

Q1 2024

# Southbank Office Market Snapshot

**DEVONO**

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The Southbank office market is host to some of the most recognisable offices in central London, ranging from ageing yet iconic secondhand spaces such as the Shard to the next generation of office developments including the newly-completed Arbor and the under construction Tide building.

As developers continue to strive to keep this market relevant for the modern occupier, in our latest Southbank report we explore the current office market landscape including the sectors committing to the Southbank, the significant pace of Grade B rental growth and the declining yet still substantial quantity of space available.

Shaun Dawson,  
Head of Insights,  
Devono

# The Committed Few

Southbank did not register an extraordinary level of take-up in 2023 (down 3% on the short-term annual average), yet leasing did show an improvement on the previous year, up by 10%. A total of 713,000 sq ft was leased in 2023.

Those businesses choosing Southbank have been taking larger spaces, at an average of 5,243 sq ft, although mega deals (100,000 sq ft+) have remained absent since 2021.

Although we have seen a general increase in size requirements from those businesses leasing space in 2023, the number of businesses

making a commitment to locating in Southbank reduced by 9% on 2022.

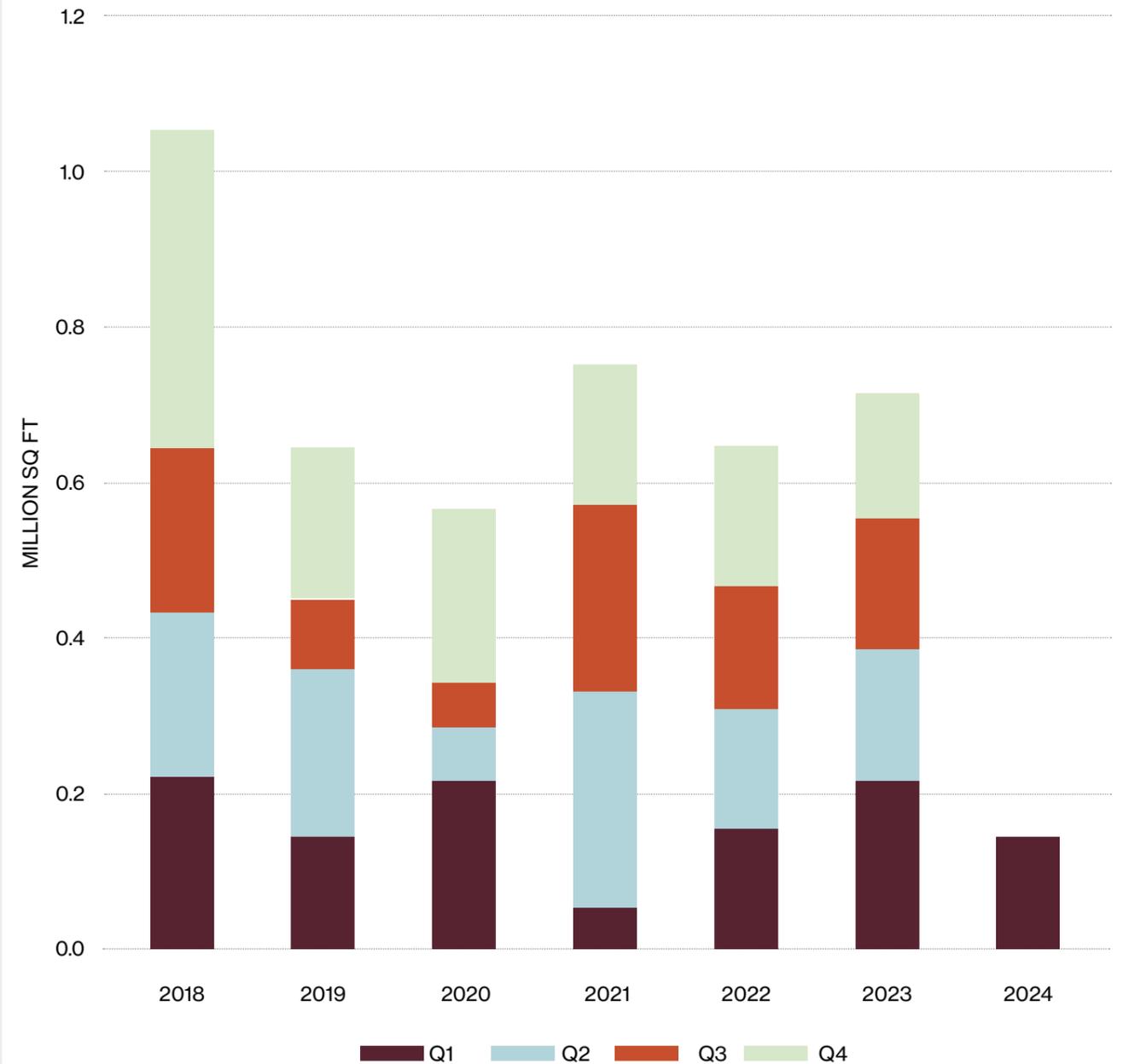
The average lease length of transactions in 2023 was 5 years.

