CENTRAL LONDON REPORT

MARKETBEAT – Q3 2023

CUSHMAN & WAKEFIELD

SUMMARY

Leasing activity across Central London increased during Q3 to 2.56 million sq ft, up by 41% on Q2 and 14% ahead of the five-year quarterly average of 2.24 million sq ft. Grade A take-up accounted for 71% of the total, equating to 1.82 million sq ft.

This took take-up for the first nine months of the year to 6.29 million sq ft, a 20% reduction on the corresponding period of 2022 and 4% behind the five-year H1 average.

While overall Q1-Q3 take-up is down, take-up of grade A space remains robust. For the first nine months of 2023, 4.26 million sq ft of grade A space was leased, representing 68% of total take up. This was 22% above grade A leasing volumes for the corresponding period last year, and 14% ahead of the five-year grade A Q1-Q3 average of 3.75 million sq ft.

The City market accounted for 64% of leasing volumes in Q3 2023, with the West End taking a 29% market share and the remainder allocated to East London. When looking across the year so far, proportions adjusted marginally to 62% and 31% respectively.

In addition to the increase in leasing activity, the volume of space under offer has also risen once more, by 3% during the quarter to 3.67 million sq ft (76% grade A). Whilst not all of this space will complete in Q4, it does provide an indication of where take-up levels may reach by the year-end.

Supply levels increased by 0.8% in Q3 to 27.43 million sq ft, equating to a vacancy rate of 9.50%. Although still rising, the rate of growth has slowed for the second consecutive quarter. Reductions were recorded in both the City and East London markets during Q3, whilst supply in the West End increased. The rise does however mask differences between submarkets, with some non-core locations seeing supply increase, while some core submarkets like Mayfair and St James's recorded reductions.

"While overall supply levels rose in Q3, albeit at a slower pace than in previous quarters, there are differences within submarkets, increases in non-core locations pushing overall levels up."

In Q3, £1.22 billion of offices transacted across Central London, a 24% decline on Q2 and 57% below the five-year quarterly average of £2.83 billion.

This took annualised investment volumes to £6.7 billion, 59% down on 12-months prior and also the ten-year rolling annual average of £16.1 billion.

The City market was the most active in Q3, with £868.7 million trading (72% market share) and driven by three deals over £100 million – the largest being the sale of Bloom, EC1 for c.£215 million. The remaining £348.7 million traded in the West End.

Across Central London, UK purchasers remain the most active, taking a 46% market share in Q3. Their market share reduces to 27% for the year so far, coming second behind investors from Asia Pacific, who currently have a 43% share of investment for 2023.

Prime office yields in the City market softened in Q3 to 5.50%, the fifth consecutive rise, while yields in the West End were unchanged at 4.00%. The 150 basis points gap between prime City and West End yields is now the largest on record.

2.59 million sq ft leased in Central London during Q3 2023

14% above the five-year quarterly average

152

Number of transactions signed in Q3 2023

397 deals signed in Q1-Q3 2023, of which 86% were for sub-25,000 sq ft units

3.67 million sq ft under offer across the market at the end of September

22% above the five-year quarterly average

13.88 million sq ft under construction across the market

38% is pre-let or under offer

Investment volumes totaled £1.22 billion in Q3 2023

£6.71 billion transacted in the last 12-months

Prime yields across Central London

City: **5.50%** West End: **4.00%**

OUTLOOK

The macroeconomic outlook in the UK remains varied depending on which metric you look at. The inflationary pressures earlier in the year, that resulted in consecutive bank rate hikes, are showing evidence of easing. At the last MPC meeting in September, the base rate increases were paused at 5.25%, following thirteen consecutive rises – if rates were to remain at this level, this is much lower than previous market expectations of 6%+.

The pause in interest rate hikes is driven by weakening economic data. UK GDP for August increased by just 0.1% during the month, following a fall of 0.6% in the previous month and forecasts suggest that a recession will be avoided, and average annual growth of 1.03% is expected between 2024-2028. In London, the forecasts are more pessimistic, with economic growth expected to be negative in 2023 and 2024, and average forecast annual growth in 2024-2028 of only 0.42% – half that of the UK.

While the economic fundamentals will continue to impact Central London offices, in the short-term activity in the occupational and investment markets remain at different ends of the spectrum.

Total take-up for the first nine months of 2023 totalled 6.29 million sq ft, however it is the leasing of grade A assets where momentum remains strongest, with 4.26 million trading so far this year – a 68% market share against a ten-year average proportion of 59%. Although grade A take-up is down by 4% on the ten-year Q1-Q3 average, the reduction is far less than that of second-hand units, which have fallen by 35% across the same period ten-year period.

Furthermore, there is 3.67 million sq ft currently under offer in Central London – 76% of this is for grade A space, emphasising that a flight to quality remains evident across the market. Although the under offers are unlikely to all complete in Q4, our analysis suggests that up to 60% is earmarked to close by the year-end, taking projected take-up to c.8.5 million sq ft – on par with figures recorded in 2021, and perhaps a new post-covid normal for office leasing activity in Central London.

In the investment market, the office sector is continuing to adapt to both the structural and cyclical changes of the post-covid environment. Whilst volumes have reduced in the 12-months to Q3 2023, to £6.7 billion compared with a ten-year rolling annual average of £16.1 billion, there is still liquidity in the market – particularly for assets below £100 million. This is evidenced by an increase in available stock in Q3, with £6.93 billion available or at bids stage across the market.

