CENTRAL LONDON REPORT

MARKETBEAT
Q2 2024

CUSHMAN & WAKEFIELD

SUMMARY

Leasing activity across Central London increased during Q2 to 2.13 million sq ft, up by 29 quarter-on-quarter but 16% behind the ten-year quarterly average of 2.55 million sq ft. Grade A take-up accounted for 77% of the total, equating to 1.65 million sq ft – the highest grade A share on record.

This took take-up for the first half of the year to 3.78 million sq ft, 1% above H1 2023 leasing volumes but 17% behind the ten-year H1 average of 4.56 million sq ft. Of the H1 total, 69% of activity was for grade A offices equating to 2.62 million sq ft, 7% above H1 2023 and 1% above the ten-year H1 average for grade A space.

The City market accounted for 72% of leasing volumes in Q2 2024, with the West End taking a 23% market share and just one deals totalling 113,892 sq ft completing in East London.

The total volume of space under offer across the market increased in Q2 to 3.18 million sq ft has fallen, up by 4% quarter-on-quarter, 75% of which is for grade A space, equating to 2.39 million sq ft.

Whilst demand continues to remain robust, there is still a high volume of supply in the market. At the end of Q2, there was 27.3 million sq ft available across Central London, of which 15.53 million sq ft is classified as grade A.

Although high, supply has now broadly stabilised over the last five quarters and reduced by 2% during Q2. With a constrained development pipeline delivering lower levels of new office space over the coming years, we should begin to see a reduction in both the overall and grade A vacancy rate throughout the next 12 months.

That being said, current vacancy rates remain among the highest we have seen historically, at 9.41% overall and 5.35% grade A in Q2, reducing marginally during the quarter but 332 and 237 basis points respectively above the ten-year quarterly averages.

> "Occupiers continue to target high quality office space across Central London, with grade A accounting for 77% of leasing activity in Q2 – the highest share on record – and 75% of all current under offers."

In Q2, £1.72 billion of offices transacted across Central London, a 62% increase on Q1 but 33% below the five-year quarterly average of £2.57 billion.

This takes investment volumes for the half year up to £2.79 billion, 28% down on H1 2023 and 36% below the five-year H1 average of £4.37 billion.

The West End market was the most active in H1, with £1.95 billion trading (70% market share) and driven by three deals over £100 million – the largest of which is Blackstone's purchase of 130-134 New Bond Street, W1 for £226.5 million in Q2. A further £787 million has traded in the City, with larger lot sizes notably absent, while just one deal of £48.7 million has completed in East London.

Across Central London, UK purchasers remained the most active, taking a 55% market share in H1, equating to £1.52 billion. Investors from elsewhere in Europe and North America followed, taking a 16% and 14% market share respectively.

Prime office yields across the City and West End were unchanged from the prior quarter at 5.75% and 4.00%, respectively.

2.13 million sq ft leased in Central London during Q2 2024

16% below the ten-year quarterly average

241

Number of transactions signed in H1 2024

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

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

10% above the ten-year quarterly average

16.76 million sq ft under construction across the market

42% is pre-let or under offer

Investment volumes totaled £1.72 billion in Q2 2024

£7.34 billion transacted throughout 2023

Prime yields across Central London

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

OUTLOOK

On 4th July, the Labour party won the UK General Election, securing the second largest majority post-war. As a result, Sir Keir Starmer was sworn in as the new Prime Minister. However, the results of the General Election were priced in by markets well in advance, with little to no immediate impact on sterling and gilts, although there was a rally in stocks largely impacting the residential sector.

After a long period of uncertainty, the new Labour government is likely to be reassuring for investors in the short-term, providing more political certainty that the country has been used to for some time. The results of the Election were preceded by the reporting of inflation falling to 2% in May and maintaining this level in June – in line with Government targets. This was the first time since 2021 that CPI was within the target.

In the most recent MPC meeting, held shortly after the May inflation data was released, the committee voted in favour of keeping rates at 5.25%, likely waiting for the result of the General Election before making any major moves. The stabilisation from an investor's perspective is good news for the market and, given that the Election was brought forward from the Autumn, the political certainty can only be seen as a positive for the market and may begin to unlock investment opportunities.

In the investment market, annual volumes for Central London offices were running at £6.26 billion at the end of Q2 2024, 2% ahead of the prior quarter which was the smallest investment market on record. This pick-up in activity, albeit only slight, is providing some positive sentiment to take into the second half of 2024. However, high interest rates will continue to subdue volumes in the interim.

The attractiveness of a strong occupational demand and rental growth in some Central London locations is currently fuelling demand, creating some competition of assets on the market. Furthermore, there are also other examples across the market of core plus assets generating strong interest and beginning to trade, providing some positive sentiment for the market. Core income, well-located, high quality, grade A assets are also continuing to see good levels of interest.

The dynamics between the West End and City remain polarised, with the former going through a period of pricing discovery and in the City less so, except for in core locations. As a result, prime yields in the West End and City remain unchanged at 4% and 5.75%, respectively, at the end of Q2. The confidence of purchasers is increasing, but vendor aspirations need to align further in most cases to provide much needed investment activity across Central London – this will not happen overnight, but when it does, there is a growing number of purchasers ready to invest.

In the leasing market, following on from a strong 2023 take-up of 3.78 million sq ft in H1 2024 was aligned with volumes recorded in the first half of 2023. Whilst this was down by 21% against the ten-year H1 average, grade A leasing volumes of 2.62 million sq ft were up by 1% against the same metric. Proportionately, grade A leasing is also up on historic trends.