The total space leased in Q1 2024 was 144,391 sq ft, a level that is 8% lower than the average for Q1 in previous years.

Looking at activity so far in 2024, it does seem as though the push to take larger spaces has slowed somewhat, with a smaller average deal size of 4,658 sq ft.



### Southbank Office Market: Leasing Activity, 2018-2024



Source: Devono Insights



## Who Is Attracted To The Southbank?

**30%**

The Professional sector accounted for the largest share of leasing at 30% in 2023, with the Southbank having experienced the most significant incursion of professional firms since pre-2004 with 27 deals transacted.

**Up 90%**

Media sector take-up increased 90% from the low in 2022 to 100,019 sq ft, although this is still 17% below the short-term annual average.

**5-YR high**

Legal sector take-up returned to the Southbank in 2023 following the absence of activity in 2022, with the 38,530 sq ft leased constituting a five year high.

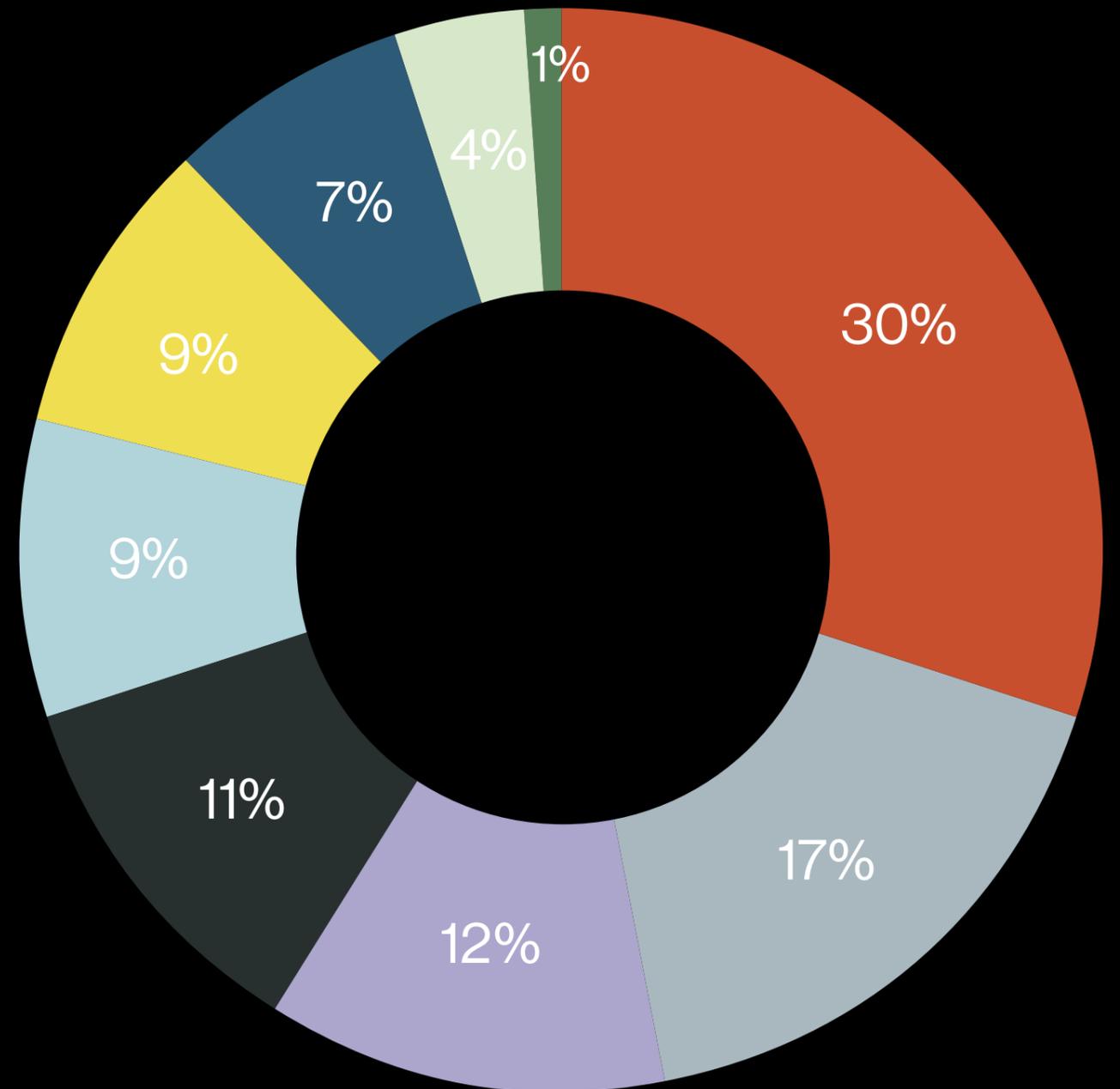
**12%**

The Technology sector moved up the rankings from the fourth most active sector in 2022 to the third in 2023, despite its share of leasing actually contracting to 12%.

