CENTRAL LONDON REPORT

MARKETBEAT – Q2 2023

CUSHMAN & WAKEFIELD

SUMMARY

A total of 1.82 million sq ft was transacted across Central London during Q2 2023. This was 5% below leasing totals in Q1, and 21% behind the five-year quarterly average.

This took take-up for the first half of the year to 3.74 million sq ft, a 28% reduction on the corresponding period of 2022 and 9% behind the five-year H1 average.

However, while overall half year take-up is down, the flight to high quality office space continues, with grade A volumes actually increasing. In H1 2023, 2.44 million sq ft of grade A space was leased, taking a 65% share of total take up. This was 2% above grade A leasing volumes in H1 2022, and 7% ahead of the five-year grade A H1 average of 2.28 million sq ft.

The City market accounted for 61% of total activity in H1 2023, with the West End taking a 33% market share and the remainder allocated to East London.

There was an absence of deals over 100,000 sq ft across the market, with only two completing during the first half of the year, both in Q1. The largest deal of Q2 was Goodwin Proctor's 89,449 sq ft new lease in Sancroft, EC1, an asset that was also acquired by Mitsui Fudosan in Q2 for £315 million.

Supply levels increased once again during Q2 to 27.21 million sq ft, which equates to a vacancy rate of 9.45% - its highest level since 2004. Although rising, the rate of growth is beginning to slow, and supply is now thought to be close to, or already at, its peak.

Newly built and refurbished stock accounts for 51% of total supply at the end of Q2, equating to 13.13 million sq ft, a 10% quarterly increase. As a result, the grade A vacancy rate increased to 4.84%.

> "Prime rent increases were noted in both the City and West End, however premium values above these levels are increasingly being recorded in well-located and amenity rich locations."

In Q2, £1.6 billion transacted across Central London, a 29% decline on the prior quarter and almost half of the five-year quarterly average of £3.05 billion.

This took annualised investment volumes to £8.5 billion, 48% down on both the same period of 2022 and the ten-year rolling annual average of £16.3 billion. This is also the second lowest total on record, just marginally ahead of the £8.1 billion recorded in Q2 2021.

In Q2, the West End was the most active market, with £1.11 billion completing across 27 deals, while 10 deals totalling £473.6 million traded in the City with the remaining £18.5 million recorded for East London.

Across the market, domestic purchasers were the most active in Q2, taking a 33% market share, however when looking across H1 as a whole, the share reduced to 21%, overtaken by Asia Pacific investors who were involved in almost half of deals so far this year.

Prime office yields in the City market softened by about 25 basis points in Q2 to 5.00%, the fourth consecutive rise, while yields in the West End were unchanged at 4.00%.

1.82 million sq ft leased in central London during Q2 2023

21% below the five-year quarterly average

119

Number of transactions signed in Q2 2023

246 deals signed for the first half of the year, of which 87% were for sub-25,000 sq ft units

3.55 million sq ft under offer across the market at the end of June

19% above the five-year quarterly average

14.39 million sq ft under construction across the market

33% is pre-let or under offer

Investment volumes totaled £1.61 billion in Q2 2023

£8.51 billion transacted in the last 12-months

Prime yields across Central London

City: **5.00%** West End: **4.00%**

OUTLOOK

The UK's macroeconomic outlooks continues to remain cautious, despite some improvement in leading indicators. While GDP forecasts continue to adjust from quarter to quarter, it is widely expected that the UK will avoid a recession completely in 2023. Over the next five years, GDP growth is likely to be limited in both London and across the UK. This, together with high inflation, despite this measure falling in recent months, and rising interest rates, will continue to impact occupiers and landlords in the market.

The Central London occupational market has held up well over the last 12-months, with the very best schemes across the market leasing well. As a result, there is diminishing supply of the best quality space, creating a three tier market between premium assets, where rental values are accelerating at pace, prime supply and the rest of the market, where secondary and tertiary stock sits.

Leasing activity for the 12-months to Q2 2023 totalled 9.02 million sq ft, falling below 10 million sq ft for the first time since Q1 2022. There were 119 deals completed in Q2, taking deal numbers for the first half of the year to 246, equating to 3.74 million sq ft.

Whilst talk of a flight to quality office assets has been around for some time, the data for the first half of the year is now showing clear signs of this emerging. Across Central London, 65% of H1 2023 take-up was for grade A space, equating to 2.44 million sq ft. This compares against proportions of between 50-60% seen over the last five years. Furthermore, while overall H1 take-up was down by 9% on the five-year H1 average, grade A take-up was 7% above the five-year H1 grade A average.

The diminishing supply of the very best quality space is increasingly putting pressure on rental values, and this has accelerated particularly over the last two years. For investors, these buildings as well as those that offer value add opportunities are the most sought after and all the positive signs facing the occupational market remains encouraging to investors.

In the 12 months to Q2 2023, £8.5 billion has traded across the market, almost half the value on both where the market was at this time last year and on the ten-year rolling annual average of £16.3 billion. Interestingly, of the top ten deals so far this year, five assets have been acquired for conversion to alternative use.

In the City, there remains continued buyer demand for well-priced investments with a number of investors seeking to deploy capital at the currently attractive yield levels. However, there is still a mismatch in vendor and purchaser pricing aspirations, ultimately resulting in lower transaction volumes. As such the prime City yield has been pushed out for the fourth consecutive quarter to 5% at the end of Q2.

