CENTRAL LONDON REPORT

MARKETBEAT
Q4 2023

CUSHMAN & WAKEFIELD

SUMMARY

Leasing activity across Central London increased during Q4 to 3.32 million sq ft, up by 30% on Q3 and 48% ahead of the five-year quarterly average of 2.24 million sq ft. Grade A take-up accounted for 75% of the total, equating to 2.49 million sq ft.

This took take-up for 2023 to 9.62 million sq ft, an 8% reduction on 2022 but 7% ahead of the five-year annual average of 8.96 million sq ft.

While overall take-up is down, take-up of grade A space continues to outperform. Throughout 2023, 6.75 million sq ft of grade A space was leased, representing 70% of total take up. This was 33% above grade A leasing volumes recorded in 2022 and 27% ahead of the five-year grade A annual average of 5.32 million sq ft. Comparing these growth rates with those of the overall market, there is clear evidence of high demand for quality space.

The City market accounted for 66% of leasing volumes in Q4 2023, with the West End taking a 33% market share and just two deals totalling 30,900 sq ft completing in East London.

Due to the strong leasing activity at the end of the year, the total volume of space under offer across the market has fallen, by 40% quarter-on-quarter to 2.20 million sq ft, with grade A under offers reducing by 52% to 1.33 million sq ft.

Whilst demand remains robust, there remain a high volume of supply in the market. At the end of Q4, there was over 27 million sq ft available across Central London, of which 14 million sq ft is classified as grade A. Although high, supply did reduce by 1% during the quarter. With a constrained development pipeline delivering lower levels of new office space over the coming years, it is believed that supply has now begun to stabilise, and we should begin to see a reduction in both the overall and grade A vacancy rate throughout the next 12 months.

> "Demand for high quality space remained a key trend across Central London, with grade A leasing activity up by 27% on the five-year annual average, putting increased upward pressure on rents for the best space."

In Q4, £1.76 billion of offices transacted across Central London, a 3% increase on Q3 but 35% below the five-year quarterly average of £2.69 billion.

This took full-year investment volumes to £7.34 billion, 42% down on 2022 and 32% below the five-year annual average of £10.78 billion.

The West End market was the most active in Q4, with £1.32 billion trading (75% market share) and driven by four deals over £100 million – the largest Oval Real Estate's acquisition of The Lotus Portfolio for £300 million. The remaining £442.2 million traded in the City, with larger lot sizes notably absent.

Across Central London, UK purchasers remained the most active, taking a 58% market share in Q4. The market share reduced to 53% for the full year, followed by investors from Asia Pacific, who currently had a 35% share of investment for 2023.

Prime office yields in the City market softened in Q4 to 5.75%, the sixth consecutive rise, while yields in the West End were unchanged at 4.00%.

3.32 million sq ft leased in Central London during Q4 2023

48% above the five-year quarterly average

158

Number of transactions signed in Q4 2023

Over 550 deals signed in 2023, of which 84% were for sub-25,000 sq ft units

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

26% below the five-year quarterly average

13.47 million sq ft under construction across the market

40% is pre-let or under offer

Investment volumes totaled £1.76 billion in Q4 2023

£7.34 billion transacted throughout 2023

Prime yields across Central London

City: **5.75%** West End: **4.00%**

OUTLOOK

The UK economy has gone through a period of stagnation over the last three months, with interest rate hikes pausing temporarily and inflation remaining in the region of 4% - ahead of the 2% target but much lower than the highs of over 10% recorded within the last 12-months. The pause in the interest rate hikes was driven partially by slower inflation, but also as a result of weakening economic fundamentals, with the most recent monthly GDP data suggesting the economy grew by 0.3% in November, following a fall of 0.3% in October.

Whilst the MPC has now voted to keep interest rates stable at 5.25%, hopefully marking the peak, there remains uncertainty as to when the cutting cycle may commence as more evidence of falling inflation is first required. However, when this does happen, it may begin to unlock opportunities for investors across the market.

In the investment market, annual volumes for Central London offices were running at £7.3 billion at the end of 2023, the smallest investment market on record. However, activity did pick up marginally in Q4 providing some positive sentiment to take into the start of 2024.

The general absence of debt in the West End market has meant that pricing for core locations has remained robust, unchanged at 4% throughout 2023. Proportionately, the West End accounted for 48% of total investment during the year, not dissimilar to proportions of previous years, however the number of deals is greater – 74 in the West End compared with 64 in the City – reflecting the differences in locations across London in terms of lot sizes.

Change of use is a big theme for the market, one that is likely to continue into 2024, with numerous examples of office acquisitions for hotel conversions in 2023, which again helps to unlock investment opportunities.

Pricing in the City market has been impacted the most, with yields softening by 125 basis points over the last 12-months to 5.75% - the highest level since Q4 2009. Vendors who are able to are adopting a “wait and see approach” before committing to sales, awaiting further improvements in debt funding to allow for stronger pricing levels. That being said, activity of smaller lot sizes has kept the market moving.

The strong fundamentals of the occupational market is also a strong draw for investors looking for income-generating assets. In Central London, leasing activity was better than expected in 2023, with over 9.62 million sq ft of take-up recorded. Whilst this was down by 7% against the ten-year annual average, grade A leasing volumes of 6.75 million sq ft was up by 10% against the same metric – reinforcing the attractiveness of grade A office space for occupiers.

With the flight to quality now at full speed, this is likely to put pressure on both existing and future grade A supply, the latter of which remains constrained, with no new developments speculatively under construction beyond 2025. There remains uncertainty around some developments where construction has not yet commenced, with the viability of schemes due to rising debt and construction costs being questioned.

