

# West End Office Market Watch



## Q2 take-up down 67% on the long-term average whilst tenant requirements remain on hold

Leasing activity in June reached 184,706 sq ft with 12 transactions completing during the month. This brought Q2 take-up to just 332,809 sq ft, down 67% on the long-term Q2 average, the inevitable impact of the majority of the quarter being carried out in lockdown.

So far this year we have seen half the number of transactions complete, (102 transactions), than we saw over the same period during 2019 (190), or have seen over the past 10 years (200). Over the past two months we have seen more occupiers putting their requirements on hold, seeking short term extensions and reviewing their options.

Only three transactions over 50,000 sq ft have completed this year, with two of these having completed in June. The largest transaction that completed during the month was Roxor Games' previously part of Gamesys, pre-let of the entire building at 25 Golden Square, SW1 (66,000 sq ft), on confidential terms. The other transaction was Ted Baker's pre-let of the basement to 4th floors (60,008 sq ft) at REEF/BA Pension Fund's Tribeca scheme, 2-6 Pancras Way, NW1. This was part of its sale leaseback of the buildings that form Tribeca.

Space under offer remained virtually unchanged from the previous month with just over 1.3m sq ft remaining under offer, up 80% on the long-term average. This is a reflection of the slow pace at which under offer deals are generally progressing at present.

The Tech & Media sector continues to account for over a third (35%) of demand this year followed by the Insurance & Financial sector (21%). Retail & Leisure and Business and Consumer sectors followed, each accounting for a 12% share of take-up.

As a result of the subdued levels of activity in Q2, the vacancy rate increased by 30 bps to 4.7%, with 5.4m sq ft available at the end of the month. Currently tenant controlled supply accounts for 30% of available supply, this is up 2% on the previous month. At 1.5m sq ft, tenant controlled supply is 46% above the average amount we have seen over the past 5 years (1m sq ft), and up 20% on the start of this year (1.3m sq ft).

There has been little rental evidence, so far, of any substantial downward pressure on headline rents. At the end of H1, the average prime rent stood at £113.66 per sq ft, this was down 4% on the average achieved during H1 in 2019. The average Grade A rent achieved so far this year currently stands at £80.39 per sq ft, up from £77.49 per sq ft achieved over H1 2019, albeit the sample size for this year is smaller.

Whilst we have yet to see a negative impact on headline rents, we have seen incentives move further out. At the end of the first half of 2019 the average rent free period on a 10 year straight lease stood at 20 months compared to 24 months this year.

There are currently 6.5m sq ft of West End and Central London tenant requirements, up from 6.4m sq ft at the end of May, with more requirements switching from active to potential. Active tenant requirements account for 3.95m sq ft of the overall total and are up 30% on the 5 year average of 3m sq ft.

**102**

The number of transactions we have seen complete so far this year is down 50% on the long-term average



**6.4m sq ft**

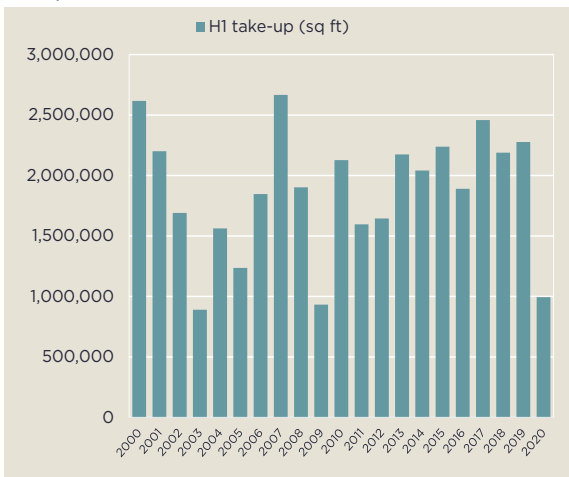
West End and Central London requirements are up 63% on the 5 year average

**24 months**

we have begun to see incentives move out and the average rent free period is up 4 months of the end of H1 2019