This strong demand for grade A offices, together with a tight development pipeline over the next five years and record high levels of active demand (c. 13 million sq ft), is fuelling the rental growth story. In the City, average annual rental growth of 4.4% is forecast for prime assets in the next five years compared with 7.9% for super-prime assets; whilst in the West End, figures of 4.0% and 7.3% are forecast, respectively.

> “Strong occupational fundamentals and future rental growth prospects are fuelling investor demand for Central London assets.”

-0.54% Projected Inner London GDP growth in 2024

0.22% Projected Inner London GDP growth in 2025

0.70% Projected UK GDP growth in 2024

0.93% Projected UK GDP growth in 2025

Source: Moody’s Analytics (June 2024)

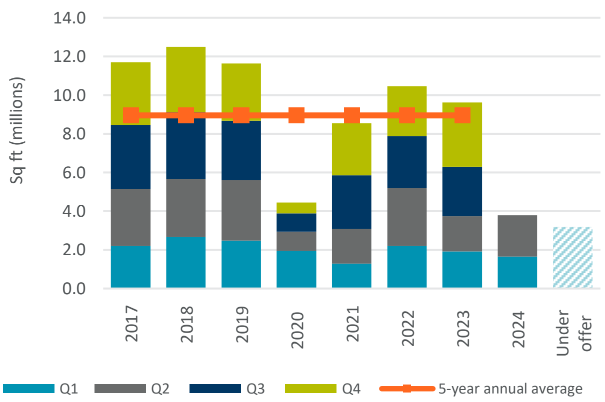
CENTRAL LONDON OVERVIEW

TAKE-UP

In Q2 2024, 2.13 million sq ft of take-up was recorded across Central London – up by 25% quarter-on-quarter but down by 16% on the ten-year quarterly average of 2.55 million sq ft. Grade A leasing continues to dominate activity, accounting for 77% of Q2 take-up, equating to 1.65 million sq ft – this is the highest quarterly grade A share on record.

This takes leasing volumes for the first half of 2024 to 3.78 million sq ft, of which 2.62 million sq ft was classified as grade A (69% share). Additionally, the volume of space under offer across the market increased by 4% during the quarter to 3.18 million sq ft – 10% ahead of the ten-year quarterly average, with 75% classified as grade A.

LEASING VOLUMES – 2017-2024



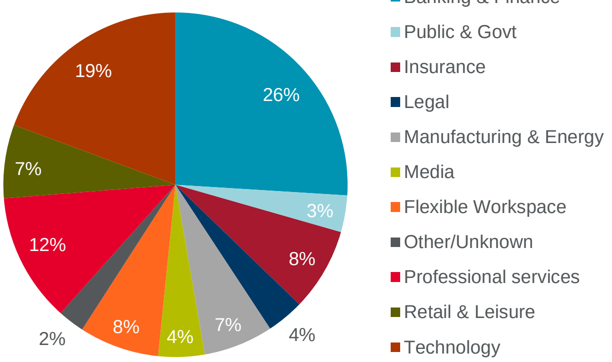
The City market remained the most active during the quarter, with 1.53 million sq ft trading (74% grade A), while the West End's 485,000 sq ft accounted for 23% of take-up (82% grade A).

So far this year, 241 deals above 5,000 sq ft have completed, of which nine were for units over 50,000 sq ft (three over 100,000 sq ft). However, there are another six deals over 100,000 sq ft under offer across the market, four of which are in the City market and two in the West End.

KEY OCCUPIER TRANSACTIONS – 2024 Q2

CITADEL	amazon	Revolut
2 FINSBURY AVENUE, EC2	THE STAGE, 30 CURTAIN ROAD, EC2	YY LONDON, 30 SOUTH COLONNADE, E14
251,901 SQ FT	178,924 SQ FT	113,892 SQ FT
City Core	Shoreditch	Canary Wharf
* Pre-let, off-plan	* New lease	New lease

TAKE-UP BY SECTOR – 2024 Q2



The Banking & Finance sector continues to lead activity both in Q2 and the first half of the year, with a 26% and 24% share of leasing, respectively. This was driven by both the Citadel and Revolut deals, which together added over 365,000 sq ft to the sectors 554,000 sq ft take-up recorded in Q2.

Leasing activity in the Technology sector remained strong in Q2, driven by Amazon's letting in Shoreditch. This took market share to 19% in Q2 and 16% across the half year, the latter of which is broadly aligned with long-term trends.

In the Flexible Workspace sector, 160,000 sq ft completed in Q2, taking leasing activity for the first half of the year to close to 215,000 sq ft. Whilst this is down on pre-pandemic trends, proportions have been consistent over the last three years.

Looking at the under offers in the market, where the occupier is known, 18% was allocated to Banking & Finance occupiers – 560,000 sq ft – followed by Insurance businesses (14% share and 456,000 sq ft) and the Professional Services sector (9% share and 278,000 sq ft).

SUPPLY

Supply across Central London reduced marginally by 2% during the quarter to 27.3 million sq ft at the end of June 2024, 61% above the ten-year average of 16.92 million sq ft. During the last five quarters, supply has stabilised around the 27 million sq ft mark, indicating an end to the rapid rises recorded since 2021.

