

CENTRAL LONDON REPORT

MARKETBEAT
Q1 2024



**CUSHMAN &
WAKEFIELD**

CENTRAL LONDON OVERVIEW

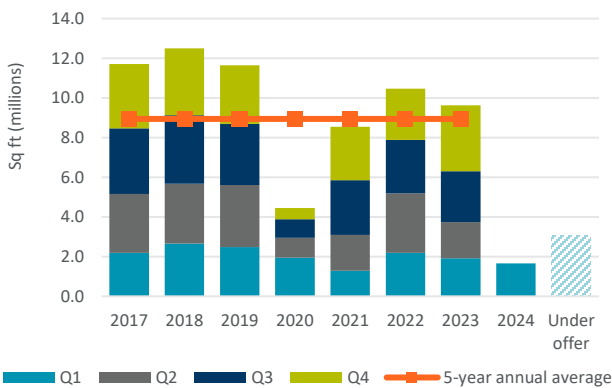


TAKE-UP

In Q1 2024, 1.65 million sq ft of take-up was recorded across Central London – down by 50% quarter-on-quarter and by 36% on the ten-year quarterly average of 2.58 million sq ft. Grade A leasing continues to dominate activity, accounting for 59% of Q1 take-up, equating to 974,000 sq ft.

Whilst overall take-up levels were down, the volume of space under offer across the market increased by 39% during the quarter to 3.06 million sq ft, up by 6% against the ten-year quarterly average. Grade A accounted for 85%, equating to 2.59 million sq ft – a 94% increase during the quarter and up by 34% on the ten-year quarterly average.

LEASING VOLUMES – 2017-2024



The City market was the most active during Q1, with 1.06 million sq ft trading (53% grade A), while the West End’s 464,000 sq ft accounted for 28% of Q1 take-up (68% grade A).

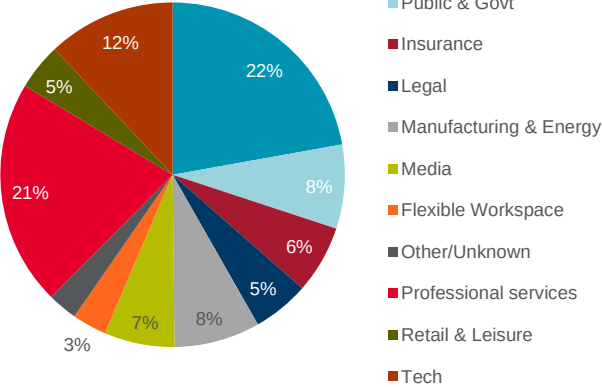
During Q1, just 111 deals above 5,000 sq ft completed, just 4 of which were for units over 50,000 sq ft (none over 100,000 sq ft). However, there are seven deals over 100,000 sq ft under offer across the market, five of which are in the City market, one in the West End and one in East London.

KEY OCCUPIER TRANSACTIONS – 2024 Q1

		
WORSHIP SQUARE, EC2	ST PANCRAS COMMERCIAL CENTRE, NW1	4 & 5 HARBOUR EXCHANGE SQUARE, E14
85,234 SQ FT	61,257 SQ FT	95,628 SQ FT
Shoreditch	Camden	Outside Canary Wharf
Pre-let, under construction	Pre-let, under construction	New lease

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

TAKE-UP BY SECTOR – 2024 Q1



The Banking & Finance sector continues to lead activity, with 366,000 sq ft completing in Q1, closely followed by the Professional Services sector where 349,000 sq ft of transactions were recorded. Key deals in both sectors include WISE pre-letting 85,000 sq ft in Shoreditch and Grant Thornton taking a 75,000 sq ft assignment in the City Core. In the West End, Campbell Lutyen’s pre-let 26,000 sq ft in St James’s.

Technology occupiers took a 12% market share in Q1, equating to just under 200,000 sq ft, led by Databrick’s lease of 28,800 sq ft in Fitzrovia. There was a relatively even distribution across all the other sectors.

Looking at the under offers in the market, where the occupier is known, 26% was allocated to Banking & Finance occupiers – 789,000 sq ft – followed by Insurance businesses (12% share and 350,000 sq ft) and the Professional Services sector (7% share and 221,000 sq ft).

SUPPLY

Supply across Central London increased marginally by 3% during the quarter to 27.82 million sq ft at the end of March 2024, 68% above the ten-year average of 16.59 million sq ft. This was driven by grade A space, which increased by 10% during the quarter to 15.36 million sq ft – largely due to speculative pipeline space completing within the next six months falling into the figures.