Income-led and value-add opportunities remain the most sought after, if assets are priced sensibly. The greatest buyer interest continues to be for assets that are deliverable at or below the perceived market level of pricing, however there are a number of 'trophy' or long income deals now under offer or transacted at higher pricing than that suggested by the prime yield level. There are also signs that the pricing expectation between buyers and sellers is narrowing, which is likely to generate momentum for available assets.

In the West End, prime yields were unchanged at 4.00% in Q3, with non-debt purchasers continuing to drive the market, while prime yields in the City increased by 50 basis points to 5.50% in Q3. the gap between prime City and West End yields is now 150 basis points – the largest gap on record – with pricing in the remainder of the West End between 75-100 basis points of the City. Given where current pricing is, vendors remain cautious and are at times willing to hold on to their assets until pricing levels improve – a trend seen across the market.

"There are signs that the pricing expectation between buyers and sellers is beginning to narrow, which is likely to generate momentum for available assets."

-0.40% Projected Inner London GDP growth in 2023

-0.32% Projected Inner London GDP growth in 2024

0.65% Projected UK GDP growth in 2023

0.34% Projected UK GDP growth in 2024

Source: Moody's Analytics (October 2023)

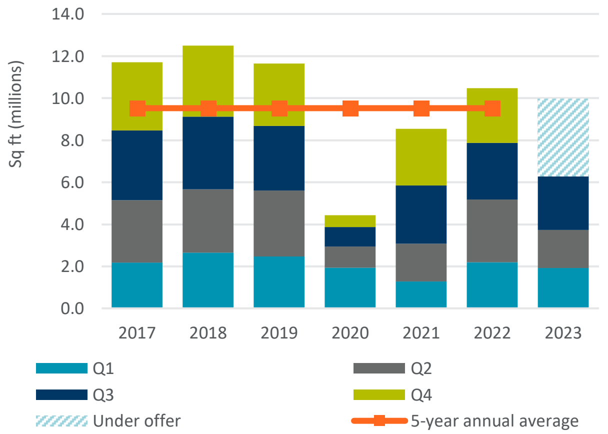
CENTRAL LONDON OVERVIEW

TAKE-UP

In Q3 2023, 2.56 million sq ft of take-up was recorded across Central London – a significant improvement of 41% quarter-on-quarter and 14% above the five-year quarterly average of 2.24 million sq ft. Grade A space remains highly sought after, taking a 71% share if the quarter's leasing total.

This took volumes for Q1-Q3 to 6.29 million sq ft, just slightly behind the five-year Q1-Q3 average of 6.53 million sq ft. Whilst overall take-up was down, grade A take-up for the same period totalled 4.26 million sq ft (68% market share), up by 14% on the five-year Q1-Q3 grade A average, reinforcing the flight to quality across the market.

LEASING VOLUMES – 2017-2023



The City market took the largest share of Q3 leasing volumes, with 1.64 million sq ft trading (77% grade A), while the West End's 0.74 million sq ft accounted for 29% of Q3 take-up, of which 62% was for grade A space.

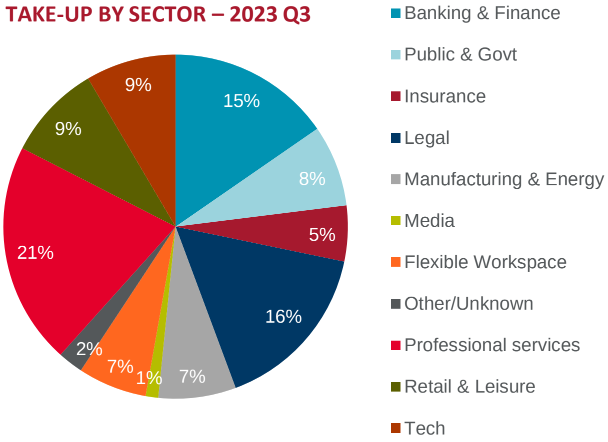
On a 12-month rolling basis, take-up across Central London is now running at 8.89 million sq ft, 29% below the pre-pandemic market peak of 12.49 million sq ft in the 12-months to Q4 2018 and 17% behind the most recent market high of 10.70 million sq ft recorded in Q2 2022.

KEY OCCUPIER TRANSACTIONS – 2023 Q3

KIRKLAND & ELLIS	ice	JOHN LEWIS & PARTNERS
40 LEADENHALL STREET, EC3	SANCROFT, PATERNOSTER SQUARE, EC4	1 DRUMMOND GATE, SW1
194,075 SQ FT	126,743 SQ FT	108,527 SQ FT
* City Core	City Core	Victoria
Pre-let, under construction	New lease	New lease

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

TAKE-UP BY SECTOR – 2023 Q3



The Professional Services sector led activity during Q3, with 534,544 sq ft trading in the quarter, the largest of which was Intercontinental Exchange's 126,743 sq ft lease at Sancroft, EC4, with all other deals in this sector below 25,000 sq ft.

The Legal and Banking & Finance sectors were also active, taking a 16% and 15% share of take-up respectively. Kirkland & Ellis's pre-let of 194,000 sq ft at 40 Leadenhall, EC3 – the largest deal of both the quarter and year so far – takes their overall space take in the building to around 500,000 sq ft, more than 2.7 times their former office.

Whilst Banking & Finance occupiers took a sizeable market share, all deals in Q3 were below 75,000 sq ft, the largest being Arbuthnot Banking's signing of 72,900 sq ft at The Alpheus Building, EC2.

At the end of Q3, there was 3.67 million sq ft under offer in Central London, of which 76% is for grade A space. At present, where the occupier is known, the Banking & Finance sector continues to hold the largest market share, followed by Insurance businesses where over 275,000 sq ft is under offer.