Smaller lot sizes in the West End, where investors can buy with all equity and are thus less affected by debt, are trading at resilient pricing levels and more deals have traded as a result. Prime yields here remained unchanged during Q2 at 4%, and although high when compared to recent years, comparing this pricing to that of the GFC in 2009, where yields peaked at 6%, the market is still in a relatively good place.

> "The best quality and well-located office assets remain highly sought after – both for occupiers and investors – as are those that offer value add opportunities."

-0.20% Projected Inner London GDP growth in 2023

0.36% Projected Inner London GDP growth in 2024

0.48% Projected UK GDP growth in 2023

0.88% Projected UK GDP growth in 2024

Source: Moody's Analytics (June 2023)

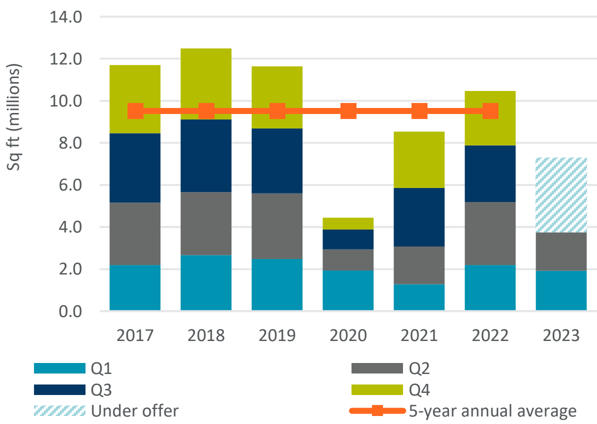
CENTRAL LONDON OVERVIEW

TAKE-UP

In Q2 2023, 1.82 million sq ft of take-up was recorded across Central London – the fourth consecutive quarterly decline – of which 64% was classified as grade A.

This took volumes for the first half of the year to 3.74 million sq ft, a 9% reduction on the five-year H1 average. However, whilst the overall take-up was down, grade A take-up for the same period totalled 2.44 million sq ft (65% market share), up by 7% on the five-year H1 grade A average, signifying a clear move of occupiers seeking high-quality offices.

LEASING VOLUMES – 2017-2023



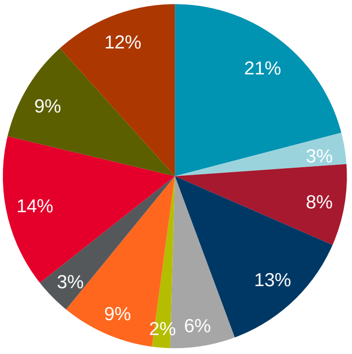
The City market took the largest share of H1 leasing volumes, with 2.3 million sq ft trading (58% grade A), while the West End's 1.25 million sq ft accounted for a third of take-up in H1, of which 78% was for grade A space. The latter is the highest grade A proportion for the West End on record.

There is a clear increase in activity at the smaller end of the market, with deals below 25,000 sq ft taking a 54% market share in Q2 2023, increasing to 60% during H1 – ahead of proportions seen prior to the pandemic and a continuation of trends noted during 2022.

KEY OCCUPIER TRANSACTIONS – 2023 Q2

GOODWIN	CHANEL	PIC
SANCROFT, PATERNOSTER SQ, EC4	BERGER HOUSE, 36-38 BERKELEY SQ, W1	22 ROPEMAKER, EC2
89,449 SQ FT	86,000 SQ FT	66,818 SQ FT
City Core	Mayfair	* City Core
New lease	Pre-let, under construction	Pre-let, under construction

TAKE-UP BY SECTOR – 2023 Q2



The Banking & Finance and Professional Services sectors continues to hold the largest market shares, of 21% and 14% respectively, in Q2 2023 – which is broadly aligned to long term proportions.

The Legal and Insurance sectors recorded the largest average deal size in Q2, of 33,224 sq ft and 27,880 sq ft respectively. This was bolstered by Goodwin Proctor's 89,449 sq ft new lease, PIC pre-letting 66,818 sq ft and Dentons pre-let of 66,372 sq ft – all of which took place in the City Core.

In the Media sector, which saw elevated levels of take-up in Q1 due to two large deals by TikTok and Virgin Media, market share has reduced to just 2% in Q2, totalling 30,855 sq ft across five deals, all of which were below 10,000 sq ft.

As at the end of Q2, there was 3.55 million sq ft under offer across the market, of which 74% is for grade A space. At present, where the occupier is known, the Banking & Finance sector has the largest market share, due to HSBC going under offer for close to 530,000 sq ft in a new City development, and this will significantly increase the sector's market share upon completion.

SUPPLY

Supply across Central London increased to 27.21 million sq ft at the end of June, up by 3% during the quarter and 45% above the five-year quarterly average. Although rising, the pace of growth is beginning to reduce, and as the available supply for schemes delivering this year is now accounted for, supply levels are thought to have reached their peak.

The vacancy rate increased to 9.45% in Q2 – on par with rates in 2003, which was another high development year – while the Q2 grade A vacancy rate of 4.84% remains the highest on record. Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 3.36 years of demand, a slight reduction on the prior quarter, and 3.08 years of supply to satisfy grade A demand.

