaser:
City Developments Ltd

Vendor:
Blackstone

1 NEW STREET SQUARE, EC4

£349.5 m

Purchaser:
Chinachem

Vendor:
Landsec

TRIBECA, 2-6 ST PANCRAS WAY, NW1

£225 m

Purchaser:
GIC

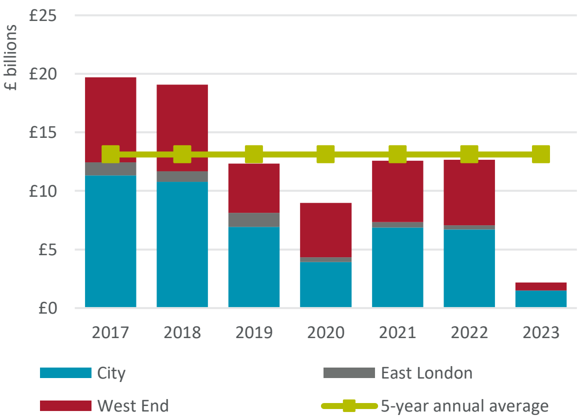
Vendor:
Reef Group / BlackRock

INVESTMENT

Investment volumes across Central London totalled £2.2 billion in Q1, an increase of 35% on Q4 2022 but down by a third on the five-year quarterly average of £3.28 billion.

The City market accounted for 68% of Q1 volumes, with the remaining 32% allocated to the West End. The absence of large scale transactions over £500 million, particularly in the City where larger lot size sales are more frequent, was a key contributor to the reduction is volumes. This was in large driven by the well-documented issues around the cost of funding, particularly in the current high interest rate environment.

INVESTMENT VOLUMES – 2017-2023



The top three transactions of Q1 all took place in the City, the largest of which was City Developments's purchase of St Katherine's Docks, E1 for £395 million, generating a 7.21% net initial yield.

In the West End, GIC's acquisition of the Tribeca scheme in Camden for £225 million was the largest deal for Q1. The development, will deliver over 700,000 sq ft across three phases, the first of which, The Apex, will deliver this year.

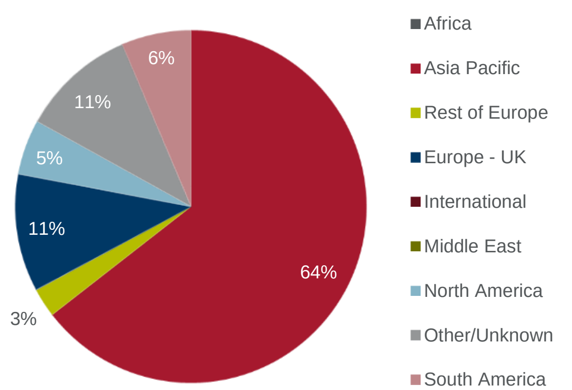
A total of 28 transactions completed during Q1, a decrease on the 33 that completed in the previous quarter. Of these, seven achieved in excess of £100 million – an increase on just four the prior quarter – and three between £50 million and £100 million. The average lot size for central London therefore increased, to £78.38 million in Q1 from £49.19 million in Q4 2022.

Purchasers from Asia Pacific were the dominant source of capital during Q1, accounting for 64% of total turnover, equating to £1.4 billion across seven transactions, including the top five.

As at the end of March 2022, there was £4.84 billion available or at the bids stage across Central London, with a further £1.91 billion under offer. This is down on the £5.09 billion and £2.22 billion, respectively, recorded at the end of Q4 2022.

Prime yields softened by 25 basis points during the quarter to 4.00% in the West End and 4.75% in the City.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q1



