

# West End Office Market Watch



## Gap widens between landlord and tenant space and under offers reach a record high

Much like October, November’s take-up has remained relatively subdued compared to the busy summer months. Last month saw transactional activity reach 287,706 sq ft, across 26 transactions, which brought the year-to-date total to 3.36m sq ft. This is 112% above where it stood last year, however is still 7.7% below the 10-year long-term average for this time period.

The largest transaction to complete in November was Gamesys® acquisition of the Part 3rd to 6th floors (96,596 sq ft) at 70 Berners Street, W1, for a 15-year lease and at £78.00 per sq ft. Jumping further down in size, the second largest transaction was at Francis House, SW1 whereby Edelman pre-let the whole building (38,200 sq ft) for a 15-year lease with a rent that is currently confidential.

The buzz words that are ‘flight to quality’ was no more apparent than it was last month whereby only 3 of the 26 transactions that completed were of Grade B quality, totaling just 15,423 sq ft, making this the highest month for Grade A take-up, proportionally wise, this year. This also takes the annual rolling percentage of Grade A transactions to 86%.

Unsurprisingly this preference for high quality space also extends to those buildings that are under offer. As it stood last month, the total amount of space under offer reached 1.58m sq ft, the highest total we have recorded for the West End, and is up 6% on the previous month, and 42% up on the long-term average. This is a good indication that although momentum has slowed over the past 2 months, it stands in good stead to pick back up again at the start of next year.

From this total, 81% of space under offer, that is both available and in the development pipeline, is of Grade A quality. Furthermore, last month alone, 62% of the 322,066 sq ft of space that went under offer was Grade A standard. This suggests that the indifference occupiers are showing to have towards Grade B buildings will mean that this space will have to adapt over the next year in order for it to become more lettable.

On the other hand, as under offers increase supply levels have shown to be coming down. Last month saw total available supply reach 7.6m sq ft, a 2.4% decrease from the previous month, and has led to the vacancy rate to stand at 6.5%.

Further to this, the gap between landlord and tenant space has not been this wide since June 2020, as at the end of November tenant supply accounted for 30% of available space, which comes to a total of 2.3m sq ft. This is a 24% drop from its peak in April this year which is a positive sign of the continued confidence in the market.

Looking ahead to next year, active requirements across Central London and the West End have continued on their strong trajectory which also suggests that 2022 could see activity gain greater momentum. At the end of last month active requirements stood at 5.6m sq ft, with the Insurance & Financial sector accounting for 34% of this total.



**7.6m sq ft**  
available supply

**3.36m sq ft**

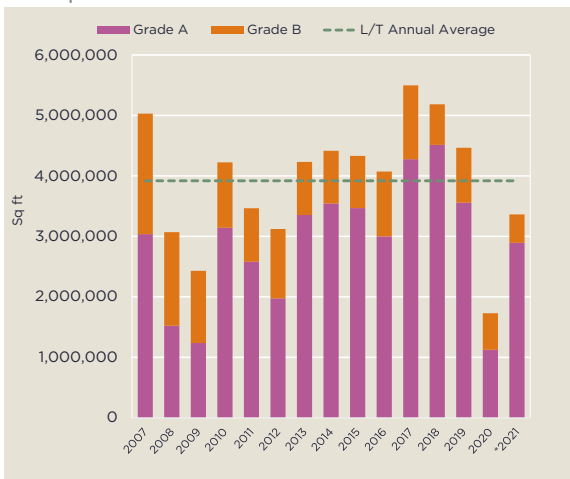
is the year-to-date take-up total for 2021



Space under offer reaches record high at 1.58m sq ft

### YTD West End take-up

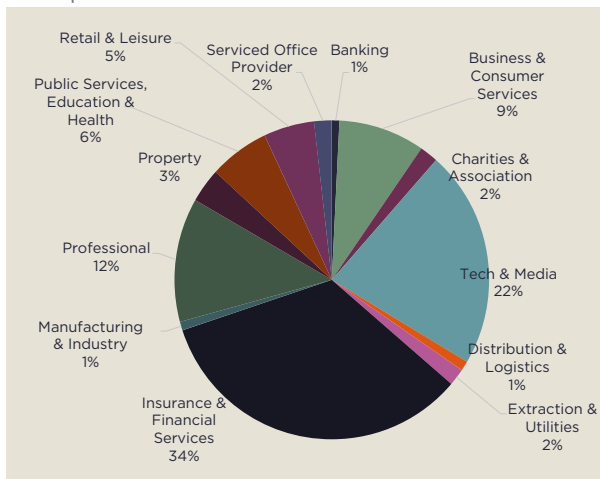
Graph 1



Source: Savills

### Central London and West End Active requirements by business sector

Graph 2



Active requirements reached 5.6m sq ft

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Dec-20	225,245	66%	1,806,097
Jan-21	49,172	81%	1,577,681
Feb-21	171,553	68%	1,518,685
Mar-21	383,838	82%	1,739,031
Apr-21	132,383	84%	1,826,892
May-21	295,885	87%	2,007,707
Jun-21	258,415	83%	2,072,774
Jul-21	591,959	84%	2,580,390
Aug-21	307,234	86%	2,746,617
Sep-21	603,766	85%	3,167,217
Oct-21	274,287	87%	3,380,674
Nov-21	287,706	86%	3,581,443