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

CENTRAL LONDON OVERVIEW

FUTURE SUPPLY

During H1, 2.51 million sq ft of office space completed across the market, of which 51% was pre-let. Q2 completions included 8 Bishopsgate, where 550,765 sq ft was delivered, the 202,000 sq ft completion of Building S3 in King's Cross, all of which was pre-let by Meta in 2021, and the completion of N2 in Victoria where 83% of the 162,266 sq ft development is pre-let or under offer.

At the end of the quarter, there was 14.39 million sq ft under construction and due to deliver by 2028. Approximately 5.41 million sq ft is earmarked for delivery during the second half of 2023, of which 29% is pre-let, with a further 4.26 million sq ft delivering in 2024, and 4.09 million sq ft completing in 2025.

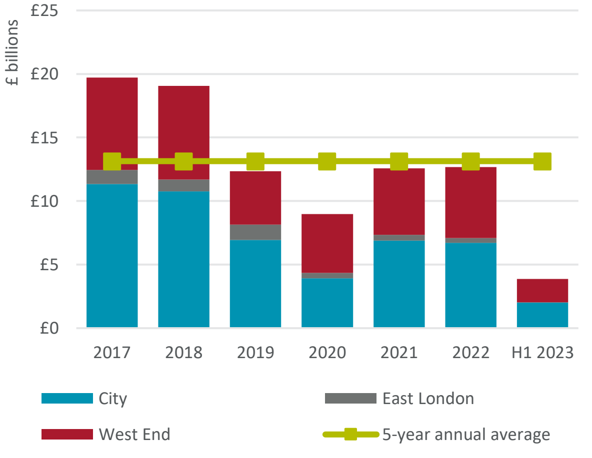
INVESTMENT

Investment volumes across Central London totalled £1.61 billion in Q2, a fall of 29% on Q1 2023 and down by 47% on the five-year quarterly average of £3.05 billion.

The West End market accounted for 69% of Q2 volumes across 27 deals, with 30% allocated to the City across 10 deals and the remaining £18.5 million (1 deal) trading in East London.

On a 12-month rolling basis, this takes investment across the market to £8.5 billion – 48% down on both the same period last year and the ten-year rolling annual average of £16.3 billion. Outside of the pandemic, when £8.1 billion was recorded in the 12-months to Q1 2021, this is now the smallest investment market we have seen over the last decade.

INVESTMENT VOLUMES – 2017-2023



There were 38 deals to complete in Q2, of which five were over £100 million – four in the West End and one in the City. The largest was Mitsui Fudosan's acquisition of Sancroft, EC1 for £315 million, followed by Hines's £130 million purchase of Film House in the West End.

KEY INVESTMENT TRANSACTIONS – 2023 Q2

SANCROFT, PATERNOSTER SQ, EC4

£315 m

Purchaser:
Mitsui Fudosan

Vendor:
Shimao Group Holdings

FILM HOUSE, WARDOUR STREET, W1

£130 m

Purchaser:
Hines

Vendor:
WeWork Investors

32-33 OLD BOND STREET, W1

£105 m

Purchaser:
Swatch Group

Vendor:
Kering

In the 12-months to Q2 2023, 146 deals have taken place across Central London, and to put this into context, this compares with 390 deals in the 12-months to Q1 2014 – a market peak – 177 deals before the pandemic hit the market in Q4 2019 and 120 deals in Q1 2021 – the market's lowest point.

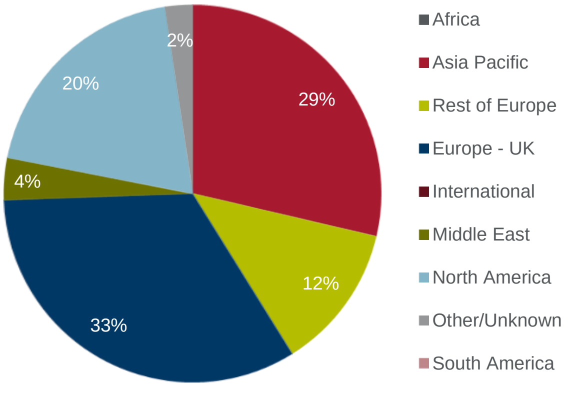
On annualised basis, the average lot size has now shifted since just before and during the pandemic, falling from £69.7 million in Q4 2019, to £66.8 million Q1 2021 to £58.3 million in Q2 2023.

Purchasers from the UK were the dominant source of capital during Q2, accounting for a third of total turnover, equating to £535 million across 20 transactions.

As at the end of June 2023, there was £6.31 billion available or at bids stage across Central London, with a further £2.01 billion under offer. This is up on the £4.84 billion and £1.91 billion, respectively, recorded at the end of Q1 2023.