SUPPLY

Supply across Central London increased to 27.43 million sq ft at the end of September, up by 0.8% during the quarter and 41% above the five-year quarterly average. Although rising, the pace of growth has reduced for the second consecutive quarter and the expectation is that we are now at, or nearing, the peak. The same is true for grade A availability, which equated to 14.28 million sq ft at the end of Q3, increasing by 2.5% quarter-on-quarter.

The vacancy rate increased as a result to 9.50% in Q3 – up by 5 basis points during the quarter. The grade A vacancy rate of 4.94% increased by 10 basis points on Q2 levels. Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 3.17 years of demand and 2.89 years of supply to satisfy grade A demand – both showing a reduction on the prior quarter.

CENTRAL LONDON OVERVIEW

FUTURE SUPPLY

During Q3, 1.61 million sq ft of office space completed across the market, of which 20% was pre-let or under offer. Key completions include YY London, Canary Wharf (414,812 sq ft all available), HUB Victoria (202,401 sq ft, 13% under offer, The Earnshaw, WC1 (140,997 sq ft all pre-let), Lucent, W1 (107,581 sq ft, 64% pre-let) and 31 St James's Square (99,412 sq ft, 64% pre-let). This takes completions for the year so far to 4.1 million sq ft, with pre-lets secured for 41% of this.

At the end of Q3, there was 13.82 million sq ft under construction and delivering by 2028, of which 38% has been pre-let. Close to 2.4 million sq ft is expected to complete in Q4 2023 (32% pre-let), including 22 Ropemaker, EC2; One Millennium Bridge, EC4 and 50 Electric Boulevard, SW8.

INVESTMENT

Investment volumes across Central London totalled £1.22 billion in Q3, a fall of 27% on Q2 2023 and down by 57% on the five-year quarterly average of £2.83 billion.

The City market accounted for 72% of Q3 volumes across 15 deals, totalling £868.7 million, while another 15 transactions completed in the West End market, totalling £348.7 million.

On a 12-month rolling basis, this takes investment across the market to £6.7 billion – 59% down on both the same period last year and the ten-year rolling annual average of £16.1 billion.

INVESTMENT VOLUMES – 2017-2023

Activity in the City was boosted by three deals over £100 million, the largest of which was UBS Asset Management's purchase of Bloom, EC1 for an estimated £215 million.

In the West End, Landsec's acquisition of Block D, Regent Quarter in King's Cross for £90 million was the largest deal during the quarter, a net initial yield of 5.38%.

KEY INVESTMENT TRANSACTIONS – 2023 Q3

BLOOM, COWCROSS STREET, EC1

c. £215 m

Purchaser: UBS Asset Management

Vendor: HB Reavis

LION PLAZA, OLD BROAD STREET, EC2

£200+ m

Purchaser: Private Asia Pacific investor

Vendor: * Quadoro / Doric

BLOCK D, REGENT QUARTER, N1

£90 m

Purchaser: Landsec

Vendor: Nuveen

In the 12-months to Q3 2023, 131 deals have taken place across Central London, above the historic low of 120 deals recorded in Q1 2021 but still only a third of the highest deal count of 390 recorded in Q1 2014.

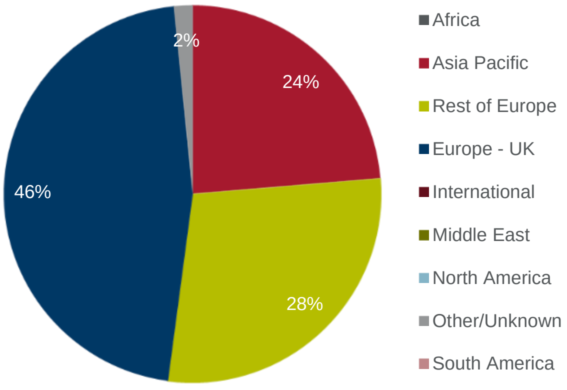
On an annualised basis, the low volumes over the last year have resulted in the average lot size falling for the sixth consecutive quarter to £51.19 million in Q3 2023 – the smallest lot size on record, falling by 2% on the previous low in Q4 2016 and suggesting that the greatest liquidity remains in assets below £100 million.

Similar to Q2, purchasers from the UK remained the most active in Q3, accounting for close to half of total turnover during the quarter. This took their market share for the year so far to 27%, behind investors from Asia Pacific who took a 43% market share in Q1-Q3 2023.

As at the end of September 2023, there was £6.93 billion available or at bids stage across Central London – up on the £6.31 billion recorded at the end of Q2, with a further £1.65 billion under offer, a reduction on three months prior.