However, when these developments do commence, the market for pre-letting while under construction remains strong. In 2023, over 2 million sq ft of under construction pre-lets completed, up by 23% and 18% against the five and ten-year annual averages respectively. Furthermore, with active requirements now at an all time high, occupiers need to move quickly to secure the prime office space in the best locations.

“Improvements in the economy will be key to unlocking both development and investment opportunities across the market.”

-0.43% Projected Inner London GDP growth in 2023

-0.47% Projected Inner London GDP growth in 2024

0.30% Projected UK GDP growth in 2023

0.28% Projected UK GDP growth in 2024

Source: Moody’s Analytics (December 2023)

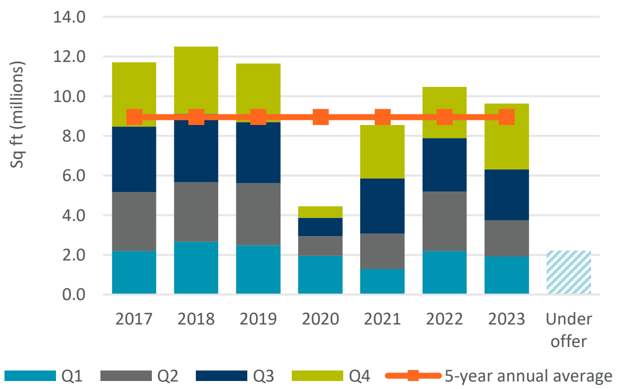
CENTRAL LONDON OVERVIEW

TAKE-UP

In Q4 2023, 3.32 million sq ft of take-up was recorded across Central London – up by 30% quarter-on-quarter and 28% above the ten-year quarterly average of 2.6 million sq ft. This was also the highest quarterly total since Q4 2018. Grade A leasing continues to dominate activity, accounting for 75% of Q4 take-up, equating to 2.49 million sq ft.

This took take-up for the year to 9.62 million sq ft. Whilst this was 8% down on 2022 and 7% behind the ten-year annual average, performance was better than expected. Grade A units accounted for 70% of total take-up during the year, 33% ahead of 2022 and 10% above the ten-year average.

LEASING VOLUMES – 2017-2023



The City market remained the most active during Q4, with 2.21 million sq ft trading (76% grade A), bolstered by HSBC's pre-let of Panorama, EC1, while the West End's 1.08 million sq ft accounted for 33% of Q4 take-up (73% grade A).

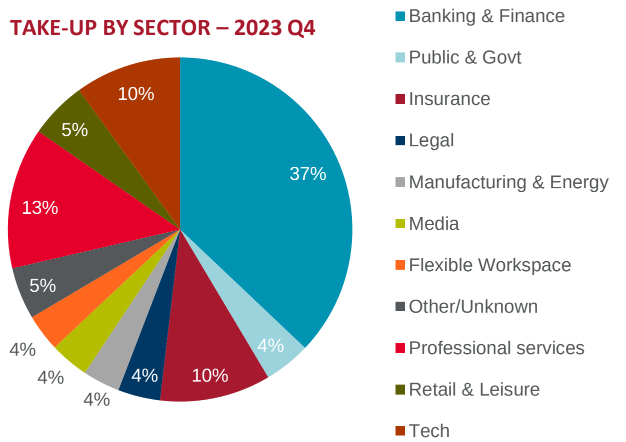
In 2023, over 550 deals above 5,000 sq ft completed, 84% of which were for units below 25,000 sq ft, down by 12% year-on-year. Seven deals over 100,000 sq ft completed, down on the 15 and 10 deals recorded in 2021 and 2022, respectively. The number of deals between 25,000 and 75,000 sq ft is where activity increased, with 77 deals completing in 2023 – above the 71 and 59 deals recorded in 2021 and 2022.

KEY OCCUPIER TRANSACTIONS – 2023 Q4

HSBC	MILLENNIUM CAPITAL MANAGEMENT	cfc
PANORAMA, 81 NEWGATE, EC1	**50 BERKELEY STREET, W1**	**8 BISHOPSGATE, EC2**
480,863 SQ FT	**175,788 SQ FT**	**88,321 SQ FT**
*** City Core**	**Mayfair**	**City Core**
Pre-let, under construction	**Pre-let, off-plan**	**New lease**

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

TAKE-UP BY SECTOR – 2023 Q4



The Banking & Finance sector dominated activity during Q4, with 1.23 million sq ft completing, almost 40% of which was due to the HSBC deal. Across the year, the sector remained the most active, taking a 25% market share and following trends of the prior five years.

Professional Services occupiers were also active, taking a 13% share of Q4 take-up, increasing to 16% across the year. A large proportion of this sector's annual activity took place in the City market.

Insurance and Technology occupiers each took a 10% market share in Q4, and 7% and 11% respectively during the year. A large proportion of Insurance occupiers leased space in the City market, a high proportion of which was for grade A space, while occupiers in the Technology sector were more footloose, acquiring space of all grades across Central London.

Despite only accounting for 4% of Q4 take-up, the Legal sector continued to be acquisitive, with over 800,000 sq ft leased in Central London. Kirkland & Ellis were among US law firms taking space across the market, opting to exercise their option space of 194,000 sq ft at 40 Leadenhall in Q3.

SUPPLY

Supply across Central London reduced for the first time since Q2 2022 to 27.03 million sq ft at the end of December. This was a 1% reduction during the quarter, but remains 8% above the same period of 2022 and 34% ahead of the five-year average. The vacancy rate reduced as a result, equating to 9.34% for all space and 4.84% for grade A units.

Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 2.83 years of demand and 2.46 years of supply to satisfy grade A demand.

Whilst available space remains at historic high levels, this was aided by some large developments that completed across the market, many of which are now partially or entirely let. As a result, we can expect availability and vacancy rates, particularly for grade A space, to continue to trend down.

CENTRAL LONDON OVERVIEW

FUTURE SUPPLY

During Q4, 1.41 million sq ft of office space completed across the market, of which 65% was pre-let or under offer. The three largest completions – 22 Ropemaker, EC2, Blossom Yard & Studios, E1 and Chancery House, WC2 – totalled over 670,000 sq ft, all of which were pre-let.

At the beginning of 2023, completions were expected to be in excess of 8 million sq ft, however actual annual volumes equated to 5.73 million sq ft (42% pre-let), with the reduction attributed to some schemes being delayed and pushed back into 2024.

At the end of Q4, 13.47 million sq ft was under construction with 40% having been pre-let. This leaves just over 8.1 million sq ft of speculative development in Central London, 7% lower than the five-year quarterly average for speculative development but in line with longer-term trends.

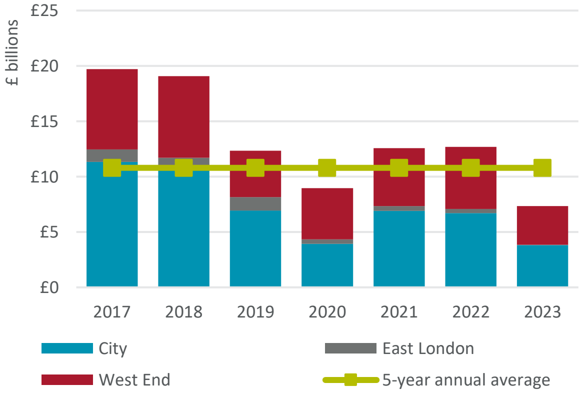
INVESTMENT

Office investment volumes across Central London totalled £1.76 billion in Q4, an increase of 3% on Q3 2023 but down by 35% on the five-year quarterly average of £2.69 billion.

The West End market accounted for 75% of Q4 volumes over 25 deals, totalling £1.32 million, while the remaining 16 transactions completed in the City, totalling £442.2 million.

This takes investment for 2023 to £7.34 billion in Central London, down by 42% on 2022 and by 32% against the five-year annual average of £10.78 billion.

INVESTMENT VOLUMES – 2017-2023



Six deals over £100 million completed in Q4, four of which were located in the West End, the largest being Oval Real Estate's acquisition of The Lotus Portfolio, W1 for £300 million. The portfolio, part of the Langham Estate, comprises over 390,000 sq ft of office space, and generated a 5.64% net initial yield.

In the City, UBS acquired 12-14 New Fetter Lane, EC4 for £133 million (5.75% net initial yield), the fund manager's second Central London office acquisition of the year.

KEY INVESTMENT TRANSACTIONS – 2023 Q4

THE LOTUS PORTFOLIO, W1	125 SHAFTSBURY AVENUE, WC2	12-14 NEW FETTER LANE, EC4
£300 m	**£148 m**	**£133 m**
Purchaser: Oval Real Estate	**Purchaser:** Mitsubishi Estate & EDGE	**Purchaser:** UBS Asset Management
Vendor: Langham Estate	**Vendor:** Vestas IM, KB Securities & KFCC	**Vendor:** Nuveen

During 2023, 143 deals completed across Central London, an improvement on the prior quarter, when 135 deals completed in the 12-months to Q3. However, deal numbers remain low in a historical context, 26% below the previous peak in Q3 2022 and 63% lower than the historic high in Q1 2014.

On an annualised basis, the low volumes over the last year have resulted in the average lot size remaining subdued at £43.01 million in Q4 2023, driven by more but smaller lot sizes of acquisitions in the West End and limited deals above £100 million.

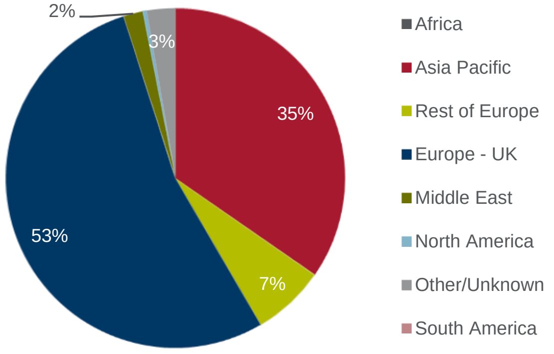
Throughout 2023, purchasers from the UK were the most active, accounting for over half of total turnover during the year. This purchaser group also ended the year with positive net investment of £297.2 million.

Investors from Asia accounted for 35% of total acquisitions during the year, with strong net investment figures of £1.2 billion compared with -£1.2 billion in 2022, suggesting a return to Central London by Asian investors in 2023.

As at the end of 2023, there was £6.21 billion available or at bids stage across Central London – up on the £6.93 billion recorded at the end of Q3, with a further £1.88 billion under offer, an increase on three months prior.

