

West End Office Market Watch



Leasing activity remains subdued while active requirements continue to climb

Total take-up during July reached 213,048 sq ft across just nine transactions, weighed down by ongoing cautiousness among occupiers, and compounded by the summer lull. This took the overall YTD figure to 1.7m sq ft, down 29% on the 10-year average.

Over half of this month's leasing activity resulted from the largest transaction to complete so far this year: John Lewis' acquisition of the entirety of 1 Drummond Gate, SW1 (108,527 sq ft) on a 10-year term. The rent remains confidential at present, but is believed to be in the £30s per sq ft.

The third largest deal this month also originated from the Retail & Leisure sector, and at a low headline rent, with fashion brand Phoebe Philo acquiring the entirety of 125 Freston Road, W10 (29,675 sq ft) for £22.50 per sq ft on a five-year term.

Following on from previous large transactions from this sector from the

likes of Chanel and Puig, total space acquired from this sector is up 65% on the 10-year average, and marks its highest YTD take-up since 2012.

Despite two of the three largest transactions this month being of Grade B quality, this is more likely to be an outlier rather than a break in the flight to quality trend, with 85% of the total space currently under offer being of Grade A quality.

Symmetry Investments' pre-let at Audley Property's 31 St James's Square, SW1 development is illustrative of this. The investment management firm took the lower ground, 3rd and 4th floors (34,270 sq ft) for a blended rent of £136.00 per sq ft on a 10-year term. Only the 5th floor remains available at this building, which we believe to be under offer to a local occupier, reflecting the ongoing demand for best-in-class space, particularly from the Insurance & Financial Services sector.

Overall supply and the vacancy rate remained unchanged at 8.6m sq ft and 7.2% respectively. Although we have witnessed notable increases in available space, largely due to this year's elevated development pipeline, the market remains in balance. Present supply equates to around 24 months of supply based on the current rate of take-up we have seen over the last year (we would typically class anything over 24 months as over supplied.)

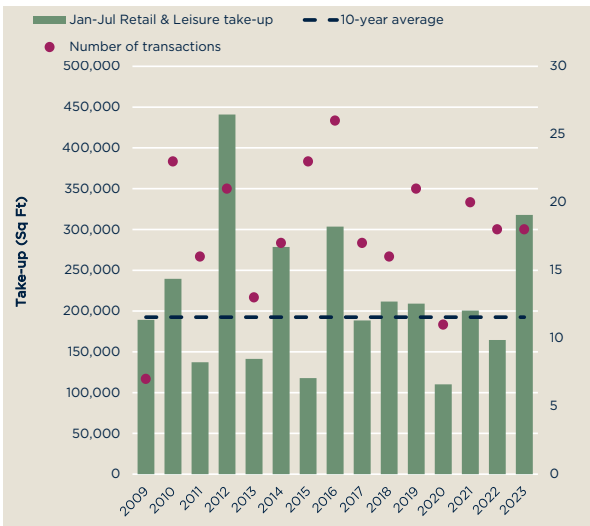
In spite of below average levels of leasing activity, active demand continues to rise, standing at 5.06m sq ft at the end of July, up 38% on the 10-year average. The Insurance & Financial Services sector continues to drive this growth, accounting for half of the number of active requirements that were added in July. These requirements typically focus on the core areas of Mayfair and St James's where supply is at its lowest level.

Key Stats

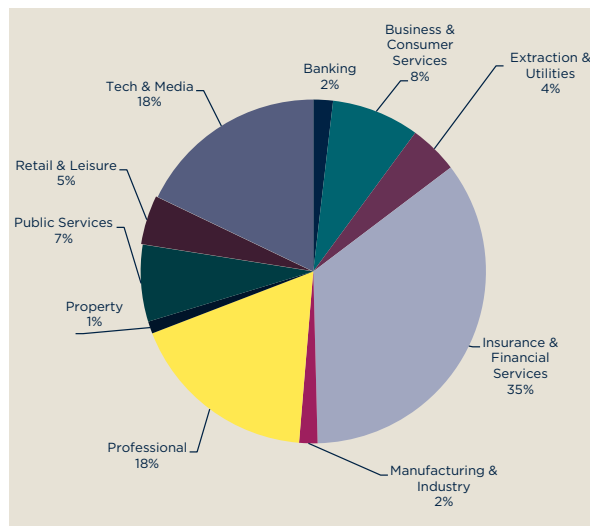


Vacancy rate remains unchanged at 7.2%

Historic YTD Retail & Leisure sector take-up



Active demand by business sector



Source Savills Research



YTD Retail & Leisure sector take-up is up 65% on the 10-year average



The Insurance & Financial Services sector accounts for 35% of active demand

West End Take-up (YTD)

% change on the 5-year average

-26%

% change on the 10-year average

-29%

West End Under Offers

West End Total Under Offers (sq ft)

1.33M

% change on the 10-year average

34%

Source Savills Research

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Jul 22	2,509,938	34%
Jan - Jul 23	1,696,311	-32%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2023	1,950,933	898,736	2,849,669	41%
2024	956,006	1,848,987	2,804,993	22%
2025	1,421,084	1,364,230	2,785,314	6%
2026	3,274,740	585,582	3,860,322	4%
Total	7,602,763	4,697,535	12,300,298	17%

Significant July transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
1 Drummond Gate, SW1	Building	108,527	B	Confidential	John Lewis	Tyrollese
31 St James's Square, SW1	LG, 3rd-4th	34,270	A	£136.00	Symmetry Investments	Audley Property
125 Freston Road, W10	Building	29,675	B	£22.50	Phoebe Philo	Unilever UK Pension Fund
1 Kingsway, WC2	7th	12,981	A	£68.00	Purple Public Relations	Tate & Lyle
45 Pall Mall, SW1	Part 3rd	8,470	A	£127.50	Centiva Capital	JP Morgan

Savills contacts

Please contact us for further information

Hunter Booth

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

Andrew Barnes

Director
Central London Tenant Rep
0207 499 8644
andrew.barnes@savills.com

Victoria Bajela

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

Deri Ashford

Analyst
Research
0207 409 5903
deri.ashford@savills.com

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

