

LONDON 2024

Changing Face of Financial Workplaces

Financial Sector Leasing in London – 2023

The financial industry in London stands as a formidable force, its influence not only dominating the city's skyline but also resonating across global markets. London's financial sector is a vibrant ecosystem where traditional banking meets cutting-edge fintech innovations and dynamic investors. In recent years, the financial industry in London has undergone significant transformations which have influenced workplace decisions on space size, quality and location.

Leasing appetite from financial firms increased in 2023, with the volume of office transactions at its highest level since 2010. Leasing was buoyed by more transactions, larger deals, greater activity from the banking sector and an upturn in demand for City space.

3M SQ FT

Leased in 2023
Up 9% on 2022

11,744 SQ FT

Average Deal Size
14% above 10-YR Avg

1M SQ FT

Pre/Early-Let in 2023
Up 13% on Previous Year

7 YEARS

Average Lease Length



Panorama, Newgate St, EC1A

556K sq ft
HSBC pre-let



10-12 Cork Street, W1S

£230 per sq ft
on 1.5 year term

HSBC's decision to vacate Canary Wharf for the St Paul's area of the City was a significant contributor to the rise in leasing activity from the banking sector in 2023. The West End continues to be a significant business district for the financial sector, in spite of rents rising 8% on average in 2023. As such financial firms are taking prime spaces in the heart of Mayfair-St James's, with some rents in excess of £200 per sq ft.

FINANCIAL SUBSECTOR LEASING ACTIVITY 2023

	Investment & Asset Managers	Banks	Venture Capital & Private Equity	Traders	Financial & Investment Advisory	Brokers
Take-up						
2023 (sq ft)	1,777,755	1,104,751	232,383	202,301	185,369	108,339
2023 vs 2022 (% Change)	-25%	89%	6%	175%	-25%	3%
5-Yr Ann Avg (sq ft)	1,026,389	523,499	241,591	91,922	113,311	131,530
Size						
Average Transaction Size (sq ft)	9,060	34,523	7,042	15,562	5,296	12,038
5-Yr Ann Avg (sq ft)	9167	14,720	6,351	13,709	5,158	9133
Lease						
Average Lease Length	71	8.4	6.4	7.4	6.0	8.4
5-Yr Ann Avg	6.9	7.0	6.9	7.3	5.7	5.0
Average Rent (£ Per sq ft)	£95.00	£73.00	£101.00	£75.00	£76.00	£68.00
Location						
Most Active Location (Number)	Mayfair	City	Mayfair	City	City	City
Most Active Location (Sq Ft)	Mayfair	City	Mayfair	City	Soho	City

Whilst the volume (sq ft) of leasing by Investment/Asset Managers and Advisory firms was marginally less in 2023 than in 2022, the number of deals rose by 4%. Alongside Venture Capital & Private Equity firms, the three subsectors constituted 53% of all leasing in 2023.

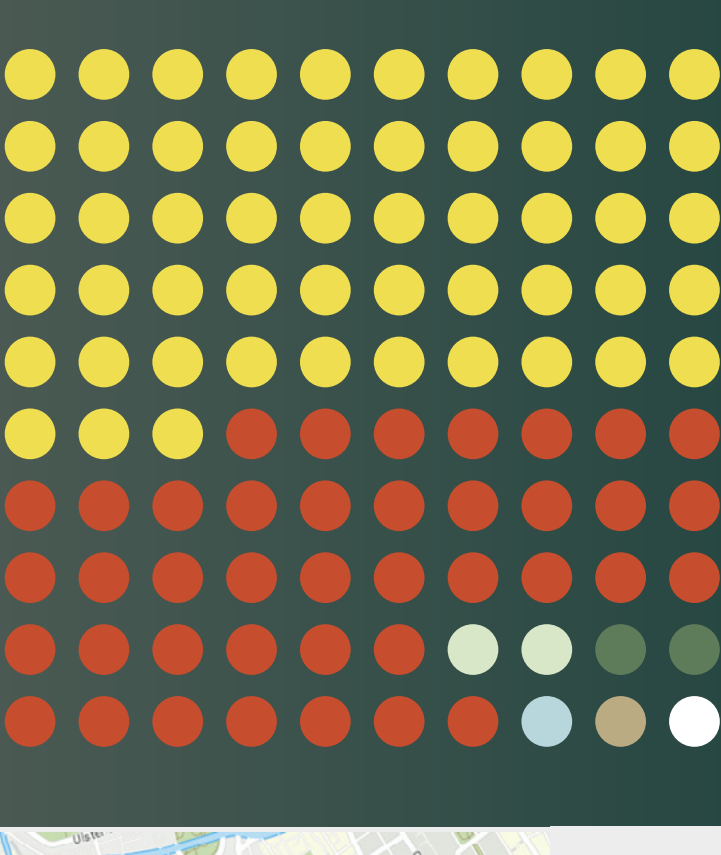
Tale of Two Cities

The City of Westminster and the City of London continue to serve as the main office markets that the financial sector calls home. Even with the arrival of challenger/neo banks, more tech orientated investment houses, there has been little shift in where business opt to go.