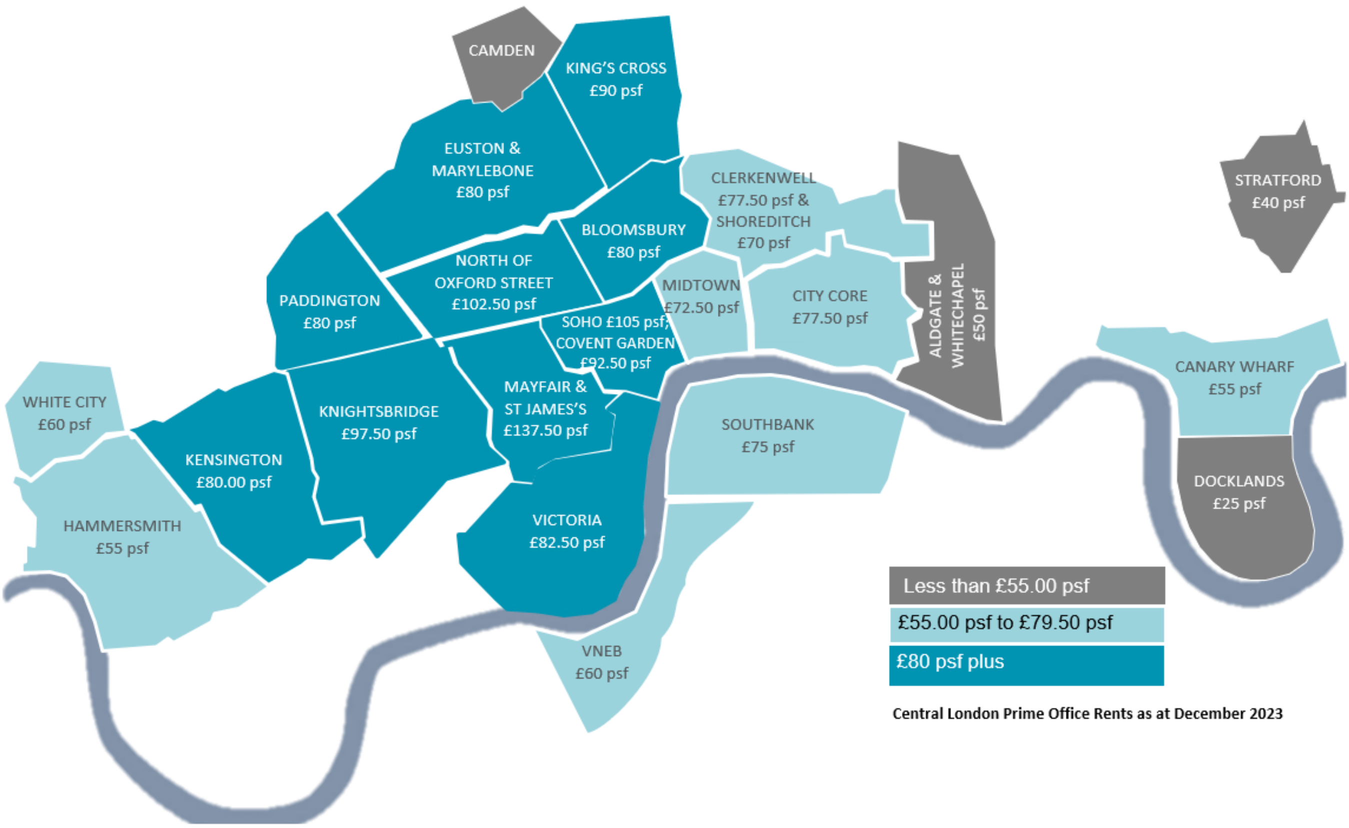
Prime yields softened in Q4 to 5.75% in the City, while prime West End yields were unchanged at 4.00%.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q1-Q4



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

PRIME RENTS



Central London Prime Office Rents as at December 2023

Prime rents in Central London **remained unchanged** over the quarter across most submarkets except Kensington (6.7%), Marylebone (2.5%), Soho (5.0%) and Mayfair & St James's (3.8%) 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 **7.8%**

The Central London vacancy rate reduced during the quarter to 9.34%, with falls recorded in both the West End and City markets, while an increase was recorded in East London.

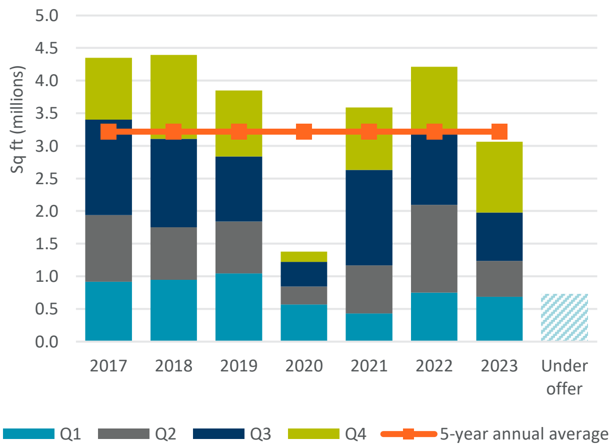
WEST END OVERVIEW

TAKE-UP

Leasing activity in the West End increased by 46% quarter-on-quarter to 1.08 million sq ft in Q4, of which 73% was for grade A space. This took volumes for the full year to 3.06 million sq ft, 14% below the ten-year annual average of 3.55 million sq ft.

Activity both in Q4 and throughout the year was driven by grade A units, taking a 72% market share in 2023, equating to 2.21 million sq ft. While the total annual take-up was down on the long-term average, grade A leasing was actually up, by 4% against a ten-year average of 2.12 million sq ft.

LEASING VOLUMES – 2017-2023



In 2023, almost 200 deals over 5,000 sq ft completed in the West End, down on the 260 deals recorded in 2022 but aligned with the five-year average.

