

Q1 2023

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# **SOUTHBANK OFFICE MARKET SNAPSHOT**

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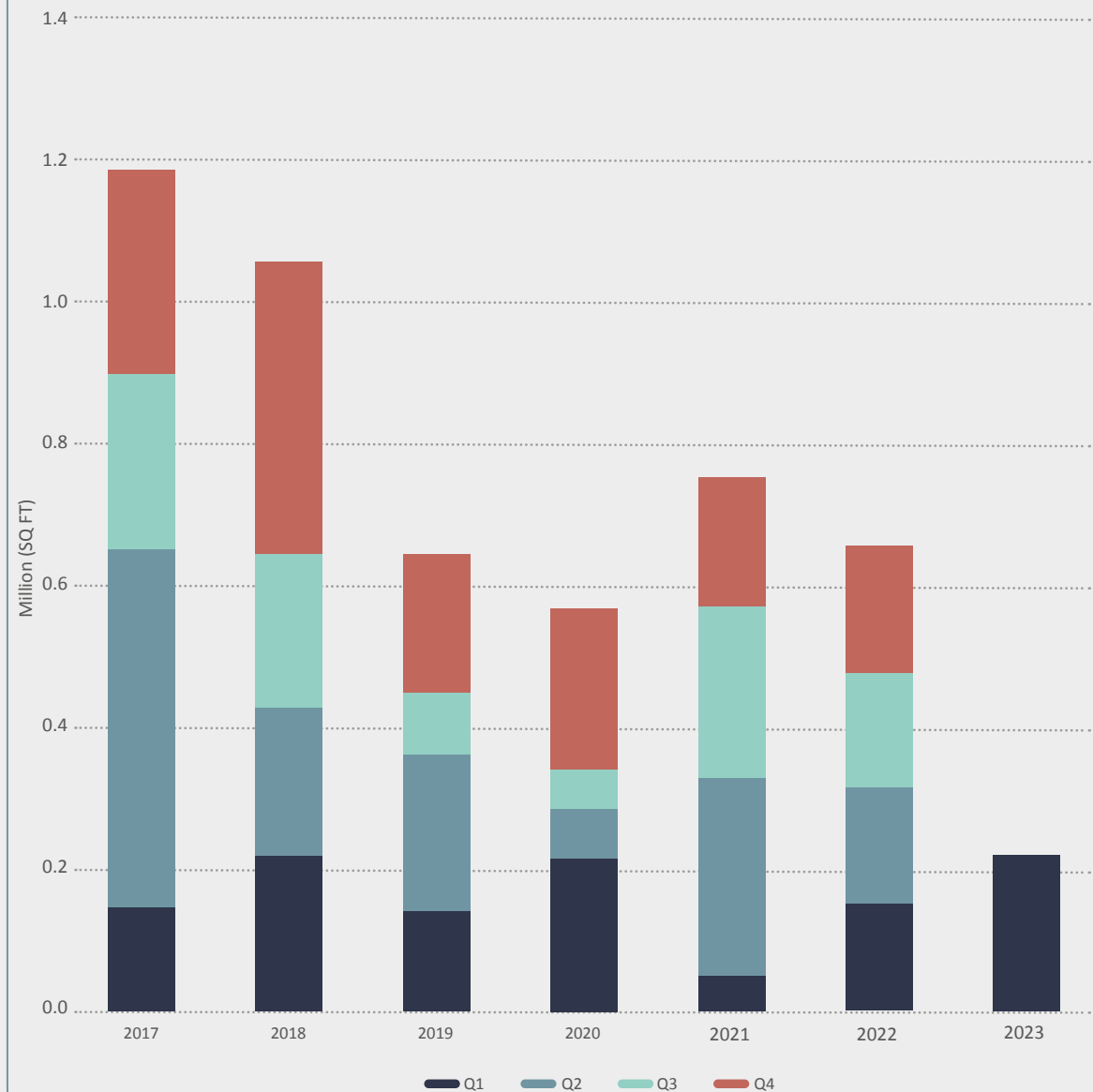
INCREASED DEMAND PUTS PRESSURE ON RENTS

**DeVono**

# SUSTAINED DEMAND

- Office leasing activity across the Southbank office market in 2022 totalled 655,775 sq ft. This represents a 13% drop on the previous year.
- Despite the drop in volume, the number of businesses leasing space in 2022 vs 2021 increased by 60% to 151. In Q1 2023, 30 businesses took space, up 6% on the long-term quarterly average.
- The average size of office letting in 2022 was 4,342 sq ft, this is below the 5-year average of 6,171 sq ft. In Q1 2023, the average size has swung the other way, with 7,180 sq ft.
- In Q1 2023, the most popular size range of space was in the 500-2,500 sq ft range.
- Just 3% of space leased in 2022 was pre-let, a further 26% was of Grade A quality.