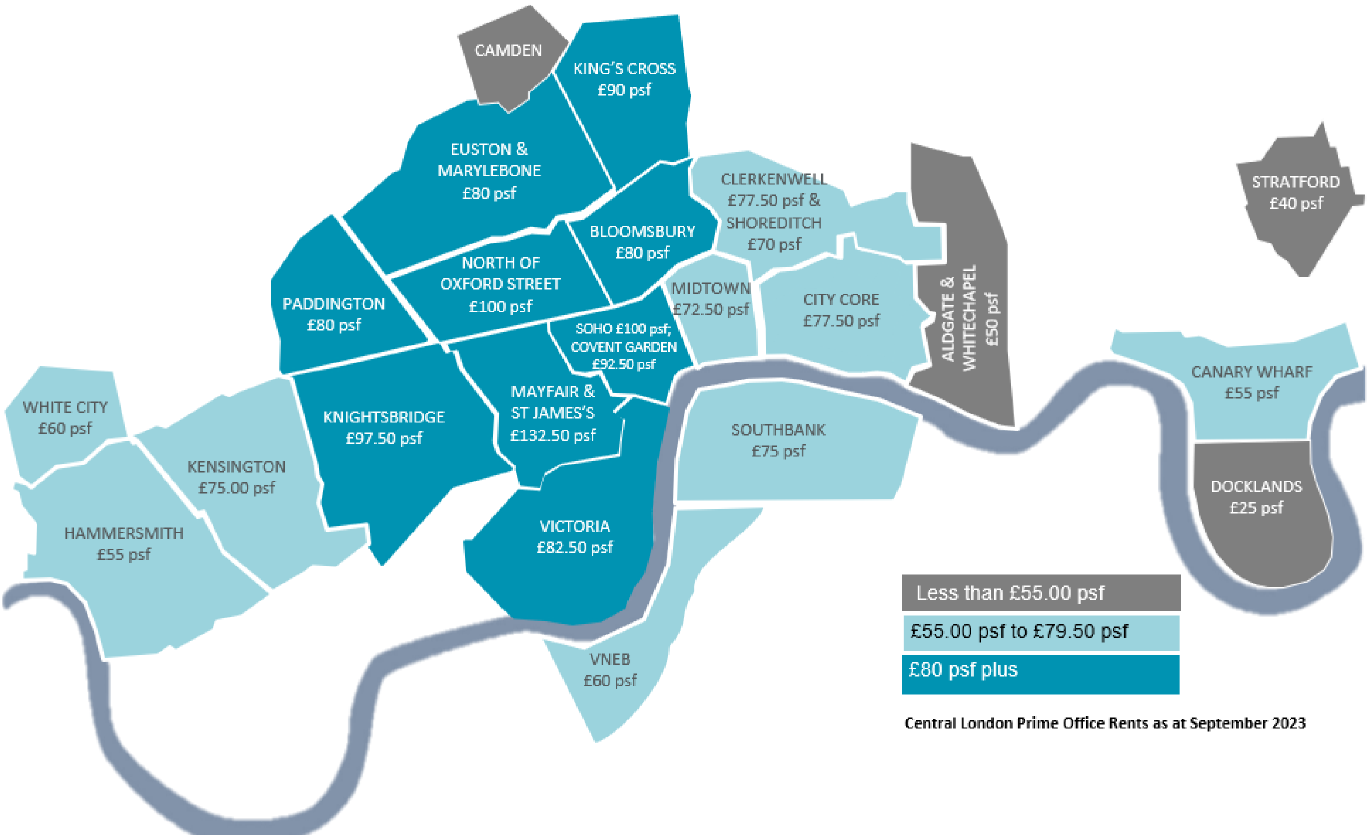
Prime yields softened during the quarter to 5.50% in the City, while prime West End yields were unchanged at 4.00%.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q3



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

PRIME RENTS



Central London Prime Office Rents as at September 2023

Prime rents in Central London **remained stable** over the quarter across most submarkets except Covent Garden (2.8%), Kensington (3.4%) and Mayfair & St James's (1.9%) where increases were recorded.

Average annual rental change across London markets

- City – average annual change of **0.6%**
- East London – average annual change of **-4.0%**
- West End – average annual change of **6.6%**

The Central London vacancy rates increased marginally during the quarter, with reductions noted in East London and the City market, while an increase was recorded in the West End market.

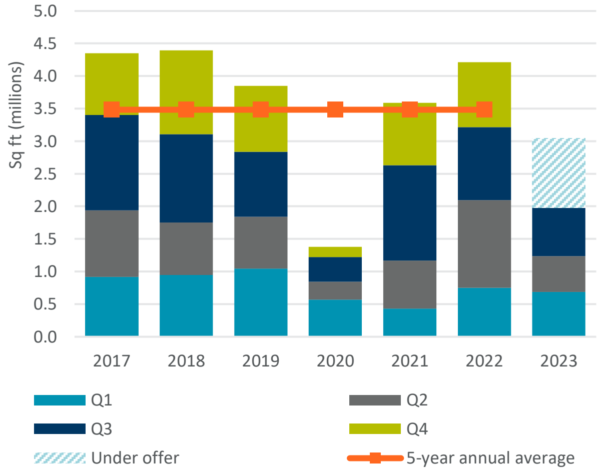
WEST END OVERVIEW

TAKE-UP

Leasing activity in the West End increased by 35% quarter-on-quarter to 741,464 sq ft in Q3, of which 62% was for grade A space. This took volumes for the year so far to 1.98 million sq ft, 17% below the five-year Q1-Q3 average of 2.38 million sq ft.

Grade A space continues to drive activity, taking a 72% market share for the year so far, equating to 1.42 million sq ft. This is up by 4% on the five-year Q1-Q3 average of 1.37 million sq ft, but down by 9% when compared against the ten-year average of 1.57 million sq ft.

LEASING VOLUMES – 2017-2023



The standout deal for the quarter was John Lewis's 108,527 sq ft letting at 1 Drummond Gate, Victoria, with the occupier relocating out of 220,000 sq ft in Victoria in early 2024.

All other deals in Q3 were for sub-50,000 sq ft units, including Moelis & Company's 49,175 sq ft pre-let in 25 Baker Street, W1 and serviced office provider Runway East signing for 44,392 sq ft in Bloomsbury.