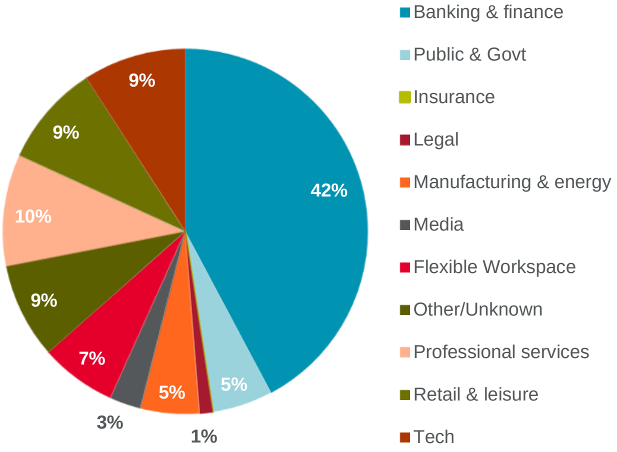
Three deals over 100,000 sq ft completed in 2023, the largest of which was Millennium Capital's pre-let of 175,788 sq ft in Mayfair – the only deal of scale to complete in Q4.

As a result of such strong leasing activity in Q4, the volume of space under offer across the market significantly reduced. There is now close to 730,000 sq ft under offer in the West End – a 32% reduction – of which 65% is for grade A units.

KEY OCCUPIER TRANSACTIONS – 2023 Q4

MILLENNIUM CAPITAL MANAGEMENT	Paul Weiss	dojo
50 BERKELEY STREET, W1	**20 AIR STREET, W1**	**BRUNEL BUILDING, 55 NORTH WHARF RD, W2**
175,788 SQ FT	**55,645 SQ FT**	**49,612 SQ FT**
Mayfair	**Soho**	**Paddington**
Pre-let, off-plan	**Assignment/ sublease**	**Assignment**

TAKE-UP BY SECTOR – 2023 Q4



The Banking & Finance sector led activity in Q4, taking a 42% market share with over 450,000 sq ft completing. The sector maintained its dominance, with a 36% market share over the course of the year – in line with proportions recorded in 2022 and over the last five years – equating to 1.1 million sq ft.

With the exception of Legal and Media occupiers, there was relative consistency across all the other sectors in Q4, with market shares of between 5-10% recorded.

The Retail & Leisure sector's 9% share in Q4 increased to 13% for 2023 – c.400,000 sq ft – almost half of which was due to John Lewis and Chanel both committing to space earlier in the year.

SUPPLY

Supply reduced for the first time in four quarters, falling by 2% on Q3 to 8.9 million sq ft at the end of Q4. Despite the reduction, supply remains 72% above the 10-year average. As a result, the overall vacancy rate reduced by 19 bps during the quarter to 7.45%.

The largest supply reductions were recorded in the Covent Garden, Soho, St James's, King's Cross and Victoria submarkets, while the largest increases were noted in Mayfair, Marylebone and in Vauxhall/Battersea.

Of the overall supply, grade A accounted for 69%, equating to 6.12 million sq ft, a 5.14% vacancy rate. Whilst this remains high against historical trends, the grade A vacancy rate in five of the 15 major West End submarkets is below 3% – the lowest in St James's (1.54%) and Marylebone (2.26%).

At the end of Q4, there were 16 buildings available which could satisfy a requirement in excess of 100,000 sq ft, 9 of which are available as pre-lets.

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

WEST END OVERVIEW

FUTURE SUPPLY

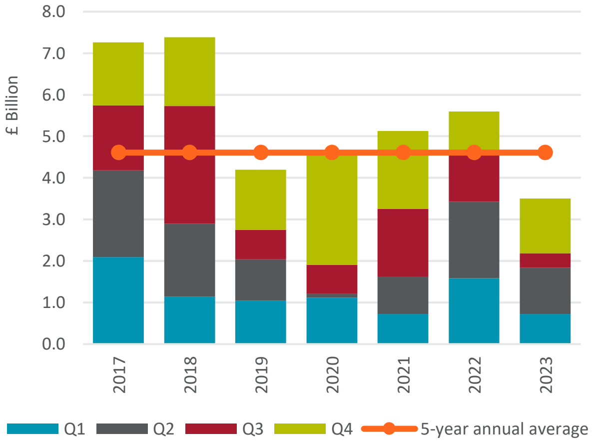
During Q4, nine developments delivering 538,000 sq ft of office space completed in the West End. The largest was the completion of 1 Kingdom Street, W2 (109,000 sq ft all available), followed by the delivery of Mainframe, NW1 (104,000 sq ft, all available). All other completions were below 100,000 sq ft.

This takes completions for the full year to 2.57 million sq ft across 26 developments spanning multiple submarkets, with 49% of the total size pre-let prior to completion. This is the highest volume of completions since 2008 and 65% above the 10-year completion average.

Looking ahead, there is 5.84 million sq ft currently under construction and due to deliver by 2025 – at present, 67% of this is being developed speculatively. Beyond 2025, the pipeline for new development is constrained.

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



Investment volumes in the West End totalled £1.32 billion in Q4 2023, almost four times higher than volumes recorded in Q3 and 12% above the five-year quarterly average of £1.18 billion.

There were 25 transactions to complete in Q4, compared with 15 in Q3. Of these, eight were in excess of £50 million of which four were above £100 million. This equated to an average deal size of £52.9 million in Q4, compared with £23.2 million in the prior quarter but below the £62.6 million recorded in Q4 2022.