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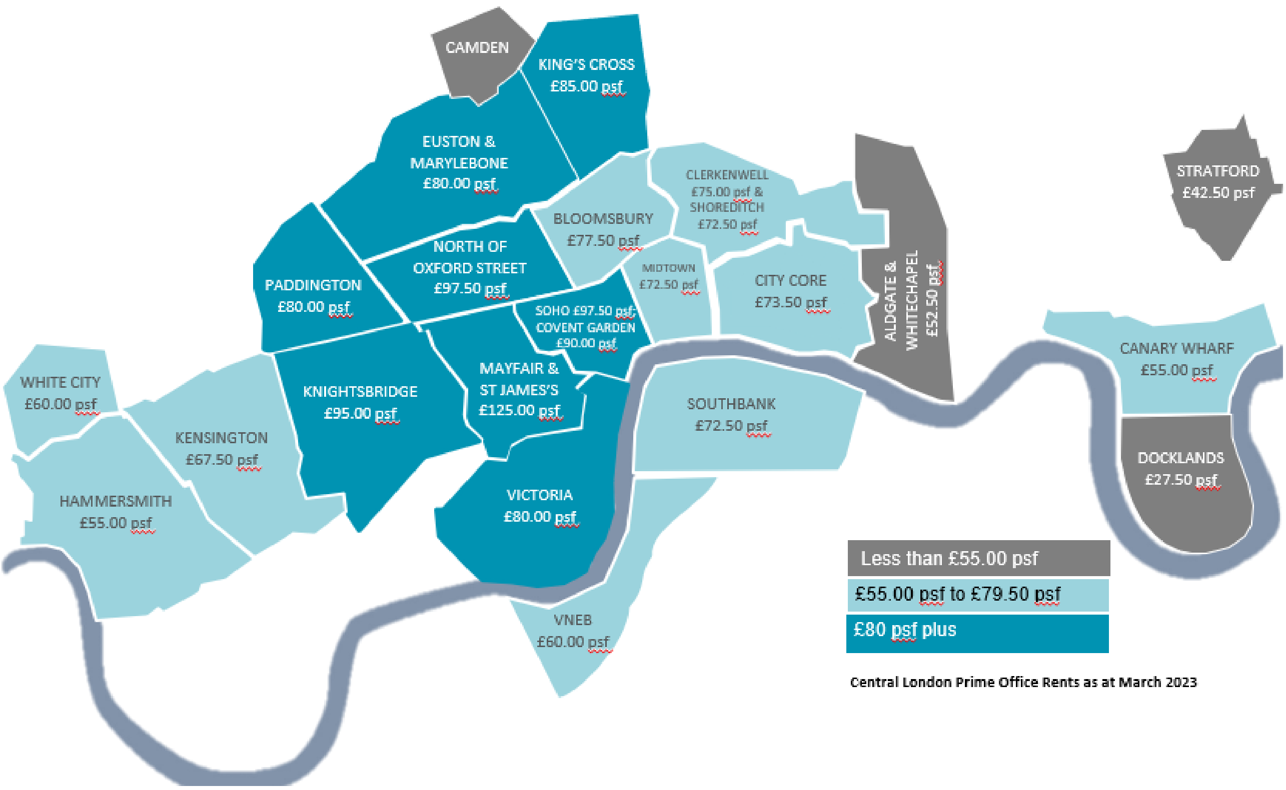
PRIME RENTS



Central London Prime Office Rents as at March 2023

Prime rents in Central London **remained stable or improved** over the quarter across all submarkets except Aldgate & Whitechapel, where a 5% reduction was noted.

Prime rents have **increased by an average of 4.1% over the last 12 months** across Central London**.**

Average annual rental change across London markets

- City – average annual change of **1.7%**
- East London – average annual change of **0.8%**
- West End – average annual change of **5.3%**

Vacancy rates increased across Central London, with a reduction noted in East London this quarter, while increases were recorded in both the City and West End markets.

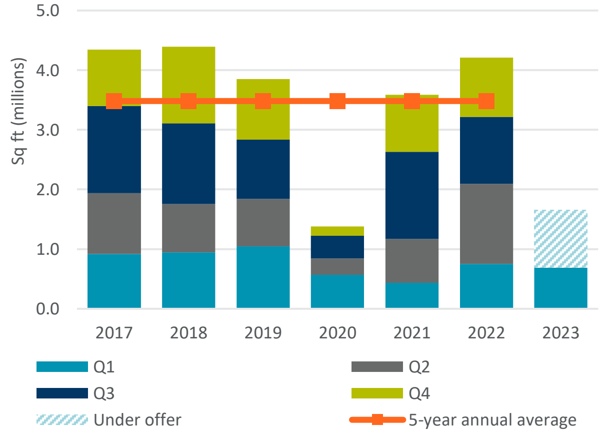
WEST END OVERVIEW

TAKE-UP

Leasing activity in the West End reduced by 31% during Q1 to 688,344 sq ft. Of this, 564,895 sq ft was for grade A space, equating to an 82% share of the quarter's volumes – the highest proportion since Q3 2018, and 14% ahead of the five-year quarterly grade A average of 497,397 sq ft.