Prime yields softened by a further 25 basis points during the quarter to 5.00% in the City, while West End yields were unchanged at 4.00%. The gap between the prime yields in both markets is now at its widest point since Q1 2017.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q2



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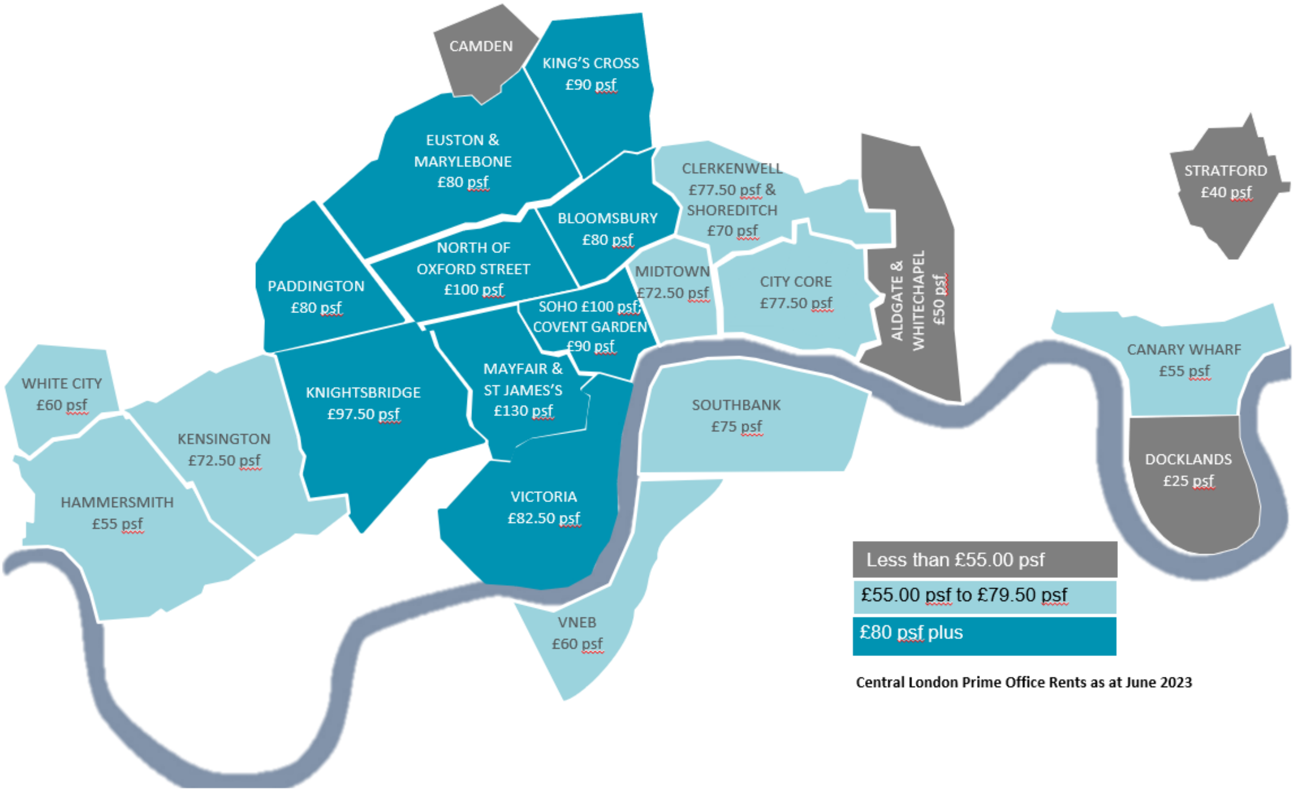
PRIME RENTS



Central London Prime Office Rents as at June 2023

Prime rents in Central London **remained stable or improved** over the quarter across most submarkets except Aldgate & Whitechapel (-5%), Shoreditch (-3%), Docklands (-9%) and Stratford (-6%) where reductions were recorded.

Prime rents have **increased by an average of 4.6% over the last 12 months** across Central London**.**

Average annual rental change across London markets

- City – average annual change of **0.6%**
- East London – average annual change of **-3.6%**
- West End – average annual change of **6.9%**

The Central London vacancy rates increased marginally during the quarter, with a further reduction noted in East London this quarter, while increases were recorded in both the City and West End markets.

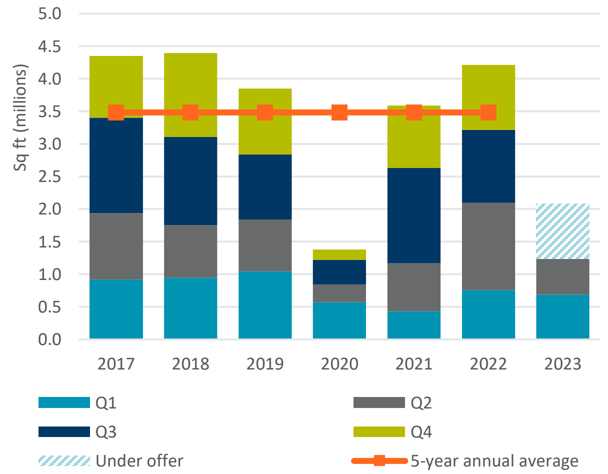
WEST END OVERVIEW

TAKE-UP

Leasing activity in the West End totalled 549,321 sq ft in Q2, taking volumes for the first half of the year to 1.24 million sq ft. Of this, 78% was for grade A space – the highest proportion on record – equating to 961,576 sq ft. Whilst overall H1 take-up was down by 14% on the five-year H1 average, grade A take-up was 21%.

Leasing volumes for the last 12-months totalled 3.35 million sq ft, 3% below the five-year rolling average. The equivalent figure for grade A equated to 2.2 million sq ft in Q2, 12% ahead of the five-year average of 1.97 million sq ft.