On an annual basis, £3.5 billion traded in the West End in 2023, a 37% reduction on 2022 and 24% below the five-year annual average.

The largest transaction of both the quarter and the year was Oval Real Estates' acquisition of The Lotus Portfolio, W1 for £300 million, which significantly bolstered overall volumes.

KEY INVESTMENT TRANSACTIONS – 2023 Q4

THE LOTUS PORTFOLIO, W1

£300 m

Purchaser:
Oval Real Estate

Vendor:
Langham Estate

125 SHAFTESBURY AVEUNE, WC2

£148 m

Purchaser:
Mitsibushi Estate & EDGE

Vendor:
Vestas IM, KB Securities & KFCC

HAYMARKET HOUSE, SW1

£115 m

Purchaser:
Criterion Capital

Vendor:
Hermes

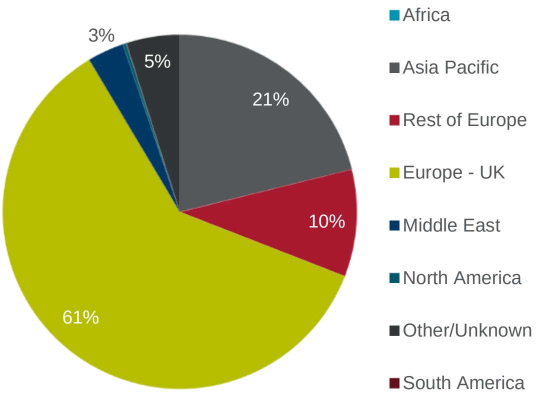
In Q4, UK purchasers were the most active, acquiring over £620 million of offices and taking a 47% share of total volumes. The market share increased to 61% when looking across the year, equating to over £2.1 billion.

Investors from the Asia Pacific steadily increased their activity, acquiring over £150 million of offices in Q4 and £342 million throughout the year – a 21% market share.

The amount of stock available or at bids stage in the market reduced slightly to £3.68 billion in Q4, compared with to £3.91 billion at the end of Q3. There was also an additional £1.05 billion under offer at the end of the year, down on the prior three months when £1.13 billion was recorded.

Prime yields in the West End were unchanged at 4.00% in Q4 2023, remaining at this level throughout the year. Prime yields for assets in non-core West End locations are in the 4.50-5.00% range, increasing by a maximum of 50 basis points during the year.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q1-Q4



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

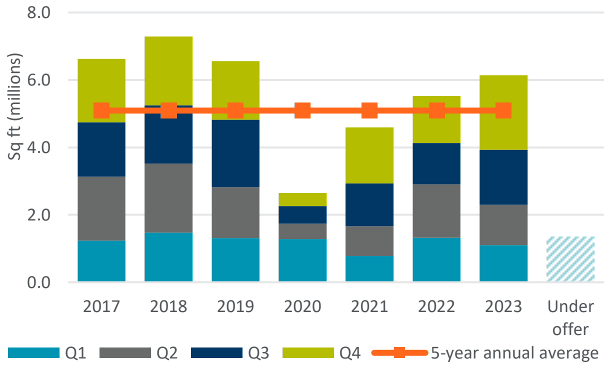
CITY OVERVIEW

TAKE-UP

Leasing activity in Q4 increased by 35% quarter-on-quarter to 2.21 million sq ft across the City market. This was also up by 73% and 49% on both the five and ten-year quarterly averages. This was the strongest Q4 volume since 2006, when 2.31 million sq ft of take-up was recorded. Grade A space took a 76% market share in Q4 2023.

This took take-up for 2023 to 6.14 million sq ft, 3% up on the ten-year annual average. However grade A volumes continue to lead activity, with 4.25 million sq ft leased during the year, 64% up on 2022 and 19% above the ten-year annual average.

LEASING VOLUMES – 2017-2023



HSBC's pre-let of over 480,000 sq ft was the standout deal for both Q4 and the year. Whilst there were no other individual deals of scale during the quarter, four occupiers leased a total of 166,000 sq ft at 8 Bishopsgate and a further 100,000 sq ft was pre-let at 40 Leadenhall by three occupiers.

Pre-letting remains a key driver of the market, with 1.34 million sq ft of pre-lets signed in 2023, accounting for 22% of total take-up and 32% of grade A take-up.

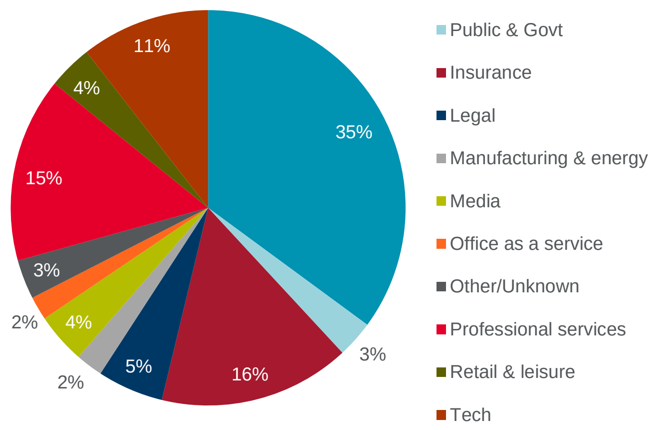
Given the strong Q4 leasing volumes, the volume of space under offer across the market reduced by 4% quarter-on-quarter to 1.36 million sq ft at the end of the year, 58% of which is grade A.

