

# West End Office Market Watch



## First half take-up set to reach over 2.1m sq ft

Year to date take-up at the end of May reached 1.85m sq ft, with an additional 320,122 sq ft completing over the month. Take-up continues to remain well above the long-term average and is currently up 25% on the long-term average. We anticipate take-up for the first half of the year will reach 2.1m sq ft.

Whilst we saw no further pre-letting activity over the month, it has accounted for 27% of leasing activity for the year so far and we expect to see further pre-lets complete with around 350,000 sq ft of the development pipeline currently under offer.

The volume of transactions completed so far this year, at 157, continues to remain in line with the 10 year long term average amount for this period.

The Insurance & Financial sector continues to account for the largest proportion, over a quarter of transactions that have completed this year. Almost a third of transactions to complete over the month were between 10-15,000 sq ft.

The largest transaction in May was at 64 Victoria Street, SW1, where the Parliamentary Estate took 96,574 sq ft, on the 1st to 9th floors, on a 15 year lease at £63.50 per sq ft.

So far this year the Tech & Media sector has accounted for 28% of take-up (471,850 sq ft). We have seen a record level of transactions to the Public sector with 13 transactions completing, three of which have been in excess of 45,000 sq ft. This helped to boost the sectors market share to 18%. Three further transactions complete to Serviced Office Providers, which helped that sector hold its market share at 18%.

Whilst the vacancy rate at 4% has remained at the same level it has been at since the start of the year, we have seen a slight increase in the amount of tenant space in the market which has increased to 33%. Notable tenant space which has been added to supply since the start of the year includes One Carlisle Place, SW1 (41,637 sq ft) and the 2nd floor (29,000 sq ft) at UK House, Great Titchfield Street, W1.

Whilst we were not expecting to see rental growth this year, rental evidence continues to indicate that rents have remained stable, even showing slight growth. The Grade A rent over 2019 is currently £78.00 per sq ft, this is up 5% on the average Grade A rent achieved over the same period in 2018. The average prime rent at £116.00 per sq ft is also up on the same period in the previous year, 6% above where prime rents stood at £109.00 per sq ft.

Underlying demand continues to remain resilient and Central London and West End requirements at the end of May was 5.2m sq ft, up 15% on the average amount we have seen over the past year. Space under offer stood was 1.4 m sq ft at the end of the month.

Over the next four years 6.3m sq ft of speculative space is set to be delivered across the West End. Already almost 40% of the pipeline for 2020 has been pre-let and a further 200,000 sq ft is under offer.



**1.85m sq ft**

Take-up at the end of May was 25% up on the long term average



**157**

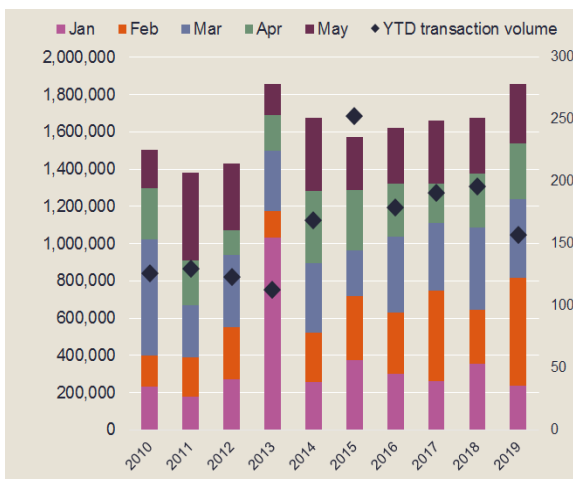
Transactions have completed so far this year