As a result, the vacancy rate reduced increased by 25 basis points to 9.59% in Q1, and by 46 basis points to 5.29% for grade A units.

Based on this, and taking a three-year average take-up, there is currently enough supply to satisfy 2.87 years of demand and 2.66 years of supply to satisfy grade A demand.

Across Central London, there a 41 buildings available to satisfy a requirement of more than 100,000 sq ft – 18 in the City, 13 in the West End and 10 in East London. Furthermore, of the 41 building, 24 are offering grade A space.

CENTRAL LONDON OVERVIEW



FUTURE SUPPLY

During Q1, 998,200 sq ft of office space completed across nine developments in Central London, of which 22% was pre-let or under offer. There were four 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); and 3 Sheldon Square, W2 (138,900 sq ft, 79% pre-let or under offer).

At the end of Q1, 14.91 million sq ft was under construction and delivering by 2027, with 44% having been pre-let. This leaves just over 8.35 million sq ft of speculative development in Central London. Of this speculative development, 3.36 million sq ft is expected to complete by the end of 2024 and 3.49 million sq ft in 2025 – leaving just 1.51 million sq ft of available development thereafter.

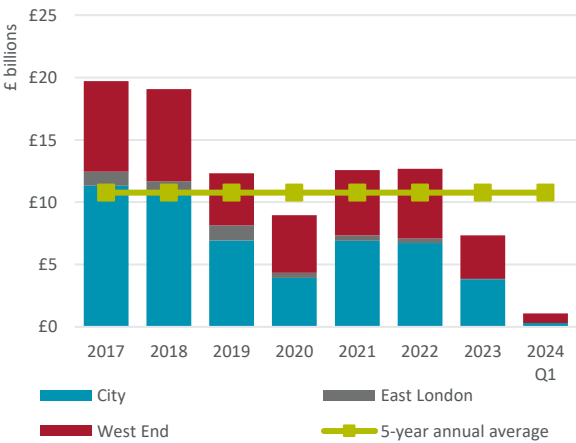
INVESTMENT

Office investment volumes across Central London totalled £1.06 billion in Q1, a decrease of 40% on Q4 2023 and down by 60% on the five-year quarterly average of £2.64 billion.

The West End market accounted for 72% of 14 volumes across 20 deals, totalling £770 million, while the remaining 18 transactions completed in the City, totalling £293 million.

This takes investment for the last 12-months to £6.14 billion in Central London, down by 36% on the prior 12-months and by 45% against the five-year average of £11.24 billion.

INVESTMENT VOLUMES – 2017-2024



Just one deal over £100 million completed in Q1 – Royal London Asset Management’s £192.5 million share of 1 Triton Square, NW1. A further seven deals were in the £50-£100 million lot size, totalling £479.1 million, all except one of which was in the West End.

KEY INVESTMENT TRANSACTIONS – 2024 Q1

1 TRITON SQUARE, NW1	WHITEFRIARS, 65 FLEET STREET, EC4	25-31 ST JAMES’S ST & 7/8 FLORAL ST, WC2
£192.5 m	£85m	£75.1 m
Purchaser: Royal London Asset Management	Purchaser: Dominus	Purchaser: Shaftesbury Capital
Vendor: British Land	Vendor: JMI Global	Vendor: Lothbury IM

During the last 12-months to Q1 2024, 151 deals have completed across Central London, an improvement on the prior quarter, when 148 deals completed in the 12-months to Q4. However, deal numbers remain low in a historical context, 22% below the previous peak in Q3 2022 and 61% lower than the historic high in Q1 2014.

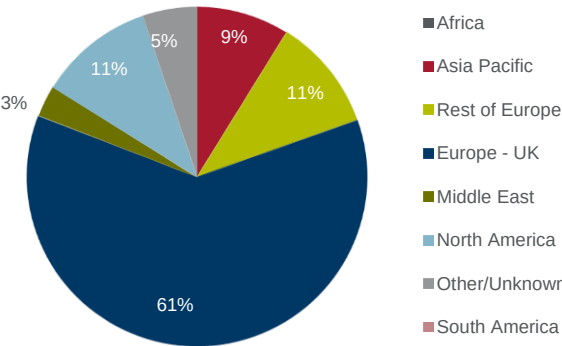
On an annualised basis, the low volumes over the last year have resulted in the average lot size remaining subdued at £40.68 million in Q1 2024, down by 5% on Q4 2023 when £43.01 million was recorded. The market continues to be driven by smaller lot sizes in the West End and limited deals above £100 million.