SOUTH BANK OFFICE MARKET:  
LEASING ACTIVITY, 2017-2023



# WHO IS ATTRACTED TO THE SOUTHBANK?



The **Financial sector** has dominated leasing in 2022 accounting for **19%** of space leased. This leasing activity was predominantly from investment/asset management firms



The **Corporate** sector signed for 18% of space leased in 2022, the average size of transaction was 5,266 sq ft



The **Technology** sector share of leasing was 16% in 2022, hitting the 5-year annual average, but down from 30% in 2021.

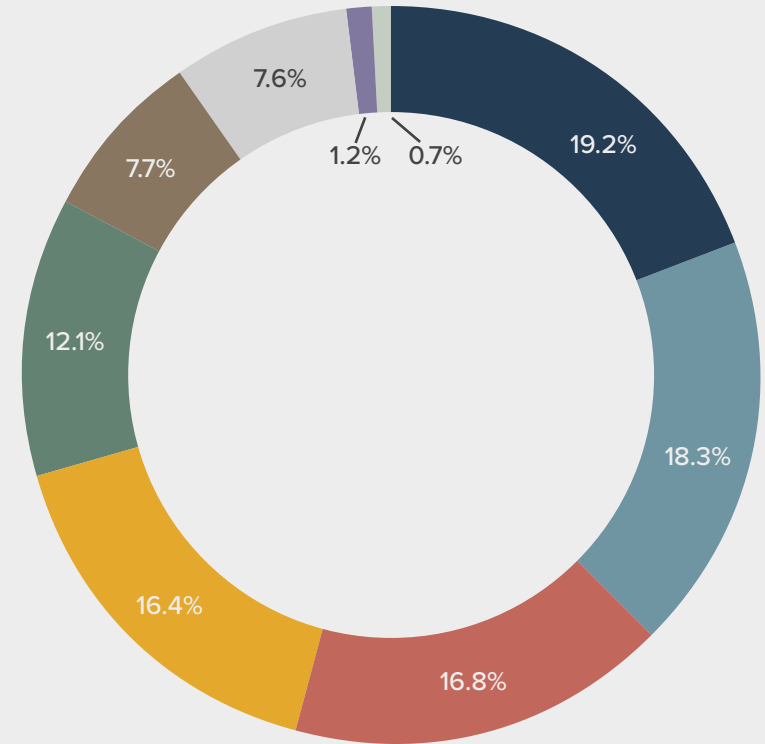


The **Media** sector total volume of leasing in 2022 dropped by 71% on the long-term annual average of 180,000 sq ft.



In Q1 2023, leasing activity has been driven by the **Professional** sector, accounting for 58% share of leasing.

SOUTHBANK OFFICE MARKET:  
SHARE OF LEASING BY SECTOR, 2022



- Financial
- Corporate
- Professional
- Technology
- Media
- Other
- Serviced Offices
- Government
- Telecoms

