

West End Office Market Watch

January 2016

Total 2015 take-up reached 4.3m sq ft, the second highest level ever recorded

Supply and demand snapshot

December saw 401,808 sq ft of take-up across 38 transactions, with an average transaction size of 11,161 sq ft.

This brought total annual take-up to 4.36m sq ft, the second highest total ever recorded in the West End. This represents an increase of 5% on 2014's total annual take-up of 4.15m sq ft and is 21% above the long-term average annual take-up level of 3.61m sq ft.

The largest transaction to complete in December saw The Carlyle Group become the first tenant to take space at the Crown Estate and Oxford Properties' St James's Market. The Carlyle Group acquired 63,514 sq ft on a 15 year lease at an average rent of £106.83 per sq ft. The transaction is the largest to complete in St James's since 2001.

For the seventh year in a row the Technology & Media sector was the most active in the West End, accounting for 33% of total take-up in 2015. The Insurance & Financial Services sector was the next most active accounting for 19% of total take-up. Highlighting the sector's growing prevalence in the West End, Serviced Office Providers were the third most active business sector in 2015, accounting for 9% of total take-up.

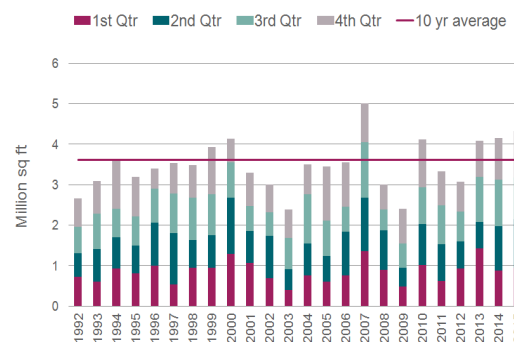
Supply at the end of December stood at 3.61m sq ft, equating to a vacancy rate of 2.9%. This represents a decrease of 4% on the 3.76m sq ft that was available at the end of November and is 12% lower than the 4.06m sq ft of space available at the end of 2014. 657,452 sq ft (18%) of supply is currently under offer.

The strain on supply and high levels of demand lead to the West End experiencing significant rental growth in 2015. The average Grade A rent rose 9% from £67.26 per sq ft in 2014, to £73.89 per sq ft. Similarly, the average Prime rent rose 6% from £102.37 per sq ft to £108.95 per sq ft. Continuing the trend, the average Grade B rent rose 15% from £42.70 per sq ft to £50.28 per sq ft.

The highest recorded rent in December was £157.00 per sq ft, which is the second highest rent ever recorded in the West End. The transaction saw HCBG acquire 4,055 sq ft, at 8 St James's Square on a 10 year lease.

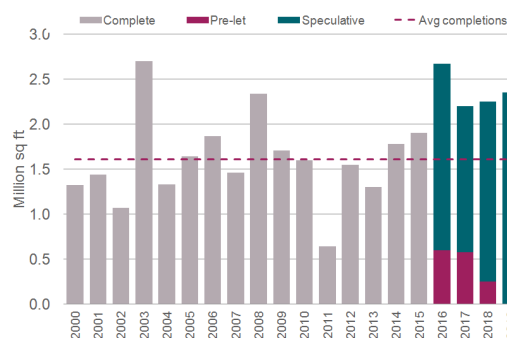
Looking forward, a total of 2.7m sq ft of new developments and refurbishments are scheduled to complete in 2016, 40% above the long term average of 1.6m sq ft. However, the increase in development activity is being counteracted by a rise in pre-letting activity, with 22% of 2016 completions already pre-let.

GRAPH 1
Take Up



Source: Savills Research

GRAPH 2
Development



Source: Savills Research

TABLE 1
Key December stats

	Stats	Monthly change
Take-up	401,808 sq ft	↑
Supply	3,613,235 sq ft	↓
Vacancy Rate	2.9%	↓
Top rent (psf)	£157.00/sq ft	↑
Demand	2,382,500 sq ft	↓

Source: Savills Research

Analysis close up

TABLE 2

Take-up

	Month	Year to date		
	Sq ft	Sq ft	% change on previous year	% change on average
Jan-15	358,118	358,118	41%	26%
Feb-15	346,912	705,030	36%	32%
Mar-15	242,479	947,509	7%	14%
Apr-15	287,320	1,234,829	-3%	21%
May-15	249,162	1,483,991	-10%	15%
Jun-15	672,597	2,156,588	9%	30%
Jul-15	226,312	2,382,900	4%	27%
Aug-15	351,747	2,734,647	0%	31%
Sep-15	466,423	3,201,070	2%	26%
Oct-15	366,528	3,567,598	7%	28%
Nov-15	389,101	3,956,699	10%	32%
Dec-15	401,808	4,358,507	5%	21%

