

West End Office Market Watch

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Steady stream of larger requirements provides hope for more active 2024

We continued to see subdued levels of leasing activity during the penultimate month of this year, with leasing reaching 191,946 sq ft across 20 transactions. This brought take-up at the end of November to 2.6m sq ft, which is down 31% on the 10-year average. We are anticipating year end take-up will reach 3.1m sq ft, down 26% on our predictions at the start of the year.

The largest transaction to complete over the month was UK FinTech firm Paymentsense's acquisition of additional floors at the Brunel Building, W2, taking the 3rd to 5th floors (49,566 sq ft) on a 13 year term for £75.00 per sq ft. This, is in addition to the 8th and 9th floors which they already occupy and at just shy of 50,000 sq ft, was the 5th largest transaction to complete this year. By comparison over the past decade at this point in the year, typically around 10 transactions over 50,000 sq ft have completed.

With Grade A transactions accounting for 89% of space acquired this year, the average Grade A rent at the end of November stood at £91.91 per sq ft, up 5% on the same period during 2022.

Also up 5% on the previous year was the average Prime rent, which currently stands at £134.14 per sq ft, ahead of our forecast for this year of £131.34 per sq ft, with limited supply and higher levels of demand across the core continuing to drive rental growth. Robust demand from occupiers for best-in-class space, combined with the higher cost of development finance has meant we are forecasting prime rental growth of 3.6% per annum over the next four years.

Levels of underlying demand across Central London and the West End have remained broadly stable over the quarter with space under offer standing at just over 1m sq ft and active demand at 5.3m sq ft.

Encouragingly the quantum of occupiers with West End only requirements has increased by 118% to 2m sq ft when compared to the start of the year, giving encouraging signs we could be set to see activity pick up at the start of 2024. 32% of West End only requirements (by number) of occupiers are sized between 15,000 sq ft and 25,000 sq ft.

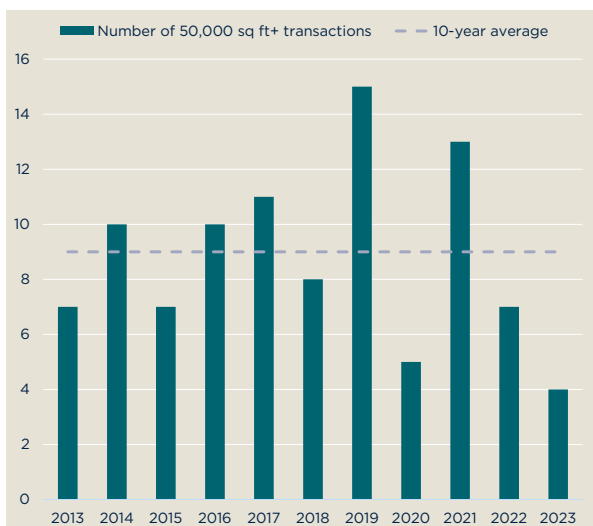
Perhaps unsurprisingly given the high level of activity we have seen from the sector over the course of the year, Financial Services makes up the highest proportion of these requirements by sq ft at 36%, followed by the Tech & Media sector with 21%. However, of the 14 larger requirements (50,000 sq ft+), it is a more balanced picture with Financial Services, Extraction & Utilities, and Tech & Media accounting for three each.

Key Stats

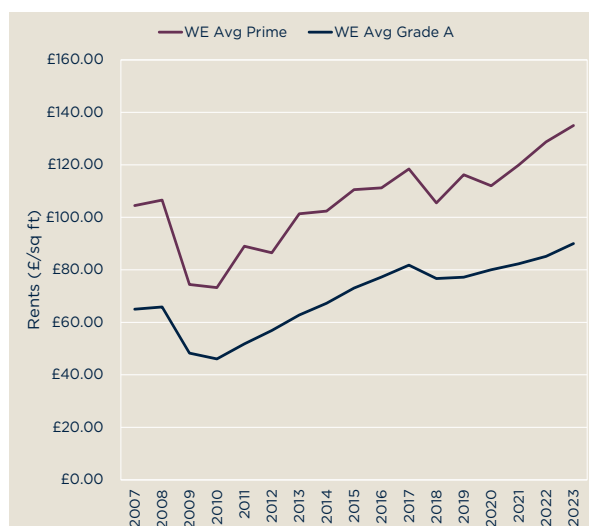


59% of the 2024-2027 pipeline consists of new-build developments

Historic YTD number of 50,000 sq ft+ transactions



Historic average West End rents (sq ft)



Source Savills Research



Five of the 13 requirements added in November were seeking space of over 50,000 sq ft



Highest YTD Retail & Leisure sector take-up since 2016

West End Take-up (YTD)

% change on the 5-year average

-26%

% change on the 10-year average

-31%

West End & Central London Requirements

Active Requirements (sq ft)

5.9M

% change on the 5-year average

21%

Source Savills Research

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Nov 22	4,105,326	17%
Jan - Nov 23	2,642,788	-37%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2024	1,756,264	1,123,188	2,879,452	17%
2025	1,803,863	1,593,084	3,396,947	9%
2026	585,582	3,274,740	3,860,322	4%
2027	518,000	695,496	1,213,496	21%
Total	4,663,709	6,686,508	11,350,217	11%

Significant November transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Brunel Building, W2	3rd-5th	49,566	A	£75.00	Paymentsense	Splunk
N2, 1 Bressenden Place, SW1	4th-5th	23,544	A	£83.25	Qube Research & Technologies	Landsec
The Foundry, 77 Fulham Palace Road, W6	3rd	23,409	A	£49.50	Closer Still Media	Axa
80 Strand, WC2	Mezza-nine West	17,515	A	Confidenital	Lululemon	Pearson
One Ariel Way, W12	3rd	13,905	A	£55.00	Vue Entertainment	Commerz Real AG

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