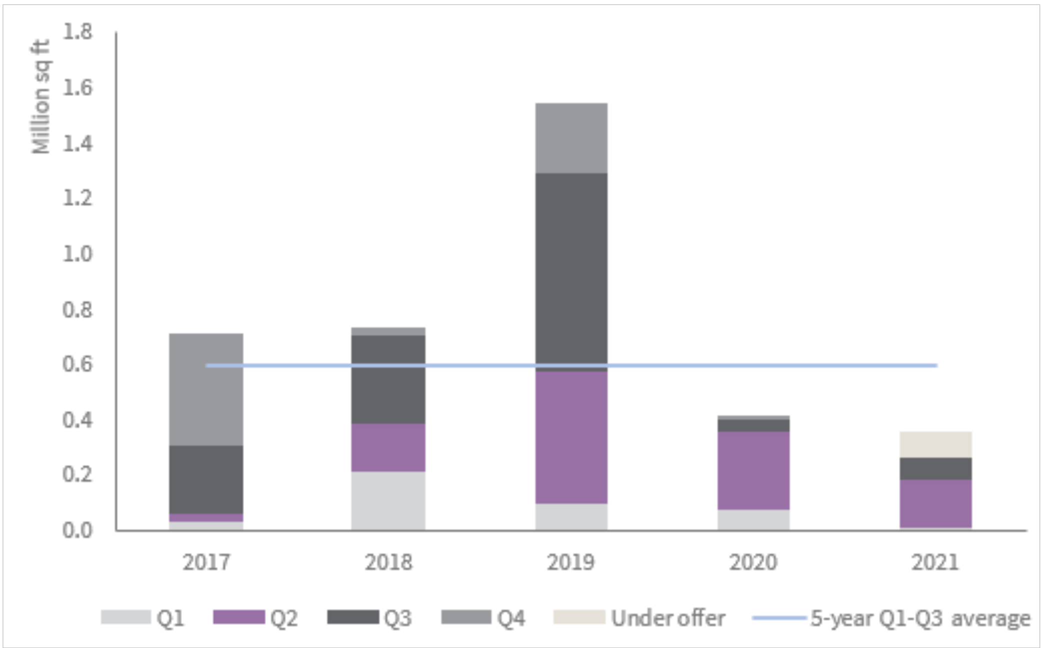
East London Market Review – Q3 2021

Occupier take-up

Leasing market slows

- Take-up fell back in the three months to September with just 78,000 sq ft transacting across the East London submarkets. This was a quarter-on-quarter fall of 55% and two-thirds lower than the 10-year quarterly average of 232,000 sq ft. This brought the year-to-date leasing volumes to 246,000 sq ft, 42% lower than the 454,000 sq ft recorded during the corresponding period in 2020 and 62% below the 10-year Q1-Q3 average of 700,000 sq ft.
- The largest transaction of the quarter saw banking & financial firm ANZ acquire 23,000 sq ft at the recently refurbished Cargo Building, 25 North Colonnade, E14. Other notable transactions included the 20,000 sq ft letting to University of the West of Scotland at Export Building, Republic, E14 and HX 1 & 2, Harbour Exchange, E14, where China Telecom acquired 19,000 sq ft.
- Unlike other parts of Central London, total space under offer fell over the quarter to stand at 93,000 sq ft, which was the lowest level recorded this year. This suggests a subdued final quarter and it is unlikely that take-up will reach 2020 levels.

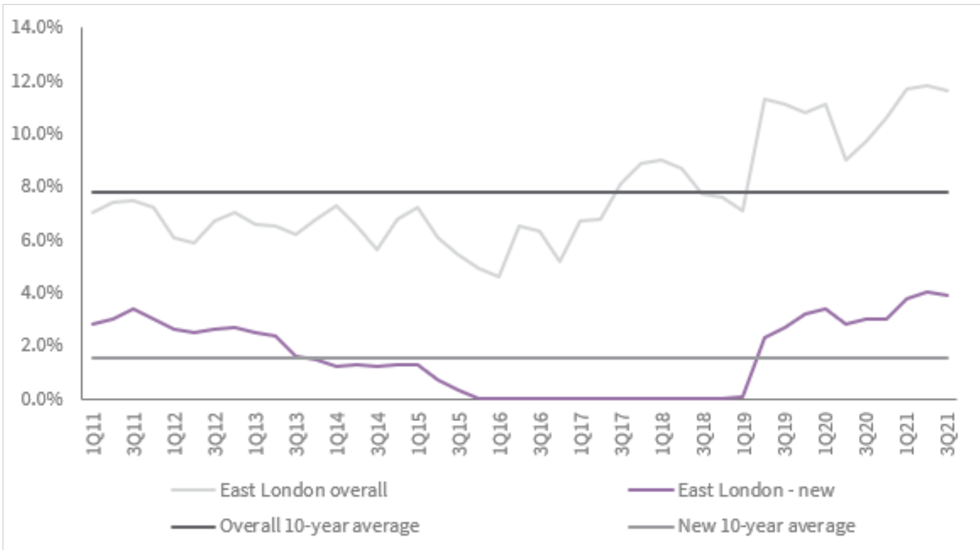


Some recovery in active demand

- Positively, active demand increased for the fourth consecutive quarter to reach 3.1 million sq ft at the end of September. Active demand was double the amount recorded in September 2020 and 29% above the 10-year quarterly average of 2.4 million sq ft. This figure is dominated by the Morgan Stanley requirement (up to 850,000 sq ft) and as a result, banking & finance services was the most active, accounting for 59% of active demand, followed by the TMT sector at 19% and professional services at 8%.

Supply contracts

- In line with the wider market trends, supply fell slightly over the quarter to reach 3.1 million sq ft at the end of September, reflecting a vacancy rate of 11.6%. This was down 200bp on the previous quarter but was still significantly higher than the 10-year average of 7.8%.
- New build space fell marginally over the quarter, but this was largely negated by an increase in tenant-controlled supply which totalled 953,000 sq ft at the end of September and reflected a 31% share of overall supply. The new build vacancy rate decreased to 3.9% as a result.
- There were no development starts or completions during the quarter. The volume of space under construction speculatively remained stable during Q3 at 515,000 sq ft which was ahead of the 10-year average of 397,000 sq ft.



Rents hold firm

- Prime rents were unchanged at £49.50 per sq ft for the third consecutive quarter and are anticipated to remain stable for the remainder of the year. Tenant controlled supply is being marketed at rents from £42.50 per sq ft, while pre-let supply is being marketed at rents of £59.50 per sq ft.
- For the fourth consecutive quarter, there were no investment transactions completed in East London as few assets have been brought to market.