In Q1 2024, purchasers from the UK remained the most active as they have been for the last two years, accounting for 61% of total turnover during the quarter. This purchaser group also ended the quarter with the greatest negative net investment of -£212.2 million, selling more than they have acquired.

As at the end of Q1 2024, there was £4.09 billion available or at bids stage across Central London, down on the £6.21 billion recorded at the end of Q4, with a further £1.17 billion under offer.

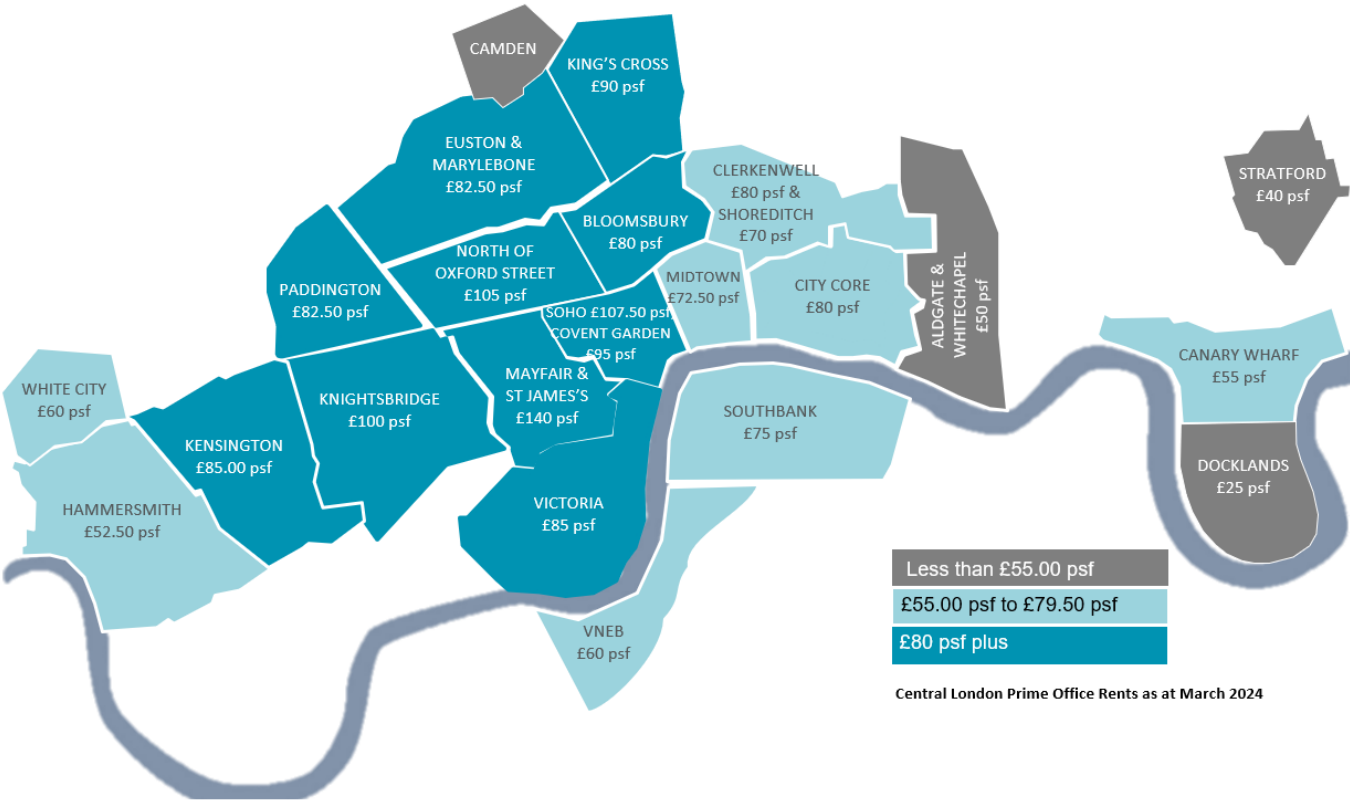
Prime yields were unchanged at 5.75% in the City and 4.00% in the West. This is the first stabilisation of prime City yields since Q2 2022.

INVESTMENT BY PURCHASER ORIGIN – 2024 Q1



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

PRIME RENTS



Prime rents in Central London were **changed** over the quarter across most submarkets including Mayfair and St James's and City Core, where increases of 1.8% and 3.2% were recorded, respectively.



Average annual rental change across London markets

- City – average annual change of **2.2%**
- East London – average annual change of **-4.0%**
- West End – average annual change of **7.4%**



The Central London vacancy rate increased during the quarter to 9.59%, with increases recorded in all three major markets.