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan-Nov 20	1,580,852	-59%	66%
Jan-Nov 21	3,356,198	112%	86%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Dec-20	£277.00	£74.97	£61.00	£107.50	24
Jan-21	£90.00	£89.50	£59.50	-	-
Feb-21	£140.00	£89.00	£62.00	-	-
Mar-21	£122.50	£86.00	£66.70	£118.50	27
Apr-21	£121.00	£95.50	£70.00	-	-
May-21	£117.50	£83.76	n/a	-	-
Jun-21	£115.00	£78.53	£58.67	£116.75	26
Jul-21	£111.25	£73.02	£69.13	-	-
Aug-21	£155.00	£77.13	£46.66	-	-
Sep-21	£127.50	£82.36	£54.36	£120.00	24
Oct-21	£136.50	£81.45	£45.83	-	-
Nov-21	£117.50	£82.98	£58.79	-	-

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
7,065,552	57%	9.7%	6.2%
7,172,337	59%	1.5%	6.3%
7,452,274	58%	3.9%	6.6%
7,803,002	60%	4.7%	6.9%
8,065,784	60%	3.4%	7.1%
7,850,537	60%	-2.7%	6.9%
7,780,829	61%	-0.9%	6.8%
8,062,280	60%	3.6%	7.0%
7,689,936	60%	-4.6%	6.7%
7,755,911	62%	0.9%	6.7%
7,758,457	62%	0.0%	6.7%
7,575,307	61%	-2.4%	6.5%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2022	852,760	2,415,097	3,267,857	39%
2023	1,213,043	1,975,119	3,188,162	5%
2024	487,004	845,621	1,332,625	11%
2025	791,200	2,114,880	2,906,080	0%
Total	3,344,007	7,350,717	10,694,724	15%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	1.4m
West End Active Requirements (sq ft)	5.6m
West End Total Requirements (sq ft)	7.0m
% change on 12 month ave	2%
Total under offer (sq ft)	1.58m
Under offer this month (sq ft)	332,066
% change on average (total)	42%
Landlord controlled supply	70%
Tenant controlled supply	30%

\*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
70 Berners Street, W1	Pt3-6	96,596	A	£78.00	Gamesy©	Sirosa
11 Francis Street, SW1	Entire	38,200	A	£76.00	Edelman	Derwent
Central St Giles, WC2	8	36,158	A	£79.60	Confidential	Mindshare
Westworks, 195 Wood Lane, W12	Pt3NW	15,000	A	Confidential	Opencell	Stanhope
Rolling Stock Yard, 188 York Way, N7	3	7,322	A	£64.50	Pacific Biosciences UK	Newmark

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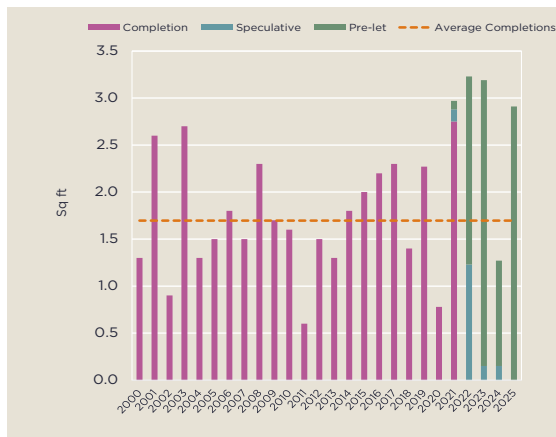
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## In Focus - Development Pipeline

### Development pipeline 2000-2025

Graph 3

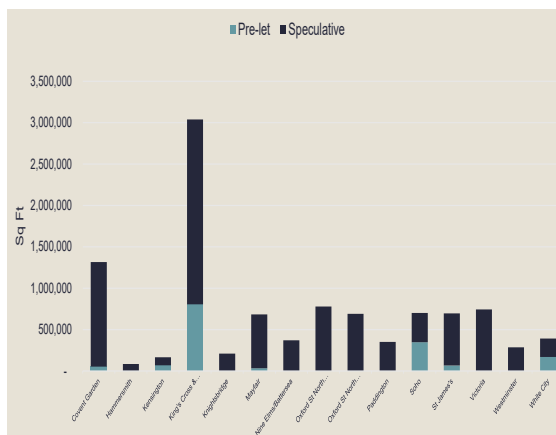


Development activity across the West End has shown to have picked up drastically from 2020, with completions increasing by 242%. This is not including the further 191,891 sq ft of developments and extensive refurbishments that are set to complete by the end of the year. Undoubtedly some of these schemes will be pushed further back into 2022, due to inevitable delays which will increase what is already set to be a record year for new schemes.

As it stands 3.23m sq ft is scheduled for 2022, 39% of which has already been pre-let. The following year activity is not due to slow down either, with a further 3.1m sq ft scheduled to complete, with only 5% having already been pre-let in 2023. A sizeable proportion of these schemes will most likely be pushed back, however seeing such large numbers of new developments and extensive refurbishments suggests developer confidence is undeniably returning.

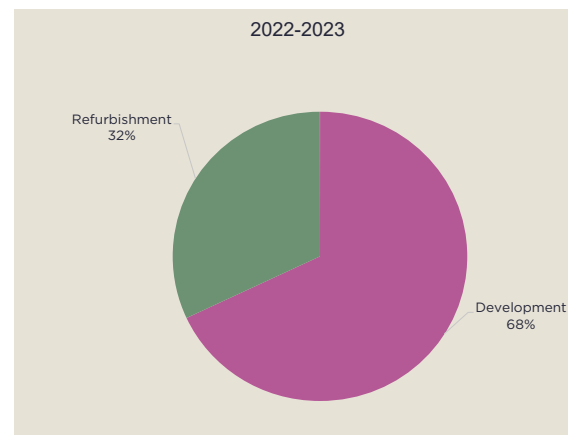
### Development pipeline by submarket (2022-2025)

Graph 4



### Developments vs. refurbishments (2022-2023)

Graph 5



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