Low Q1 take-up has resulted in a slight dip of the 12-month rolling figure, from 4.2 million sq ft at the end of 2022 to 4.1 million sq ft at the end of Q1. The equivalent figure for grade A, however, did increase by 20% on the prior quarter and 46% year-on-year to 2.7 million sq ft.

LEASING VOLUMES – 2017-2023



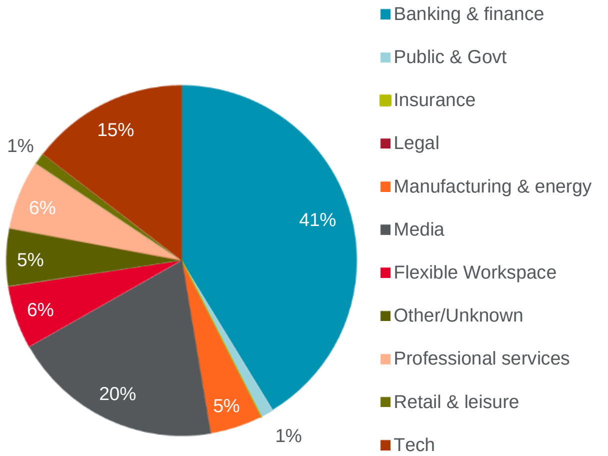
As with Q4, during Q1 only two deals in excess of 50,000 sq ft completed – Pimco's 106,087 sq ft pre-let at 25 Baker Street and Virgin's pre-let of 85,054 sq ft in Paddington Central, a scheme which will complete in 2024. There were five other pre-let transactions to conclude during Q1, while ten remain under offer, equating to 338,219 sq ft, of which around 38,000 sq ft is option space for Pimco and Virgin.

At the end of Q1, the volume of space under offer across the West End increased by 4% during the quarter to 970,612 sq ft, 62% of which is for grade A space. This was across 59 transactions, 31 of which are listed as grade A.

KEY OCCUPIER TRANSACTIONS – 2023 Q1

PIMCO	Virgin media O2	Blackstone
25 BAKER STREET, W1	PADDINGTON CENTRAL, 3 SHELDON SQUARE, W2	BERKELEY SQUARE HOUSE, BERKELEY SQUARE, W1
106,087 SQ FT	85,054 SQ FT	37,566 SQ FT
* Marylebone	* Paddington	Mayfair
Pre-let, under construction	Pre-let, under construction	New lease

TAKE-UP BY SECTOR – 2023 Q1



The Banking & Finance sector took the largest share of take-up in Q1, equating to 284,236 sq ft and made up of 14 deals, largely driven by Pimco's pre-let. The 41% market share is ahead of proportions seen in 2022 and during the last five years where around 20% has typically been noted.

Virgin's pre-let contributed to the Media sector's market share increasing to 20%, from around 5% during the last five years, equating to 133,776 sq ft.

SUPPLY

Supply in the West End increased in Q1, to 7.67 million sq ft – up by 14% during Q1 and 36% above the five-year quarterly average.

The supply of grade A space increased by a greater amount than second hand accommodation during Q1 – 24% compared with 2%, and both remain significantly above the five- and ten-year quarterly averages.

Sublease space accounts for just over 1 million sq ft, around 14% of total supply, which is broadly in line with long-term proportions.

This equated to an overall vacancy rate of 6.47% in the West End – the first time rates have exceeded 6% since 2010 – and a grade A vacancy rate of 3.81%, the highest value on record.

At the end of Q1, there were nine buildings available which could satisfy a requirement in excess of 100,000 sq ft, three of which are available as pre-lets, with these developments completing during the course of this year.

Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction

WEST END OVERVIEW

FUTURE SUPPLY

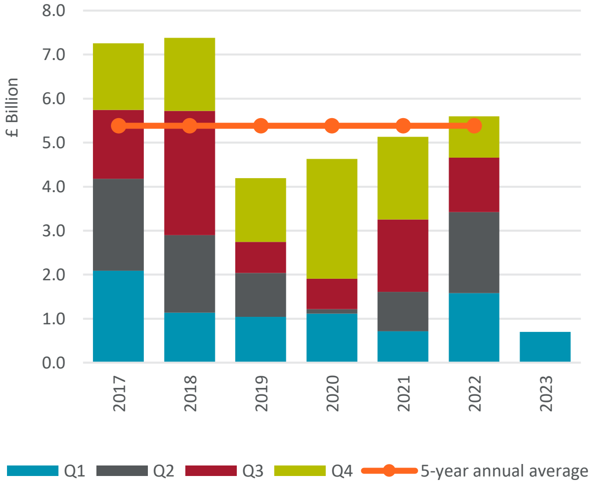
In the West End, two schemes completed in Q1 totalling 485,546 sq ft – Paddington Square, all of which was pre-let, and The Ark in Hammersmith, which is available in its entirety.