As a result, the vacancy rate reduced decreased by 18 basis points to 9.41% in Q2, while a 6 basis points increase to 5.35% was noted for grade A units.

Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 2.79 years of demand and 2.50 years of supply to satisfy grade A demand.

Across Central London, there are 40 buildings available to satisfy a requirement of more than 100,000 sq ft – 17 in the City, 14 in the West End and 9 in East London. Furthermore, of the 41 building, 28 are offering grade A space.

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

CENTRAL LONDON OVERVIEW

FUTURE SUPPLY

During the first half of 2024, 1.53 million sq ft of office space has completed across 16 developments in Central London, of which 29% was pre-let or under offer. There were five completions over 100,000 sq ft – 50 Electric Boulevard, SW8 (202,400 sq ft, 10% pre-let or under offer); OSMO, SW8 (174,800 sq ft, all available); The Arc, EC1 (148,000 sq ft, 12% pre-let or under offer); 3 Sheldon Square, W2 (138,900 sq ft, 79% pre-let or under offer) and Worship Square, EC2 (118,000 sq ft, all pre-let).

At the end of Q2, 16.76 million sq ft was under construction and delivering by 2028, with 42% having been pre-let. This leaves just over 9.78 million sq ft of speculative development in Central London. Of this speculative development, 2.49 million sq ft is expected to complete by the end of 2024 and 3.95 million sq ft in 2025.

INVESTMENT

Office investment volumes across Central London totalled £1.72 billion in Q2, an increase of 62% on Q1 2024 and down by 33% on the five-year quarterly average of £2.57 billion.

This takes volumes for the first half of the year to £2.79 billion, a 28% decrease on H1 2023 and 36% below the five-year H1 average of £4.37 billion.

The West End market accounted for 70% of all deals in H1, totalling £1.95 billion across 56 deals, while 34 transactions completed in the City, totalling £787 million, and just one deal in East London.

INVESTMENT VOLUMES – 2017-2024

This takes investment for the last 12-months to £6.26 billion in Central London, down by 26% on 12-months prior and by 42% against the five-year average of £10.77 billion.

There have been four deals over £100 million to complete in H1 – three in the West End and one in the City. The largest was Blackstone's acquisition of 130-134 Bond Street, W1 for £226.5 million.

KEY INVESTMENT TRANSACTIONS – 2024 Q2

130-134 BOND STREET, W1	HERBAL HOUSE, 8-10 BACK HILL, EC1	20 GRAFTON STREET, W1
£226.5 m	£101 m	£100 m
Purchaser: Blackstone	**Purchaser:** Yellow Tree Group	**Purchaser:** LetterOne
Vendor: Oxford Properties	**Vendor:** Fixed Charge Receivers	**Vendor:** PGIM

During the last 12-months to Q2 2024, 166 deals have completed across Central London, an improvement on the prior quarter, when 153 deals completed in the 12-months to Q1. However, deal numbers remain low in a historical context, 14% below the previous peak in Q3 2022 and 57% lower than the historic high in Q1 2014.

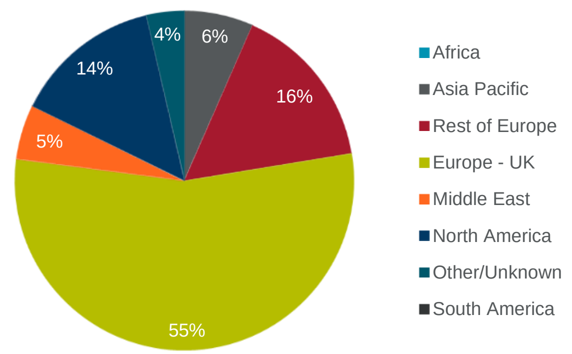
On an annualised basis, the low volumes over the last year continue to supress the average lot size, which was £37.74 million in the 12-months to Q2 2024 – down by 6% on the prior quarter and 58% the all-time peak of £90.34 million recorded in Q1 2022. The market continues to be driven by smaller lot sizes, with limited deals above £100 million. In fact, since Q3 2022, no deals over £500 million have traded.

In Q2 2024, purchasers from the UK remained the most active as they have been for the last two years, accounting for 51% of total turnover during the quarter, increasing to 55% during the half year. This purchaser group also ended Q2 with the greatest negative net investment of -£196.4 million, selling more than they have acquired.

As at the end of Q2 2024, there was £3.12 billion available or at bids stage across Central London, down on the £4.09 billion recorded at the end of Q1, with a further £1.45 billion under offer.

Prime yields were unchanged at 5.75% in the City and 4.00% in the West.

