

West End Office Market Watch



Pre-lets remain resilient despite overall fall in leasing activity

Take-up during May reached 170,510 sq ft across 14 transactions, taking the year-to-date total to 1.15m sq ft. This is down 24% on the 10-year average and down 11% for the same period in 2022. May also saw the fewest number of transactions so far this year.

By far the largest transaction to complete this month was Chanel's pre-let of the entirety of BEAM's 38 Berkeley Square, W1 development (86,000 sq ft). The terms are confidential at present, however the rent is believed to be approaching £200 per sq ft on the best floors.

This letting is further evidence of the buoyant demand for the newest space, with pre-letting activity up 44% on the 10-year average, and making up for 66% of this month's take-up.

Another notable pre-let that completed this month involved investment bank

Harris Williams acquiring the 2nd and 6th floors (19,056 sq ft) at 65 Davies Street, W1 for a blended rent of £167,50 per sq ft.

The three transactions that have taken place at this new development were responsible for the top three rents achieved so far this year. Additionally, only the 1st floor remains at this building, demonstrating that the high demand for best-in-class space is particularly evident in the core, where space of this type is limited.

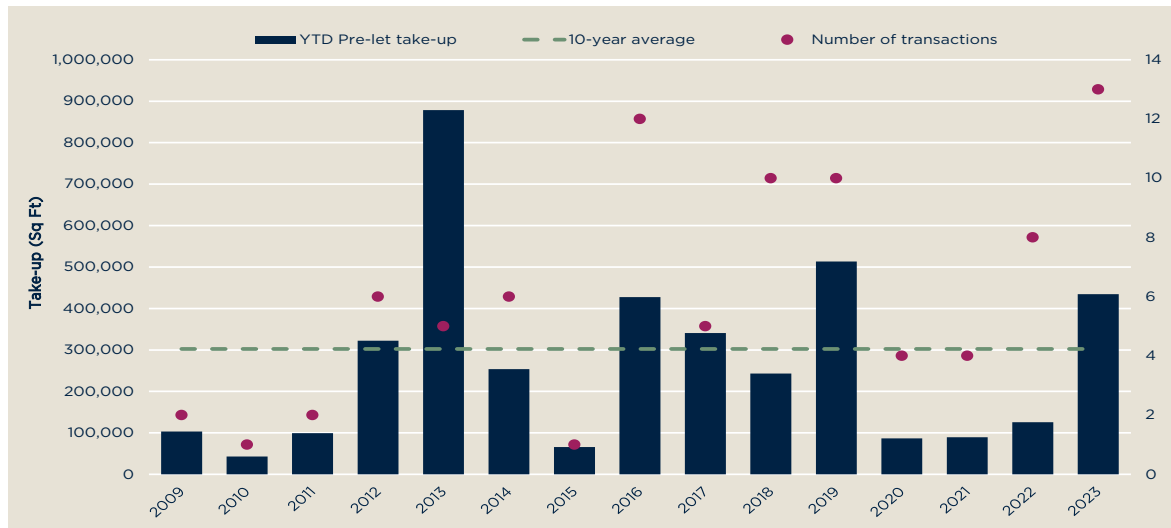
Following on from its strong showing last month, the Retail & Leisure sector accounted for the largest amount of space acquired this month at 56%. This also marked the first month since July 2022 that the Insurance & Financial Services sector has not held this position. However, year-to-date leasing activity for this sector is still 64% higher than the 10-year average.

Furthermore, while take-up has shown greater sector diversity in recent months, active demand remains heavily weighted towards the Insurance & Financial Services sector, with the sector making up 30%, and 37% of requirements that have become active since the beginning of the year, followed by the Tech & Media sector on 24%.

Reassuringly, supply remains stable, standing at 6.57m sq ft, up only marginally from where it was at the end of Q1. Also, the proportion of supply that is tenant-controlled (20%) is below where it stood this time last year (21%).

Finally, while there is a record amount of new space set to complete this year, 34% has already been pre-let, while lingering cost pressures and expected further interest rate rises will likely delay the completion dates of some schemes.

Pre-lets account for 38% of YTD take-up, compared to 10% last year



Source Savills Research

West End Take-up (YTD)

% change on the 5-year average
-15%

% change on the 10-year average
-24%

West End Under Offers

West End Total Under Offers
1.3m sq ft

% change on 10-year average
28%

Source Savills Research

Key Stats



1.15m sq ft year-to-date take-up, across 119 transactions, down 24% on the 10-year average



Active requirements have risen for the fifth consecutive month to 4.3m sq ft



Tenant-controlled space remains unchanged at 20% of overall supply

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - May 22	1,275,835	23%
Jan - May 23	1,145,263	-11%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2023	1,412,147	2,558,537	3,970,684	34%
2024	1,365,258	899,116	2,264,374	25%
2025	1,384,732	1,551,084	2,935,816	6%
2026	585,582	3,144,740	3,730,322	4%
Total	4,747,719	8,153,477	12,901,196	17%

Significant May transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
38 Berkeley Square, W1	Building	86,000	A	Confidential	Chanel	BEAM
65 Davies Street, W1	2nd, 6th	19,056	A	£167.50	Harris Williams	Grosvenor
80 Victoria Street, SW1	Part 4th	9,187	A	Confidential	Statera Energy	Landsec
50 Broadway, SW1	2nd	8,744	A	£56.00	Confidential	Investra
100 Victoria Street, SW1	7th	7,495	A	£105.00	Agilitas Partners	Landsec

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