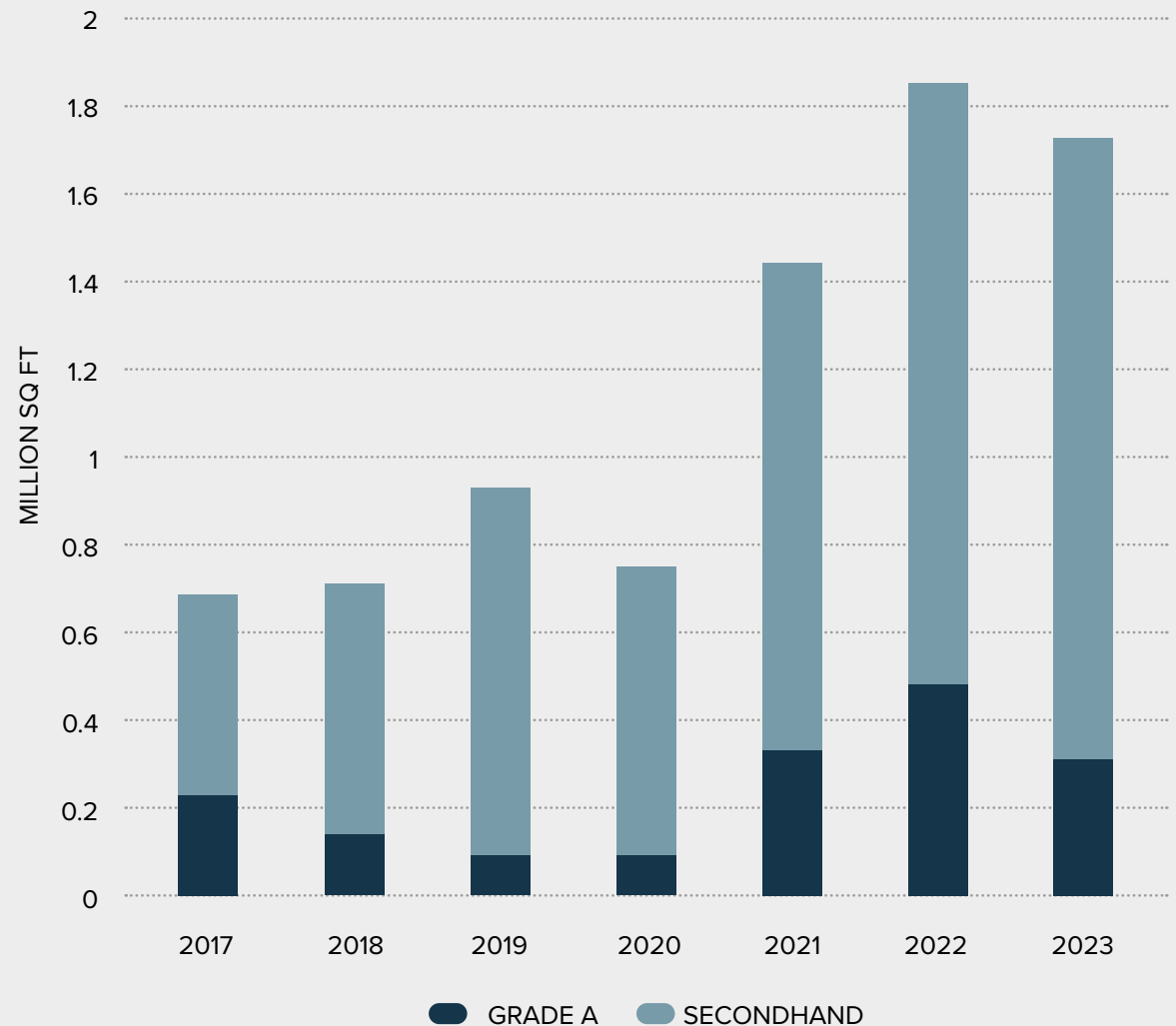
# WHO IS LEASING IN 2022?

BUILDING	POSTCODE	SIZE (SQ FT)	GRADE	TENANT	SECTOR	DEAL QTR 2022
2 MORE LONDON RIVERSIDE	SE1 2AP	28,819	SECONDHAND	MONTAGU PRIVATE EQUITY LLP	FINANCIAL	Q1
HAYS GALLERIA, BATTLE BRIDGE LANE	SE1 2QN	28,747	SECONDHAND	AESOP	CORPORATE	Q2
185 PARK STREET	SE1 9BL	25,882	GRADE A	INSTANT OFFICES LIMITED	SERVICED OFFICES	Q4
240 BLACKFRIARS ROAD	SE1 8NW	23,535	SECONDHAND	WPP HEALTH LTD & OGILVY	MEDIA	Q4
2A SOUTHWARK BRIDGE ROAD	SE1 9HA	17,069	GRADE A	CLARASYS	PROFESSIONAL	Q4
HAYS GALLERIA, BATTLE BRIDGE LANE	SE1 2HL	14,962	SECONDHAND	ZWIFT UK	TECHNOLOGY	Q4
2 MORE LONDON RIVERSIDE	SE1 2AP	14,672	SECONDHAND	MEDEA CAPITAL PARTNERS	FINANCIAL	Q2
2 MORE LONDON RIVERSIDE	SE1 2AP	14,372	SECONDHAND	MONTAGU PRIVATE EQUITY LLP	FINANCIAL	Q2
ARBOR, BANKSIDE YARDS, BLACKFRIARS	SE1 9UY	13,800	GRADE A	CARBON TRUST	PROFESSIONAL	Q4
110 SOUTHWARK STREET	SE1 0SU	11,881	SECONDHAND	COSTAR GROUP	TECHNOLOGY	Q3
240 BLACKFRIARS ROAD	SE1 8NW	11,619	SECONDHAND	MONGODB UK LIMITED	TECHNOLOGY	Q4
240 BLACKFRIARS ROAD	SE1 8NW	11,387	SECONDHAND	PENINSULA PETROLEUM LIMITED	CORPORATE	Q3
110 SOUTHWARK STREET	SE1 0SU	10,584	SECONDHAND	STR GLOBAL	PROFESSIONAL	Q1
17-21 RUSHWORTH STREET	SE1 0RB	9,978	GRADE A	UPFIELD	CORPORATE	Q1
HAYS GALLERIA, BATTLE BRIDGE LANE	SE1 2HD	9,677	SECONDHAND	APBI	OTHER (ASSOCIATION)	Q3