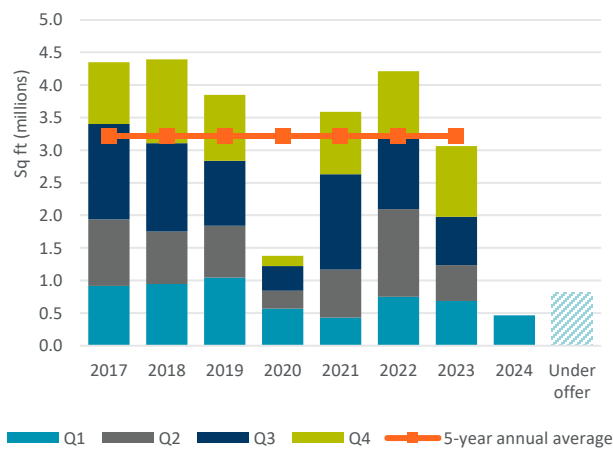
WEST END OVERVIEW

TAKE-UP

Following an exceptional performance in Q4 2023, leasing activity in the West End was subdued in Q1, decreasing by 57% quarter-on-quarter to 464,100 sq ft, of which 68% was for grade A space, equating to 313,600 sq ft. Q1 volumes were also 47% below the ten-year quarterly average.

The volume of space under offer did however increase, by 11% during the quarter to 806,700 sq ft, however this remains 10% below the ten-year quarterly average. Of this, 83% was for grade A space, equating to 671,900 sq ft.

LEASING VOLUMES – 2017-2024



In Q1, 39 deals over 5,000 sq ft completed in the West End, down on both the 46 deals recorded in Q1 2023 and the five-year average of 43 deals.

The largest deal to complete during the quarter was Super Group's 61,257 sq ft pre-let at St Pancras Commercial Centre, with all other deals for the quarter below 30,000 sq ft.

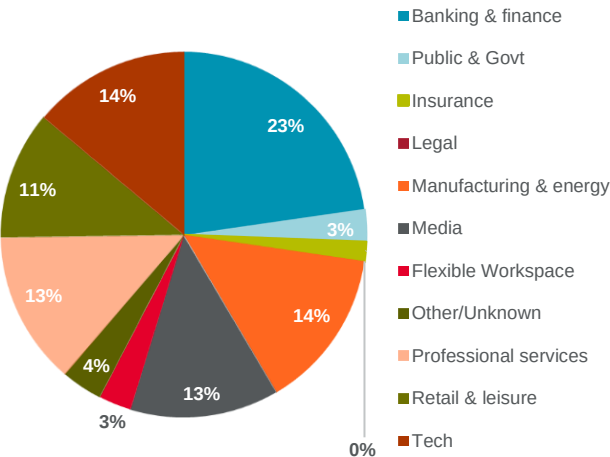
There is however a good pipeline of deals under offer across the market, the largest of which is Evercore, who went under offer on 132,100 sq ft in Southside, Victoria late in Q1.

KEY OCCUPIER TRANSACTIONS – 2024 Q1

ST PANCRAS COMMERCIAL CENTRE, NW1	CHARLOTTE HOUSE, W1	CAMPBELL LUTYENS
61,257 SQ FT	28,788 SQ FT	26,220 SQ FT
Camden	* Fitzrovia	St James's
Pre-let, under construction	New lease	Pre-let, under construction

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

TAKE-UP BY SECTOR – 2024 Q1



There was a relatively broadly distribution of active sectors across the West End in Q1 2024. Banking & Finance was the most active, taking a 23% market share with over 105,000 sq ft completing across 9 transactions. This follows on from a strong dominance of the sector in 2023, where a 36% market share was recorded.

In the Technology, Manufacturing & Energy, Retail & Leisure, Professional Services and Media sectors, market share proportions were evenly matched, with each sector recording take-up levels of between 60,000 and 65,000 sq ft during the quarter.

Aside from the Media sector, where just the one deal completed (Super Group), there were only a handful of transactions across the other sectors.

SUPPLY

Supply in the West End increased in Q1, by 4% during the quarter and by 20% compared with Q1 2023, to 9.24 million sq ft. Supply remains 74% above the 10-year average. As a result, the overall vacancy rate increased by 26 bps during the quarter to 7.70%.

There were however nuances between submarkets. The largest supply reductions were recorded in the Camden, Euston, Kensington and Soho, whilst increases were seen in St James's, Marylebone, Fitzrovia and Covent Garden – these were largely driven by developments due to complete within the next six months.

