

# West End Office Market Watch



## High levels of pent-up underlying demand remain despite slow pace of leasing activity

May take-up reached 108,913 sq ft during the second month of full lockdown. This brought year to date take-up to 809,265 sq ft, with 13 transactions completing over the month. This was down on the long-term average for this period by 56%, and down 49% on Jan-May 2019 take-up. The inevitable impact of the majority of the quarter being carried out in lockdown, Q2 take-up is expected to be around just 300,000 sq ft, down 53% on the long-term average for the quarter.

The largest transaction to complete during May was Exane's pre-let of the 5th to 7th floors (38,064 sq ft) at Great Portland Estates' Oxford House, 1 Newman Street development, W1, on a 15 year lease at £100 per sq ft. This is the highest rent that has been achieved so far this quarter.

The Tech & Media sector has accounted for 36% of year to date take-up, followed by the Insurance & Financial sector with 25% and the Business & Consumer sector with 12%.

Despite the low level of transactional activity we have seen so far this year, space under offer, at 1.3m sq ft, continues to remain at a high level. Whilst over the month we saw the overall amount of space under offer reduce by 14%, (215,316 sq ft), it still remains 86% above the long term average. During the month an additional 53,000 sq ft went under offer, this is compared to the 31,000 sq ft which failed to complete. Notable space that is currently under offer includes 20 Manchester square, W1 (100,000 sq ft) which is under offer to Lazard and 25 Golden Square, W1 (66,000 sq ft) which was under offer to a Gamesys subsidiary and has now completed (in June).

Active requirements declined by 14% over the month to 3.7m sq ft with more occupiers putting their current requirements on hold, whilst they review or consider their options and some opting for short term extensions in the interim. As a result of more requirements being put on hold we saw potential requirements increasing by 135% over the month, from 1.1m sq ft to around 2.7m sq ft.

The Tech & Media sector currently accounts for around a third, (32%) of active Central London and West End requirements, followed by the Insurance & Financial sector with 17%, and the Professional Services sector with 15%.

At the end of May supply stood at 4.96m sq ft, which equates to a vacancy rate of 4.4%. This is up 10 bps on the previous month, with the proportion of tenant controlled supply rising by 2% on the previous month. Overall tenant controlled supply currently accounts for 28% of supply (1.4m sq ft). Grade B space currently accounts for 45% of space available in the West End.

9.2m sq ft of developments are scheduled for completion until the end of 2023, of which 31% is already pre-let. A further 2.0m sq ft is currently anticipated for 2024, though this will most likely change with the passage of time due to inevitable delays.

**0.8m sq ft**

overall sq ft let so far is down 56% on the long term average



**1.3m sq ft**

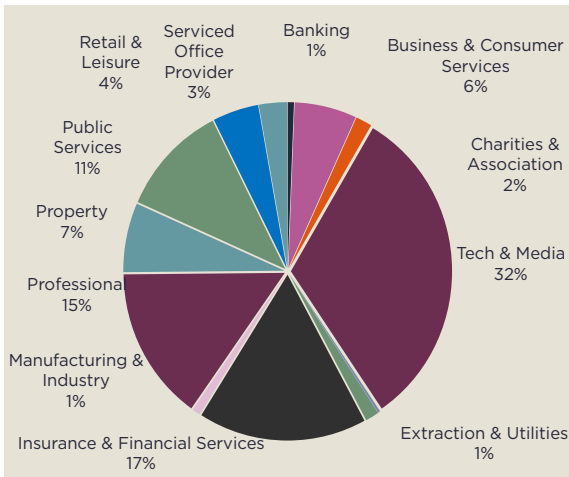
remained under offer, up 86% on the long-term average

**3.7m sq ft**

of occupiers continue to be actively searching for space across Central London and the West End

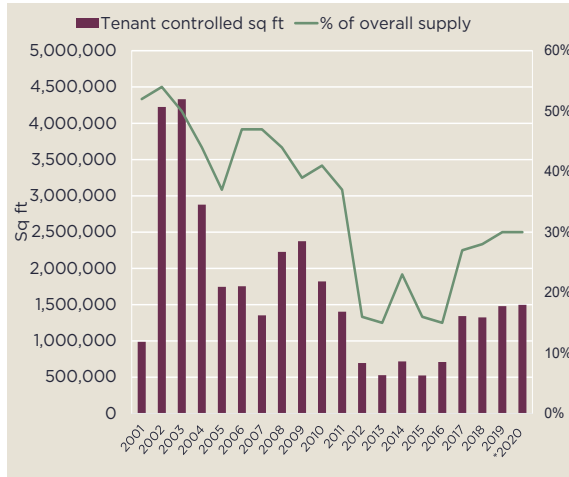
### Active requirements by sector

Graph 1



### Tenant controlled supply

Graph 2



**31%**

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
Jun-19	262,223	81%	5,014,343
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	61%	4,511,328
Feb-20	220,109	67%	4,146,083
Mar-20	160,932	63%	3,886,213
Apr-20	41,723	64%	3,627,080
May-20	108,913	64%	3,430,923

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 19-May 19	1,842,659	-8%	80%
Jan 20-May 20	779,995	-51%	64%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Jun-19	£115.00	£82.58	£69.00	£111.00	20
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	£57.47	£110.50	23
Apr-20	£78.50	£78.50	£44.00	-	-
May-20	£100.00	£93.13	£68.23	-	-

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
5,009,154	61%	7.0%	4.1%
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%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2020	233,515	596,746	830,261	58%
2021	1,006,483	2,607,058	3,613,541	60%
2022	993,467	2,119,658	3,113,125	7%
2023	1,044,750	639,377	1,684,127	1%
Total	3,278,215	5,962,839	9,241,054	31%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	2.7m
West End Active Requirements (sq ft)	3.7m
West End Total Requirements (sq ft)	6.4m
% change on 12 month ave	8%
Total under offer (sq ft)	1.3m
Under offer this month (sq ft)	53,933
% change on average (total)	115%
Landlord controlled supply	72%
Tenant controlled supply	28%

\*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 May transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Oxford House, 1 Newman Street, W1	5-7	38,064	A	£100.00	Exane	GPE
19-25 Argyll Street, W1	1	12,027	A	£80.00	Argentex	Darylalaya
One Smart's Place, WC1	6,7	7,861	A	Confidential	Veritas Asset Management	AXA
6 Salem Road, W2	G, LG	7,717	B	£40.00	Address Intelligence	Global Brands Group

## 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.