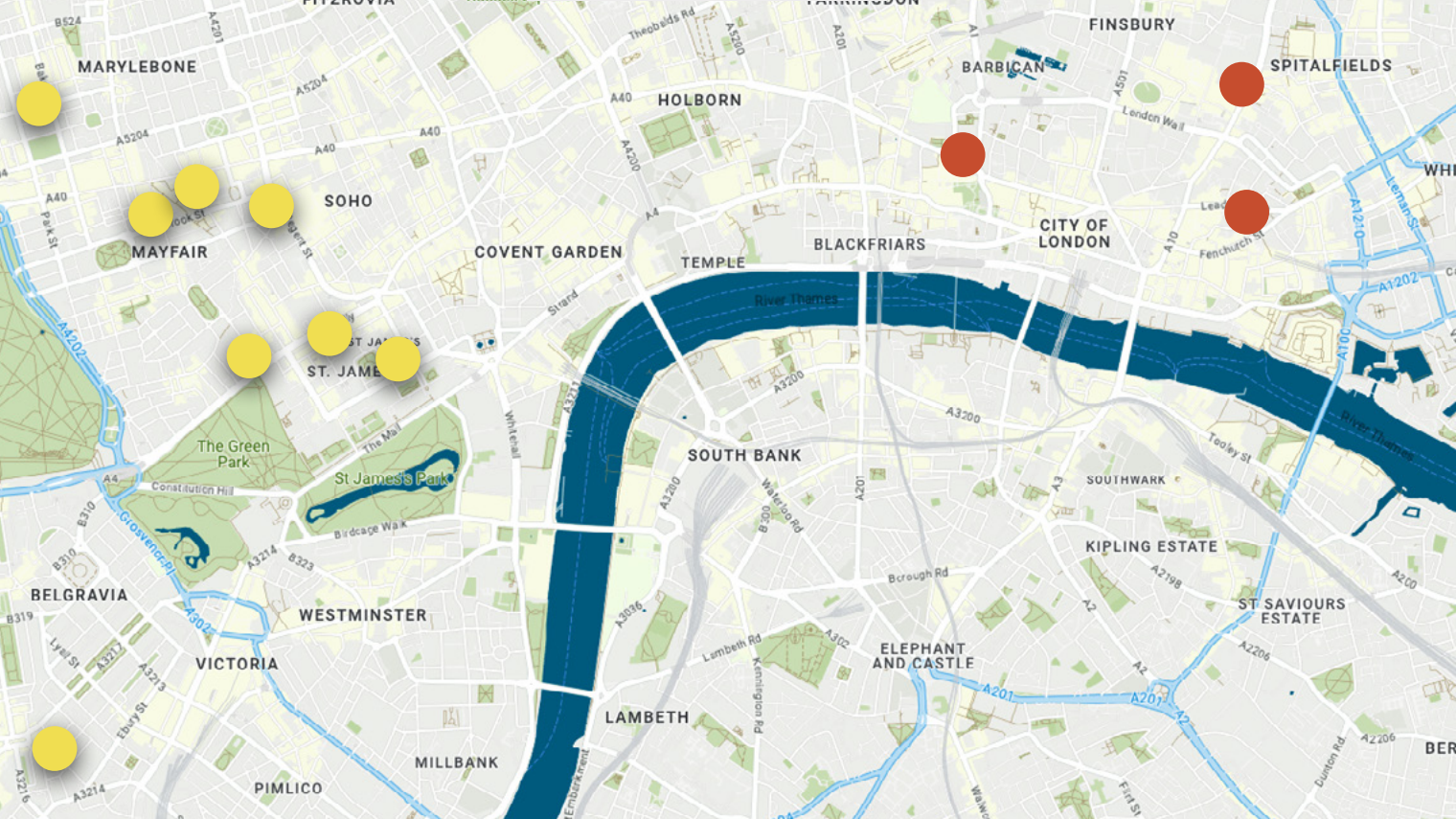
In 2023, the volume of space leased outside the West End, City and Docklands was down 41% on 2022.

However, the quest for the best spaces and greater amenities will force some businesses to look beyond the traditional.

LONDON FINANCIAL SECTOR: LEASING BY MARKET, 2023 (% SHARE)



53% West End
40% City
2% Southbank
2% Midtown
1% East Fringe
1% West Fringe
1% Docklands



Focus on Quality

59%

of the space leased in 2023 was of Grade A quality

The demand for the best-in-class spaces is not lost on the financial sector. 59% of the space leased in 2023 was of Grade A quality, up on the 55% share in 2022.