INVESTMENT BY PURCHASER ORIGIN – 2024 H1



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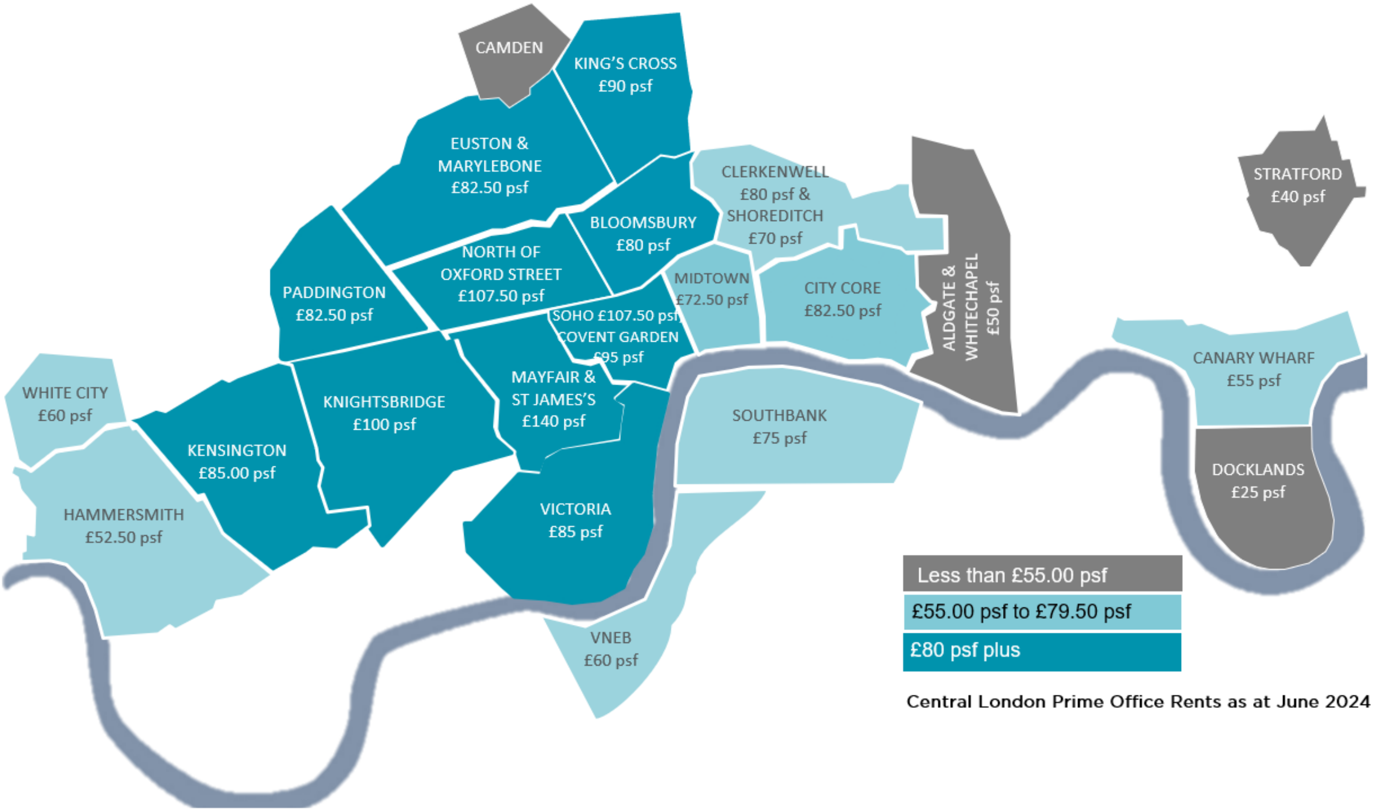
PRIME RENTS



Central London Prime Office Rents as at June 2024

Prime rents in Central London were **unchanged** over the quarter across most submarkets, with the exception of North of Oxford Street and the City Core, where increases of 2.4% and 3.1% were recorded, respectively.

Average annual rental change across London markets

- City – average annual change of **1.8%**
- East London – average annual change of **0.0%**
- West End – average annual change of **4.9%**

The Central London vacancy rate decreased during the quarter to 9.41%, with notable variations across the submarkets.

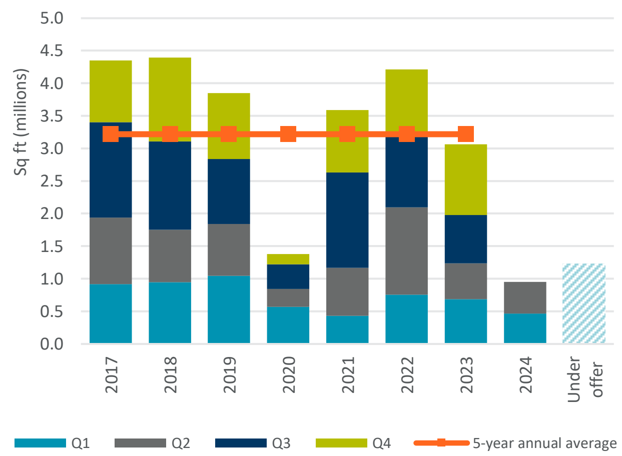
WEST END OVERVIEW

TAKE-UP

Leasing activity in the West End increased by 5% during the quarter to 485,300 sq ft in Q2, of which 82% was for grade A space, equating to 395,800 sq ft. Despite the quarterly increase, overall leasing volumes were 44% below the ten-year quarterly average.

There is a relatively strong potential pipeline due to come through over the second half of the year, with 1.23 million sq ft under offer at the end of Q2 (76% grade A), a 52% quarterly increase and 24% ahead of the ten-year quarterly average.

LEASING VOLUMES – 2017-2024



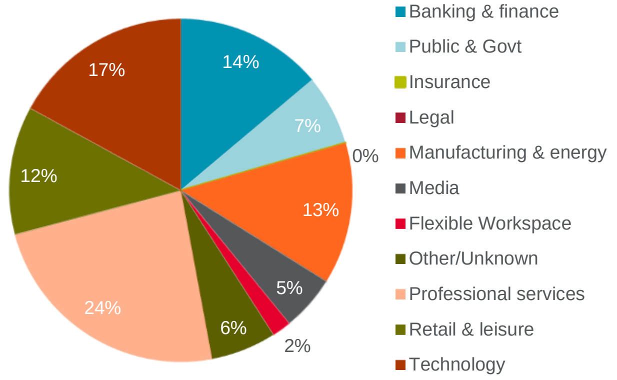
This takes leasing volumes for H1 2024 to 949,400 sq ft, across 81 deals over 5,000 sq ft, a 23% decrease on H1 2023 and 26% below the five-year H1 average of 1.26 million sq ft.