# SQUEEZE ON SPACE

- Office availability at the end of Q1 2023 was circa 1.7million sq ft, which was down by 6% over the course the quarter.
- Despite the decline, the total volume of space available is 87% higher than at the end of the 2019.
- Availability of the best-in-class office space decreased by the end of Q1 2023 to 314,000 sq ft. This is 11% above the long-term average, but demand for Grade A space is expected to erode this over the next couple of years.
- Secondhand space is now 4% higher than what it was at the end of 2022, it still remainsthe dominant space in this market.
- Satisfying some Southbank requirements will become difficult as availability of both size and quality – compromise maybeneeded.

SOUTHBANK OFFICE MARKET:  
OFFICE AVAILABILITY BY GRADE, 2017-23



# WHAT SPACES ARE AVAILABLE?

BUILDING	AVAILABLE (SQ FT)	FLOORS	RENT £PSF	GRADE	YR BUILT/REFURB
ARBOR, WESTERN YARDS, SOUTHWARK STREET	168,710	2ND-19TH	£76.00 -£85.00	GRADE A	2023
THE SHARD, 32 LONDON BRIDGE STREET	15,715 -22,171	9TH, 11TH, 19TH	£75.00 -£92.00	GRADE A	2012
BRONZE, 105 SUMNER STREET	91,078	G -8TH	-	GRADE A	2022
HAYS GALLERIA, BATTLE BRIDGE LANE	87,653	1ST-5TH	£70.00 -£75.00	GRADE A	1887/2023
3 LONDON BRIDGE STREET	61,000	5TH, 9TH	£65.00 -£70.00	GRADE A	2013
BLUE FIN BUILDING, 110 SOUTHWARK STREET	70,707	3RD, 6TH	£65.00	SECONDHAND	2007
PHOSPHOR, 133 PARK STREET	48,233	G -8TH	-	GRADE A	2023
157-168 BLACKFRIARS ROAD	46,501	1ST-4TH	£55.00 -£60.00	SECONDHAND	2013
GREAT SUFFOLK YARD, 127-131 GREAT SUFFOLK ST	40,288	G -5TH	£55.00 -£67.50	GRADE A	2022
SOUTHWORKS, 14-21 RUSHWORTH STREET	41,306	B-5TH	£65.00	GRADE A	2021
3 MORE LONDON	4,900 -5,500	3RD, 5TH	£65.00	SECONDHAND	2007
COTTONS CENTRE, HAYS LANE	35,060	G, 1ST, 5TH	£47.00 -£55.00	SECONDHAND	1986/2016
CENTURY HOUSE, 82 TANNER STREET	30,160	B-G	£25.00	SECONDHAND	2015
41 MALTBY STREET	21,571	G-1ST	£37.50 -£40.00	SECONDHAND	2011
6 HAYS LANE	18,382	1ST-5TH	£69.50 -£70.00	SECONDHAND	1865/1990

