

West End Office Market Watch



Space under offer remains at a high level despite slow start to the year

Take-up over the first month of the year reached 178,554 sq ft across 18 transactions, with an average deal size of 8,513 sq ft. Whilst this was 45% down on the long term average, and the volume of transactions was the lowest for January in over 10 years, this is to be expected with the continued ongoing Brexit negotiations. We expect to see a lower volume of transactions complete over the first quarter of this year.

Despite this, space under offer still remains well above the long-term average, with 237,000 sq ft going under offer during the month. This held the overall total at just over 1.2m sq ft, giving a strong indication that leasing activity over the course of 2019 will remain robust.

Pre-lets accounted for 42% of the overall sq ft let in January and there were 5 transactions to the Insurance & Financial sector and 4 to the Tech & Media sector. The largest transaction, (and pre-let) to complete so far this year has been Paymentsense's acquisition of the 8th and 9th floors (33,000 sq ft) of the Brunel Building, W2, on a 15 year lease, at £77.50 per sq ft). Other notable pre-lets to complete include WeWork acquiring the entire building (23,363 sq ft) at 21 Soho Square, W1 and Lansdowne Partners taking the 6th to 9th floors (18,331 sq ft) at 25 Berkeley Square, W1, both on terms which remain confidential at present.

Currently we are tracking around 4.1m sq ft of West End & Central London requirements, 40% of which are between 10-20,000 sq ft. The Tech & Media and Insurance & Financial sectors continue to be main drivers of requirements, accounting for 38% and 22% of respectively.

The vacancy rate remained at 3.9% with 4.9m sq ft available at the end of the month. Sub 5,000 sq ft floorplates make up 60% of current supply in the West End, whilst floorplates >10,000 account for just 13%. The balance between landlord and tenant controlled space also remained unchanged from the previous month, with tenant controlled space accounting for 30% of supply.

Currently 8.8m sq ft of new developments and refurbishments are scheduled for delivery in the next four years, 34% of which has been pre-let. Over the next four years, 5.6m sq ft of speculative space is set to complete, which is an annual delivery of 1.4m sq ft, less than half the average annual Grade A take-up.

Constricted supply across the West End is further illustrated when current supply and the speculative pipeline for the next four years is combined. In total this is around 10m sq ft, which equates to just over 2.5 years' worth of take-up at the average rate we have seen over the last 10 years.

Only one speculative development over the next four years is set to deliver floorplates of 25,000 sq ft or more, which is not enough to meet the levels of demand we have seen for floorplates of this size over the last few years. Just over a quarter (26%) of speculative floorplates that will be delivered over this period will be between 10-15,000 sq ft.



18 transactions
178,554 sq ft completed over the first month of the year



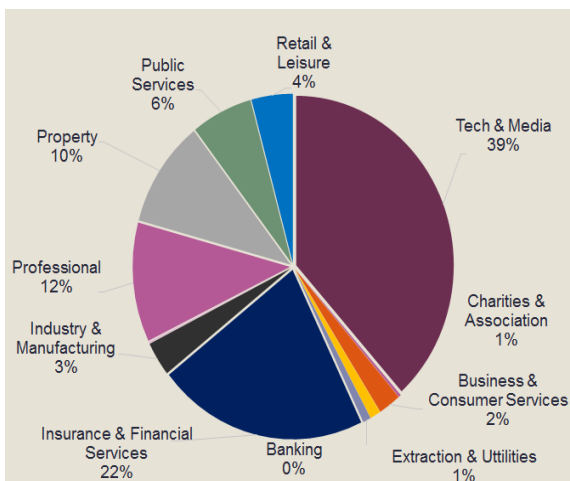
1.2m sq ft
Space under offer was up 75% on the long-term average



3.9%
The vacancy rate still remains well below the 10 year long-term average of 4.5%