There has been a real shortage of large deals across the West End this year, which has supressed leasing. Just one deal over 50,000 sq ft has completed – Super Group's 61,257 sq ft pre-let at St Pancras Commercial Centre in Q1 – with all other deals below this threshold. However, there are three deals over this size band under offer in the market, of which two are for more than 100,000 sq ft.

KEY OCCUPIER TRANSACTIONS – 2024 Q2

LIBERTY GLOBAL	SharkNINJA	MOUNTAIN WAREHOUSE
120 KINGS ROAD, SW3	50 ELECTRIC BOULEVARD, SW8	7 HOWICK PLACE, SW1
35,901 SQ FT	31,833 SQ FT	31,455 SQ FT
Knightsbridge	Battersea & Nine Elms	Victoria
New lease	New lease	New lease

TAKE-UP BY SECTOR – 2024 Q2



The distribution of active sectors in the West End remained widespread in Q2 and are broadly aligned to the H1 trends. Furthermore, the lack of large deals during the quarter means that no one deal has disproportionately skewed proportions.

Professional Services occupiers were the most active both in Q1 and H1, taking market shares of 24% and 19% respectively, with the largest deal in the sector so far this year being Arrow Shipping leasing 22,641 sq ft in Knightsbridge.

In the Technology sector, seven deals completed in Q1 and five in Q2, the latter of which generated a 17% market share, led by the Liberty Global deal.

SUPPLY

Supply in the West End increased in Q2, by 1% during the quarter and by 14% year-on-year, to 9.38 million sq ft. Supply is now 72% above the ten-year quarterly average of 5.47 million sq ft. As a result, the overall vacancy rate increased marginally by 11 bps during the quarter to 7.81%.

Nevertheless, there continues to be variations between submarkets. Mayfair continues to have the lowest vacancy rate, both across the West End and the whole of Central London, of 3.31%, having reduced by 19 basis points during the quarter. Knightsbridge and Victoria each saw vacancy rates fall by 90 basis points – the largest reduction in Q2 – while the largest increase of 199 basis points was seen in Fitzrovia, largely driven by developments due to complete within the next six months.

Of the overall supply, grade A accounted for 72%, equating to 6.77 million sq ft, a 5.64% vacancy rate. Whilst this remains high against historical trends, the grade A vacancy rate in 12 of the 15 West End submarkets is below the overall West End rate.

At the end of Q2, there were 14 buildings available which could satisfy a requirement of 100,000+ sq ft, 8 of which are available as pre-lets.

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

FUTURE SUPPLY

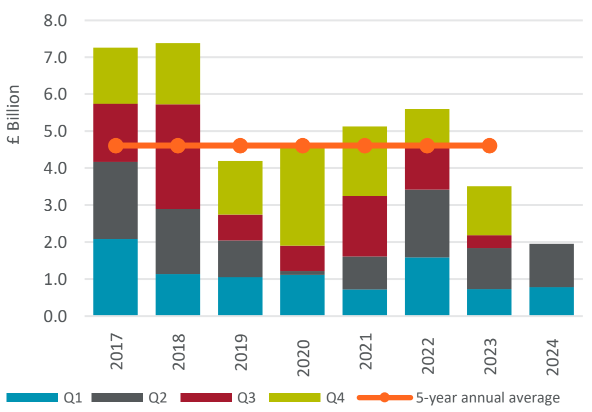
During Q2, two developments delivering 142,600 sq ft completed in the West End, taking completions for the first half of the year to 861,800 sq ft across eight schemes. The largest scheme to deliver so far this year was 50 Electric Boulevard, SW8 (202,400 sq ft, 90% available), followed by OSMO, SW8 (174,800 sq ft, all available) and 3 Sheldon Square, W2 (138,900 sq ft, 79% pre-let or under offer) – all in Q1. All other completions were below 100,000 sq ft.

Looking ahead, as at the end of Q2, there was 6.86 million sq ft under construction and due to deliver by 2027, with 64% of this is being developed speculatively.

Of the total amount, 2.73 million sq ft is expected to deliver during H2 2024 (53% pre-let) and 2.84 million sq ft in 2025 (24% pre-let), leaving an extremely constrained development pipeline from 2026 onwards.

INVESTMENT

INVESTMENT VOLUMES – 2017-2024



Investment volumes in the West End totalled £1.18 billion in Q2 2024, 53% above volumes recorded in the prior quarter and 3% above the five-year quarterly average of £1.15 billion. This takes volumes for the first half of the year to £1.95 billion, a 6% increase on H1 2023 however still 30% behind the ten-year H1 average of £2.78 billion.

There were 34 transactions to complete in Q2, and 56 across the half year. Of the H1 total, these, eight were in excess of £50 million of which three were above £100 million. This equated to an average deal size of £35.1 million in Q1 reducing to £31.9 million in Q2.

On an annualised basis to the end of Q2 2024, £3.62 billion has traded in the West End, down by 10% on 12-months prior and 22% below the five-year annual average.