Looking ahead, there is 6.64 million sq ft currently under construction and due to deliver by 2025, and pre-lets have been secured for 31%. Over 3.25 million sq ft is due to deliver in 2023 (27% pre-let) – which is the highest figure in more than a decade.

A further 7.1 million sq ft of office space has planning permission in place but construction has not yet commenced – of this, 727,902 sq ft (10%) has been pre-let.

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



Investment volumes in the West End totalled £697.4 million in Q1 2023, a 26% reduction on the previous quarter and 56% behind the same period of 2021, and the third consecutive quarterly decline in volumes.

Just 10 transactions completed during the quarter, compared with 15 in Q4, four of which were in excess of £50 million including three with a price tag above £100 million. The average deal size of £69.74 million in Q1 was however ahead of the equivalent measure in both Q3 and Q4 2022.

The largest transaction of the quarter was GIC's acquisition of Tribeca, St Pancras Way, NW1 – a scheme that is being delivered in three phases, the first of which will complete this year.

KEY INVESTMENT TRANSACTIONS – 2023 Q1

TRIBECA, 2-6 ST PANCRAS WAY, NW1

£225 m

Purchaser:
GIC

Vendor:
Reef Group / BlackRock

27 OLD BOND STREET, W1

£140 m

Purchaser:
Private (South American)

Vendor:
Chanel

BLYTHE HOUSE, 23 BLYTHE ROAD, W14

£120 m

Purchaser:
Private

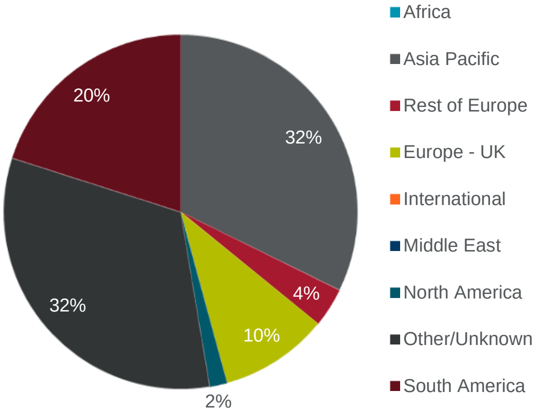
Vendor:
UK Government

Due to the low volume of transactions during the quarter, the market shares by purchaser origin were significantly skewed. GIC's purchase of Tribeca contributed in its entirety to Asia Pacific investors largest market share of 32%, and South American purchasers market share of 20% was again wholly due to the acquisition of 27 Old Bond Street, W1.

The amount of available stock on the market marginally increased in Q1 to £1.96 billion, compared with around £1.62 billion available or at bids stage at the end of Q4 2022. There was an additional £0.97 billion under offer at the end of March, a decline on the £1.22 billion recorded three months prior.

Prime yields in the West End were pushed out by 25 basis points at the end of Q1 2023 to 4.00%, reflecting a 50 basis point increase over the last 12 months.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q1



Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction

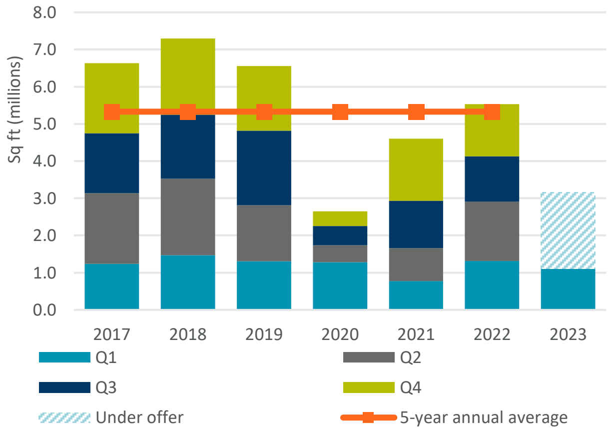
CITY OVERVIEW

TAKE-UP

In Q1, 1.1 million sq ft of leasing activity completed across the City market, reflecting a 21% decline during the quarter and 16% below the five-year quarterly average.