KEY OCCUPIER TRANSACTIONS – 2023 Q4

HSBC	Capgemini	Sainsbury's
PANORAMA, 81 NEWGATE, EC1	SELSO, 95 QUEEN VICTORIA ST, EC4	JJ MACK BUILDING, 33 CHARTERHOUSE ST, EC1
480,863 SQ FT	89,065 SQ FT	68,002 SQ FT
* City Core	* City Core	* Clerkenwell
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 Q4



Close to 77% of Q4 take-up took place in the City Core submarket, equating to 1.69 million sq ft (82% was grade A). This was driven by the HSBC pre-let and the significant levels of activity across the City's newest tower developments.

The scale of the HSBC pre-let resulted in the market share for the Banking & Finance sector increasing to 35% in Q4 and 21% for the year – compared with proportions of between 16% recorded over the last five years.

Insurance occupiers were also active, taking a 16% share in Q4 (10% during the year) and led by CFC Underwriting and SCOR both leasing space in 8 Bishopsgate.

The presence of Technology occupiers remains, with the 11% market share in Q4 aligned with full year proportions, but slightly behind the longer-term market share of 15%. Activity in this sector was driven by Capgemini's 89,000 sq ft pre-let at Selso at the end of the year.

SUPPLY

Supply in the City market reduced for the second consecutive quarter to 14.21 million sq ft at the end of Q4 and is now at levels recorded 12-months ago. Despite the fall, supply remains 62% above the ten-year average.

Tenant-controlled supply reduced by 3% to 2.94 million sq ft, accounting for 21% of total supply. Supply of grade A space also reduced, by 1% in Q4 to 6.68 million sq ft.

This took the overall vacancy rate down to 9.75% - falling by 23 basis points during the quarter – while the grade A rate reduced by 5 basis points to 4.59%.

In 2023, 2.52 million sq ft of office space completed across the City market, with 1.1 million sq ft pre-let or under offer. Total completions were down on the 4.39 million sq ft expected volume at the start of the year, as a result of some schemes being pushed into 2024.

CITY OVERVIEW

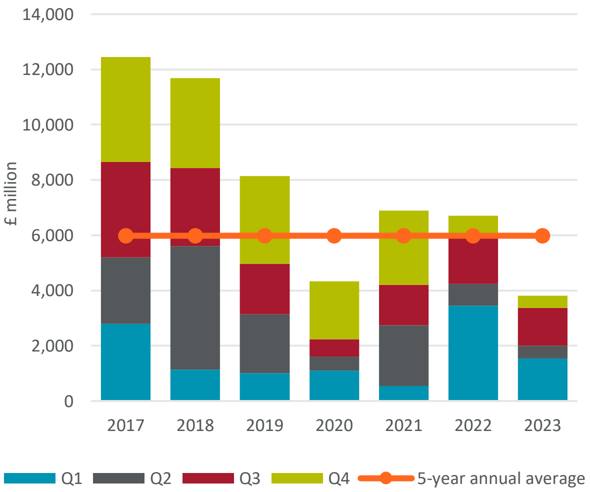
FUTURE SUPPLY

At the end of Q4, there was 7.27 million sq ft under construction across the City delivering by 2026, with pre-lets secured for 46% of this (3.38 million sq ft). Just over 3 million sq ft of this space is earmarked for delivery in 2024 (40% pre-let) and 3.85 million sq ft is expected to complete in 2025 (55% pre-let).

Of the ten largest developments due to complete in 2024, six are part or entirely pre-let or under offer. This includes 40 Leadenhall, Panorama, 1-2 Broadgate and 1 Leadenhall, which together will deliver 2.5 million sq ft to the market, with just 250,000 sq ft of space available to pre-let.

INVESTMENT

INVESTMENT VOLUMES – 2017-2023



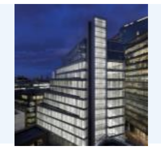
In the City market, investment volumes reduced by 68% during the quarter to £442.2 million in Q4, with the absence of larger lot sizes continuing to suppress activity. The Q4 total was also 70% below the five-year quarterly average of £1.49 billion.

In Q4, 16 deals completed with just two trading over £100 million – UBS Asset Management's purchase of 12-14 New Fetter Land, EC4 for £133 million and Vintners Place, EC4 acquired for £120 million. All other deals in the quarter were below £40 million.

This takes volumes for 2023 to £3.82 billion across 78 transactions, equating to an average deal size of £59.64 million, 24% below 2022 and 15% down on the ten-year annual average deal size of £70.5 million.

Furthermore, for the year just 12 deals over £100 million completed, compared with long-term trends where a minimum of 20 deals in this size range have typically traded.

KEY INVESTMENT TRANSACTIONS – 2023 Q4



12-14 NEW FETTER LANE, EC4

£133 m

Purchaser:
UBS Asset Management

Vendor:
Nuveen

VINTNERS PLACE, EC4

£120 m

Purchaser:
Greycoat

Vendor:
Goldman Sachs & Greycoat

150 MINORIES, EC3

£38 m

Purchaser:
Hub and Bridges

Vendor:
BE Offices

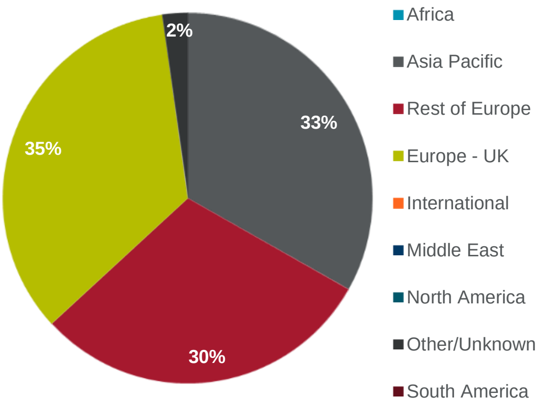
Purchasers from Europe were the only investors in Q4, 90% from the UK and the remainder from elsewhere across Europe.