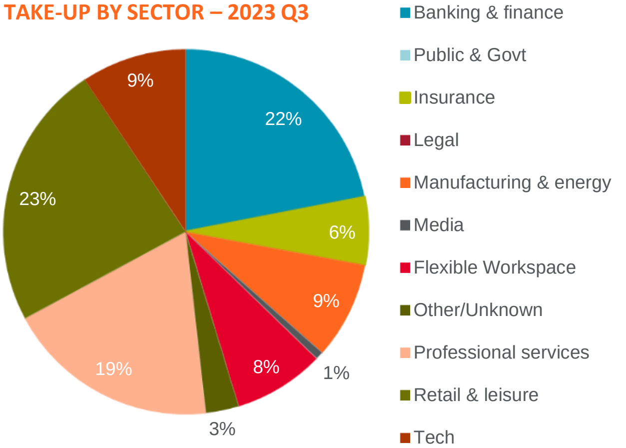
At the end of Q3, the volume of space under offer in the West End increased by 26% during the quarter to 1.06 million sq ft, 65% of which is for grade A space.

KEY OCCUPIER TRANSACTIONS – 2023 Q3

JOHN LEWIS & PARTNERS	Moelis	RUNWAY EAST
1 DRUMMOND GATE, SW1	25 BAKER STREET, W1	24 BLOOMSBURY WAY, WC1
108,527 SQ FT	49,175 SQ FT	44,392 SQ FT
Victoria	* Marylebone	Bloomsbury
New lease	Pre-let, under construction	Sublease

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

TAKE-UP BY SECTOR – 2023 Q3



The Retail & Leisure sector accounted for the largest market share in Q3 – the first time this has happened in the last ten years – in large due to the John Lewis deal, in addition to the completion of five smaller deals. The 23% market share for Q3 reduced to 16% when looking across the year, which is almost double the proportions recorded during the last five years, with Chanel's pre-let earlier in the year keeping the sector's market share elevated.

In the Banking & Finance sector, 11 deals completed with an average deal size of 14,803 sq ft recorded in Q3. This equated to a 22% market share, which increases to 32% when looking at the year to date.

SUPPLY

Supply in the West End in Q3 increased to 9.12 million sq ft – up by 11% during the quarter and 51% above the five-year quarterly average.

The overall supply increase masks activity within different submarkets. For example, supply rises were recorded in Covent Garden, Euston, Paddington and Knightsbridge, while reductions took place in Bloomsbury, Mayfair, St James's and North of Oxford Street, among others.

The overall increase was due to a rise in grade A supply, which went up by 24% quarter-on-quarter, while second hand supply reduced by 10%. Both grades of supply do however remain above the five- and ten-year quarterly averages.

As a result, the overall vacancy rate is now 7.64% - on par with levels seen in 2004, with grade A rates now at 5.27% - breaching the 5% marker for the first time. However, in nine of the 15 major West End submarkets, grade A vacancy rates are below 5% - the lowest in North of Oxford Street (1.85%) and Bloomsbury (1.97%).

At the end of Q3, there were 17 buildings available which could satisfy a requirement in excess of 100,000 sq ft, 11 of which are available as pre-lets.

WEST END OVERVIEW

FUTURE SUPPLY

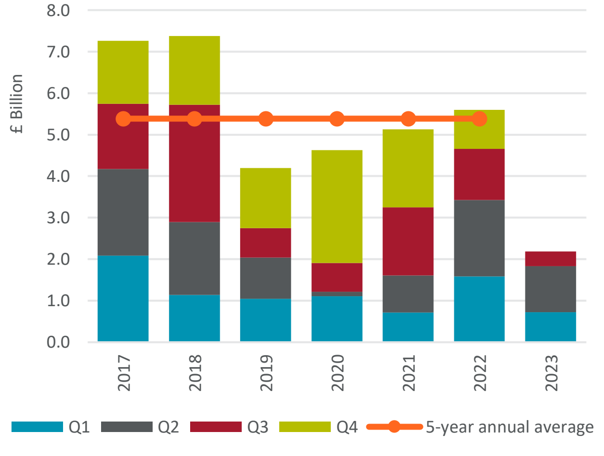
During Q3, nine developments delivering 857,817 sq ft of office space completed in the West End. The largest was the completion of HUB Victoria, where 13% of the 202,401 sq ft scheme was under offer on completion, followed by the delivery of The Earnshaw, WC1 (140,997 sq ft all pre-let), Lucent, W1 and 31 St James's Square, W1, each with 64% pre-let or under offer.

This takes completions for the year so far to 1.94 million sq ft across 16 developments spanning 11 submarkets, with 58% having secured pre-lets prior to completion.

Looking ahead, there is 6.02 million sq ft currently under construction and due to deliver by 2028 – at present, 67% of this is being developed speculatively. Close to 1.2 million sq ft of this pipeline is due to complete by the end of 2023, and if so, final annual completions could reach 3.1 million – the highest volume of annual deliveries since 2001.

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



Investment volumes in the West End totalled £348.7 million in Q3 2023, a 69% decrease on the previous quarter and 70% below the five-year quarterly average of £1.18 billion.

There were 15 transactions to complete during the quarter, compared with 27 in Q2, three of which were in excess of £50 million and none above £100 million. The fall in both volumes and deal numbers resulted in a reduction of the average deal size to £23.25 million, compared with £41.22 million in Q2 and £69.74 million recorded in Q1.

On a 12-month rolling basis, £3.12 billion has traded in the West End, which is the smallest marketplace on record.