Of the overall supply, grade A accounted for 70%, equating to 6.44 million sq ft, a 5.36% vacancy rate. Whilst this remains high against historical trends, the grade A vacancy rate in three of the 15 West End submarkets is below 3%.

At the end of Q1, there were 13 buildings available which could satisfy a requirement in excess of 100,000 sq ft, 5 of which are available as pre-lets.

WEST END OVERVIEW

FUTURE SUPPLY

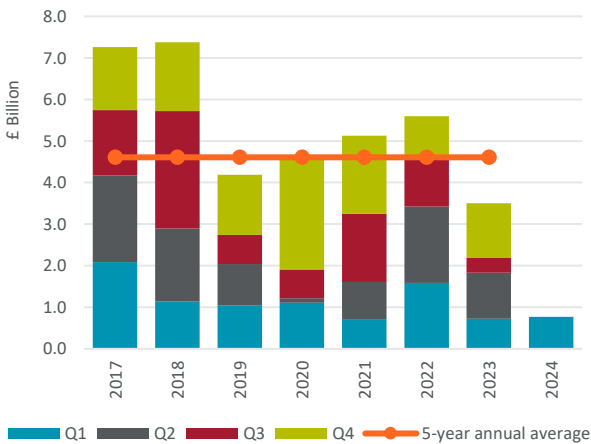
During Q1, six developments delivering 719,100 sq ft of office space completed in the West End. The largest was the completion of 50 Electric Boulevard, SW8 (202,400 sq ft, 90% available), followed by OSMO, SW8 (174,800 sq ft, all available) and 3 Sheldon Square, W2 (138,900 sq ft, 79% per-let or under offer). All other completions were below 100,000 sq ft.

Looking ahead, as at the end of Q1, there was 6.53 million sq ft under construction and due to deliver by 2027, with 66% of this is being developed speculatively.

Of the total amount, close to half is expected to deliver in 2024, and 36% by 2025, leaving an extremely constrained development pipeline for beyond 2025.

INVESTMENT

INVESTMENT VOLUMES – 2017-2024



Investment volumes in the West End totalled £770 million in Q1 2024, 42% below volumes recorded in the prior quarter and 33% below the five-year quarterly average of £1.14 billion.

There were 20 transactions to complete in Q1, compared with 25 in Q4. Of these, seven were in excess of £50 million of which just one was above £100 million. This equated to an average deal size of £38.5 million in Q1, compared with £52.9 million in the prior quarter.

On an annualised basis to the end of Q1 2024, £3.55 billion has traded in the West End, down by 25% on 12-months prior and 26% below the five-year annual average.

The largest transaction in both the West End and across Central London was Royal London Asset Management’s £192.5 million share of 1 Triton Square, NW1.

KEY INVESTMENT TRANSACTIONS – 2024 Q1

1 TRITON SQUARE, NW1	25-31 ST JAMES'S ST & 7/8 FLORAL ST, WC2	1 HANOVER SQUARE, W1
£192.5 m	£75.1 m	£73 m
Purchaser: Royal London Asset Management	Purchaser: Shaftesbury Capital	Purchaser: Global Holdings Management Group
Vendor: British Land	Vendor: Lothbury IM	Vendor: Conde Nast

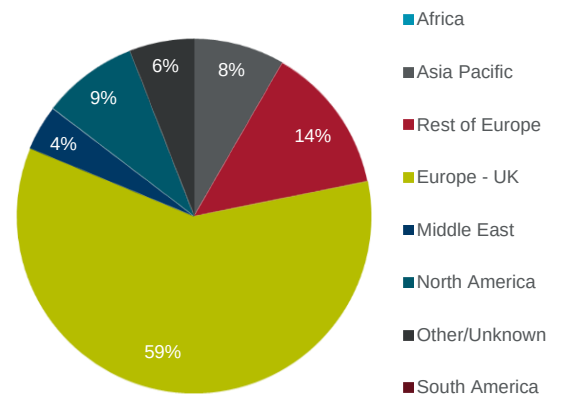
In Q1, UK purchasers remained the most active following in from a strong market share in 2023, acquiring over £450 million of offices and taking a 59% share of total volumes.

Investors from the rest of Europe followed, acquiring over £100 million of offices in Q1 – a 21% market share – followed by North America investors who purchased £67 million during the quarter.

The amount of stock available or at bids stage in the market reduced from £3.68 billion in Q4 to £2.29 billion in Q1. There was also an additional £0.85 billion under offer at the end of Q1, down on three months prior when £1.05 billion was recorded.

