

# West End Office Market Watch

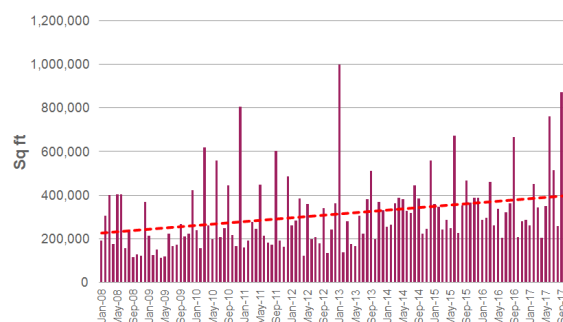
November 2017

Vacancy rate continues to fall and this helps maintain the headline rental values

- After September's exceptionally strong level of take-up it was no surprise that October was more in line with a typical monthly level, with 291,118 sq ft of take-up across the West End.
- This brought the total take-up for the first ten months of 2017 to 4.3m sq ft, which is 26% above the same period in 2016 and 45% above the historic average.
- With nearly 800,000 sq ft under offer at the end of October it looks likely that 2017 will be the second best year on record for the leasing activity in the West End, delivering just under the five million square feet that was seen in 2007.
- 31% of the space leased in the West End so far this year has been to businesses in the Creative and Technology sectors. Though in second place is the Serviced office sector, which has accounted for 20% of take-up this year.
- The continuing strong take-up and comparatively restrained development pipeline led to a fall in the overall West End vacancy rate last month from 3.9% to 3.8%. This means that the total level of available office space in the West End is just over 360,000 sq ft lower than it was in June 2017.
- Steady pre-letting activity across the West End this year means that there are now only four available buildings capable of accommodating 100,000 sq ft requirements.

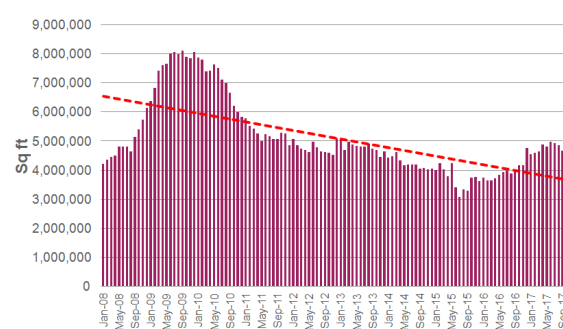
- Interestingly, two of these four available buildings are tenant-controlled. It is the addition of EE's space at The Point and Marks & Spencer's space at 5 Merchant Square that explains why the proportion of the available space that is tenant-controlled has risen from 15% at the end of 2016 to 37% today.
- The balance between demand and supply in the West End remains firmly in the landlord's favour, with the current supply equating to 11.6 months of take-up at the average rate that has been seen over the last year.
- This explains why all grades of office space in the West End continue to experience upward pressure on headline rents.
- The average Grade A rent that was achieved in October 2017 was £83.15 per square foot, which is the highest it has been since April 2017. The average Grade B rent achieved also rose month on month to £64.73 per square foot in October.

GRAPH 1  
West End monthly take-up & trend



Source: Savills Research

GRAPH 2  
West End supply & trend



Source: Savills Research

TABLE 1  
Key October Stats

	Stats	Monthly change
Take-up	291,118 sq ft	↓
Supply	4,608,183 sq ft	↓
Vacancy Rate	3.8%	↓
Monthly Avg Grade A Rent (psf)	£83.15	↑

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
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%
Sep-17	871,693	4,006,185	25%	40%
Oct-17	291,118	4,866,840	26%	45%

TABLE 3

## Supply

Total	% Grade A	% chg on prev mnth	Vacancy rate (%)
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%
4,669,142	72%	-3.7%	3.9%
4,608,183	72%	-1.3%	3.8%

TABLE 4

## Rents

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
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	-	-
Sep-17	£135.00	£75.11	£45.00	£116.43	20
Oct-17	£175.00	£83.15	£64.73		

TABLE 5

## Demand & Under Offers

WE Potential demand (sq ft)	2,402,000
WE Active demand (sq ft)	3,431,500
WE Total demand (sq ft)	5,833,500
% change on 12 month ave	6%
Total under offer (sq ft)	773,509
Under offer this month (sq ft)	230,826
% change on ave	29%
Landlord controlled supply	63%
Tenant controlled supply	37%

Demand figures include Central London requirements

TABLE 6

## Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2017	467,000	1,852,000	2,318,000	65%
2018	882,000	1,383,000	2,265,000	47%
2019	426,000	1,016,000	1,442,000	10%
2020	302,000	1,770,000	2,057,000	0%
Total	2,077,000	6,021,000	8,082,000	37%

