

West End Office Market Watch



Vacancy rate increases to 5.7% as leasing activity continues to remain subdued

November take-up reached 77,132 sq ft across 12 transactions, despite the UK going into a second national lockdown. This is in line with the average number of transactions we have seen complete, on a monthly basis, since March, and up from seven transactions in October. November take-up was down 74% on the 10-year monthly average, with leasing activity continuing to remain subdued, on the whole, across Central London.

Year-to-date take-up, at the end of November, stood at 1.5m sq ft, down 59% on the 10-year long-term average. We are anticipating take-up by the end of the year will reach 1.7m sq ft and will be down 60% on the 10-year average level of annual completions.

Typically, at this point in the year, 407 transactions would have completed, however, so far we have seen 40% of this, with 157 transactions having completed by the end of November. Almost two thirds (63%) of completions have been sized 5,000 sq ft or less. Grade A take-up accounts for 64% of the overall sq ft acquired in 2020.

The largest transaction that completed last month was at Beaumont House, Kensington Village, W14, with Arrival taking the 1st and 2nd floors, (17,198 sq ft), on a 16 year lease, at £49.50 per sq ft. This was followed by One Avenue's acquisition of the 5th and 6th floors (16,253 sq ft) at 64 North Row, W1, on a 10 year term.

The Tech & Media sector continues to be the key driver of leasing activity this year, with a 35% share of take-up. This is followed by the Insurance & Financial sector with 17% and then by the Business & Consumer Services sector with 11%.

Space under offer crossed over to just above 1m sq ft. On the whole, this has broadly held at the same level over the past four months and is up 4% on the long-term average.

Active West End and Central London requirements were down 17% on the previous month, standing at 6.6m sq ft at the end of November. However, this was still up on the long-term average by 1%. The Tech & Media sector accounts for a quarter of tenant actively searching for office space across the West End and Central London. This is followed by the Professional Services sector with 22% and then by the Insurance & Financial sector with 18%.

Whilst we have seen a slowdown in the release of tenant-controlled space this month, supply ticked up during the month to 6.4m sq ft. This brought the vacancy rate to 5.7%, up 10 bps on the previous month and now up on the long-term average of 4.0% by 170 bps. We are anticipating that this will rise to 5.9% by the end of December with the addition of speculative Q2 2021 completions, which will be added to supply at the end of Q4.

The average prime rent achieved so far in H2 is currently £117.50 per sq ft, albeit the smaller sample size, due to the limited volume of transactions that have completed. This is down on H2 2019's £119.55 per sq ft.

The average Grade A rent achieved so far over this period currently stands at £80.11 per sq ft, up on H2 2019's £77.50 per sq ft. The average rent-free period, on a 10 year term achieved since October currently stands at 24 months.

5.7%

the vacancy rate was up 10 bps on the previous month



1.5m sq ft

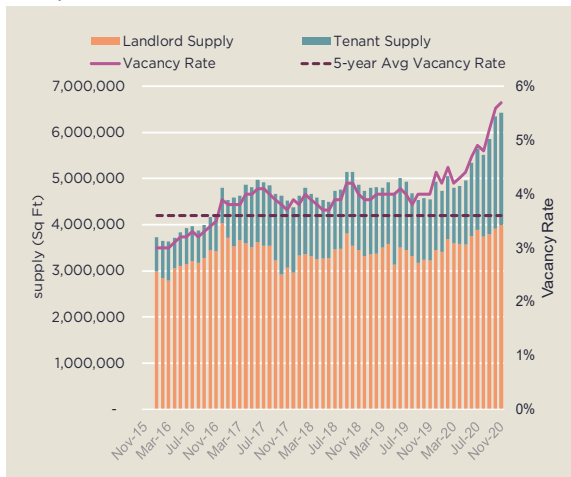
take-up is down 59% on the long-term average