Prime yields in the West End were unchanged at 4.00% in Q1 2024, remaining at this level for the last five quarters. 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 during the last 12-months.

INVESTMENT BY PURCHASER ORIGIN – 2024 Q1



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

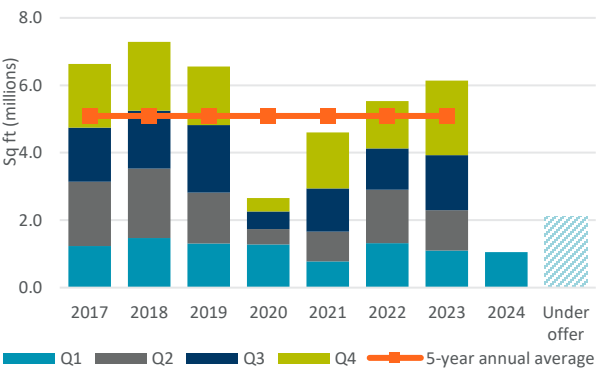
CITY OVERVIEW

TAKE-UP

Following on from strong leasing activity in Q4 2023, take-up in Q1 decreased by 52% quarter-on-quarter to 1.06 million sq ft across the City market. This was also down by 16% and 28% on both the five and ten-year quarterly averages. Grade A space took a 53% market share, equating to 564,600 sq ft.

Despite low take-up levels, the volume of space under offer across the City increased markedly during Q1, providing momentum for activity during the rest of the year. Over 2.11 million sq ft was under offer at the end of March, up by 55% during the quarter and 28% ahead of the 10-year average, with 85% of space marked as grade A.

LEASING VOLUMES – 2017-2024



There were only two deals over 50,000 sq ft in Q1, the largest of which was Grant Thornton taking an assignment of 75,167 sq ft at 8 Finsbury Circus, EC2, followed by the 85,234 sq ft pre-let at Worship Square, EC2 by WISE.

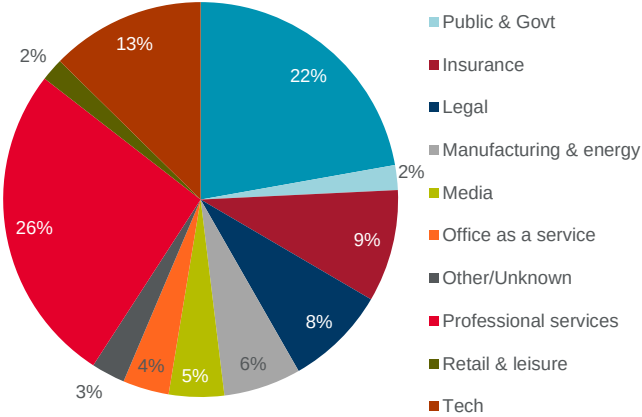
The lack of large deals was the main reason for lower leasing activity in Q4. However, there are several sizeable under offers in the market, which upon completion will elevate take-up levels during the course of the year.

KEY OCCUPIER TRANSACTIONS – 2024 Q1

		
WORSHIP SQUARE, 65 CLIFTON STREET, EC2	8 FINSBURY CIRCUS, EC2	107 CHEAPSIDE, EC2
85,234 SQ FT	97,516 SQ FT	40,000 SQ FT
Shoreditch	City Core	City Core
Pre-let, under construction	Assignment	New lease

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

TAKE-UP BY SECTOR – 2024 Q1



The Professional Services sector took the largest share of take-up in Q1, with close to 280,000 sq ft leased across 19 deals. This was followed by 11 deals in the Banking & Finance sector, where the 11 transactions totalled over 230,000 sq ft.

Of the space under offer, where the tenant is known, there is over 500,000 sq ft allocated to the Banking & Finance sector and close to 350,000 sq ft to the Insurance, helping to improve on the already strong market shares recorded for both these groups in Q1.

The Technology sector has been maintaining its market share over the last few quarters, taking a 13% share of Q1 take-up, up from the 11% market share recorded in Q4 and the full year 2023, but slightly behind the longer-term market share of 15%.

SUPPLY

Supply in the City market increased marginally by 1% during the quarter to 14.41 million sq ft at the end of Q1. This is 3% below levels seen 12-months prior, but remains 62% above the ten-year quarterly average of 8.91 million sq ft.

Tenant-controlled supply reduced by 7% to 2.73 million sq ft, accounting for 19% of total supply. However increases were recorded for grade A supply, which increased by 10% during the last three months to 7.38 million sq ft, driven by speculative schemes in the development pipeline, which are due to complete within the next six months.