This led to a fall in the 12-month rolling total of 5.31 million sq ft when compared with the previous quarter, but remained ahead of the 5.14 million sq ft recorded in the 12-month to March 2022.

LEASING VOLUMES – 2017-2023



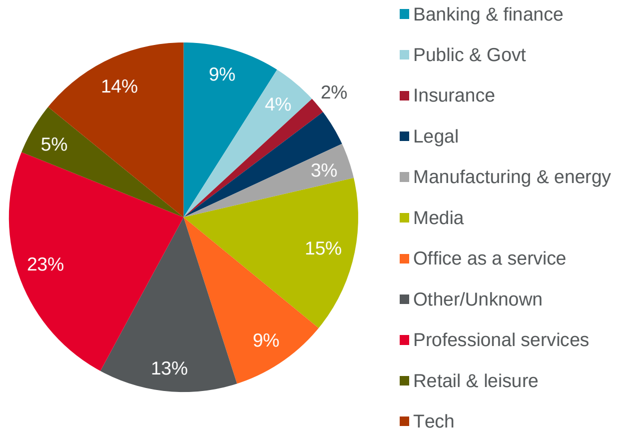
Pre-letting activity was noticeably absent in Q1, with only 222,139 sq ft completing across three transactions, including the largest deal of the quarter across Central London – the 139,404 sq ft pre-let to TikTok at Verdant, Clerkenwell. As a result, the 20% pre-let proportion recorded in Q1 was the lowest level since Q1 2013. A further 570,402 sq ft of pre-let deals are currently under offer across the City, of which over a third is option space.

Transactions within the 10,000 and 25,000 sq ft size range, totalling 545,943 sq ft and equating to 50% of take-up, increased substantially this quarter and was at it's highest level since Q1 2020.

KEY OCCUPIER TRANSACTIONS – 2023 Q1

VERDANT, 150 ALDERSGATE STREET, EC1A	THE CARTER, 11 PILGRIM STREET, EC4V	HOLBORN GATE, 330 HIGH HOLBORN, WC2
139,404 SQ FT	50,000 SQ FT	33,880 SQ FT
* Clerkenwell	City Core	Midtown
Pre-let, under construction	Pre-let, under construction	New lease

TAKE-UP BY SECTOR – 2023 Q1



The Professional Services sector took the largest share of take-up, with over 250,000 sq ft of space let in Q1. Unlike usual trends, whereby a large transaction can skew proportions, in Q1 all deals within this sector group were below 50,000 sq ft, reinforcing the importance of the mid-sized market.

TikTok's pre-let contributed largely to the increase of market share in the Media sector from c.7-10% over the last five years to 15% in Q1, totalling close to 160,000 sq ft, with two smaller deals making up the balance.

Following an active 2022 for the Legal sector, where a 28% market share was recorded during the year, just four transactions totalling 37,123 sq ft concluded in Q1. However close to 500,000 sq ft is currently under offer, of which 209,579 sq ft is option space, and will increase proportions during the year.

SUPPLY

Supply levels in the City increased once again, by 4% during the quarter to 14.87 million sq ft. This was driven by rising grade A supply, which increased by 20% to 6.84 million sq ft, while a 6% fall was recorded in the second hand market.

This equated in a rise of both the overall and grade A vacancy rate, to 10.3% and 4.74% respectively. Both rates remain at their highest levels for over a decade.

Tenant-controlled supply reduced by 9% this quarter to 3.44 million sq ft, but still remains almost three times higher than pre-pandemic levels.

During this quarter, five schemes totalling 673,357 sq ft completed across the City, with pre-lets secured for just 10% of this. This leaves over 600,000 sq ft of newly built or refurbished stock for occupiers seeking high quality office accommodation.

Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction

CITY OVERVIEW

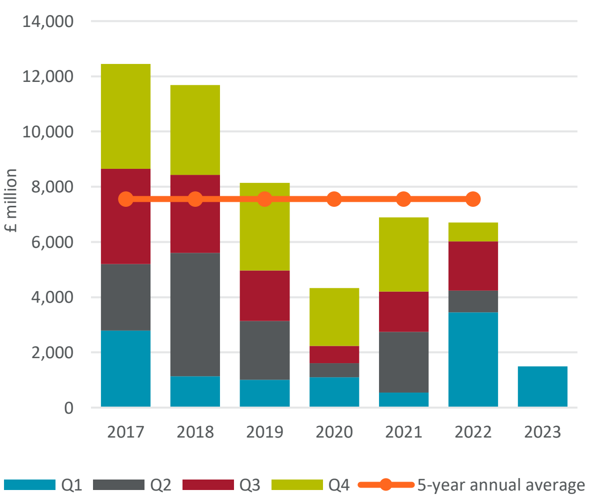
FUTURE SUPPLY

At the end of Q1, there was 6.99 million sq ft under construction across the City delivering by 2026, with pre-lets secured for 34% (2.4 million sq ft). Close to 3 million of this space is earmarked for delivery by the end of this year, and if all does deliver on time, completions will have surpassed both 2021 and 2022.

In addition to Arbor, The Northcliffe and The Forge that completed in Q1, other notable deliveries include 40 Leadenhall, 8 Bishopsgate and 22 Ropemaker Street, all located in the City Core.

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



Investment volumes across the City market increased by 120% during the quarter to £1.5 billion at the end of Q1. Excluding Q1 2022, which was bolstered by the sale of 5 Broadgate for over £1 billion, this was the largest Q1 volume since 2017 and was broadly in line with the five-year Q1 average of £1.52 billion.

Over a 12-month rolling period volumes totalled £4.75 billion and, with the exception of 2020 and 2021, the annualised volumes are at their lowest level on record.

There were 18 transactions to conclude during the quarter, four of which were in excess of £100 million. This includes City Development's purchase of St Katherine's Docks, E1 for £395 million, generating a 7.21% net initial yield, which was the largest deal of the quarter across Central London.

In addition, two other transactions in the City – 1 New Street Square and Winchester House – made up the top three largest deals across Central London.

KEY INVESTMENT TRANSACTIONS – 2023 Q1

ST. KATHERINE'S DOCK, E1

£395 m

Purchaser:
City Developments Ltd

Vendor:
Blackstone

1 NEW STREET SQUARE, EC4

£349.5 m

Purchaser:
Chinachem

Vendor:
Landsec

WINCHESTER HOUSE, LONDON WALL, EC2

£257 m

Purchaser:
Castleforge Partners / Gamuda

Vendor:
CIC / Invesco

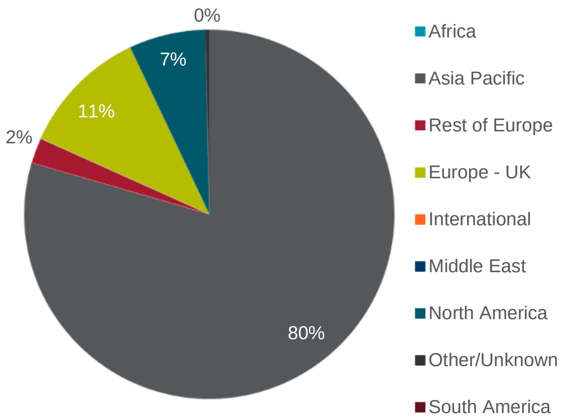
Purchasers from Asia Pacific acquired the largest volume during Q1, taking an 80% share equating to £1.19 billion across six transactions, including the top three.

UK investors remained active, with an 11% market share during Q1 (£168 millon), made up of nine transactions, the largest of which was Morgan Capital and BNF Capital's purchase of 19 Charterhouse, EC1 for £54 million.

The amount of stock on the market in the City reduced during Q1, with an estimated £2.64 billion of assets on the market, including those subject to bids. There was an additional £0.94 billion under offer at the end of March, a reduction over the last two quarters.

Prime City yields are now in the region of 4.75% at the end of Q1 due to the current headwinds that are affecting the market. This means that throughout the last 12 months, yields have increased by 100 basis points.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q1



Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction

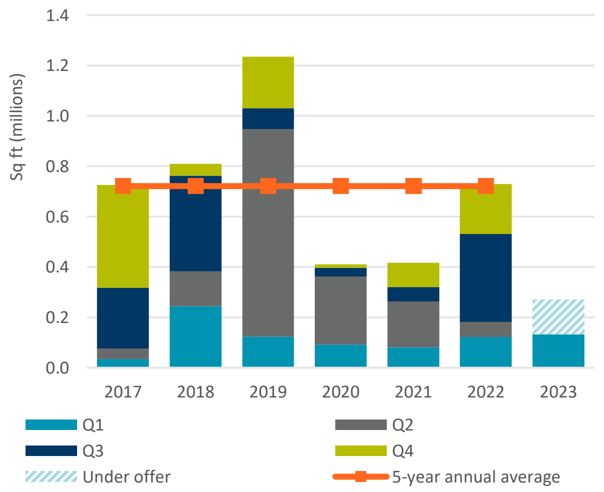
EAST LONDON OVERVIEW

TAKE-UP

Take-up for Q1 totalled 133,140 sq ft across East London. This was a 33% reduction on the prior quarter but 9% up on Q1 2022. Of the total, 92,160 sq ft was classified as grade A space, equating to a 69% proportion – the largest proportion since Q2 2021.