**40%**

of the pipeline for 2020 has already been pre-let

### West End YTD take-up: sq ft vs volume

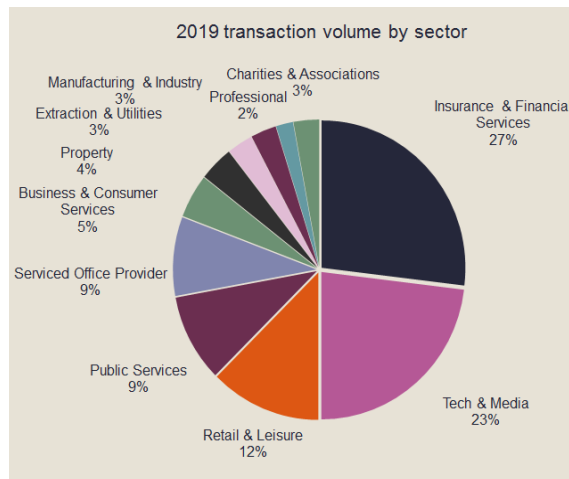
Graph 1



Source: Savills

### Transactions volume by sector

Graph 2



**350,000 sq ft**  
is under offer in the development pipeline

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Jun-18	525,288	82%	5,185,979
Jul-18	1,192,648	84%	5,877,339
Aug-18	283,074	84%	5,897,176
Sep-18	148,833	83%	5,137,114
Oct-18	477,941	82%	5,243,040
Nov-18	349,030	82%	5,246,872
Dec-18	457,935	82%	5,138,164
Jan-19	235,461	81%	4,989,805
Feb-19	580,354	84%	5,279,499
Mar-19	420,802	80%	5,256,263
Apr-19	300,856	81%	5,267,363
May-19	310,894	79%	5,283,116

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 18 - May 18	1,658,201	3%	79%
Jan 19 - May 19	1,848,410	11%	79%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Jun-18	£104.00	£72.16	£51.17	£109.20	24
Jul-18	£120.00	£79.53	£60.40	-	-
Aug-18	£150.00	£78.27	£68.24	-	-
Sep-18	£92.50	£74.69	£54.95	-	22
Oct-18	£100.00	£75.65	£55.03	-	-
Nov-18	£100.00	£75.64	£55.03	-	-
Dec-18	£105.00	£83.75	£59.50	£103.40	19
Jan-19	£85.25	£72.02	£51.50	-	-
Feb-19	£118.00	£71.39	£63.00	-	-
Mar-19	£130.00	£75.80	£62.56	£119.30	22
Apr-19	£250.00	£76.79	£55.16	-	-
May-19	£102.50	£73.43	£54.30	-	-

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,492,323	60%	-1.0%	3.7%
4,741,176	55%	5.5%	3.9%
4,760,149	55%	0.4%	3.9%
5,147,690	69%	8.1%	4.2%
5,146,841	66%	0.0%	4.2%
4,871,727	63%	-5.3%	4.0%
4,734,611	63%	-2.8%	3.9%
4,797,457	65%	1.3%	3.9%
4,810,098	60%	0.3%	4.0%
4,803,390	64%	-0.1%	4.0%
4,914,843	63%	2.3%	4.0%
4,679,894	60%	-4.8%	4.0%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2019	1,144,051	1,410,558	2,554,609	71%
2020	706,116	1,286,852	1,992,968	38%
2021	1,218,132	1,898,462	3,116,594	35%
2022	463,535	2,041,868	2,505,403	0%
Total	3,531,834	6,637,740	10,169,574	36%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	1.0m
West End Active Requirements (sq ft)	4.2m
West End Total Requirements (sq ft)	5.2m
% change on 12 month ave	15%
Total under offer (sq ft)	1.5m
Under offer this month (sq ft)	71,682
% change on average (total)	95%
Landlord controlled supply	67%
Tenant controlled supply	33%

\*Average prime rent is for preceding 3 months

\*\* Average rent free on leases of 10 years with no breaks for preceding 3 months

Note: Completions due in the next 6 months are included in the current supply figures

## Significant May transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
64 Victoria Street, SW1	1-9	96,574	A	£63.50	Parliamentary Estates	Westminster City Council
174 Hammersmith Road, W6	2,3	18,374	A	£52.00	Hyperoptic	Kier Group
27 Knightsbridge, SW1	4,6	14,766	B	-	Maybourne Hotels	Motcomb Estates
66-67 Newman Street, W1	Entire	14,122	A	£82.00	Workpad	-
90 Long Acre, WC2	part 3	14,122	A	£35.00	Masthaven Group	Northwood Investors
8-9 Grosvenor Place, SW1	Entire	13,922		£35.91	Sir Robert McAlpine	-

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## Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
245 Hammersmith Road	W6	242,477	76,122 sq ft under offer to Hana
Euston Tower, Euston Road	NW1	151,970	Short term leases - Not quoting
Elms House, Hammersmith	W6	96,260	Sublease from Jacobs Engineering
The Post Building, New Oxford Street	WC1	86,511	Guiding high £80's psf
The Foundry, 77 Fulham Palace Road	W6	68,179	Quoting £57.50 psf
Albany House, 94-98 Petty France	SW1	60,000	Guiding £40.00 psf
The White Building, Notting Hill	W11	58,396	Quoting 42.50 psf

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