This took the overall vacancy rate down to 9.87% – up by 12 basis points during the quarter – while the grade A rate increased by 47 basis points to 5.05%.

In Q1, just 279,000 sq ft of office space completed across the City market, 6% pre-let or under offer. This was across three developments – The Arc, EC1; The Waterman, EC1; and Liberty Place, E1.

CITY OVERVIEW

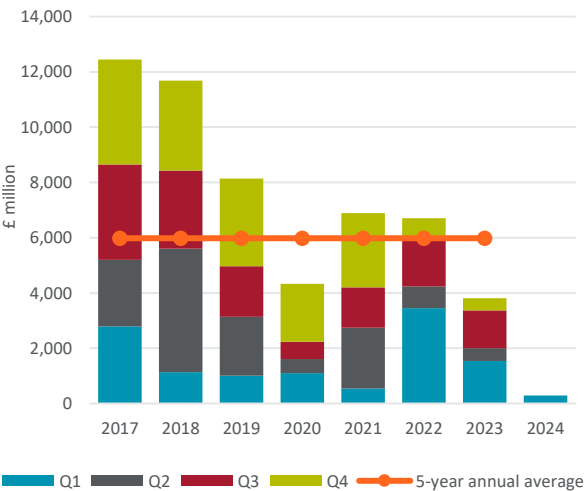
FUTURE SUPPLY

At the end of Q1, there was 8.03 million sq ft under construction across the City delivering by 2026, with pre-lets secured for 54% of this (4.35 million sq ft). Just over 3 million sq ft of this space is earmarked for delivery in 2024 (54% pre-let) and 4.02 million sq ft is expected to complete in 2025 (65% pre-let).

Of the ten largest developments due to complete in 2024, four are entirely pre-let or under offer. This includes 40 Leadenhall, EC3; One Southwark Bridge Road, SE1; Verdant, EC1; and Worship Square, EC2.

INVESTMENT

INVESTMENT VOLUMES – 2017-2024



In the City market, investment volumes reduced by 34% during the quarter to £292.6 million in Q1, 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. The Q1 total was also 79% below the five-year quarterly average of £1.38 billion.

In Q1, 18 deals completed with just one trading over £50 million – Dominus’s £85 million purchase of Whitefriars, 65 Fleet Street, EC4. The second largest deal was Ares Management’s acquisition of 25 Charterhouse Street, EC1 for £43.5 million, with all other deals in the quarter at £30 million or below.

This takes volumes for the last 12-months to Q1 to £2.57 billion across 63 transactions, equating to an average deal size of £40.83 million, down on the £59.64 million deal size recorded in 2023.

KEY INVESTMENT TRANSACTIONS – 2024 Q1

WHITEFRIARS, 65 FLEET STREET, EC4	25 CHARTERHOUSE STREET, EC1	52 BEDFORD ROW, WC1
£85 m	£43.5 m	£30 m
Purchaser: Dominus	Purchaser: Ares Management	Purchaser: Imabari Shipbuilding c/o SMTB
Vendor: JMI Global	Vendor: Helical Plc	Vendor: Reivership

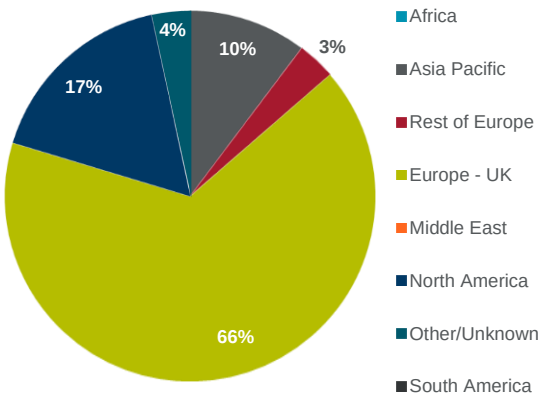
Purchasers from Europe were remained active in Q1, acquiring over £200 million during the quarter. Of this, the majority of capital was spent by UK purchasers, who took a 66% share of total City volumes in Q1.

North American investors were also active, with a 17% market share, although this equated to just £49.65 million given the overall suppressed volumes.

The amount of stock on the market in the City reduced in Q1, with an estimated £1.43 billion currently available or at bids stage, compared with £2.04 billion in Q4. There was an additional £0.23 billion under offer at the end of March, down up on the £0.8 billion under offer at the end of December.