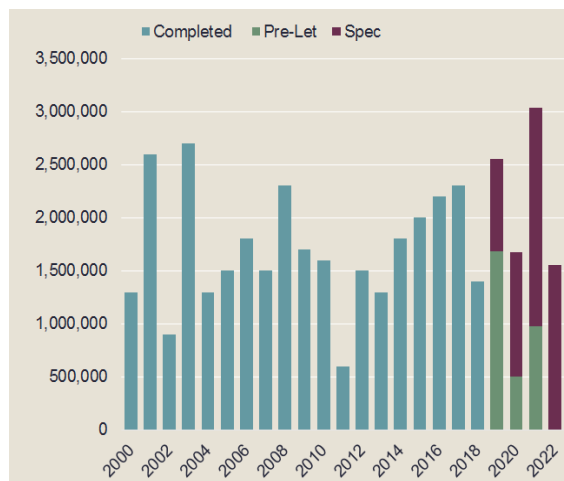
Central London/West End requirements

Graph 1



West End development pipeline

Graph 2



4.1m sq ft
Central London & West End requirements were down 12% on the long-term average

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Feb-18	290,660	78%	5,306,881
Mar-18	444,038	76%	5,390,387
Apr-18	289,756	79%	5,467,190
May-18	295,141	79%	5,422,355
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	178,554	69%	4,932,898

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 18	353,624	5%	90%
Jan 19	178,554	-50%	66%

Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Feb-18	£120.00	£82.42	£71.33	-	-
Mar-18	£98.62	£71.68	63.25	£105.44	20
Apr-18	£86.00	£70.90	£62.50	-	-
May-18	£185.00	£79.80	£64.69	-	-
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	£103.30	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	-	-

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,800,007	64%	3.8%	4.0%
4,674,771	61%	-2.6%	3.9%
4,583,388	59%	-2.0%	3.8%
4,536,129	58%	-1.0%	3.7%
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	66%	1.3%	3.9%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2019	1,144,051	1,410,558	2,554,609	66%
2020	549,751	1,121,254	1,671,005	30%
2021	1,074,497	1,962,800	3,037,297	32%
2022	213,535	1,378,030	1,591,565	0%
Total	2,981,834	5,872,642	8,854,476	36%

Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	0.9m
West End Active Requirements (sq ft)	3.2m
West End Total Requirements (sq ft)	4.1m
% change on 12 month ave	-12%
Total under offer (sq ft)	1.2m
Under offer this month (sq ft)	261,598
% change on average (total)	74%
Landlord controlled supply	70%
Tenant controlled supply	30%

*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 January transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Brunel Building, W2	8,9	33,000	A	£77.50	Paymentsense	Derwent
7 Savoy Court, WC2	5-8	30,196	A	£55.00	Harbottle & Lewis	Universities Superannuation Scheme
21 Soho Square, W1	Entire	23,363	A	Confidential	WeWork	Global Holdings
25 Berkeley Square, W1	6-9	18,331	A	Confidential	Lansdowne Partners	Lazari
15 Stukeley Street, WC2	Entire	13,112	A	£65.00	Juul	GMS Estates
The Foundry, 77 Fulham Palace Road, W6	4pt	11,000	A	£58.00	Navico	AXA Real Estate, Bell Hammer

Savills contacts

Please contact us for further information

Ed Betts

Director
West End Agency
0207 758 3887
ed.betts@savills.com

Hunter Booth

Director
West End Agency
0207 409 8832
hunter.booth@savills.com

Victoria Bajela

Associate
Research
0207 409 5943
victoria.bajela@savills.com

Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
Euston Tower, Euston Road	NW1	151,970	Short term leases - Not quoting
Elm House, Brook Green	W6	102,000	Sublease until 2025
64 Victoria Street	SW1	96,574	Under offer
The Post Building, New Oxford Street	WC1	86,511	Quoting high £80's psf
The Foundry, 77 Fulham Palace Road	W6	68,179	Quoting £57.50 psf
Phoenix House, 10 Wandsworth Road	SW8	59,036	Available on 3 year leases
1 Curzon Street	W1	54,058	Under offer

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