TABLE 3

Supply

Total	% Grade A	% chg on prev mnth	Vacancy rate (%)
4,006,172	74%	-1.3%	3.3%
4,228,468	71%	5.5%	3.5%
4,015,078	78%	-5.0%	3.3%
3,797,584	77%	-5.4%	3.1%
4,228,468	71%	11.3%	3.5%
3,407,189	79%	-19.4%	2.7%
3,074,790	80%	-9.8%	2.5%
3,329,207	82%	8.3%	2.8%
3,285,428	80%	-1.3%	2.7%
3,738,104	83%	13.8%	3.0%
3,762,519	77%	0.7%	3.1%
3,613,235	81%	-4.0%	2.9%

TABLE 4

Rents

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Jan-15	£110.00	£68.10	£46.32	-	-
Feb-15	£94.50	£63.90	£49.26	-	-
Mar-15	£185.00	£82.32	£43.10	£118.01	7
Apr-15	£110.00	£73.20	£35.61	-	-
May-15	£97.80	£64.65	£37.00	-	-
Jun-15	£102.50	£70.93	£59.36	£96.58.01	7
Jul-15	£109.80	£72.99	£57.95	-	-
Aug-15	£97.75	£67.70	£59.75	-	-
Sep-15	£147.50	£75.67	£57.28	£106.91	9
Oct-15	£110.00	£81.30	£59.33	-	-
Nov-15	£120.00	£77.01	£49.43	-	-
Dec-15	£157.00	£86.09	£58.37	£104.90	11

TABLE 5

Demand & Under Offers

WE Potential demand (sq ft)	919,000
WE Active demand (sq ft)	1,463,500
WE Total demand (sq ft)	2,382,500
% change on 12 month ave	2%
Total under offer (sq ft)	657,452
Under offer this month (sq ft)	163,885
% change on ave	10%
Landlord controlled supply	82%
Tenant controlled supply	18%

TABLE 6

Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2016	453,000	2,450,917	2,673,917	22%
2017	670,371	1,529,900	2,200,271	26%
2018	100,000	2,113,367	2,246,367	11%
2019	102,500	2,250,000	2,352,500	0%
Total	1,325,871	8,344,184	9,473,055	15%

Completions due in the next 6 months are included in the supply figures

*Average prime rents for preceding 3 months ** Average rent free on leases of 5 years for preceding 3 months