Following six consecutive upward yield movements, prime City yields were unchanged at 5.75% at the end of Q1. This means that yields have increased by 200 basis points since the yield increases began, but the stabilisation if welcome news for the market, and may trigger some sales during the course of the year.

INVESTMENT BY PURCHASER ORIGIN – 2024 Q1



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EAST LONDON OVERVIEW

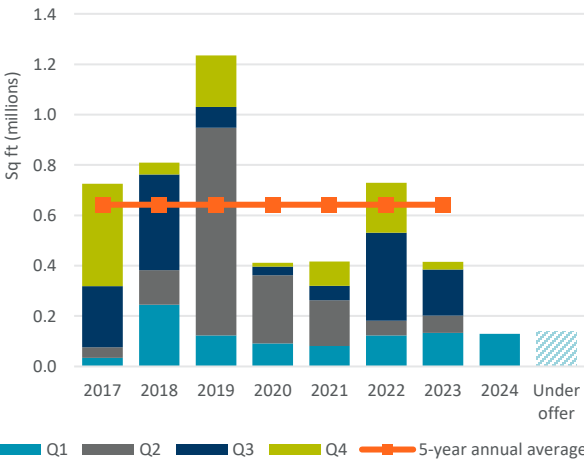
TAKE-UP

Leasing activity in Q1 totalled 129,000 sq ft across three deals in East London. This was more than three times the volume recorded in Q4 2023 but remains 41% behind the ten-year quarterly average of 220,000 sq ft.

The volume of space under offer across the market increased by 20% during the quarter to 139,000 sq ft across three deals, however this remains 57% down on the ten-year quarterly average.

The largest deal to complete in Q1 – both in East London and across Central London – was the University of Sunderland’s 95,600 sq ft new lease in the wider Docklands. Educational institutions have been notably active over the last few years, with this deal providing further evidence of their acquisitiveness particularly in East London.

LEASING VOLUMES – 2017-2024



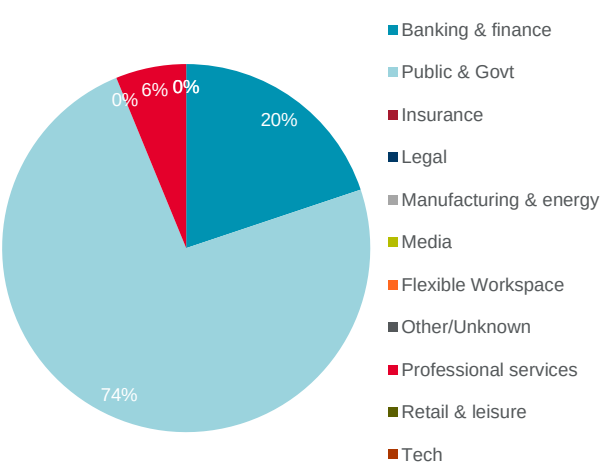
The average deal size for Q1 2024 was 43,107 sq ft across the market, decreasing to 16,847 sq ft when excluding the university deal. Due to the lower volume of deals in East London, average deal sizes tend to be volatile and skewed by larger transactions.

KEY OCCUPIER TRANSACTIONS – 2024 Q1

		
4 & 5 HARBOUR EXCHANGE SQUARE, E14	30 NORTH COLONNADE, E14	11 WESTFERRY CIRCUS, E14
95,628 SQ FT	25,678 SQ FT	8,016 SQ FT
Outside Canary Wharf	* Canary Wharf	Canary Wharf
New lease	Sublease	New lease

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

TAKE-UP BY SECTOR – 2024 Q1



Given that just three deals completed in Q1, the University of Sunderland’s new lease resulted in Public sector occupiers taking a 74% share of take-up during the quarter. This was followed by 20% share for Banking & Finance firms, entirely due to Fitch leasing 25,700 sq ft in Canary Wharf.

The market share for Banking & Finance is expected to increase during the year, with Revolut currently under offer for 114,000 sq ft at Canary Wharf’s newest development, YY London, which completed in Q3 2023.

CURRENT & FUTURE SUPPLY

Availability in East London increased by 6% on the prior quarter, with 4.16 million sq ft of supply in the market. This was also up by 4% year-on-year and remains 37% ahead of the five-year quarterly average of 3.04 million sq ft.

The supply increase was largely due to the rise of grade A space, which increased by 31% on the prior quarter to 1.55 million sq ft at the end of March 2024. Grade A supply now accounts for 37% of total availability. In the second-hand market, supply reduced by 5% both quarter-on-quarter and year-on-year to 2.61 million sq ft.

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 been accounted for in supply.



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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