The largest transaction of the quarter was Landsec's purchase of Block D, Regent Quarter, N1 for £90 million, followed by GPE's £70 million acquisition of the Oxford Street Estate/Soho Square, W1.

KEY INVESTMENT TRANSACTIONS – 2023 Q3

BLOCK D, REGENT QUARTER, N1

£90 m

Purchaser:
Landsec

Vendor:
Nuveen

OXFORD STREET ESTATE / SOHO SQUARE, W1

£70 m

Purchaser:
GPE

Vendor:
Cullen Family

ENI HOUSE, 10 EBURY BRIDGE ROAD, SW1

£55 m

Purchaser:
La Francaise

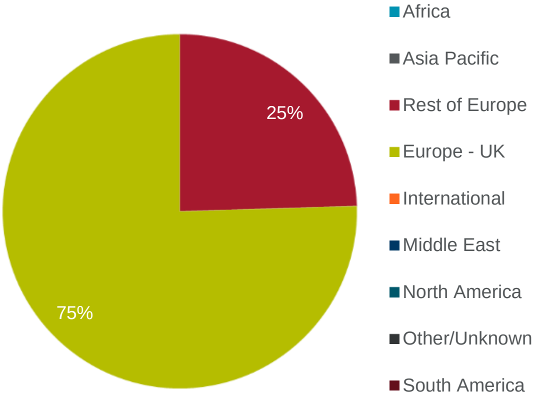
Vendor:
Grosvenor Estate

All deals in Q3 were acquired by European purchasers, 75% of which were UK investors, acquiring £263.93 million across 11 deals, including the two largest deals. UK vendors were also the most active, selling £230.35 million of assets (10 deals), equating to net investment of £32.85 million during the quarter.

The amount of stock available or at bids stage in the market increased once again to £3.91 billion, compared with £2.84 billion at the end of Q2. There was also an additional £1.13 billion under offer at the end of Q3, up on the prior three months when £0.9 billion was recorded.

Prime yields in the West End were unchanged at 4.00% in Q3 2023 reflecting a 25 basis points increase over the last 12 months. Prime yields for assets in non-core West End locations are in the 4.50-5.00% range – up by a minimum of 50 basis points in most cases.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q3



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

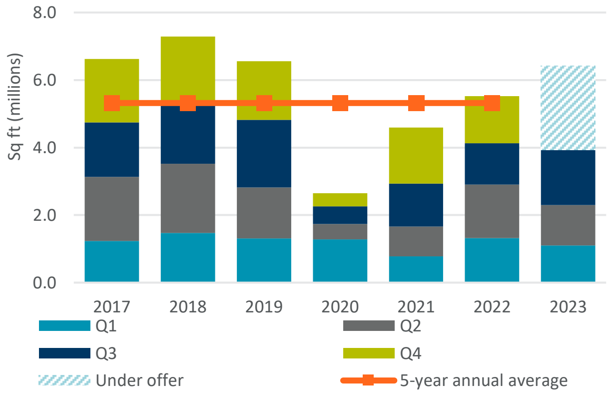
CITY OVERVIEW

TAKE-UP

Leasing activity in Q3 increased by 36% quarter-on-quarter to 1.64 million sq ft across the City market. This was also up by 29% and 11% on both the five and ten-year quarterly averages. Grade A accounted for 77% of this, equating to 1.25 million sq ft, a significant rise on the 68% five-year grade A quarterly average.

This took take-up for Q1-Q3 2023 to 3.93 million sq ft, 8% down on the ten-year Q1-Q3 average, however grade A volumes of 2.58 million sq ft were 3% ahead of the average, reinforcing the trend of occupiers seeking high quality offices.

LEASING VOLUMES – 2017-2023



There were two deals to complete over 100,000 sq ft in Q3 – Kirkland & Ellis committing to a further 194,075 sq ft at 40 Leadenhall, EC3 and Intercontinental Exchange (ICE) leasing 126,743 sq ft at Sancroft, EC4 – both located in the City Core.

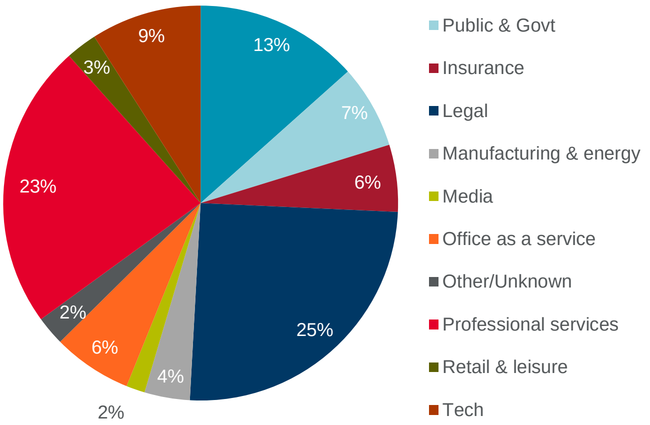
Pre-letting activity remains low with just under 700,000 sq ft trading so far this year, accounting for 18% of total leasing activity. However, close to 900,000 sq ft of pre-let space is currently under offer and if all completes, should push proportions closer towards the long term average.

At the end of Q3, there was 2.49 million sq ft under offer across the City market, with grade A space taking an 81% share.