LEASING VOLUMES – 2017-2023



Large transactions have been limited during the first half of this year, with just three deals over 50,000 sq ft completing, one of which was in Q2 – Chanel's pre-let of 38 Berkeley Square in Mayfair (86,000 sq ft), where premium rents have been recorded.

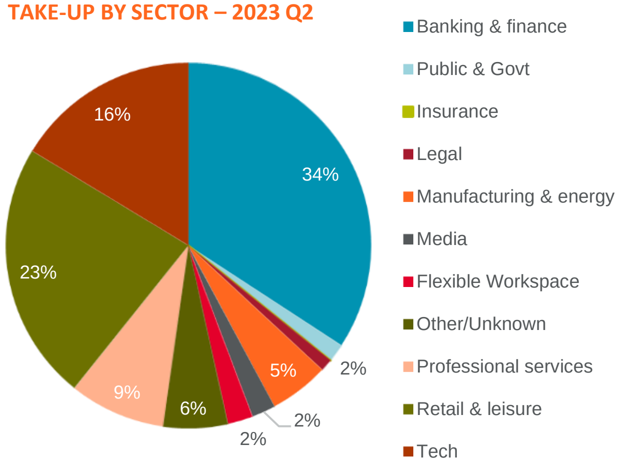
At the end of Q2, the volume of space under offer across the West End reduced by 13% during the quarter to 841,048 sq ft, 49% of which is for grade A space. This was across 62 transactions, 28 of which are listed as grade A.

KEY OCCUPIER TRANSACTIONS – 2023 Q2

CHANEL	Confidential	3i
BERGER HOUSE, 38 BERKELEY SQUARE, W1	LUCENT, 1 SHERWOOD STREET, W1	1 KNIGHTSBRIDGE, SW1
86,000 SQ FT	49,385 SQ FT	48,803 SQ FT
Mayfair	* Soho	Knightsbridge
Pre-let, under construction	Pre-let, under construction	New lease

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

TAKE-UP BY SECTOR – 2023 Q2



The Banking & Finance sector once again took the largest share of take-up in Q2, equating to 187,981 sq ft in large driven by two deals which made up half of this total. The 34% market share is ahead of proportions seen during the last five years where around 17% has typically been noted.

Chanel's pre-let contributed to the Retail & Leisure sector's market share increasing to 23%, from around 8% during the last five years, equating to 125,865 sq ft.

The Technology sector is also seeing increased activity in terms of market share, although the quantum of space trading has reduced on the prior quarter, with eight deals totalling 89,780 sq ft completing in Q2

SUPPLY

Supply in the West End in Q2 increased for the second consecutive quarter to 8.21 million sq ft – up by 7% during the quarter and 42% above the five-year quarterly average.

This was due to an increase in grade A supply, which went up by 12% quarter-on-quarter, while second hand supply reduced by 1%. Both grades of supply do however remain above the five- and ten-year quarterly averages.

There is 1.07 million sq ft of sublease space available within the West End, accounting for 13% of total supply, remaining broadly in line with long-term proportions.

This resulted in an increase of the overall vacancy rate to 6.89% in the West End, however like the whole Central London market, the rate of increase is beginning to slow. A grade A vacancy rate of 4.26% has been recorded for Q2, once again the highest on record.

At the end of Q2, there were twelve buildings available which could satisfy a requirement in excess of 100,000 sq ft, six of which are available as pre-lets, with these developments completing this year.

WEST END OVERVIEW

FUTURE SUPPLY

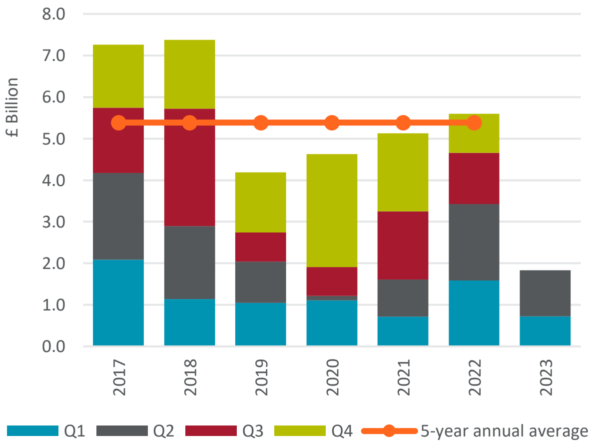
In the West End, eight schemes have completed so far in 2023, totalling 1.13 million sq ft, 70% of which was pre-let. Notable completions in Q2 include Building S3 in King's Cross (201,680 sq ft pre-let by Meta in 2021), N2 in Victoria (162,266 sq ft with 83% pre-let or under offer) and 1 Wood Crescent in White City (114,365 sq ft with 44% pre-let).

Looking ahead, there is 6.43 million sq ft currently under construction and due to deliver by 2025, 29% of which has been pre-let. A further 2.51 million sq ft is due to deliver this year (39% pre-let) and 2.24 million sq ft in 2024 (35% pre-let).

A further 4.4 million sq ft of office space has planning permission in place but construction has not yet commenced – of this, 800,940 sq ft (18%) has been pre-let.

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



Investment volumes in the West End totalled £1.11 billion in Q2 2023, a 54% increase on the previous quarter but 40% behind the same period of 2022.

There were 27 transactions to complete during the quarter, compared with 11 in Q1, seven of which were in excess of £50 million including four with a price tag above £100 million. Despite the increase in quarterly volumes, the average deal size of £41.22 million in Q2 was behind the £69.74 million recorded in Q1.