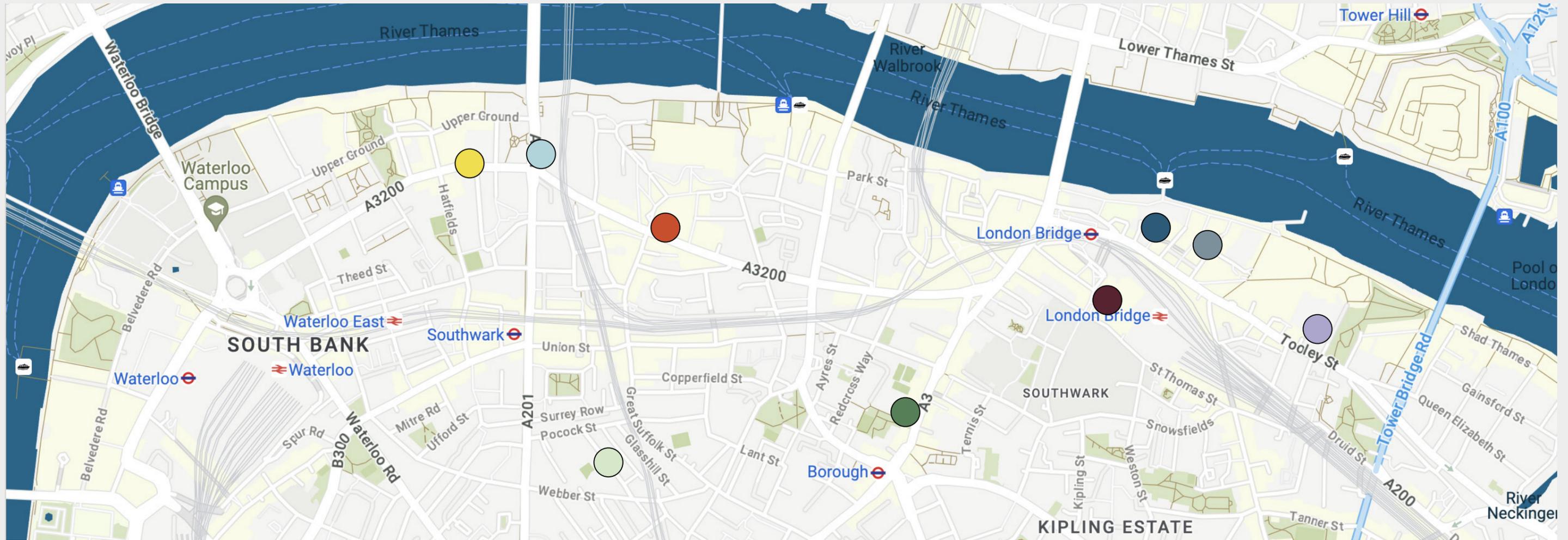
**11%**

Serviced Office providers were responsible for 11% of the space leased in 2023, with FORA and Work.Life taking spaces at 110 Southwark Street and 140-148 Borough High Street respectively.

Southbank Office Market:  
Share Of Leasing By Sector, 2023



# Who was Leasing in 2023?



BUILDING	POSTCODE	SIZE (SQ FT)	GRADE	TENANT	SECTOR	DEAL QTR 2023
30 STAMFORD STREET	SE1 9PY	46,638	SECONDHAND	KANTAR UK LTD	PROFESSIONAL	Q1
BLUE FIN BUILDING, 110 SOUTHWARK STREET	SE1 0SU	43,300	SECONDHAND	FORA	SERVICED OFFICES	Q3
BLUE FIN BUILDING, 110 SOUTHWARK STREET	SE1 0SU	40,085	SECONDHAND	THE STAGWELL GROUP	MEDIA	Q4
ARBOR, BANKSIDE YARDS	SE1 9UY	27,318	GRADE A	WINCKWORTH SHERWOOD	LEGAL	Q2
COTTONS CENTRE, HAYS LANE	SE1 2QP	25,252	SECONDHAND	ZOPA	FINANCIAL	Q1
TYPEWRITER BUILDING, 140-148 BOROUGH HIGH STREET	SE1 1LB	21,969	SECONDHAND	WORK.LIFE	SERVICED OFFICES	Q3
3 MORE LONDON RIVERSIDE	SE1 2AQ	18,860	SECONDHAND	COLLINSON	TECHNOLOGY	Q1