KEY OCCUPIER TRANSACTIONS – 2023 Q3

KIRKLAND & ELLIS	ICE	NCH London
40 LEADENHALL STREET, EC3	SANCROFT, PATERNOSTER SQUARE, EC4	1 PORTSOKEN STREET, E1
194,075 SQ FT	126,743 SQ FT	98,388 SQ FT
* City Core	City Core	* Aldgate & Whitechapel
Pre-let, under construction	New lease	New lease

TAKE-UP BY SECTOR – 2023 Q3



The diverse occupier base in the City market is more aligned with Central London as a whole than the West End or East London. However, the aforementioned deals by Kirkland & Ellis and ICE have resulted in market shares for the Legal and Professional Services sectors to increase during Q3. When looking across the year so far, the proportions adjust slightly, to 17% for Legal occupiers – broadly aligned to proportions seen over the last five years – and 21% in the Professional Services sector, above the 12% recorded in the five years to 2022.

Activity by flexible workspace providers has picked up in recent months, with four deals concluding in Q3 totalling 106,000 sq ft, a 6% market share. The share increase to 9% across the year so far, ahead of the 4% recorded in 2022 but behind the 15% market share seen over the last five years.

The Technology sector continues to see a slowdown in activity, taking a 9% market share in Q3 and 11% for the year – behind the 17% market share the sector held in 2018-2022.

SUPPLY

After peaking in Q2, supply in the City reduced by 5% to 14.48 million sq ft at the end of Q3, the first notable reduction in quarterly supply since Q1 2020 when -4% was recorded. Tenant-controlled supply was unchanged at 3.05 million sq ft, accounting for 21% of total supply across the market.

Supply of grade A space reduced at a faster rate, by 12% in Q3 to 6.73 million sq ft –the first time since Q2 2018 where a double digit quarterly reduction in supply has been recorded.

This took the overall vacancy rate back down to 9.98% - falling by 48 basis points during the quarter – while the grade A rate reduced by 62 basis points to 4.63%.

So far this year, 1.52 million sq ft of office space has completed across the City market, including 126,000 sq ft in Q3, with 559,000 sq ft already pre-let or under offer.

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

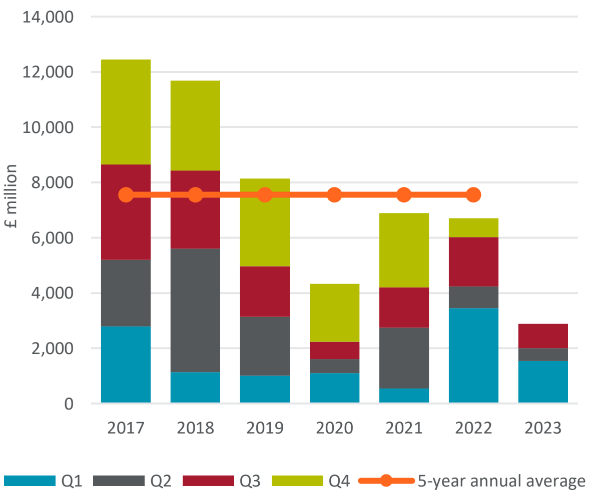
FUTURE SUPPLY

At the end of Q3, there was 7.44 million sq ft under construction across the City delivering by 2026, with pre-lets secured for 45% of this (3.34 million sq ft). Just over 1.2 million sq ft of this space is earmarked for delivery by the end of this year (51% pre-let) and if delivered on time, total annual completions are expected to reach 2.73 million sq ft.

Notable developments due to complete in Q4 include 22 Ropemaker Street, EC2 (419,000 sq ft all pre-let), One Millennium Bridge, EC4 (213,707 sq ft all available). The Arc, EC1 (148,048 sq ft, 12% under offer) and Blossom Yard & Studios, E1 (127,000 sq ft all pre-let).

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



In the City market, investment volumes increased by 83% during the quarter to £868.7 million in Q3. However, the absence of larger lot sizes continues to suppress activity, with volumes remaining 43% below the five-year quarterly average of £1.52 billion. Since 2022, there have only been three deals over £500 million, the last of which was in Q3 2022.

Over a 12-month rolling period, volumes totalled £3.56 billion across 61 transactions. This equates to an average deal size of £58.37 million, 10% below the prior quarter and 20% down on the ten-year annualised deal size of £72.78 million.

In Q3, 15 deals completed, including five over £50 million, three of which were over £100 million. The largest was UBS Asset Management's purchase of Bloom, EC1 for an estimated £215 million, followed by Quadoro's sale of Lion Plaza, EC2 for a price in excess of £200 million.

KEY INVESTMENT TRANSACTIONS – 2023 Q3

BLOOM, COWCROSS STREET, EC1

c. £215 m

Purchaser:
UBS Asset Management

Vendor:
HB Reavis

LION PLAZA, OLD BROAD STREET, EC2

£200+ m

Purchaser:
Private Asia Pacific investor

Vendor:
* Quadoro / Doric

THE NETWORK PORTFOLIO (6 ASSETS)

£125 m

Purchaser:
ICG Longbow

Vendor:
British Land

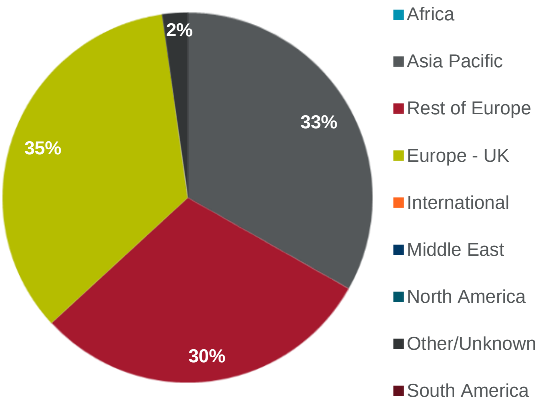
Purchasers from Europe were the most acquisitive, taking a 65% share of Q3 investment, with UK investors the most active, acquiring over £300 million of assets. Asia Pacific purchasers were close behind, purchasing £288 million across the City market.