On a 12-month rolling basis, £4 billion has traded in the West End, which is the smallest marketplace outside of the pandemic affected period.

The largest transaction of the quarter was Hines's purchase of Film House, W1 for £130 million – also the third largest deal for the year to date.

KEY INVESTMENT TRANSACTIONS – 2023 Q2

FILM HOUSE, WARDOUR STREET, W1

£130 m

Purchaser: Hines

Vendor: WeWork Investors

32-33 OLD BOND STREET, W1

£105 m

Purchaser: Swatch Group

Vendor: Kering

77 GROSVENOR STREET, W1

c.£100 m

Purchaser: Brookfield

Vendor: Private

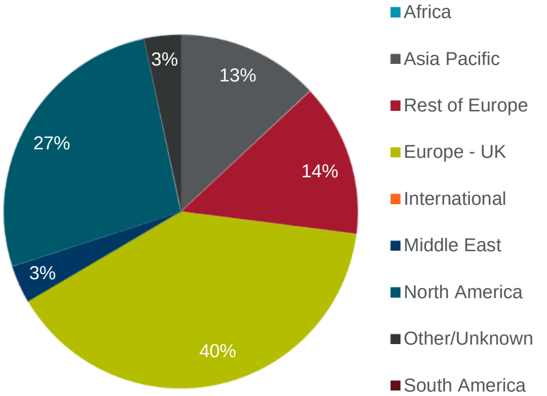
Domestic purchasers were the most acquisitive in Q2, acquiring £440.2 million of assets across 13 transactions in the West End and taking a 40% market share. Of the 13 deals, all except two deals were for lot sizes below £50 million.

Private investors were also very active, involved in close to half of all West End deals that completed in Q2, and taking a 38% market share for the half year.

The amount of stock available or at bids stage in the market increased once again, from £1.96 billion in Q1 to £2.84 billion at the end of Q2. The was also an additional £0.9 billion under offer, declining for the second consecutive quarter.

Prime yields in the West End were unchanged at 4.00% in Q2 2023 reflecting a 50 basis points increase over the last 12 months.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q2



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

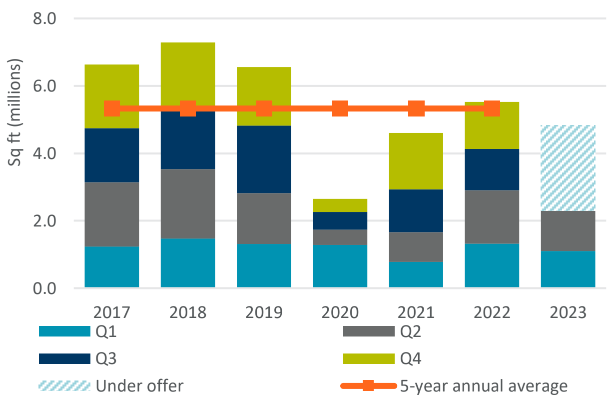
CITY OVERVIEW

TAKE-UP

In Q2, 1.2 million sq ft of leasing activity completed across the City market, reflecting a 9% increase during the quarter but was 6% below the five-year quarterly average.

This took take-up for the first half of the year to 2.3 million sq ft, which was 1% ahead of the five-year H1 average. Of this, 58% was for grade A office space, equating to 1.33 million sq ft, 8% above the five-year H1 grade A average.

LEASING VOLUMES – 2017-2023



Deals over 100,000 sq ft were noticeably absent during the first half of the year, with just one trading in Q1 – TikTok's pre-let at Verdant. Goodwin Proctor were the occupier taking the largest volume of space in Q2, leasing 89,449 sq ft at Sancroft, EC4, a building which was acquired by investor Mitsui Fudosan in Q2.

Pre-letting activity has also slowed in comparison to prior years. Just 378,354 sq ft has been pre-let so far in 2023, accounting for 16% of take-up for the City market.

At the end of Q2, there was 2.53 million sq ft under offer across the City market, including HSBC going under offer for close to 530,000 sq ft at Panorama, 81 Newgate, EC1, which was a large contributor to grade A accounting for 84% of the total.

KEY OCCUPIER TRANSACTIONS – 2023 Q2

GOODWIN	PIC	DENTONS
SANCROFT, PATERNOSTER SQUARE, EC4	22 ROPEMAKER, EC2	1 LIVERPOOL STREET, EC2
89,449 SQ FT	66,818 SQ FT	66,372 SQ FT
City Core	* City Core	City Core
New lease	Pre-let, under construction	Pre-let, under construction

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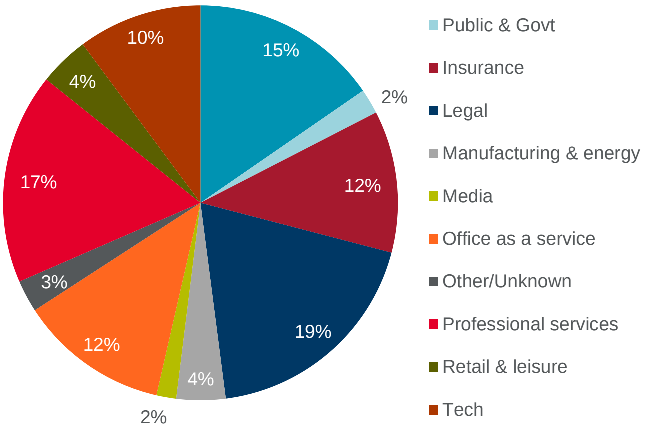
TAKE-UP BY SECTOR – 2023 Q2



The City market has a more even distribution of sectors when compared with the West End and East London in Q2. The Legal, Professional Services and Banking & Finance sectors took the largest market shares of 19%, 17% and 15% respectively in Q2.