1.0m sq ft

Space under offer continues to remain up on the long-term average

West End supply and vacancy

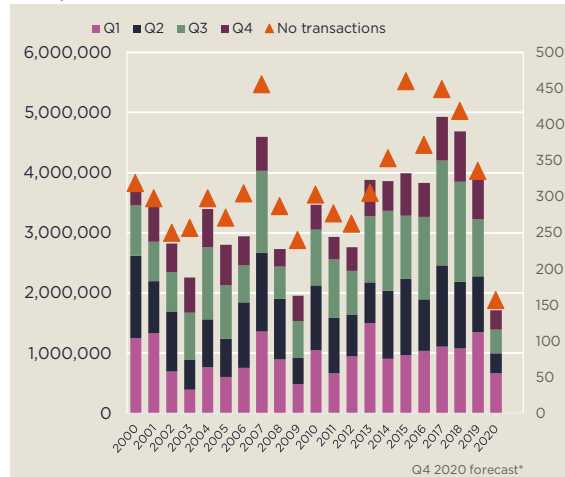
Graph 1



Source: Savills

West End take-up by quarter

Graph 2



Tech & Media

sector has accounted for 35% of year-to-date take-up

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Dec-19	654,769	77%	4,464,317
Jan-20	277,588	15%	4,511,328
Feb-20	223,704	76%	4,149,678
Mar-20	160,932	51%	3,889,808
Apr-20	41,723	71%	3,630,675
May-20	108,913	75%	3,434,518
Jun-20	187,678	80%	3,359,973
Jul-20	63,890	73%	2,961,670
Aug-20	147,578	94%	2,958,108
Sep-20	174,851	89%	2,813,183
Oct-20	57,368	79%	2,392,017
Nov-20	77,132	37%	2,176,126

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 19- Nov 19	3,909,932	-20%	80%
Jan 20- Nov 20	1,521,094	-59%	61%

Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
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	-	-
May-20	£100.00	£93.13	£68.23	-	-
Jun-20	£90.00	£82.16	£61.53	£100.00	24
Jul-20	£112.50	£91.25	£69.50	-	-
Aug-20	£125.00	£81.83	£61.00	-	-
Sep-20	£82.50	£74.21	£63.47	£120.00	24
Oct-20	£100.00	£86.66	£62.93	-	-
Nov-20	£75.00	n/a	£68.30	-	-

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,932,348	56%	8.5%	4.4%
4,740,257	55%	-3.9%	4.2%
5,054,819	53%	6.6%	4.5%
4,799,913	55%	-5.0%	4.2%
4,838,872	55%	0.8%	4.3%
4,962,053	54%	2.5%	4.4%
5,364,966	54%	8.1%	4.7%
5,626,844	53%	4.9%	4.9%
5,513,246	53%	-2.0%	4.8%
5,838,546	55%	5.9%	5.2%
6,317,748	57%	8.2%	5.6%
6,443,512	58%	2.0%	5.7%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2021	925,902	2,598,602	3,524,504	60%
2022	1,069,900	2,694,937	3,764,837	29%
2023	1,059,950	2,218,765	3,278,715	1%
2024	478,102	1,506,889	1,984,991	0%
Total	3,533,854	9,019,193	12,553,047	26%

Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	2.8m
West End Active Requirements (sq ft)	3.7m
West End Total Requirements (sq ft)	6.7m
% change on 12 month ave	1%
Total under offer (sq ft)	1.0m
Under offer this month (sq ft)	48,338
% change on average (total)	13%
Landlord controlled supply	62%
Tenant controlled supply	38%

*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 November transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Beaumont House, Kensington Village, W14	1,2	17,198	B	£ 49.50	Arrival	
64 North Row, W1	6,5	16,253	B	Undisclosed	One Avenue	
The George Building, 2 Nicholas Road, W11	3	10,000	A	Undisclosed	The Big Group	Adena Properties

Savills contacts

Please contact us for further information

Hunter Booth

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

Victoria Bajela

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

Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
245 Hammersmith Road	W6	214,000	
80 Strand	WC2	121,442	
Elms House, Hammersmith	W6	96,260	
Warwick House	W14	86,701	Sublease or assignment
Debenhams, Henrietta Place	W1	64,314	
111 Buckingham Palace Road	SW1	61,924	
The White Building, Notting Hill	W11	61,434	Quoting £42.50 psf
Phoenix House, 10 Wandsworth Road	SW8	59,036	Quoting £35.00 psf
The Foundry, 77 Fulham Palace Road	W6	59,036	Quoting £57.50 psf

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.