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 October transactions

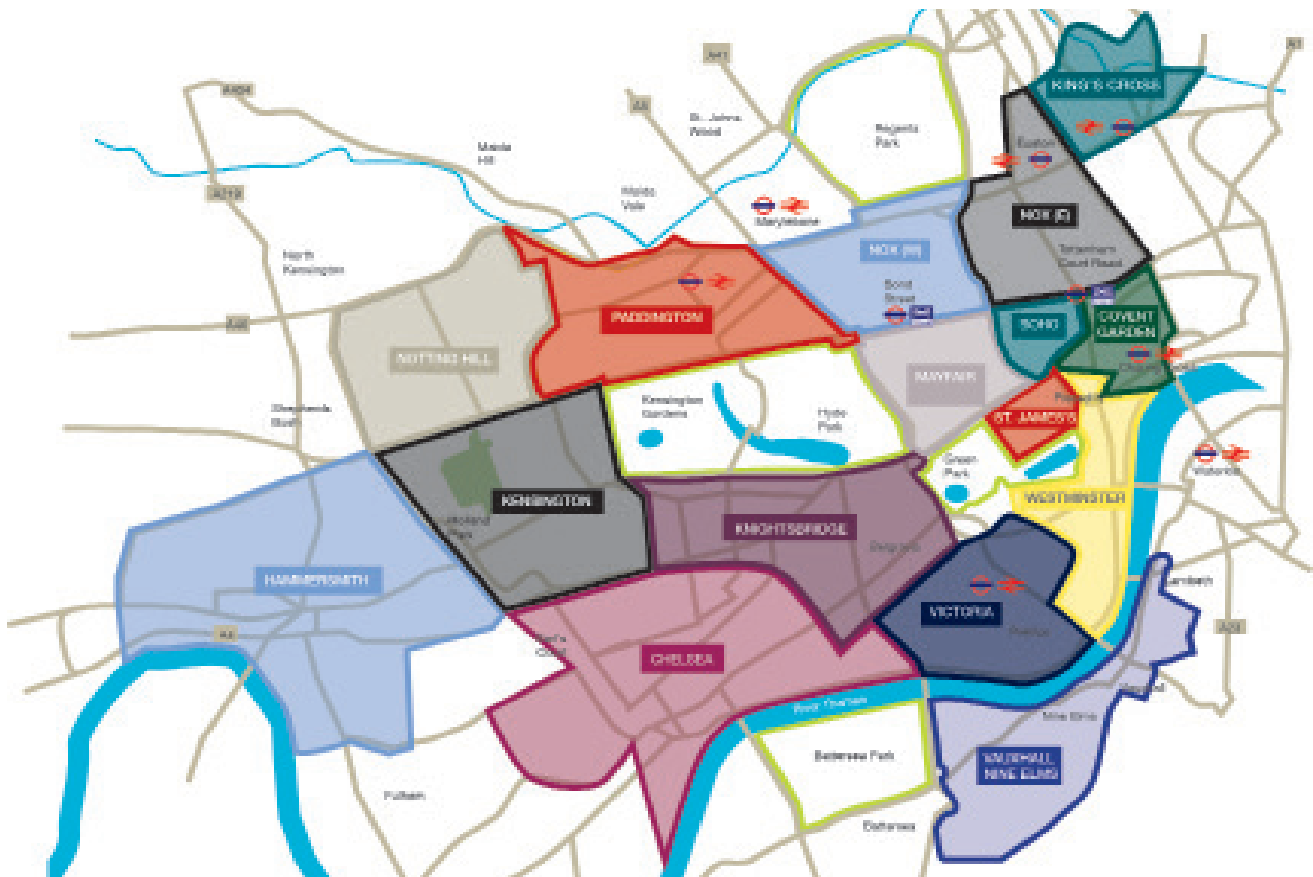
Address	Floor/s	Sq ft	Grade	Achieved rent	Tenant	Lessor
North West House, 119-127 Marylebone Road, NW1	Bldg	39,367	B	£62.50	WeWork	Welput
The Harley Building, 77-79 New Cavendish Street, W1G	Bldg	35,431	A	£84.67	IWG Group	Harley Property Holdings
United Kingdom House, 180 Oxford Street, W1D	2	31,000	B	£79.50	Schibsted Media Group	Flametree Properties
60 Sloane Avenue, SW3	Pt3	10,694	A	£25.00	Babylon Partners Ltd	60 SA Ltd
King's House, 174 Hammersmith Road, W6	G	9,930	A	£59.50	Worklife	Kier Group
111 Buckingham Palace Road, SW1	Part3	8,126	B	£67.50	irobot UK	Kennedy Wilson
15 Rathbone Place, W1T	G, LG	7,297	A	£72.50, £40.00	Union Visual Effects	Royal London Asset Management
6 Duke Street, SW1Y	2	4,745	B	£93.00	Arrow Global Ltd	Standard Life

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	107,800	A	NQ	Landsec / CPPIB	p8
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	Landsec / CPPIB	3, p4, 5
25 Wilton Road, SW1	G-6	84,000	A	£70.00+	Royal London	
Verde, SW1	pt2, p4, pt5	37,000	A	£75.00+	Tishman Speyer & PSP	p4
King's House, 174 Hammersmith Road, W6	1-6	50,000	A	£59.50	Kier Group	G

MAP 1

Savills West End office submarkets



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