This was driven by pre/early-letting of new developments, which accounted for 1 million sq ft, up 13% on the previous year. A large chunk of this was the HSBC letting of Panorama. The majority of pre-lets, 11 out of 14, were for spaces across the West End, with the investment community maintaining their attraction to Mayfair-St James's.

The Road Ahead for Financial Firms

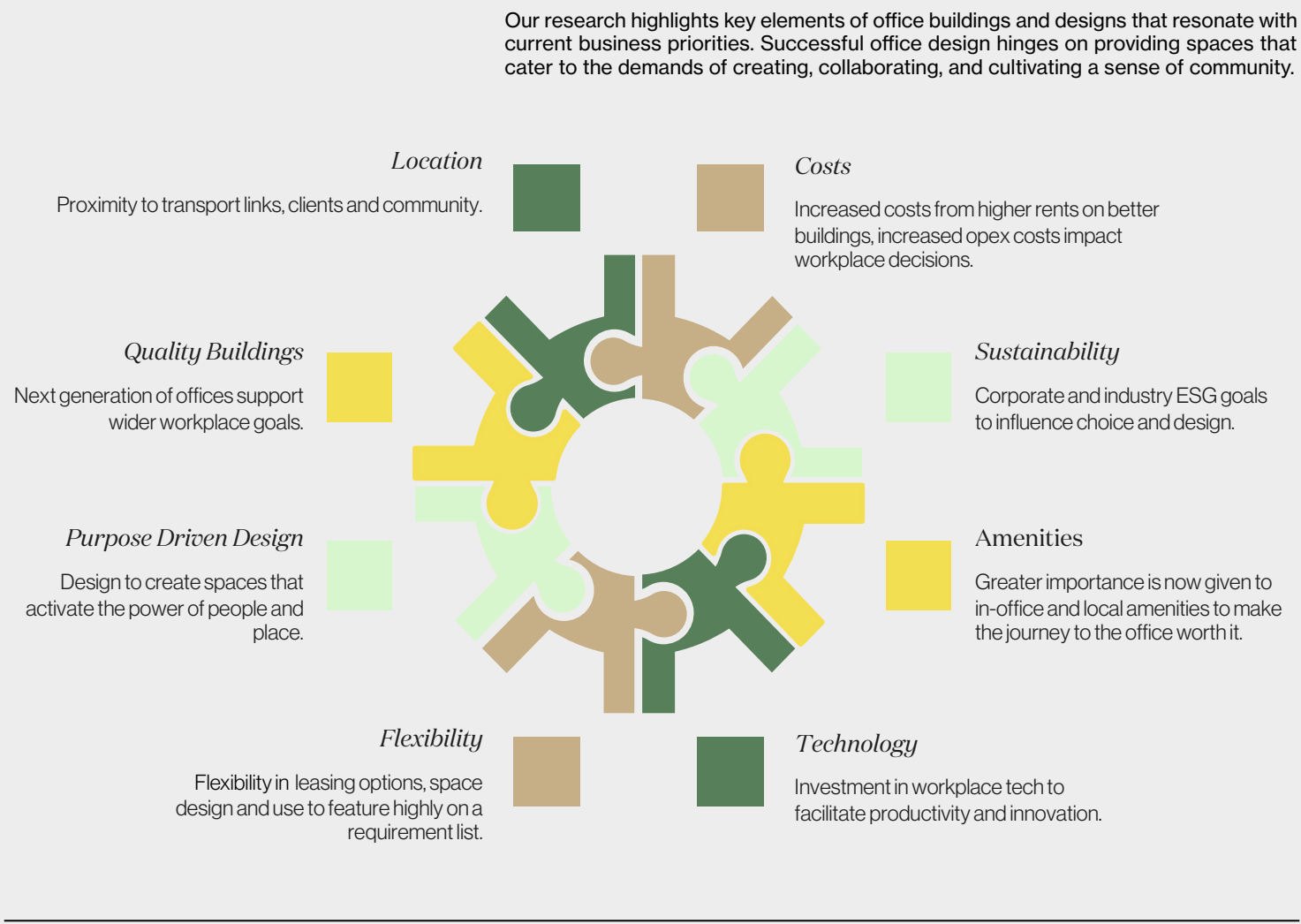
As firms navigate the complexities of 2024, several factors are poised to shape the strategies and operations of financial firms in the coming months and years. Whilst there are a number of challenges ahead, there are also a good number of opportunities, all of which will influence workplace and workforce decision making.



Financial Sector Focus on the Workplace

Crafting an office space that aligns with the multifaceted needs of businesses, employees, and clients is no small task. While some larger firms opt for new, custom-built facilities that seamlessly fulfill their wishlists, others must navigate compromises with available spaces.

Our research highlights key elements of office buildings and designs that resonate with current business priorities. Successful office design hinges on providing spaces that cater to the demands of creating, collaborating, and cultivating a sense of community.



Supporting Financial Sector Firms