For the year so far, market shares vary with Asia Pacific purchasers accounting for 62% of total investment (£1.79 billion), acquiring eight of the ten largest City deals this year. Across the same period, UK purchasers took a 21% market share, equating to £603.64 million.

The amount of stock on the market in the City reduced in Q3, with an estimated £2.63 billion of assets currently available or at bids stage. There was an additional £0.35 billion under offer at the end of September, a decline on the £0.98 billion under offer at the end of June.

Prime City yields went up to 5.50% at the end of Q3. This means that yields have increased by 125 basis points since Q3 last year.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q3



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

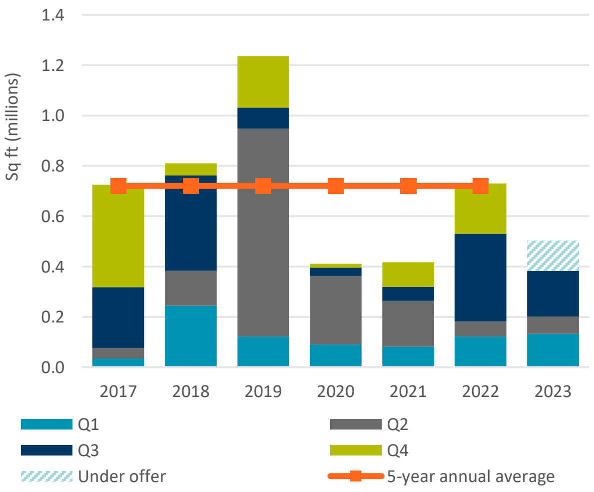
EAST LONDON OVERVIEW

TAKE-UP

Take-up for Q3 totalled 182,313 sq ft across East London, more than double the 68,838 sq ft recorded in Q2 but 47% below the same period of 2022. This took leasing volumes for the year to date to 384,291 sq ft, 28% below both Q1-Q3 2022 and the five-year Q1-Q3 average of 532,390 sq ft.

Of the year-to-date total, grade A space accounted for 66% equating to 255,145 sq ft and driven by eight of the top ten deals which were for newly built or refurbished space.

LEASING VOLUMES – 2017-2023



Seven transactions completed in Q3 taking deal numbers for the year to date to 21. The top three deals so far this year completed in Q3, including LMA signing for 52,362 sq ft at Here East, Stratford and hVIVO completing on 39,049 sq ft in Canary Wharf.

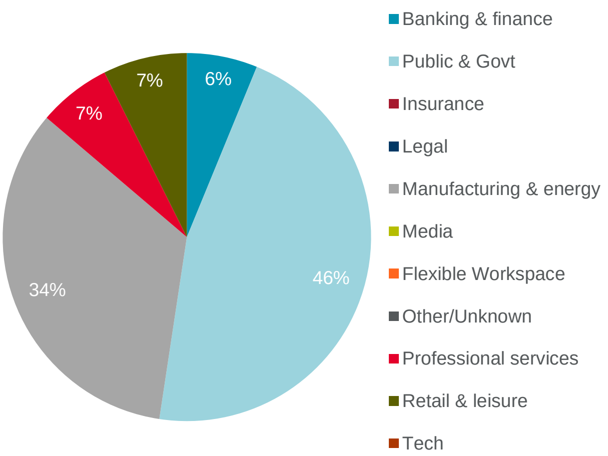
As a result, the average deal size for Q3 was 26,045 sq ft across the market, reducing to 18,300 sq ft across the year so far.

KEY OCCUPIER TRANSACTIONS – 2023 Q3

LMA	hVIVO	Elizabeth School of London
HERE EAST, WATERDEN ROAD, E20	40 BANK STREET, E14	EXCHANGE TOWER, E14
52,362 SQ FT	39,049 SQ FT	31,854 SQ FT
* Stratford	Canary Wharf	Outside of Canary Wharf
New Lease	New lease	New lease

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

TAKE-UP BY SECTOR – 2023 Q3



Public sector occupiers took the largest market share in Q3, entirely due to LMA and Elizabeth School of London acquiring a total of 84,216 sq ft, a 46% market share. The Manufacturing & Energy sector followed, with a 34% market share and made up of two deals.

At the end of September, there was 118,832 sq ft under offer in East London, a 32% decrease on the prior quarter, with grade A office space accounting for 71% of the total.

CURRENT & FUTURE SUPPLY

Availability in East London was unchanged on the prior quarter, with 3.82 million sq ft of supply in the market. This was a 5% year-on-year reduction but still 34% ahead of the five-year quarterly average of 2.85 million sq ft.

Grade A supply totalled 1.26 million sq ft at the end of Q3, up by 3% on the prior quarter and by 31% on the five-year quarterly average.

Following no new deliveries since Q3 2021, this quarter four buildings completed – YY London, Canary Wharf and three buildings on Sugar House Island, Stratford – adding over 635,000 sq ft to overall stock figures. This volume of space has already been accounted for in supply. There is now just 355,000 sq ft under construction and available in East London – the Turing Building in Stratford, which is due to complete in 2024.

Second-hand units continue to dominate availability in East London, despite reducing once again in Q3, and account for 2.57 million sq ft (67%) of total supply.

Tenant-controlled supply remains a key part of the market, with 1.72 million sq ft available at the end of Q3, a 6% reduction on the prior quarter.

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-let space includes 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**