# RENTS ARE STILL RISING

## A

### PRIME GRADE A

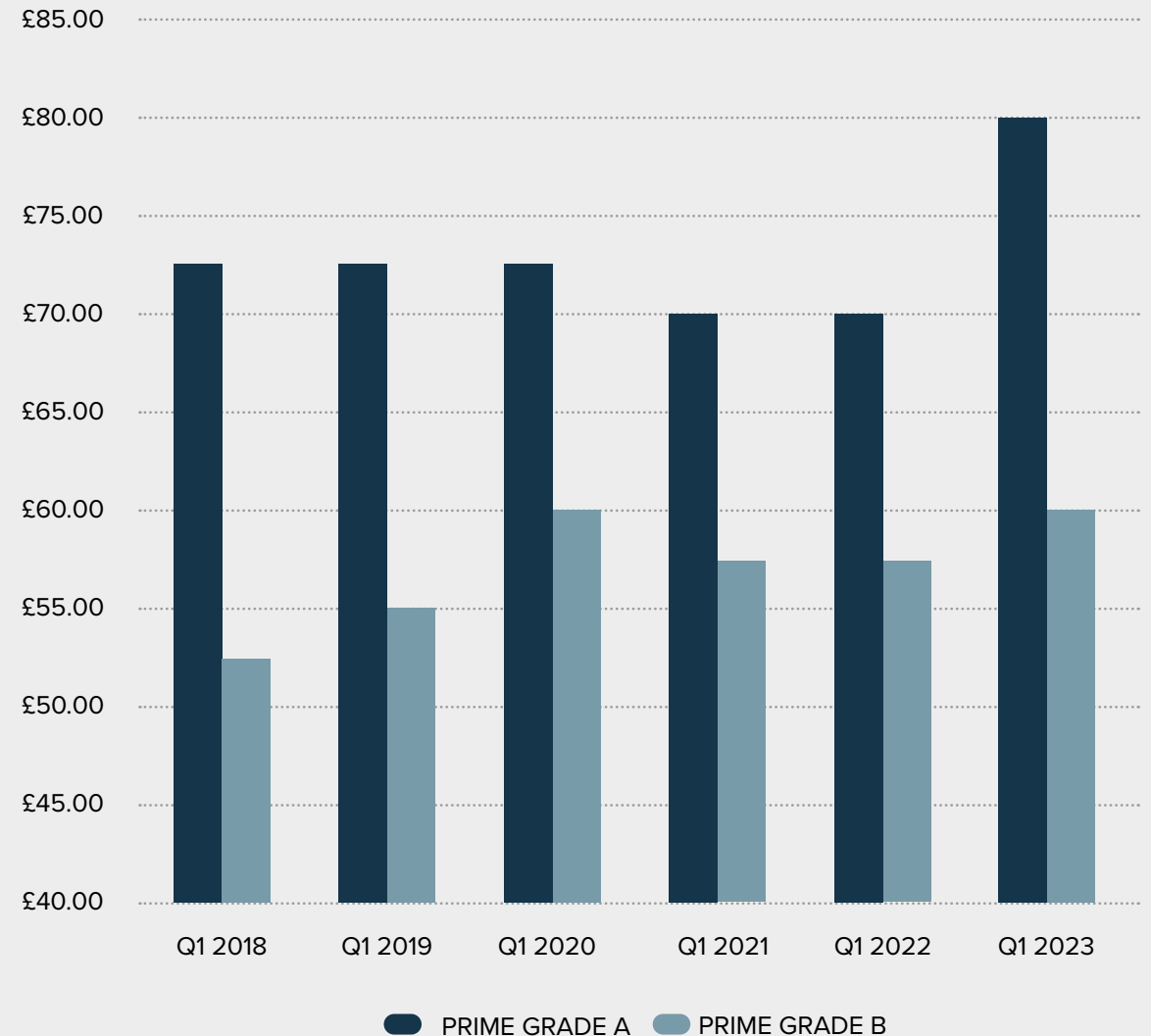
- Prime Grade A rents in the Southbank office market reached £80.00 per sq ft at the end of Q1 2023, which has now surpassed pre-pandemic levels and set a new high for the area.
- Prime Grade A rents have increased 14% over the course of the past 12 months. Over the five-year period growth equates to 10%.

## B

### PRIME GRADE B

- Prime Grade B rents have also succumbed to upward rental pressure. At the end of Q1 2023 the level was £60.00 per sq ft, up 3% since Q4 2022.
- Incentives on a 10-year lease have remained the same at 24 months.
- An appetite for the best-in-class spaces will maintain upward pressure on rents in 2023.

SOUTHBANK OFFICE MARKET:  
PRIME RENTS 2018-23



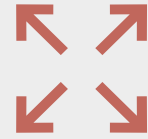
# OUTLOOK 2023

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As we head deeper into 2023, the wider backdrop of rising costs pressures and reduced optimism is likely to prompt further assessment of workplace strategies, ensuring that the office is fit-for-purpose and viable.

Economic uncertainty would normally put the brakes on businesses making big-ticket decisions, however the pace of evolution of the office sees no signs of slowing as businesses are forced to tackle some challenges head-on when trying to 'right-size' their office.

Hybrid working patterns, headcount changes, workforce demands, increased costs, not discounting a wider conversation on the role and purpose of the office, are all influencing office space decisions in 2023 and 2024.



The workforce and hybrid working to shape space requirements in the medium-to-long-term



Technology to further evolve the way we work at home and in-office.



ESG goals to influence location, space, size and design requirements

# 40%

Costs: operational, talent, space, fit-out all to face pressures



Availability of the right space could hamper tenant searches –more good quality space is needed





## SHAUN DAWSON

HEAD OF INSIGHTS

[SD@DEVONO.COM](mailto:SD@DEVONO.COM)

# DeVono