TABLE 7

Significant December transactions

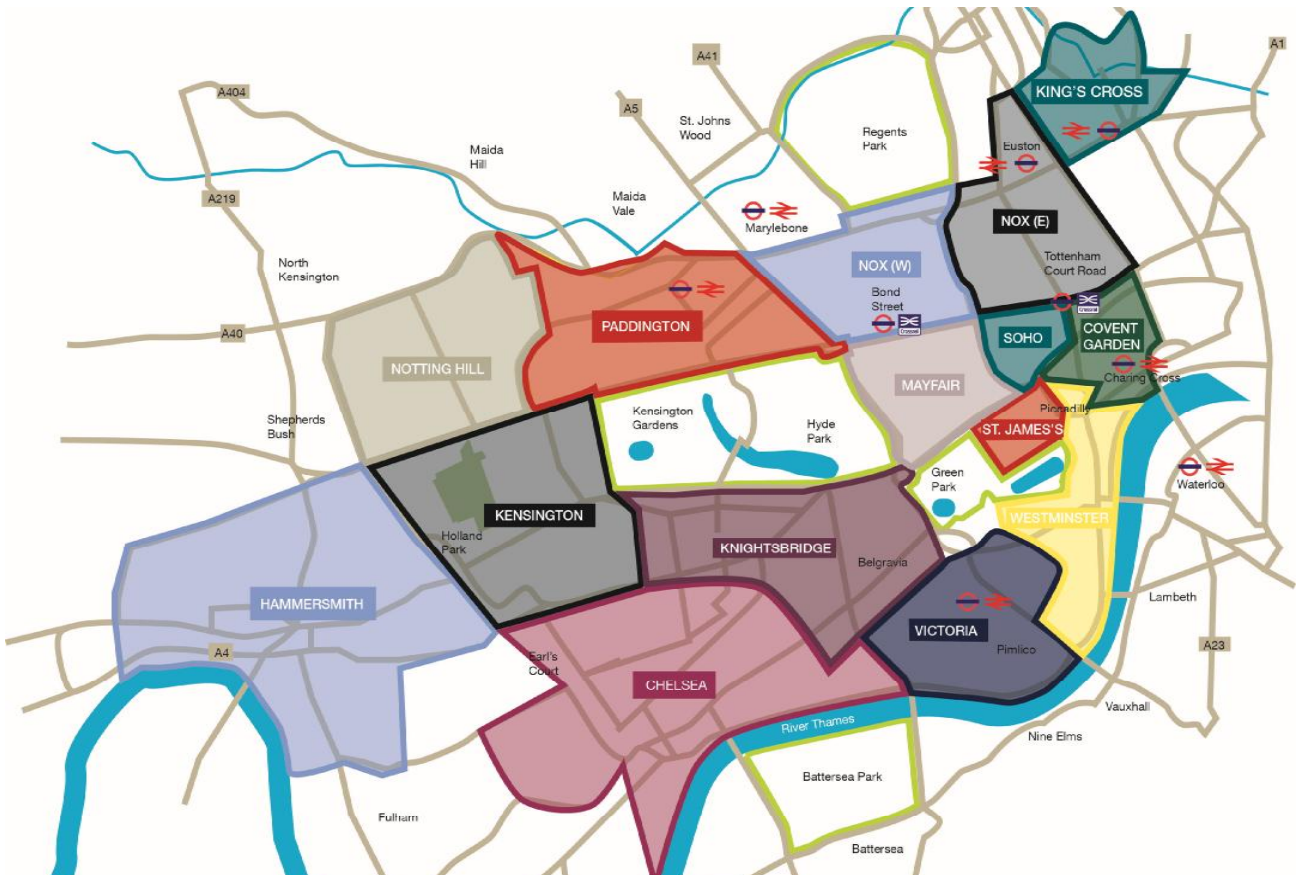
Address	Floor/s	Sq ft	Grade	Achieved rent	Tenant	Lessor
1 St. James's Market, SW1	4-6	63,514	A	£106.83	The Carlyle Group	The Crown Estate / Oxford Properties
20 Eastbourne Terrace, W2	1,5-11	45,457	A	£70.00	The Office Group	Land Securities
91 Wimpole Street, W1	1-3	43,084	A	Confidential	The Office Group	Lazari
One Strand, WC2	4	28,018	A	£85.00	CQS (UK) LLP	Barlaya Limited
25 Knightsbridge, SW1	Bldg	25,000	A	£82.00	National Bank of Dubai	NFU
Zig Zag, SW1	5	22,839	A	£78.50	Moneycorp.	Land Securities
40 Portman Square, W1	pt3	16,475	A	Confidential	Anchorage Capital	ING Real Estate
8 St. James's Square, SW1	pt2	4,055	A	£157.00	HCBG	Green Property

TABLE 8

Significant supply

Address	Floor/s	Sq ft	Grade	Quoting rent	Lessor	U/O
Nova South, SW1	2-7,9-13	246,336	A	NQ	Land Securities	12-13
Verde, SW1	LG,,2-10	198,254	A	NQ	Tishman Speyer	8-10
Adelphi, 1-11 John Adam Street, WC2	5-11	181,682	A	£79.50+	Blackstone	
12 Hammersmith Grove, W6	1-10	165,000	A	NQ	Aberdeen Asset Management	
Portland House	p3,p5-p9,12-14, p15,p20-21,22-25	127,728	A	NQ	Land Securities	p5,p9,p21,24-25
LSQ, WC2	2-8	92,900	A	NQ	Old Park Lane	
Lyric Square, W6	1-12	87,949	A	NQ	Schroder Property Investment Management	1-8
St James's Market Building 1, SW1	1-3,7	80,441	A	NQ	The Crown Estate / Oxford Properties	
1 Queen Caroline Street, W6	2-5	79,200	A	£57.50	Brockton	5
St James's Market Building 2, SW1	G-7	67,809	A	NQ	The Crown Estate / Oxford Properties	
1 New Burlington Street, W1	1-2,4-6	65,657	A	NQ	The Crown Estate / Exemplar	

MAP 1
Savills West End office submarkets



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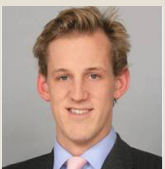
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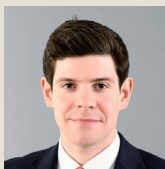
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