The largest transaction in both the West End and across Central London in Q2 was Blackstone's acquisition of 130-134 New Bond Street for £226.5 million.

KEY INVESTMENT TRANSACTIONS – 2024 Q2

130-134 NEW BOND STREET, W1

£226.5 m

Purchaser:
Blackstone

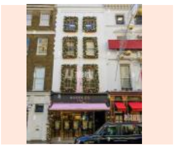
Vendor:
Oxford Properties

20 GRAFTON STREET, W1

£100 m

Purchaser:
LetterOne

Vendor:
PGIM



178 NEW BOND STREET, W1

£82 m

Purchaser:
Richemont

Vendor:
Francis Tam

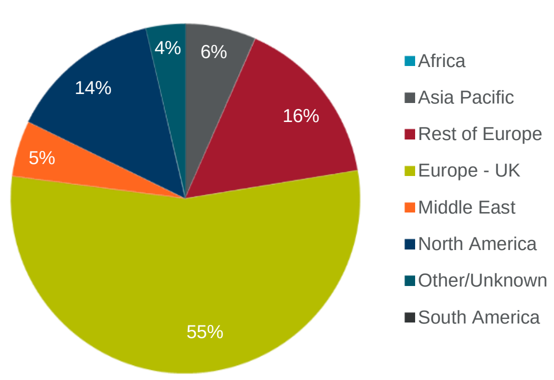
In Q2, UK purchasers remained the most active following on from a strong market share in 2023 and Q1 2024, acquiring close to £460 million of offices and taking a 39% share of total volumes.

Investors from the rest of Europe followed, acquiring over £310 million of offices in Q2 – a 27% market share – followed by North America investors who purchased £272.6 million during the quarter (23% share).

The amount of stock available or at bids stage in the market reduced from £2.29 billion in Q1 to £1.39 billion in Q2. There was also an additional £0.97 billion under offer at the end of Q2, up on three months prior when £0.85 billion was recorded.

Prime yields in the West End were unchanged at 4.00% in Q1 2024, remaining at this level for the last six quarters. Prime yields for assets in non-core West End locations are in the 4.50-5.00% range.

INVESTMENT BY PURCHASER ORIGIN – 2024 H1



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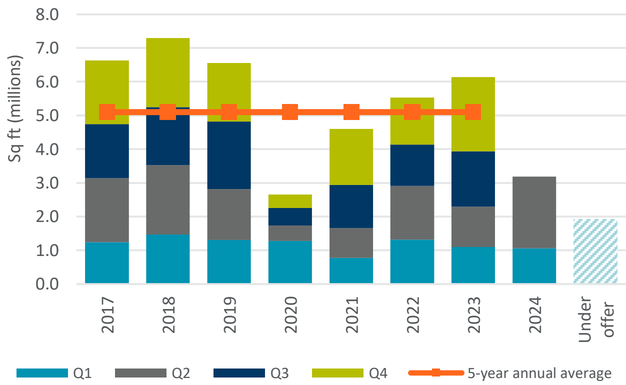
CITY OVERVIEW

TAKE-UP

Take-up of 1.53 million sq ft was recorded during Q2 across the City market, up by 45% quarter-on-quarter and 5% ahead of the ten-year quarterly average of 1.47 million sq ft. Grade A take-up accounted for 74%, equating to 1.14 million sq ft.

Furthermore, the volume of space under offer across the City remained high, providing continued momentum for activity during the rest of the year. Over 1.92 million sq ft was under offer at the end of June, 16% ahead of the ten-year quarterly average, with 76% of space marked as grade A.

LEASING VOLUMES – 2017-2024



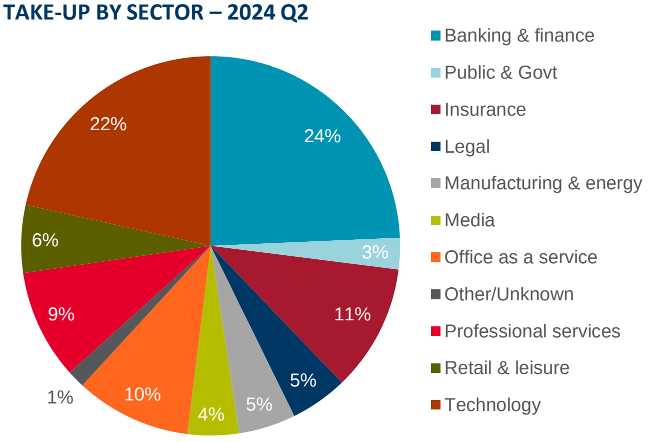
This takes leasing volumes for H1 to 3.19 million sq ft, up by 39% on H1 2023 and 18% ahead of the ten-year H1 average of 2.71 million sq ft.

Over 150 deals above 5,000 sq ft completed in H1, of which six were over 50,000 sq ft, including the two largest deals of the year so far – Citadel's off-plan pre-let of 251,901 sq ft at 2 Finsbury Avenue, EC3 and Amazon's 178,924 sq ft new lease at The Stage, Shoreditch, both in Q2 – which helped to bolster overall leasing volumes.