THE SHARD, 32 LONDON BRIDGE	SE1 9SG	16,893	SECONDHAND	RIDER LEVETT BUCKNALL UK LIMITED	PROFESSIONAL	Q1
BLUE FIN BUILDING, 110 SOUTHWARK STREET	SE1 0SU	16,771	SECONDHAND	EXXON	CORPORATE	Q2
3 MORE LONDON RIVERSIDE	SE1 2AQ	15,909	SECONDHAND	VIALTO PARTNERS	PROFESSIONAL	Q1
ARBOR, BANKSIDE YARDS	SE1 9UY	13,522	GRADE A	SMITHS GROUP	PROFESSIONAL	Q2
ARBOR, BANKSIDE YARDS	SE1 9UY	13,519	GRADE A	MERLIN ENTERTAINMENTS GROUP LTD	MEDIA	Q3
THE SHARD, 32 LONDON BRIDGE	SE1 9SG	13,153	SECONDHAND	COGNISM	TECHNOLOGY	Q2
HAYS GALLERIA, BATTLE BRIDGE LANE	SE1 2HL	12,900	GRADE A	HILSON MORAN PARTNERSHIP LTD	PROFESSIONAL	Q4
18-21 RUSHWORTH STREET	SE1 0RB	12,386	SECONDHAND	LABOUR PARTY PROPERTIES	GOVERNMENT	Q3



# A General Decline

Office availability at the end of Q1 2024 was circa 1.8 million sq ft, which was down by 5% over the course of the quarter.

Despite the drop, there is still considerably more opportunity to secure space compared to 5 years ago, as availability is currently up 88% on the Q1 2019 level.

