

# West End Office Market Watch



## Take-up drops amidst Covid-19 uncertainty, whilst space under offer remains at a high level

During April, we saw the inevitable short-term impact of the Covid-19 lockdown materialise with West End take-up reaching just 35,481 sq ft. This was the lowest monthly take-up on record with leasing activity remaining subdued across Central London as a whole. So far this year 653,228 sq ft has been let across the West End, this is down 49% on the long-term average for this period.

The record low level of activity in April was more of a reflection of the initial reaction to the unexpected event and a full month of lockdown. And we have already seen more than double the amount of space let in April complete in May.

The largest transaction, and the only transaction over 10,000 sq ft that completed during the month, was at 1 Eagle Place, SW1 (13,960 sq ft), with Leonardo acquiring a 6 year assignment of the 1st and 5th floors from Virgin Money.

Space under offer has continued to remain at a high level, substantially above the long term average by 117%. During the month we saw an additional 81,000 sq ft going under offer, bringing the total to 1.52m sq ft, and outweighing the 15,000 sq ft of transactions which fell through as a result of Covid-19 in April. Space under offer was up 5% on the previous month's 1.45m sq ft and notable space that is currently under offer include Invesco's 20 Manchester Square development, W1 (100,000 sq ft), 210 Euston Road NW1, (70,000 sq ft) and the 3rd floor (40,000 sq ft) at 80 Charlotte Street, W1.

Around 450,000 sq ft of active tenant requirements were put on hold in April and at the end of the month Central London and West End active requirements stood at 4.4m sq ft, down 15% on the start of this year.

However the overall quantum of active and potential Central London & West End requirements continues to remain at a high level and at 5.5m sq ft, was only down 6% on the average we have seen over the past two years.

The vacancy rate was up 10 bps on the previous month with supply standing at 4.8m sq ft, which equated to a vacancy rate of 4.3%. We started to see a slight uptick in tenant space with tenant controlled supply rising by 1% during the month to 26%, an additional 48,000 sq ft of tenant space is expected to become available next month.

9.3m sq ft developments are scheduled for completion over the next four years, down 8% on the 1.1m sq ft we anticipated at the end of 2019. A further 200,000 sq ft of extensive refurbishments and new developments which were scheduled for delivery this year have been pushed further out into 2021's pipeline and, as a result, development completions for this year are set to reach 855,0261 sq ft. This will be the lowest level of annual completions in over 9 years, with 57% of this year's pipeline already pre-let.

We expect the limited level of development completions will continue to further stimulate pre-letting activity with the development pipeline already accounting for 40% of space that is currently under offer in the West End.



**1.5m sq ft**  
**Under offer**  
the amount of space under offer was up 5% on the previous month

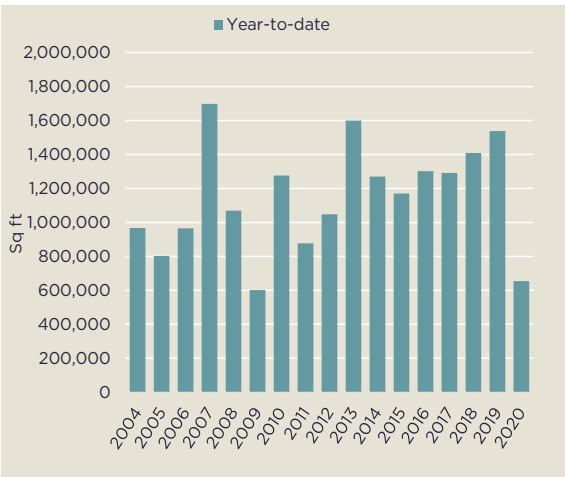
**4.4m sq ft**  
active requirements were down 15% on the start of the year