Activity in the Legal sector has continued strongly, following on from the success of 2022 for the sector, with Goodwin Proctor and Dentons among the largest deals for both the quarter and so far this year.

Following TikTok's pre-let in Q1, which saw the market share of the Media sector increase to 15% during the quarter, activity has fallen away in Q2, with just 19,376 sq ft leased by three occupiers.

There remains a high volume of space under offer across the market, in particular close to 700,000 sq ft in the Banking & Finance sector (primarily due to HSBC) and 446,000 sq ft attributed to the Legal sector, which will further increase market shares for these sectors if the deals complete.

SUPPLY

Supply levels in the City increased for the fourth consecutive quarter to 15.18 million sq ft, up by 2% on Q1 and 49% above the five-year quarterly average. This was driven by rising grade A supply, which increased by 11% during the quarter to 7.63 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 10.46% and 5.26% respectively. Both rates remain at their highest levels for over a decade.

Tenant-controlled supply reduced by 11% this quarter to 3.05 million sq ft and accounts for 20% of total supply, however the volume of space still remains almost three times higher than pre-pandemic levels.

So far this year, 1.37 million sq ft of office space has completed across the City market, with pre-lets secured for 36% of this, including 550,000 sq ft at 8 Bishopsgate.

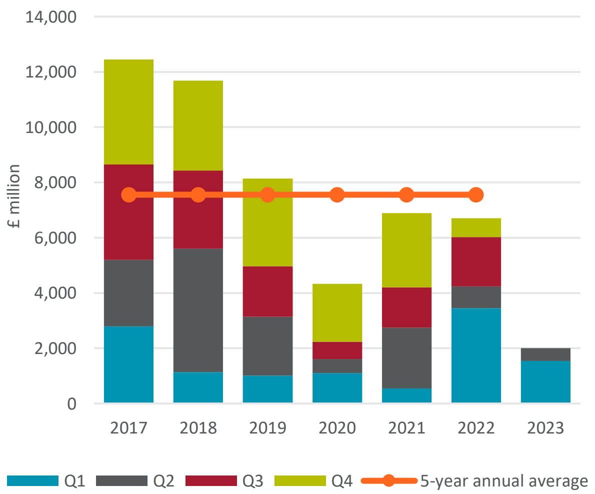
FUTURE SUPPLY

At the end of Q2, there was 6.97 million sq ft under construction across the City delivering by 2026, with pre-lets secured for 43% (2.97 million sq ft). Approximately 2.23 million of this space is earmarked for delivery by the end of this year (51% pre-let) and if all does deliver on time, completions will have surpassed both 2021 and 2022.

Notable developments due to complete this year include 40 Leadenhall (858,000 sq ft with 63% pre-let or under offer) and 22 Ropemaker Street (419,000 sq ft all pre-let).

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



In the City market, investment volumes fell by 69% during the quarter to £473.6 million in Q2 – the lowest quarterly total since Q3 2020, and excluding the pandemic, the lowest on record.

Over a 12-month rolling period volumes totalled £4.48 billion across 69 transactions – with the exception of 2020 and 2021, the annualised volumes are both at their lowest level on record.

This took the average deal size on an annualised basis to £64.95 million in Q2 2023, 10% ahead of Q1 2023 but 11% below the ten year average deal size of £73.15 million.

Just 10 transactions completed during the quarter, only one of which was in excess of £100 million – Mitsui Fudosan's acquisition of Sancroft, EC1 for £315 million. A further five transactions between £10 and £50 million completed in Q2, with the remaining below £10 million.

KEY INVESTMENT TRANSACTIONS – 2023 Q2

SANCROFT, PATERNOSTER SQ, EC4

£315 m

Purchaser:
Mitsui Fudosan

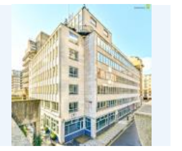
Vendor:
Shimao Group Holdings

216-220 BLACKFRIARS ROAD, SE1

£44.5 m

Purchaser:
JTRE

Vendor:
Southwark Charities



45 BEECH STREET, EC2

£35 m

Purchaser:
HUB Capital & Bridges Fund Management

Vendor:
Business Environment Group

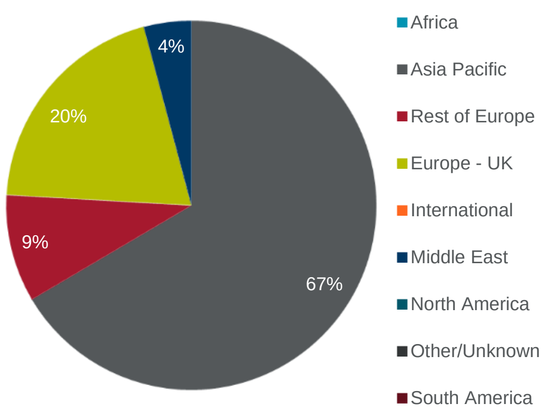
Purchasers from Asia Pacific acquired the largest volume during Q2, taking a 67% market share, however this was entirely due to Mitsui's acquisition of Sancroft.