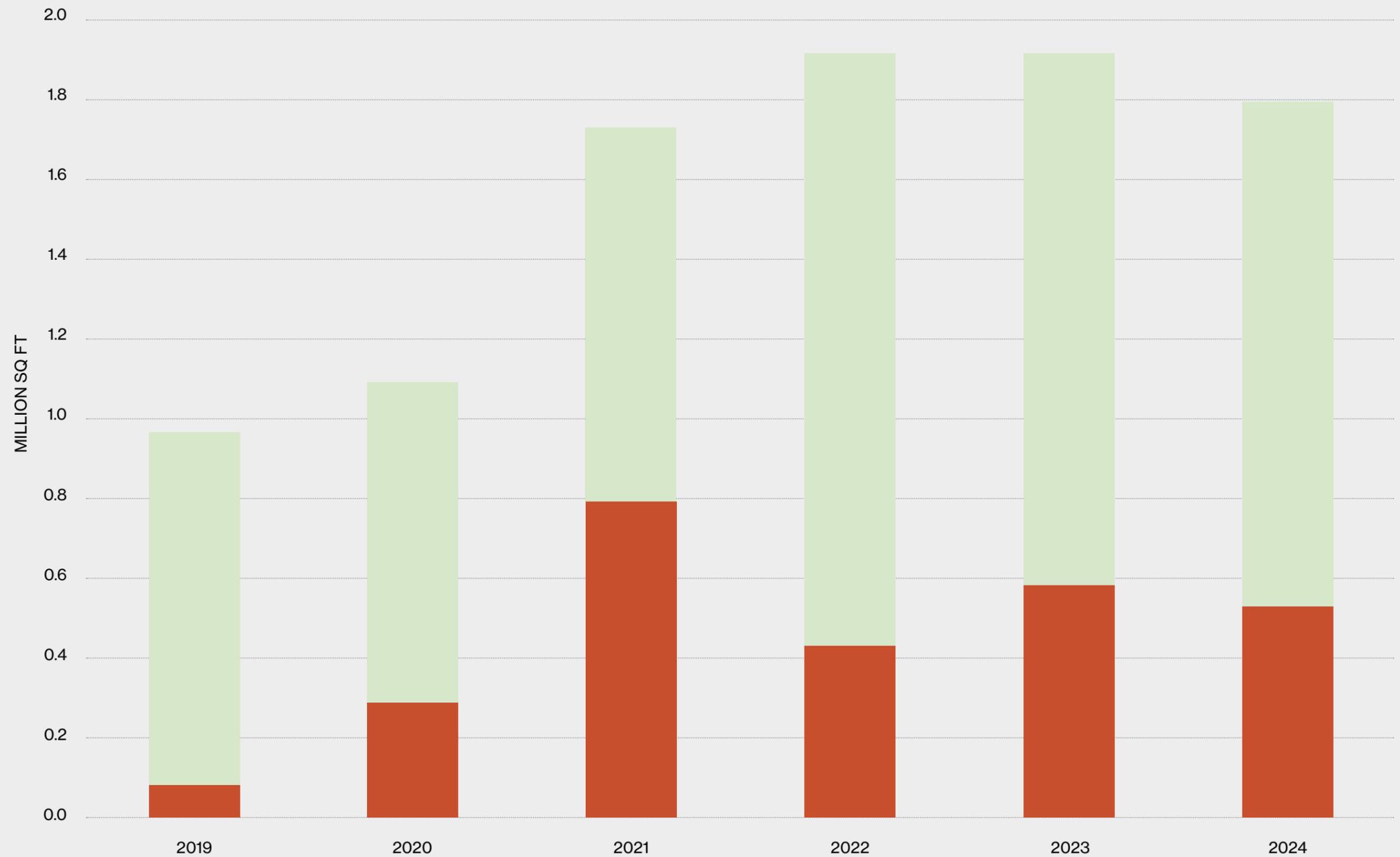
Secondhand space remains the dominant space quality available at 70% of the total in Q1 2024, the same share as was recorded in Q1 2023.

