

# West End Office Market Watch

September 2017

**Take-up stands at 3.1m sq ft, with a further 0.9m sq ft under-offer**

## Supply and demand snapshot

■ 252,774 sq ft of take-up was recorded in August across 38 transactions.

■ August's take-up brought total 2017 take-up to 3.13m sq ft, 24% above the same point in 2016 and 29% above the 10 year average.

■ Similarly, the 12 month rolling take-up in the West End is 4.57m sq ft, 31% above the long-term average (graph 1).

■ British Land let 60,810 sq ft to three tenants at 4 Kingdom Street, W2. Mars acquired the 6th and 7th floors (30,304 sq ft), Vertex acquired the 8th floor (15,253 sq ft) and Sasol the 9th floor (15,253 sq ft), the 5th floor remains under-offer. The average rent of these transactions is understood to be £71.00 per sq ft. British Land plan to use the remaining 4th floor for their flexible workspace brand Storey.

■ Elsewhere, Anadarko acquired the 7th floor totalling 21,500 sq ft at Nova North, SW1 on a 10 year lease at a rent of £77.50 per sq ft. Following the transaction, 140,000 sq ft remains available at the development.

■ 104,606 sq ft went under-offer in August, bringing the total amount under-offer to 902,735 sq ft, which is 50% above the long term average.

■ Following August's transactions, the Tech & Media sector remains the most active business sector in the West End, accounting for 27% of 2017's take-up. Serviced Office Providers have been the second most active accounting for 22%, with the Insurance & Financial Services sector third at 12%.

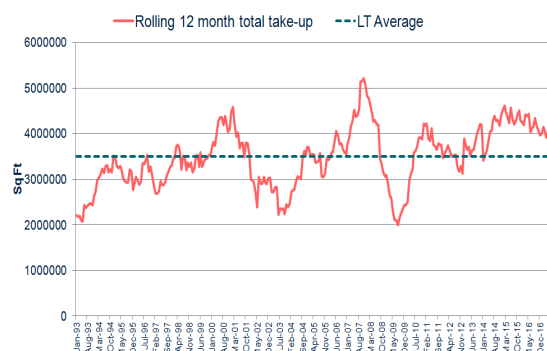
■ Total West End supply fell 1.4% in August to 4.85m sq ft. This resulted in the vacancy rate falling 10bps to 4.0%. 75% of supply is of a Grade A standard while 27% in tenant controlled (graph 2).

■ There is just 123,000 sq ft of development and extensive refurbishment completions scheduled for Q1 2018, of which 25,000 sq ft has already been pre-let. The 98,000 sq ft of speculative completions will be added to the supply pipeline next month.

■ The average Grade A rent at the end of August was £80.48 per sq ft, 4% above 2016's average Grade A rent of £77.25 per sq ft. In contrast, the average Grade B rent was £59.43 per sq ft, 3% below 2016's average Grade B rent of £61.07 per sq ft.

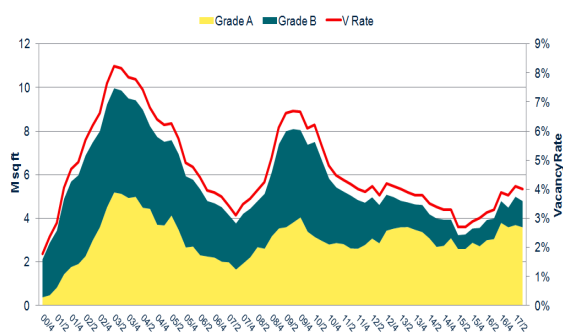
■ We are currently tracking 6.4m sq ft of West End & Central London requirements, 4% above the 12-month average.