For the year however, investors from Asia Pacific took a sizeable 33% market share, equating to £288 million, behind UK purchasers who acquired a little over £300 million throughout the year, a 35% share of the annual volumes.

The amount of stock on the market in the City reduced in Q4, with an estimated £2.04 billion of assets currently available or at bids stage, compared with £2.63 billion in Q3. There was an additional £0.8 billion under offer at the end of December, up on the £0.35 billion under offer at the end of September.

Prime City yields went up to 5.75% at the end of Q4. This means that yields have increased by 125 basis points since Q4 last year and are now at the same levels recorded in Q4 2009.

INVESTMENT BY PURCHASER ORIGIN – 2023 Q1-Q4



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

EAST LONDON OVERVIEW

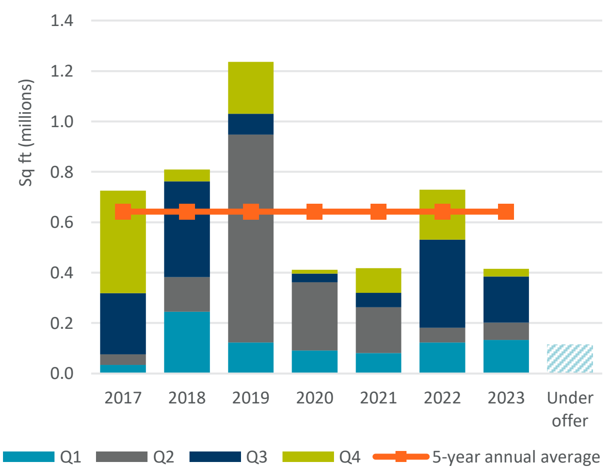
TAKE-UP

Take-up for Q4 totalled 30,491 sq ft across East London. Outside of the pandemic, this was the lowest quarterly total since Q2 2011.

This took leasing volumes for 2023 to 415,232 sq ft, 43% below 2022, and down by 54% on the ten-year annual average of 905,578 sq ft. Of the 2023 volumes, grade A space accounted for 69% equating to 286,086 sq ft and driven by eight of the top ten deals which were for newly built or refurbished space.

Whilst renewals are not included in the market data, Barclays' commitment to extend its c.1 million sq ft lease in Canary Wharf in Q4 is significant, and reinforces the desirability of this evolving location.

LEASING VOLUMES – 2017-2023



The average deal size for 2023 was 18,054 sq ft across the market, decreasing to 14,402 sq ft when just looking at activity in Canary Wharf. Both are down on the average sizes recorded in 2022, 20,439 sq ft across East London and 26,668 sq ft in Canary Wharf.

KEY OCCUPIER TRANSACTIONS – 2023 Q4

IMPORT BUILDING AT REPUBLIC, 2 CLOVE CRESCENT, E14	WOOD WHARF, 20 WATER STREET, E14
19,941 SQ FT	**11,000 SQ FT**
Outside of Canary Wharf	*** Canary Wharf**
New Lease	**New lease**

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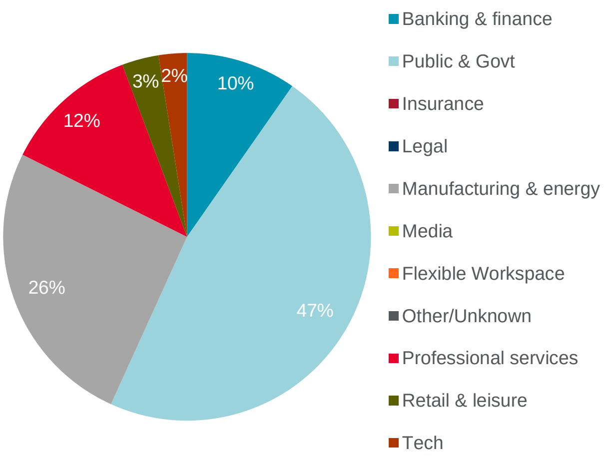
TAKE-UP BY SECTOR – 2023 Q1-Q4



Public sector occupiers were the most active throughout 2023, taking a 47% share of total take-up, equating to over 195,000 sq ft – all of which were education providers. The Manufacturing & Energy sector followed, encompassing Life Science occupiers, with a 26% market share and made up of five deals.

At the end of the year, there was over 115,000 sq ft under offer in East London, a 3% decrease on the prior quarter, with grade A office space accounting for 53% of the total.

CURRENT & FUTURE SUPPLY

Availability in East London increased marginally on the prior quarter, with 3.92 million sq ft of supply in the market. This was, however, a 5% year-on-year reduction but still 33% ahead of the five-year quarterly average of 2.94 million sq ft.

Whilst overall supply increased, the availability of Grade A space reduced by 6% quarter-on-quarter to 1.18 million sq ft, accounting for 30% of total availability across the market.

A total of 635,000 sq ft of office space was delivered speculatively across East London in 2023 in four buildings – YY London in Canary Wharf and three buildings on Sugar House Island, Stratford. The completion of these developments has added much needed grade A supply to the market.

Furthermore, approximately 355,000 sq ft is under construction and available in East London, consisting of the Turing Building in Stratford, which is due to complete in the second half of 2024.

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-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**