Although the quantity of Grade A space available is down 8% on the level recorded at the beginning of 2023, the current quantity available is still relatively high at 22% above the short-term quarterly average for Q1.

As such, despite a reduced level of total availability, this does not represent a significant squeeze on the availability of best-in-class spaces.

## Southbank Office Market: Availability By Grade, 2019-2024

GRADE A GRADE B



# Divergent Rental Growth

Southbank Office Market:  
Prime Rents, 2019-2024

GRADE A  
GRADE B

## Prime Grade A

As of Q1, Prime Grade A rents have now remained at the new high of £85.00 per sq ft for three consecutive quarters, following an increase of 6% in Q2 2023.

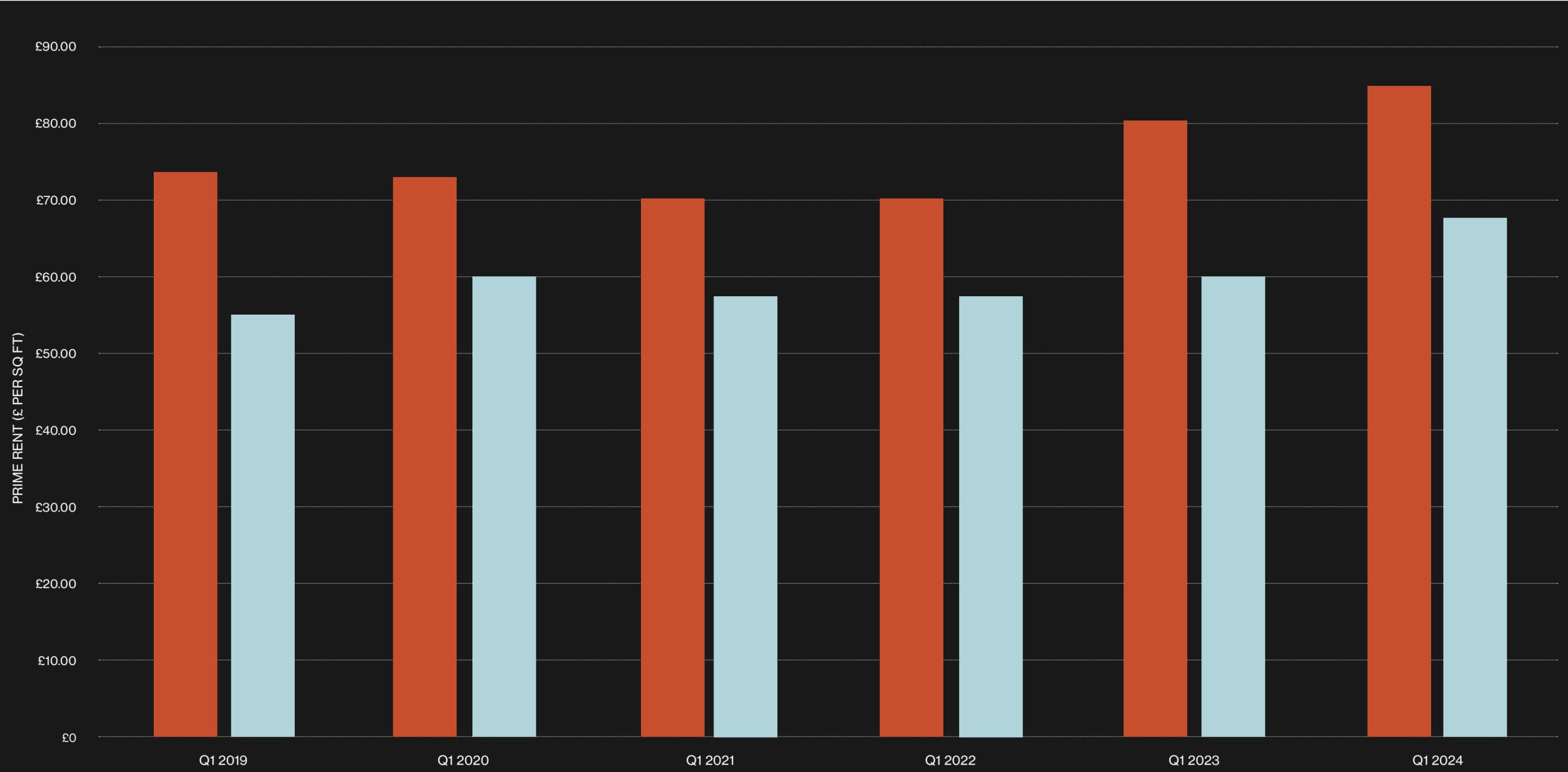
Although this will come as a relief for occupiers that rental growth has stabilised for the time being, it should be acknowledged that the current level represents rental growth of 16% over the past 5 years.

