

City of London

New skyscraper tests appetite for office space amid Brexit

Construction of City's largest tower to be completed by end of year



Construction is close to completion at 22 Bishopsgate, centre, in the City of London © Charlie Bibby/FT

Judith Evans in London JUNE 7 2019

Karen Cook's first design for the land at 22 Bishopsgate in the City of London, an extravagant spiral-topped tower, foundered during the financial crisis.

When the UK voted for [Brexit](#) in 2016, it looked as if the architect's second design — for a less flamboyant but even larger tower — might go the same way.

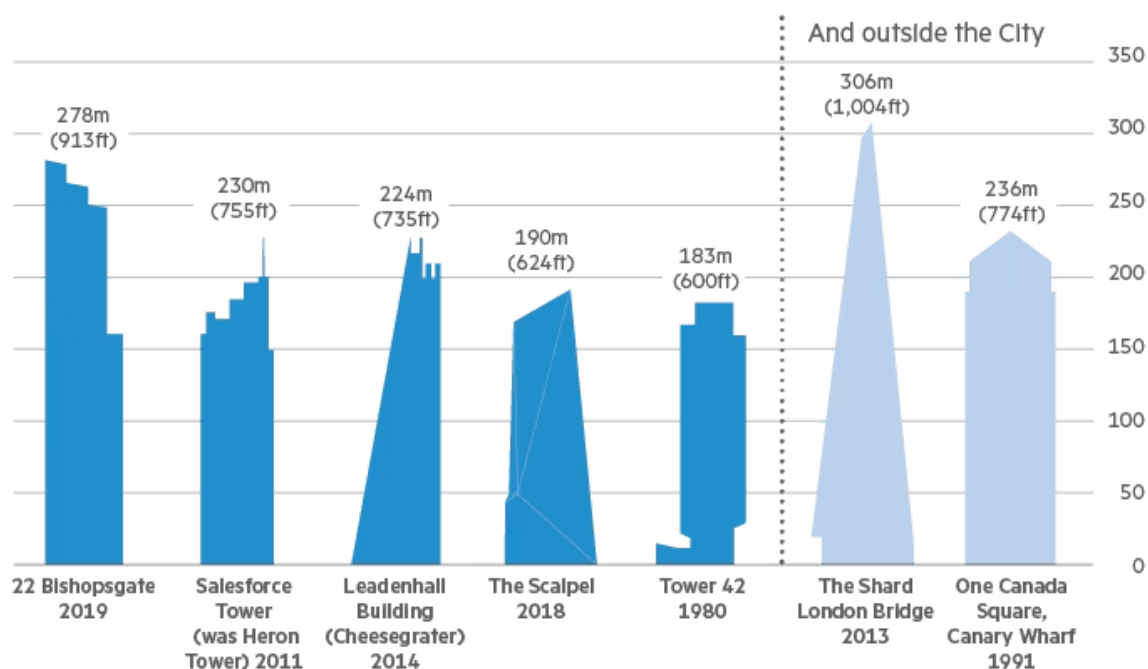
But after a brief pause, her investor backers decided to proceed, and today 22 Bishopsgate looms over the City as 1,200 workers toil to finish the tallest and largest office building in the Square Mile.

The 62-storey skyscraper reached its full height of 278 metres last month, and construction of the £600m building is meant to be finished towards the end of this year.

With the UK due to leave the EU on October 31, 22 Bishopsgate is therefore set to become a key test of whether businesses have the appetite for high-grade London office space amid the throes of Brexit.

The [commercial property](#) market in the capital has held up since the Brexit referendum, partly because of a shortage of new office space, although some estate agents are predicting rising vacancy rates in the second half of this year.

Five tallest buildings in the City of London



Source: skyscrapercenter.com

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The investors in 22 Bishopsgate, led by the real estate division of the French insurer Axa, “decided to be brave”, said Ms Cook, of PLP Architecture. “You have to be an optimist in our profession.”

The second design for 22 Bishopsgate — which unlike its neighbours in the City’s skyscraper cluster, including the Cheesegrater and the Gherkin, has not been given a nickname — packs in more than a third more office space than the previous one.

The building can house 12,000 workers, and its sophisticated features include facial recognition security access and lifts that travel at 8 metres per second.

Unusually, the developers of 22 Bishopsgate, Lipton Rogers, along with their investor backers, opted not to market its 1.3m square feet of office space to one or two big business tenants who would establish their headquarters in the building.

Instead, they are letting it to a series of smaller companies, so far including the insurers Hiscox and Beazley. The tenants will share an unusual 100,000 sq ft of communal space including a food hall, terrace, spa, meeting rooms, auditorium and gym with 25th-floor climbing wall, along with the capital’s largest bicycle park.



Karen Cook

Currently, one-fifth of 22 Bishopsgate is let, and about another quarter is under offer. Harry Badham, UK head of investment at Axa Investment Management's real estate and infrastructure division, said those additional deals contain "some names that will surprise you" — not just the insurance groups that cluster in this part of the City.

The developers of 22 Bishopsgate now face pressure to secure more lettings before the first tenants start moving in early next year.

Chris Lewis, director at DeVono Cresa, the commercial property consultants, said the team behind 22 Bishopsgate would need to hold their nerve and adhere to the "vertical village" idea rather than letting large chunks of the building to big tenants.

"22 Bishopsgate as a proposition is really exciting," he added. "It's great to see a landlord who has started the development of a building with a vision. The challenge for them is to follow through . . . It's still a lot of space, and a lot of space to have empty. The closer it gets to completion, the more people will become focused on how they deal with the voids."

Rents agreed so far at 22 Bishopsgate range from almost £70 per sq ft per year to about £80, according to one person familiar with the deals. This is above the average for the Square Mile, though roughly in line with other new buildings nearby such as 100 Bishopsgate.

Along with Axa Investment Management, the investors in 22 Bishopsgate include Canada's Public Service Pension Plan, British Columbia Investment Management, and Singapore sovereign wealth fund Temasek, according to people familiar with the building.



There will be views across to the Shard, which will remain the capital's tallest building © Daniel Lynch

Mr Badham said that at the time of the Brexit referendum, the investor backers analysed competing sites and bet that others would be delayed. “No one else was committing to build schemes in 2016, and that has gone on for longer than we thought,” he added.

The bet has paid off so far: across the capital, the shortage of new office space has compensated for a reluctance among many tenants to make big property commitments amid the uncertainty unleashed by the Brexit referendum.

According to data from estate agent Savills, new office take-up in the City in the first four months of 2019 was 19 per cent down compared to the same period in 2018, although the 5.2 per cent vacancy rate at the end of April was below the previous year's 5.8 per cent.

Savills predicts a rising vacancy rate in the second half of the year, however, while the Conservative leadership contest has revived the possibility of the UK crashing out of the EU without a deal — a prospect that business groups have repeatedly warned would hurt the economy.

For Ms Cook, any Brexit concerns are simply the latest hurdle in what has been a journey of more than 15 years' involvement with the site, and she hopes the visible presence of her building will express “the sense that London is confident in its future”.

“It's been such a long period working on this building,” she said. “We have to have faith that common sense eventually prevails.”

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