KEY OCCUPIER TRANSACTIONS – 2024 Q2

CITADEL	amazon	SOMPO
2 FINSBURY AVENUE, EC3	THE STAGE, 30 CURTAIN ROAD, EC2	40 LEADENHALL STREET, EC3
251,901 SQ FT	178,924 SQ FT	75,873 SQ FT
* City Core	* Shoreditch	* City Core
Pre-let, off-plan	New lease	Pre-let, under construction

TAKE-UP BY SECTOR – 2024 Q2



There were eight deals in the Banking & Finance sector to complete in Q2, including the Citadel deal which was key in bolstering the market share up to 24%, both during the quarter and H1. This is ahead of the 16% market share recorded over the last five years.

In the Technology sector, 16 deals completed in H1 (13 apiece per quarter), with the deal by Amazon contributing to the significant increase in market share to 22% in Q2 and 18% in H1, compared with the five-year average of 15%.

Of the space under offer, where the tenant is known, there is close to 400,000 sq ft allocated to the Banking & Finance sector and over 250,000 sq ft to Legal occupiers. Should these deals complete, this will help to improve on the market shares recorded particularly for the Legal sector during the year.

SUPPLY

Supply in the City market reduced marginally by 0.4% during the quarter to 14.35 million sq ft at the end of Q2. This is 5% below levels seen 12-months prior, but remains 59% above the ten-year quarterly average of 9.05 million sq ft.

The largest reduction was for grade A offices, which fell by 1% to 7.31 million sq ft, following on from a larger increase of 10% in Q1. Tenant-controlled supply was unchanged in Q2, with 2.74 million sq ft available, accounting for 19% of total supply.

This took the overall vacancy rate down by just 5 basis points to 9.82%, while the grade A rate also reduced by the same amount to 5.00%.

In H1, just 663,500 sq ft of office space completed across the City market, 35% of which was pre-let or under offer. This was across eight developments, two of which were over 100,000 sq ft – The Arc, EC1; The Waterman, EC1; and Worship Square, EC2.

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

CITY OVERVIEW

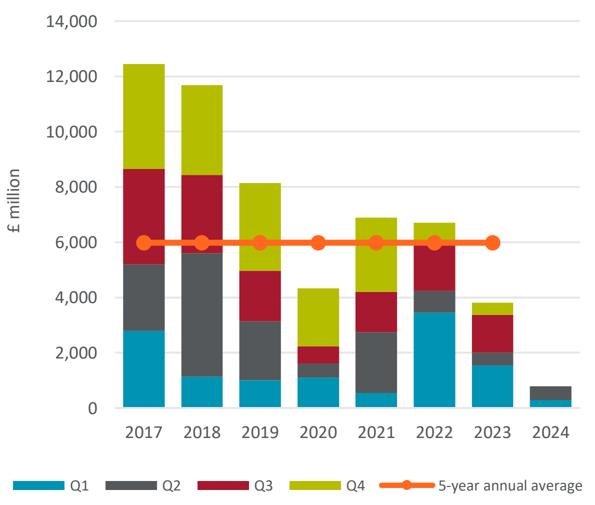
FUTURE SUPPLY

At the end of Q2, there was 9.54 million sq ft under construction across the City delivering by 2028, with pre-lets secured for 48% of this (4.59 million sq ft). Over 2.26 million sq ft of this space is earmarked for delivery in the second half of 2024 (62% pre-let) and 4.53 million sq ft is expected to complete in 2025 (61% pre-let).

Of the developments due to complete during the remainder of 2024, four are more than 90% pre-let or under offer. This includes 40 Leadenhall, EC3; One Southwark Bridge Road, SE1; Verdant, EC1; and 25 Moorgate, EC2.

INVESTMENT

INVESTMENT VOLUMES – 2017-2024



In the City market, investment volumes increased by 69% during the quarter to £494.5 million in Q2, with the absence of larger lot sizes continuing to suppress activity. In the City, there has not been a deal over £500 million since Q2 2022. Despite the quarterly increase, the Q2 total was 64% below the five-year quarterly average of £1.38 billion.

In Q2, 16 deals completed with just three trading over £50 million – including Yellow Tree Group's £101 million acquisition of Herbal House, EC1, the largest City deal of the year so far. The average deal size in Q2 increased to £30.9 million, from just £16.3 million in Q1.

This takes volumes for the last 12-months to Q2 to £2.59 billion across 69 transactions, a 42% reduction on 12-months prior and 54% behind the ten-year rolling average of £5.69 billion.

KEY INVESTMENT TRANSACTIONS – 2024 Q2

HERBAL HOUSE, 8-10 BACK HILL, EC1

£101 m

Purchaser:
Yellow Tree Group

Vendor:
Fixed Charge Receivers

TURNMILL, 63 CLERKENWELL ROAD, EC1

£77.35 m

Purchaser:
Titan Investors

Vendor:
Derwent London

100 NEW BRIDGE STREET, EC4

£55 m

Purchaser:
Orion Capital Managers

Vendor:
Helical Plc

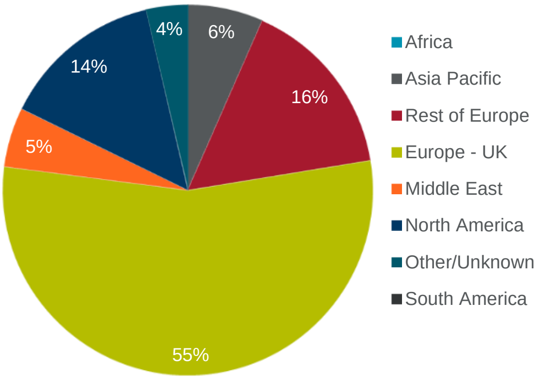
Purchasers from the UK remained the most active in Q2, acquiring over £360 million during the quarter, taking a 74% market share during the quarter, reducing to 55% across the half year.

