

West End Office Market Watch



Q1 take-up up 7% on previous year despite economic uncertainty

During March take-up reached 245,614 sq ft. Although this is down on the previous month's figure, the number of transactions was actually slightly higher at 35. This took Q1 take-up to 792,134 sq ft across 84 transactions, up 7% on Q1 2022, despite the quiet start to the year. However, this remains 20% lower than the 10-year average.

The largest transaction to complete was Oakley Capital's pre-let of the entirety of Holbein Gardens, SW1 (26,500 sq ft), which has recently undergone a comprehensive refurbishment, bringing it up to a BREEAM 'Outstanding' rating.

Four of the five largest transactions were pre-lets, bringing the total number to eight for this quarter, in line with the same number we saw in the last two quarters of 2022.

We continued to see strong demand from the Insurance & Financial Services Sector, which accounted for 39% of Q1 take-up, and is particularly evident in the core. For example in Mayfair, the sector made-up 76% of leasing activity, and helped push the sub-market's quarterly take-up to 73% above the 10-year average.

Rents have continued to diverge between the 'best and the rest' this quarter, despite lingering cost pressure faced by occupiers. Average Prime rents stood at £134.67 per sq ft, up 5% on the Q4 average, while average Grade B rents have continued to decline, falling by 3%.

70% of space currently under offer is either in development pipeline or was recently delivered. This suggests that ongoing preference for higher quality

offices will continue to support prime rents going forward.

The total amount of space under offer also remains high, standing at 1.3M sq ft and 35% above the 10-year average. Although the lengthened transaction timelines have contributed to this, it nevertheless provides cause for optimism for the months ahead. Moreover, active demand has steadily increased since the end of last year and is up 20% since the end of the previous quarter.

Supply increased 9% to 8.0m sq ft this month, primarily as a result of a significant 700,000 sq ft of speculative future developments being added to supply. This resulted in the vacancy rate rising 60 bps to 6.7%, the highest since October 2021.

Key Stats



792,134 sq ft year-to-date take-up, across 84 transactions

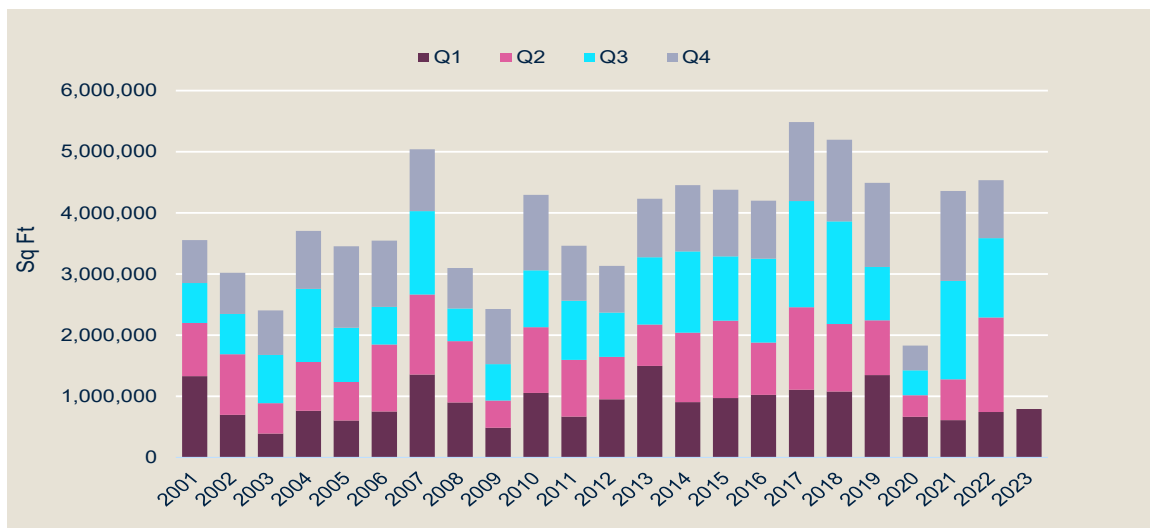


Vacancy rate increases 60 bps to 6.7%



Active requirements increase to 4.1m sq ft, the highest since August 2022

Leasing activity remains largely unaffected by the economic headwinds



Source Savills Research

West End Take-up (YTD)

% change on Q1 2022

6.6%

BREEAM 'Excellent' or higher

53%

West End Rents

Q1 Prime rent

£134.67

% change on Q1 2022

10.7%

Source Savills Research

Year to date take-up

Table 1

| | Sq ft | % change on previous year |
|--------------|---------|---------------------------|
| Jan - Mar 22 | 743,395 | 22% |
| Jan - Mar 23 | 792,134 | 7% |

Development Pipeline

Table 2

| Sq ft | Refurb | Devs | Total | % Pre-let |
|-------|-----------|-----------|------------|-----------|
| 2023 | 1,429,948 | 2,654,446 | 4,084,394 | 34% |
| 2024 | 1,359,557 | 753,000 | 2,112,557 | 22% |
| 2025 | 1,337,472 | 1,551,084 | 2,888,556 | 6% |
| 2026 | 556,286 | 2,837,506 | 3,393,792 | 4% |
| Total | 4,683,263 | 7,796,036 | 12,479,299 | 17% |

Significant March transactions

Table 3

| Address | Floor/s | Sq ft | Grade | Rent achieved | Tenant | Lessor |
|---------------------------------------|----------|--------|-------|---------------|--------------------|------------|
| Holbein Gardens, 7 Holbein Place, SW1 | Building | 26,500 | A | £95.00 | Oakley Capital | Grosvenor |
| The Lantern, 8-10 Hampstead Road, NW1 | 1st | 23,696 | A | £67.50 | Tripledote Studios | Lazari |
| Devonshire House, 1 Mayfair Place, W1 | 3rd | 18,117 | A | £130.00 | TA Associates | Pontegadea |
| 31 St James's Square, SW1 | 2nd | 17,735 | A | £125.00 | Raymond James | Audley |
| 65 Davies Street, W1 | 3rd | 12,268 | A | £165.00 | SPX Capital | Grosvenor |

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