UK investors remained active, with market share increasing from 11% in Q1 to £20% in Q2 across seven deals totalling £94.5 million. The largest domestic deal was HUB Capital and Bridges Fund Management's purchase of 45 Beech Street, EC2 for £35 million, acquired from a UK based vendor.

The amount of stock on the market in the City increased during Q2, with an estimated £3 billion of assets on the market, including those subject to bids. There was an additional £0.98 billion under offer at the end of June, marginally increased on the prior quarter.

Prime City yields went up by 25 basis points to 5.00% at the end of Q2 due. This means that yields have increased by 125 basis points since Q2 last year.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q2



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

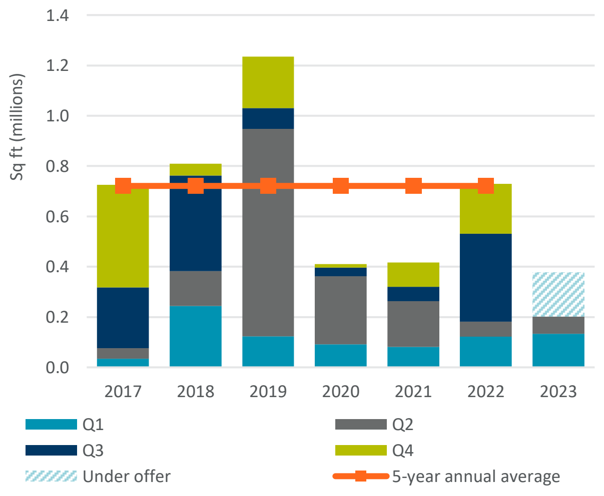
EAST LONDON OVERVIEW

TAKE-UP

Take-up for Q2 totalled 68,838 sq ft across East London, almost half the volume recorded in the prior quarter but 16% up on Q2 2022. This took leasing volumes for the first half of the year to 201,978 sq ft, 11% above H1 2022 but down by 47% on the five-year H1 average of 391,379 sq ft.

Of the H1 total, grade A space accounted for 72% equating to 145,816 sq ft and driven by the five largest deals to complete, all of which were for newly built or refurbished space.

LEASING VOLUMES – 2017-2023



There were five transactions to completed in Q2 and fourteen during H1, all of which were sub-30,000 sq ft. In Q2, BP's 24,506 sq ft letting at Cargo in Canary Wharf was the largest to complete and the final available floor has just been take in July, taking the building to full occupancy.

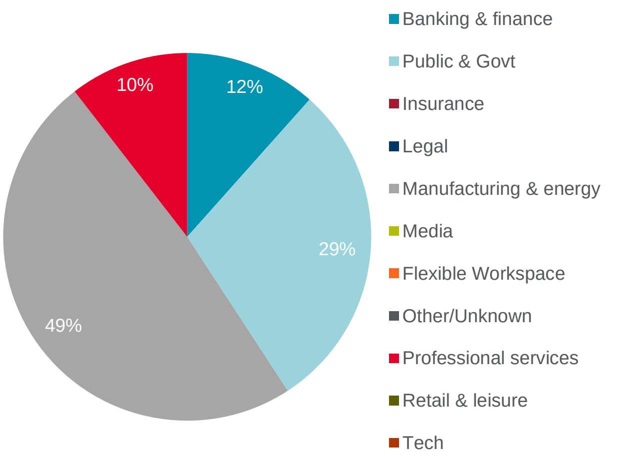
The average deal size for Q2 equated to 13,768 sq ft across the market, a slight reduction on the average size of 14,793 sq ft recorded in Q1 2023.

KEY OCCUPIER TRANSACTIONS – 2023 Q2

CARGO, 25 NORTH COLANNADE, E14	40 BANK STREET, E14	5 CHURCHILL PLACE, E14
24,506 SQ FT	20,112 SQ FT	9,038 SQ FT
* Canary Wharf	Canary Wharf	Canary Wharf
New Lease	New lease	New lease

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

TAKE-UP BY SECTOR – 2023 Q2



The Manufacturing & Energy sector took the largest market share in Q2, with two occupiers acquiring a total of 33,544 sq ft, a 49% market share. The Public & Government sector followed, with a 29% market share due entirely to HCA International taking space at 40 Bank Street, Canary Wharf.

At the end of June, there was 175,668 sq ft under offer in East London, a 28% increase on the prior quarter, with grade A office space accounting for 57% of the total.

CURRENT & FUTURE SUPPLY

East London was once again the only market to show a quarterly fall in supply levels. At the end of June, there was 3.82 million sq ft of supply in the market, a 4% reduction on the previous quarter but still 39% ahead of the five-year quarterly average of 2.75 million sq ft.

Grade A supply totalled 1.22 million sq ft at the end of Q2, a 3% reduction on the prior quarter but up by 38% 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 June, 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 Q2, and account for 2.6 million sq ft (68%) of total supply.

Tenant-controlled supply remains a key part of the market, with 1.83 million sq ft available at the end of Q2, a 6% reduction on the prior quarter.

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 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**