GRAPH 1  
**West End 12 month rolling take-up**



Source: Savills Research

GRAPH 2  
**West End Supply**



Source: Savills Research

TABLE 1  
**Key August Stats**

	Stats	Monthly change
Take-up	252,774 sq ft	↓
Supply	4,850,847 sq ft	↓
Vacancy Rate	4.0%	↓
Avg Grade A Rent (psf)	£76.13/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
Sep-16	666,844	3,195,908	0%	15%
Oct-16	208,481	3,404,389	-5%	14%
Nov-16	279,071	3,683,460	-7%	13%
Dec-16	285,246	3,968,706	-9%	7%
Jan-17	259,844	259,844	-10%	-15%
Feb-17	450,152	709,996	22%	30%
Mar-17	343,806	1,053,802	1%	10%
Apr-17	205,249	1,259,051	-3%	9%
May-17	348,950	1,608,001	-2%	6%
Jun-17	760,026	2,368,027	28%	30%
Jul-17	513,691	2,881,718	33%	37%
Aug-17	252,774	3,134,492	24%	29%

TABLE 3

## Supply

Total	% Grade A	% chg on prev mnth	Vacancy rate (%)
3,997,827	76%	3.1%	3.3%
4,163,322	74%	4.1%	3.4%
4,176,895	76%	0.3%	3.5%
4,748,855	80%	13.7%	3.9%
4,540,123	80%	-4.4%	3.8%
4,584,658	77%	1.0%	3.8%
4,630,437	78%	1.0%	3.8%
4,869,944	76%	5.2%	4.0%
4,817,796	76%	-1.1%	4.0%
4,970,243	74%	3.2%	4.1%
4,920,875	75%	-1.0%	4.1%
4,850,847	75%	-1.4%	4.0%

TABLE 4

## Rents

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Sep-16	£120.00	£83.08	£54.18	£104.64	16
Oct-16	£95.00	£74.57	£45.33	-	-
Nov-16	£107.50	£74.19	£61.97	-	-
Dec-16	£125.00	£84.45	£56.26	£110.22	17
Jan-17	£125.00	£84.41	£41.64	-	-
Feb-17	£120.00	£79.14	£63.42	-	-
Mar-17	£190.00	£85.03	£57.48	£122.39	18
Apr-17	£120.00	£85.12	£53.14	-	-
May-17	£105.00	£75.20	£59.00	-	-
Jun-17	£135.00	£77.49	£65.00	£114.06	20
Jul-17	£110.00	£78.15	£68.15	-	-
Aug-17	£109.00	£76.13	£55.25	-	-

TABLE 5

## Demand & Under Offers

WE Potential demand (sq ft)	2,437,000
WE Active demand (sq ft)	3,967,000
WE Total demand (sq ft)	6,404,000
% change on 12 month ave	9%
Total under offer (sq ft)	902,735
Under offer this month (sq ft)	104,606
% change on ave	50%
Landlord controlled supply	73%
Tenant controlled supply	27%

Demand figures include Central London requirements

TABLE 6

## Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2017	467,000	1,861,000	2,328,000	59%
2018	882,000	1,363,000	2,245,000	41%
2019	368,000	983,000	1,351,000	10%
2020	477,000	1,990,000	2,467,000	0%
Total	2,194,000	6,197,000	8,391,000	29%

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

\*Average prime rents for preceeding 3 months \*\* Average rent free on leases of 10 years for preceeding 3 months

TABLE 7

**Significant August transactions**

Address	Floor/s	Sq ft	Grade	Achieved rent	Tenant	Lessor
4 Kingdom Street, W2	6-7	30,304	A	Confidential	Mars	British Land
Nova North, SW1	7	21,500	A	£77.50	Anadarko	Land Sec/CPPIB
1-3 Strand, WC2	1	15,503	A	£76.50	Diligent	Barlaya
4 Kingdom Street, W2	8	15,253	A	Confidential	Vertex	British Land
4 Kingdom Street, W2	9	15,253	A	Confidential	Sasol	British Land
Zig Zag, SW1	p6	10,900	A	£77.50	Navig8	Land Sec
25 Bedford Street, WC2	3	9,431	A	£77.50	Cerillion Technologies	Blackrock