**9.3m sq ft**  
is scheduled for delivery over the next four years

### West End year-to-date take-up

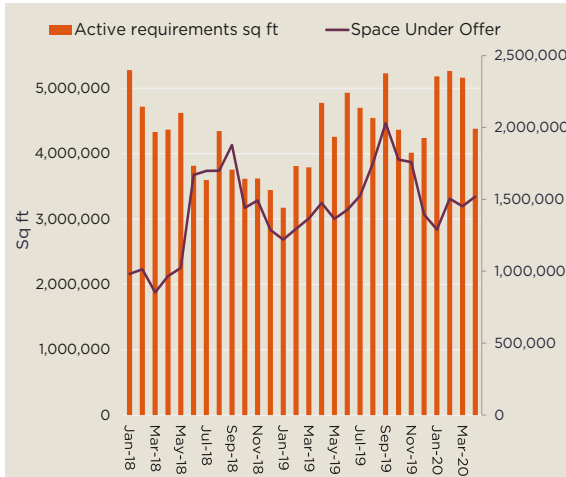
Graph 1



Source: Savills

### Active requirements & space under offer

Graph 2



**4.3%**

the vacancy rate was up 10 bps on the previous month

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
May-19	305,070	80%	5,277,408
Jun-19	262,223	81%	5,014,343
Jul-19	462,193	81%	4,283,888
Aug-19	151,140	79%	4,435,028
Sep-19	319,776	80%	4,471,730
Oct-19	478,534	81%	4,801,431
Nov-19	293,023	80%	4,267,483
Dec-19	654,769	80%	4,464,317
Jan-20	246,442	68%	4,480,182
Feb-20	217,414	77%	4,112,242
Mar-20	153,891	53%	3,845,331
Apr-20	35,481	84%	3,579,956

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 19- Apr 19	1,537,589	11%	63%
Jan 20- Apr 20	654,380	-59%	84%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
May-19	£102.50	£73.43	£54.30	-	-
Jun-19	£115.00	£82.58	£69.00	£111.00	20
Jul-19	£120.00	£84.18	£62.57	-	-
Aug-19	£95.34	£86.00	£52.50	-	-
Sep-19	£120.00	£74.14	£52.50	£120.00	21
Oct-19	£135.00	£81.08	£52.88	-	-
Nov-19	£102.50	£72.21	£63.82	-	-
Dec-19	£92.50	£74.18	£52.77	£114.00	20
Jan-20	£72.34	£70.00	£65.39	-	-
Feb-20	£115.00	£80.00	£59.76	-	-
Mar-20	£92.00	£73.94	£57.47	£110.50	23
Apr-20	£78.50	£78.50	£44.00	-	-

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,679,894	60%	-4.8%	4.0%
5,009,154	61%	7.0%	4.1%
4,935,604	70%	-1.5%	4.0%
4,684,337	64%	-5.1%	3.8%
4,541,472	59%	-3.0%	4.0%
4,571,005	54%	0.7%	4.0%
4,544,486	62%	-0.6%	4.0%
4,932,348	61%	8.5%	4.4%
4,740,257	58%	-3.9%	4.2%
5,054,819	66%	6.6%	4.5%
4,799,913	69%	-5.0%	4.2%
4,838,872	74%	0.8%	4.3%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2020	233,515	621,746	855,261	57%
2021	1,056,483	2,607,058	3,663,541	58%
2022	953,467	2,119,658	3,073,125	7%
2023	1,044,750	639,377	1,684,127	1%
Total	3,288,215	5,987,839	9,276,054	31%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	1.13m
West End Active Requirements (sq ft)	4.38m
West End Total Requirements (sq ft)	5.51m
% change on 12 month ave	-6%
Total under offer (sq ft)	1.52m
Under offer this month (sq ft)	81,039
% change on average (total)	117%
Landlord controlled supply	74%
Tenant controlled supply	26%

\*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 April transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
One Eagle Place, SW1	1,5	13,960	A	Confidential	Leonardo	Virgin Money
Belgrave House, 76 Buckingham Palace, SW1	6	8,050	A	Confidential	L'Catterton	

## Savills contacts

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## Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
80 Strand	WC2	253,000	Q2 2020 - sublease
245 Hammersmith Road	W6	214,000	
Elms House, Hammersmith	W6	96,260	
210 Euston Road	NW1	63,963	Under offer
33 Cavendish Square	W1	60,133	
The Foundry, 77 Fulham Palace Road	W6	57,515	
The White Building, Notting Hill	W11	58,396	Quoting 42.50 psf

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