This took the 12-month rolling take-up figure to 740,307 sq ft, the third consecutive quarterly increase on the 12-month figure, and the large volume of annual space take-up since Q1 2020.

LEASING VOLUMES – 2017-2023



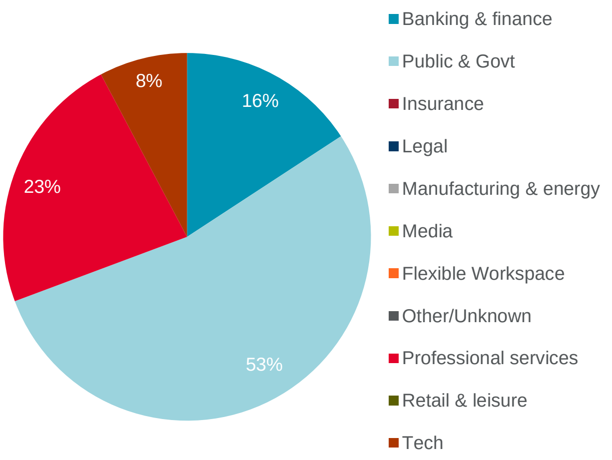
There were 9 transactions that completed in Q1, all of which were sub-30,000 sq ft. The largest – Teeside University's 26,249 sq ft letting at Here East – is the third to complete in this scheme during the last six months, totalling over 70,000 sq ft.

The average deal size equated to 14,793 sq ft across the market in Q1, a slight reduction on the average size of 18,100 sq ft recorded in Q4 2022.

KEY OCCUPIER TRANSACTIONS – 2023 Q1

Teesside University	York St John University	S P Jain School of Global Management
HERE EAST (PRESS CENTRE), WATERDEN ROAD, E20	EXPORT BUILDING (REPUBLIC), EAST INDIA DOCK ROAD, E14	EXCHANGE TOWER HX1&2, HARBOUR EXCHANGE SQUARE, E14
26,249 SQ FT	23,009 SQ FT	22,000 SQ FT
* Stratford	Docklands	Docklands
New Lease	New lease	New lease

TAKE-UP BY SECTOR – 2023 Q1



The Government & Public Services sector took the largest market share in Q1, with these occupiers acquiring a total of 71,258 sq ft, a 53% market share, and driven by the top three deals in its entirety. The Professional Services sector followed, with a 23% market share.

A further 137,776 sq ft was under offer in East London at the end of March, and if all were to complete by the end of the year, the sector splits should showcase more divergence in the occupier profile of the market.

CURRENT & FUTURE SUPPLY

East London was the only market to show a quarterly fall in supply levels. At the end of March, there was 3.99 million sq ft of supply in the market, a 3% reduction on the previous quarter but still 50% ahead of the five-year quarterly average of 2.66 million sq ft.

Grade A supply totalled 1.25 million sq ft at the end of Q1, a modest 1% reduction on the prior quarter but up by 35% year-on-year. However, with no completions across the market since Q3 2021, newly built stock remains extremely limited.

That being said, At the end of March, 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.

Second-hand units continue to dominate availability in East London, despite reducing in Q1, and account for 2.74 million sq ft (69%) of total supply.

Tenant-controlled supply remains a key attribute of the market, with 1.94 million sq ft available at the end of Q1, broadly unchanged from the prior quarter.

Where asterisk (*) is shown, Cushman & Wakefield advised on the transaction

CONTACT

RESEARCH & INSIGHT CONTACTS

HEENA GADHAVI
Associate Director,
UK Research and Insight

+44 (0)20 3296 2037
heena.gadhavi@cushwake.com

DARYL PERRY
Partner, Head of UK
Research and Insight

+44 (0)20 3296 2124
daryl.perry@cushwake.com

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 relates 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**