### West End H1 take-up

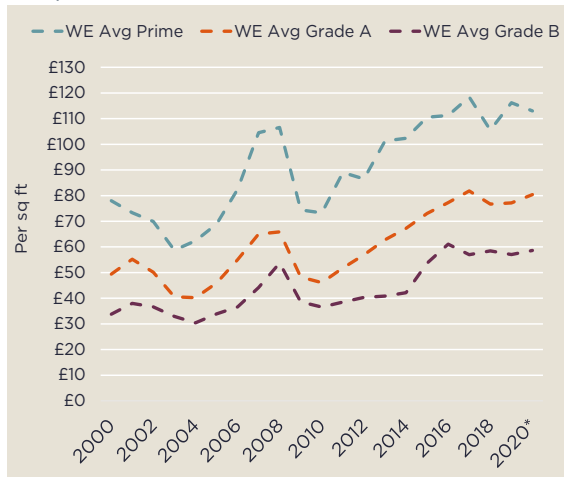
Graph 1



Source: Savills

### West End rents

Graph 2



**37%**

of the development pipeline for 2020-2023 has been pre-let

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Jul-19	462,193	81%	4,283,888
Aug-19	151,140	79%	4,435,028
Sep-19	319,776	80%	4,471,730
Oct-19	478,534	81%	4,801,431
Nov-19	293,023	80%	4,267,483
Dec-19	654,769	80%	4,464,317
Jan-20	277,588	12%	4,511,328
Feb-20	220,109	40%	4,146,083
Mar-20	160,932	43%	3,886,213
Apr-20	41,723	45%	3,627,080
May-20	108,913	49%	3,430,923
Jun-20	184,706	55%	3,353,406

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 19- Jun 19	2,104,882	-3%	81%
Jan 20- Jun 20	993,971	-54%	55%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Jul-19	£120.00	£84.18	£62.57	-	-
Aug-19	£95.34	£86.00	£52.50	-	-
Sep-19	£120.00	£74.14	£52.50	£120.00	21
Oct-19	£135.00	£81.08	£52.88	-	-
Nov-19	£102.50	£72.21	£63.82	-	-
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	£57.50	£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

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,935,604	70%	-1.5%	4.0%
4,684,337	64%	-5.1%	3.8%
4,541,472	59%	-3.0%	4.0%
4,571,005	54%	0.7%	4.0%
4,544,486	62%	-0.6%	4.0%
4,932,348	61%	8.5%	4.4%
4,740,257	58%	-3.9%	4.2%
5,054,819	65%	6.6%	4.5%
4,799,913	68%	-5.0%	4.2%
4,838,872	73%	0.8%	4.3%
4,962,053	79%	2.5%	4.4%
5,364,966	87%	8.1%	4.7%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2021	204,895	601,445	806,340	58%
2022	1,055,404	2,500,607	3,556,011	61%
2023	973,467	2,725,776	3,699,243	26%
2024	1,044,750	802,377	1,847,127	1%
Total	3,278,516	6,630,205	9,908,721	37%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	2.6m
West End Active Requirements (sq ft)	3.9m
West End Total Requirements (sq ft)	6.5m
% change on 12 month ave	9%
Total under offer (sq ft)	1.3m
Under offer this month (sq ft)	7,334
% change on average (total)	80%
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 June transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Dormeuil House, 25-29 Golden Square, W1	Entire	66,000	A	Confidential	Roxor Games	Dormeuil Family
Tribeca Plot A, 2-6 Pancras Way, NW1	B,G-4	60,008	A	Confidential	Ted Baker	British Airways Pension Fund
Ferguson House, 15 Marylebone Road, NW1	4,5	12,000	B	£70.00	Toscafund	Lazari
Euston Tower, 286 Euston Road, NW1	5	9,982	B	Confidential	Boohoo.com	Mapeley Estates
33 Wigmore Street, W1	6	8,500	A	nil rent	CBRE	Lazari

## Savills contacts

Please contact us for further information

### Ed Betts

Director  
West End Agency  
0207 758 3887  
ed.betts@savills.com

### 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
80 Strand	WC2	253,000	Q2 2020 - sublease
245 Hammersmith Road	W6	214,000	40,000 sq ft under offer
Elms House, Hammersmith	W6	96,260	Under offer
Millbank Tower	SW1	80,782	
210 Euston Road	NW1	63,963	Under offer
33 Cavendish Square	W1	60,133	
The Foundry, 77 Fulham Palace Road	W6	57,515	
The White Building, Notting Hill	W11	58,396	Quoting 42.50 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.

