

West End Office Market Watch



The new year sees subdued levels of take-up, but a renewed optimism for the year ahead

Beginning 2021 in a third national lockdown has led to slow and subdued levels of take-up throughout January, with the overall take-up totalling 31,219 sq ft. This was down 89% on January 2020, and 92% on the January long-term average. It is also the lowest January take-up we have seen since our records began, and overall 12-month rolling take-up currently stands at 1.5m sq ft.

Across the seven transactions that took place 29% were of Grade A standard, and none were above 10,000 sq ft. The largest of these transactions was Superbet's acquisition of the 4th floor at 111 Buckingham Palace Road, SW1, (7,780 sq ft), at a rent of £70.50 per sq ft, on a 10-year lease.

Despite the subdued leasing activity, the amount of space under-offer in January has risen significantly compared to the previous 3 months, however it is still 29% below the long-term average. Last month saw 121,624 sq ft of space go under offer, accounting for 15% of the overall total, which stands at 802,178 sq ft. The MediaWorks building at Wood Lane contributed to 36% of this newly under offer space.

Future pipeline developments account for around 37% of space under offer and based on the overall amount of take-up over the past 5-years, we are anticipating pre-lets will account for 28% of this year's take-up as a result of the continued strong levels of demand we are seeing for newly developed stock.

The total amount of active requirements we are tracking across the West End and Central London stood at 3.9m sq ft, down 12% on the average we have seen over the past 2 years, and down 8% on the previous month.

The Tech & Media sector accounts for nearly a quarter, 23%, of these requirements, while the Professional sector and the Insurance & Financial Services sector closely follows, accounting for 20% and 19% respectively.

Throughout 2020 the level of supply slowly ticked up and the beginning of this year has seen supply rise further to reach 7.2m sq ft, taking the vacancy rate to 6.3%. This is 10 bps higher than it was at the end of last year, and we predict that the vacancy rate will rise to 7.3% by the end of 2021. This is largely due to the increased amount of tenant space that is coming on to the market.

The total amount of tenant controlled supply amounts to 2.7m sq ft, which comes to 38% of the overall amount. In January, 107,711 sq ft of tenant space came on the market, 90,000 sq ft of which was the entirety of 160 Great Portland Street, W1, which is available by way of assignment until 2032.

We have seen the overall amount of Grade A space available steadily decrease throughout the years, from 80% in January 2016, to 59% last month. Meanwhile the level of Grade B space has increased by more than two thirds within the same period, highlighting how the greater demand for high quality space is not diminishing.

There is currently 12.4m sq ft of extensive refurbishments and developments scheduled for delivery over the next four years. Currently 27% of this space has already been pre-let. There is a further 2.1m sq ft which is currently scheduled for delivery in 2025, which may change with the passage of time depending on levels of developer confidence and potential planning or construction delays.



3.9m sq ft

Active and Central London requirements were down 12% on the short-term average

6.3%

Vacancy rate is up 10bps from the previous month



27%

of the future pipeline for 2021-2024 has already been pre-let

January take-up 2000-2021

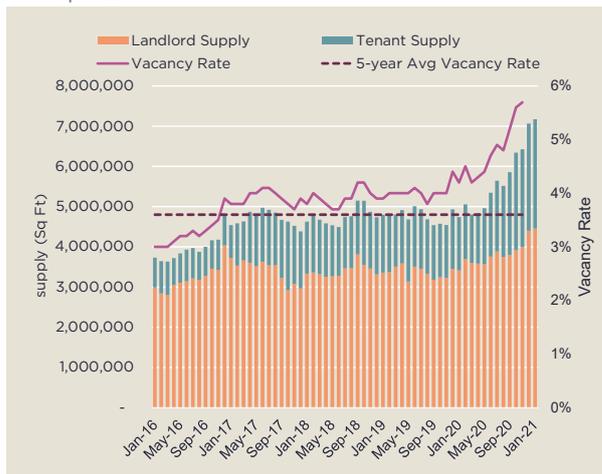
Graph 1



Source: Savills

West End Supply

Graph 2



38%

of supply is made up of tenant controlled space

Analysis close up

Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Feb-20	223,704	42%	4,149,678
Mar-20	160,932	44%	3,889,808
Apr-20	41,723	46%	3,630,675
May-20	108,913	50%	3,434,518
Jun-20	187,678	55%	3,359,973
Jul-20	63,890	57%	2,961,670
Aug-20	147,578	61%	2,958,108
Sep-20	174,851	65%	2,813,183
Oct-20	57,368	65%	2,392,017
Nov-20	77,132	64%	2,176,126
Dec-20	205,780	65%	1,727,137
Jan-21	31,219	29%	1,480,768

Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 20	277,588	20%	15%
Jan 21	30,100	-89%	29%

Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
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	-	-
Dec-20	£277.00	£74.97	£61.00	£107.50	24
Jan-21	£90.00	£89.50	£59.50	-	-

Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
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%
7,065,552	57%	9.7%	6.2%
7,173,456	59%	1.5%	6.3%

Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2021	1,159,117	2,710,763	3,869,880	56%
2022	984,454	2,372,938	3,357,392	26%
2023	897,589	1,558,833	2,456,422	6%
2024	341,900	2,368,834	2,710,734	0%
Total	3,383,060	9,011,368	12,394,428	27%

Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	2.5m
West End Active Requirements (sq ft)	3.9m
West End Total Requirements (sq ft)	6.4m
% change on 12 month ave	-7%
Total under offer (sq ft)	802,178
Under offer this month (sq ft)	121,624
% change on average (total)	-28%
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 January transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
111 Buckingham Palace Rd,	4	7,780	B	£70.50	Superbet	Kennedy Wilson
1 Carlisle Place, SW1	5	5,296	B	£57.50	Hawthorn Advisors	Heleniums Limites
84 Grosvenor Street, W1	3	4,745	A	£89.50	Confidential	Confidential
55 Wells Street, W1	6	3,806	A	£90.00	Kuvari Partners	Williams Lea

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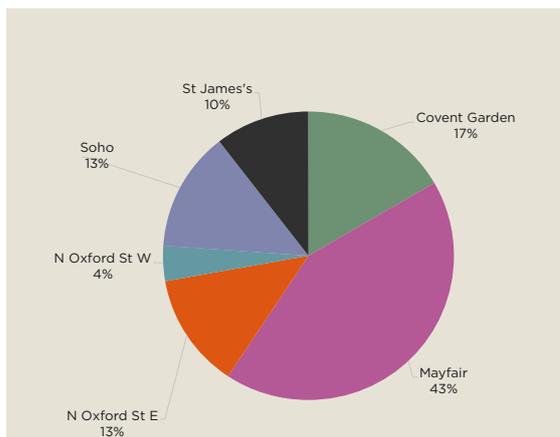
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Market of the Month - Mayfair

Under offers in core submarkets (Jan 21)

Graph 3



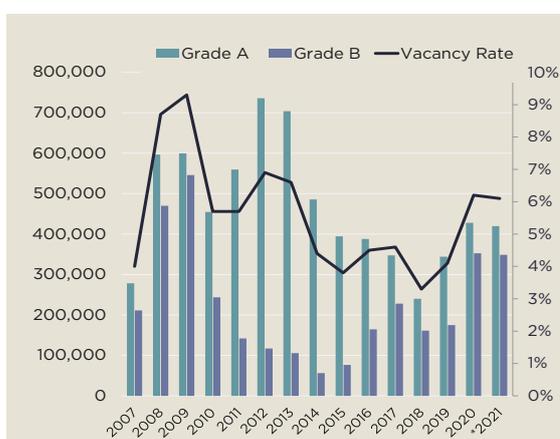
January take-up in Mayfair (2007-2021)

Graph 4



Mayfair Supply (2007-2021)

Graph 5



Each submarket across the West End varies in both its supply and take-up levels, and this month we have taken a closer look at Mayfair. Graph 5 indicates that, much like the whole of the West End, supply has been steadily increasing over the past year. At the end of January supply in Mayfair stood at 759,763 sq ft, which equates to a vacancy rate of 5.9%. Although this is up on the long-term average by 80bps, it has fallen by 30bps from Q4 2020.

Take-up last year reached 194,687 sq ft in this submarket, which was down 58% on the long-term average. This was largely as a result of the inevitable dampened levels of leasing activity we have seen across the West End, as a result of Covid-19. While we expect leasing levels to remain low, Mayfair currently has the largest amount of space under offer out of the core West End submarkets, accounting for 43% of space under offer.

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