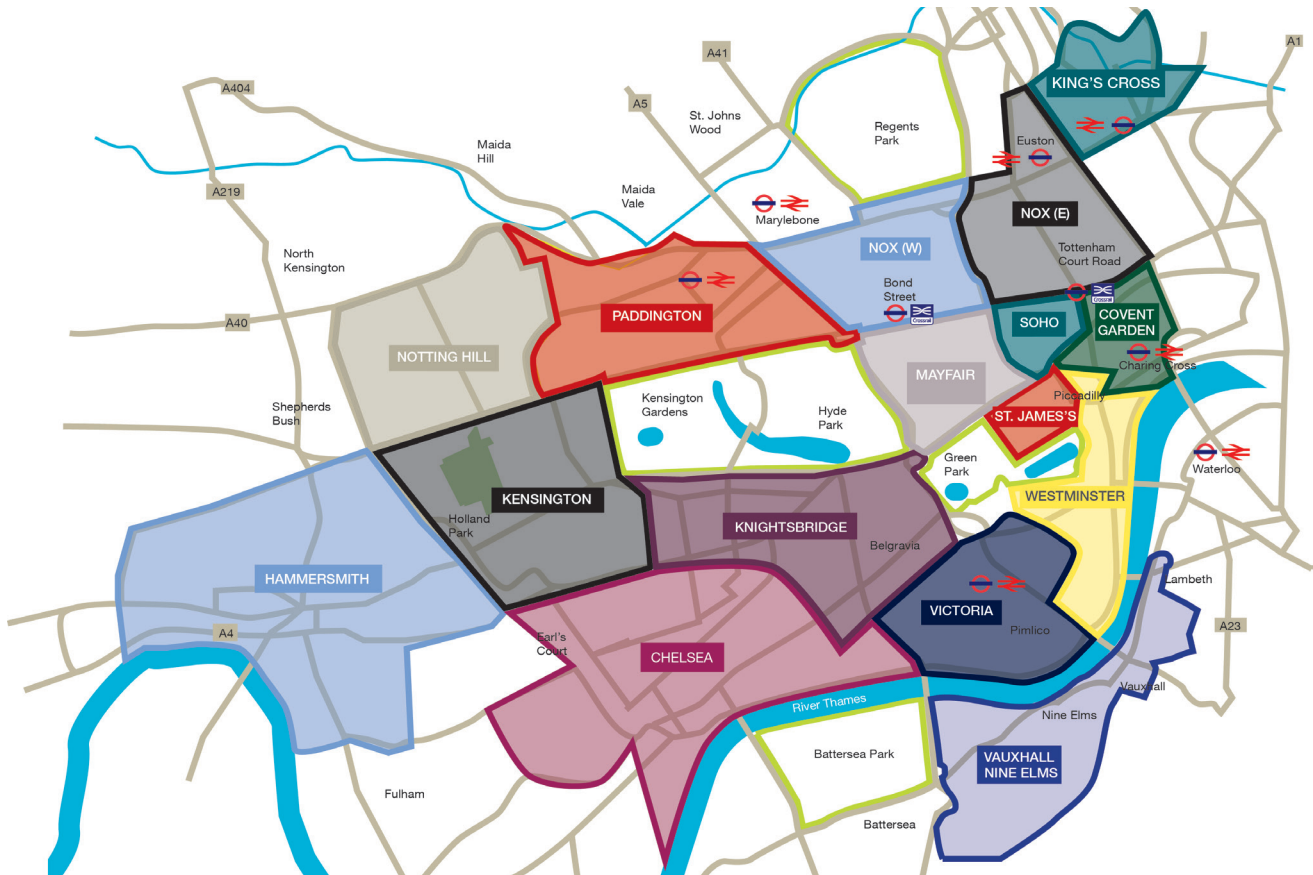
TABLE 8

**Significant supply**

Address	Floor/s	Sq ft	Grade	Quoting rent	Lessor	U/O
5 Merchant Square, W2	G-7	159,000	A	£60.00	Marks & Spencer	
Nova North, SW1	3-6, 8-11	140,000	A	NQ	Land Securities / CPP	
The Foundry, 77 Fulham Palace Road, W6	G-4	110,000	A	£57.50	AXA Real Estate Investment Managers	
Nova South, SW1	3-5	88,000	A	NQ	Land Securities / CPP	p4, 5
25 Wilton Road, SW1	G-6	84,000	A	£70.00+	Royal London	
Verde, SW1	pt2, 3, p4, pt5	71,000	A	£75.00+	Tishman Speyer & PSP	3, p4
King's House, 174 Hammersmith Road, W6	G-6	59,000	A	£59.50	Kier Group	

MAP 1

Savills West End office submarkets



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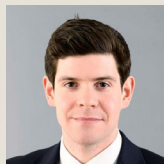
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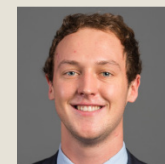
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