## Prime Grade B

Prime Grade B rents have continued to rise at a significant pace, with two consecutive quarters of growth meaning the level is at £67.50 per sq ft.

This level is not only a new high but is up 13% on the beginning of 2023 and 23% on that recorded 5 years ago.

The pronounced Grade B rental growth is reflective of the considerable demand that this space type is experiencing, accounting for 84% of the deals transacted in 2023.





# Flexible Office Pricing: A More Stable Picture

Pricing of serviced offices across central London has remained stable in Q1, despite reported increases in occupancy levels. Heightened competition amongst providers has kept any uplift at bay, which has been the case for the Southbank office market for the past couple of years.

As seen across the wider market, providers have become more bullish with their expectations. Increased operating costs and improved services/amenities need to be funded.

Grade A flexible offices are commanding an average of £975 per desk, per month (pdpm). This level has remained since 2022. The very best spaces in this part of London are pegged at £1,200 pdpm.

Grade B flexible offices average at £475 pdpm. Once again, this level has been maintained for the past two years and is relatively aligned with pricing over the river in the City.

**Heightened competition amongst providers has kept any uplift at bay in the Southbank office market for the past couple of years.**

As occupiers are now showing a greater awareness of flexible offices as an option we have seen more and more clients being open to a dual search, this being an office search in which occupiers are shown both traditional and serviced spaces that could meet their requirements. Managed offices as a flexible solution are becoming more attractive, the pricing of which is currently £185 per sq ft for Grade A space and £130 per sq ft for Grade B.

Southbank Office Market: Flex Office Average Pricing 2021-24



Source: Devono Insights

# Outlook 2024

Occupiers will continue, and in greater volume, to look to secure the top-quality spaces in both Grade A and B with a keen eye on sustainability credentials.

The pace of the return-to-the office will increase further as more businesses are expected to mandate greater in-office frequency. This may well tip the average of 3 days we have seen this past couple of years more towards 4 days in the office.

Costs will remain a key factor for business for all big-ticket spends such as the workplace, not least of all with the rise in rents.

We do however expect to see a number of opportunities emerge that could lessen the impact of rising costs. Pre-leasing to secure that preferred space at a preferential rate, negotiating with your landlord on your existing space for refurbishment, or discussing with your landlord for capex contributions for fit-out and furniture - with the right guidance opportunities do exist.



Post-election uncertainty to cloud decisions



Appreciation of Managed Offices



Greater push to meet ESG goals



Landlord capex contributions for tenants



Pressure on level of rental incentives



Continued pressure on Prime Grade B rents





# About Devono

Devono is the UK's leading occupier-only advisory firm. We specialise in advising businesses of all sizes and sectors, on commercial real estate solutions that best support their wider business objectives.

A significant part of our role is helping our clients to understand and define their occupational requirements. We take into account key factors including talent challenges, headcount forecasts,

operational priorities and cost considerations, to help craft a brief that is not only fit for purpose today but will also deliver a sustainable occupational footprint moving forward.

Our ultimate goal as an organisation is to navigate real estate opportunities in such a way as to positively influence a company's culture, productivity and financial performance.

## Our Services



Leasehold Office Agency



Service Charge Consultancy



Workplace Consultancy



Design & Build



Dilapidations & Building Surveys



Occupier Disposal



Rent Reviews



Flexible Office Agency



Managed Offices



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