Largely due to Yellow Tree Group's acquisition, Middle Eastern investors followed with a 24% market share in Q2, however this reduced to just 5% across H1, with North American and investors from elsewhere in Europe more acquisitive at the half year point.

The amount of stock on the market in the City increased in Q2, with an estimate £1.73 billion currently available or at bids stage, compare with £1.43 billion in Q1. There was an additional £0.48 billion under offer at the end of June, above the £0.23 billion under offer at the end of Q1.

Prime City yields were unchanged at 5.75% for the third consecutive quarter, following six consecutive upward yield movements, with the stabilisation welcome news for the market, and may trigger some sales during the rest of the year.

INVESTMENT BY PURCHASER ORIGIN – 2024 H1



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

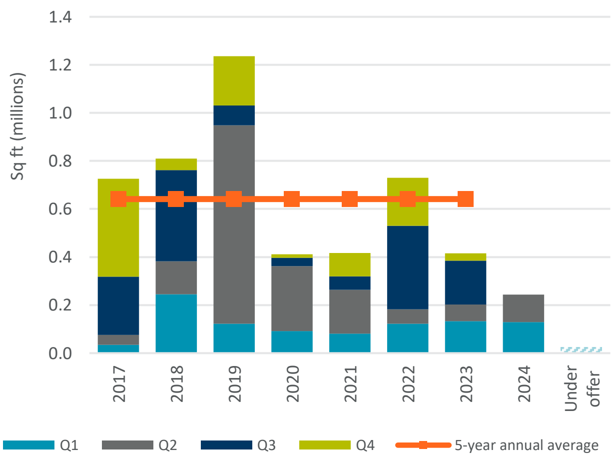
EAST LONDON OVERVIEW

TAKE-UP

Leasing activity in Q2 totalled 113,892 sq ft, with just one deal completing in the quarter – Revolut's signing of grade A space at YY London in Canary Wharf, a building which completed in 2023. This was 12% behind take-up in Q1 and 47% lower than the ten-year quarterly average of 215,694 sq ft.

As a result of this deal, the volume of space under offer across the market decreased from 139,000 sq ft in Q1 to just 24,977 sq ft at the end of Q2, remaining considerably behind the ten-year quarterly average of 308,228 sq ft.

LEASING VOLUMES – 2017-2024



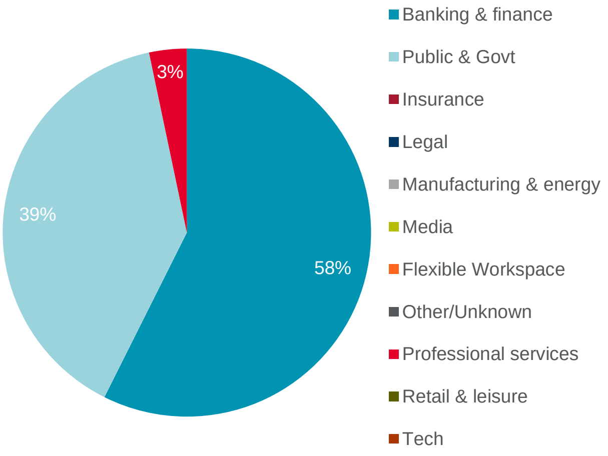
This takes leasing volumes for the first half of the year to 243,214 sq ft across East London, 20% above volumes recording in H1 2023 but 46% behind the ten-year H1 average of 449,011 sq ft.

Due to the lower volume of deals in East London, average deal sizes tend to be volatile and skewed by larger transactions.

KEY OCCUPIER TRANSACTIONS – 2024 H1

Revolut	University of Sunderland	FitchRatings
YY LONDON, 30 SOUTH COLONNADE, E14	**4 & 5 HARBOUR EXCHANGE SQUARE, E14**	**30 NORTH COLONNADE, E14**
113,892 SQ FT	**95,628 SQ FT**	**25,678 SQ FT**
Canary Wharf	**Outside Canary Wharf**	*** Canary Wharf**
New lease	**New lease**	**Sublease**

TAKE-UP BY SECTOR – 2024 H1



Given that just four deals completed in H1, Revolut's new lease and Fitch Rating's sublease resulted in the Banking & Finance sector taking a 58% of take-up during this period.

This was followed by the University of Sunderland's new lease in Q1 resulting in the Public sector taking a 39% share of take-up in H1.

CURRENT & FUTURE SUPPLY

Availability in East London decreased by 14% on the prior quarter, with 3.56 million sq ft of supply in the market. Despite this quarterly reduction, supply remains 48% ahead of the ten-year quarterly average of 2.40 million sq ft.

The supply decrease was largely due to a 20% quarterly reduction of second-hand space, due to the withdrawal of the Barclays sublease space of c.580,000 sq ft in Canary Wharf. Grade A supply also reduced by 6%, entirely due to the letting by Revolut. Grade A supply now accounts for 41% of total availability.

Following a strong development pipeline year in 2023, where 635,000 sq ft of office space was delivered speculatively across East London, there have been no completions so far in 2024.

However, there is approximately 355,000 sq ft 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. As this building is six months away from completion, the total space has now been accounted for in supply.

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

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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**