

West End Office Market Watch

March 2018

Space under offer remains at a high as leasing activity continues to be subdued

Supply and demand snapshot

■ February take-up reached 208,414 sq ft, across 30 transactions. This was the lowest monthly take-up seen over a February period in 5 years and was in contrast to the record level of take-up seen in February 2017. This brought the total amount of space transacted for the first two months of the year to 456,531 sq ft, down 37% on the same period last year and 20% down on the 10 year long term average.

■ The largest transaction to complete in February saw financial software company Intuit Limited take 37,661 sq ft on part of the 5th floor at 80 Victoria Street, SW1 on confidential terms.

■ Despite the subdued level of take-up, space under offer continued to remain at a very high level, with a further 217,463 sq ft going under offer over the month. This brought the total amount of space under offer to just over million sq ft. Around at least 27% of space currently under offer is known to be to Serviced Office Operators.

■ Notable spaces to go under offer over the month include the 2nd floor (40,987 sq ft) at 123 Buckingham Palace Road, SW1, the entire building (21,383 sq ft) at 5 Savile Row, W1 and the 2nd and 3rd floors at 2 St James's Market, SW1 (20,332 sq ft).

■ The Tech & Media sector continued to lead take-up, accounting for 49% of take-up over the month. So far in 2018 Tech & Media occupiers have taken 168,484 sq ft in total. This was followed by the Insurance & Financial sector with a market share of 16% and Retail & Leisure sector also at 16%.

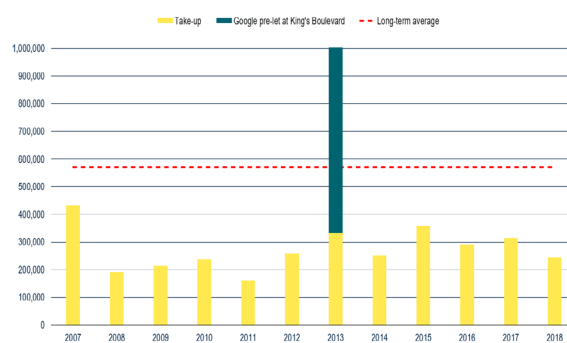
■ Supply at the end of February rose to 4.80m sq ft, equating to a vacancy rate of 4%, up 20 bps on the previous month. Grade A supply increased from 61% at the end of the previous month, to 69%, and tenant controlled space also increased 2% to 30%.

■ The most notable addition to supply was the 14th to 19th floors at Euston Tower, adding 60,708 sq ft to Grade A supply.

■ Victoria has remained as the sub-market with the highest amount of current supply (608,178 sq ft). This is followed by Mayfair (563,060 sq ft), and St James's (545,072 sq ft).

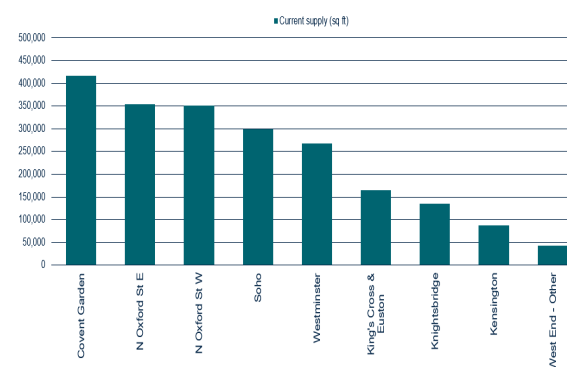
■ We are currently tracking 5.3m sq ft of West End & Central London requirements, 12% below the 12 month average.

GRAPH 1
Take-up to end of February



Source: Savills Research

GRAPH 2
West End supply by sub-market



Source: Savills Research

TABLE 1
Key February Stats

	February Stats
Take-up	208,414 sq ft
2018 Take-up YTD	456,531 sq ft
Supply	4,800,007 sq ft
Vacancy Rate	4.0%
Top Rent (psf)	£120.00
Avg Grade A Rent (psf)	£82.42/sq ft

Source: Savills Research

Analysis close up

TABLE 2

Take-up

	Sq ft	% Grade A	12 month rolling take-up
Feb-17	459,050	75%	4,113,478
Mar-17	347,885	70%	4,002,162
Apr-17	196,183	71%	3,938,102
May-17	339,976	71%	3,939,856
Jun-17	761,849	76%	4,496,836
Jul-17	497,778	77%	4,673,855
Aug-17	257,994	76%	4,568,725
Sep-17	878,868	79%	4,780,749
Oct-17	390,622	76%	4,962,890
Nov-17	302,092	73%	4,985,911
Dec-17	518,447	68%	5,219,112
Jan-18	248,117	88%	5,198,861
Feb-18	193,679	84%	4,933,490

TABLE 3

Supply

Total	% Grade A	% chg on prev month	Vacancy Rate (%)
4,113,478	77%	1.0%	3.8%
4,002,162	78%	1.0%	3.8%
3,938,102	76%	5.2%	4.0%
3,939,856	76%	-1.1%	4.0%
4,496,836	74%	3.2%	4.1%
4,673,855	75%	-1.0%	4.1%
4,568,725	75%	-1.4%	4.0%
4,780,749	72%	-3.7%	3.9%
4,962,890	72%	-1.3%	3.8%
4,985,911	72%	-1.8%	3.7%
5,219,112	62%	-2.2%	3.9%
5,198,861	61%	4.5%	3.8%
4,800,007	69%	3.8%	4.0%

TABLE 4

Rents

£ per sq ft	Top	Average			
		Grade A	Grade B	Prime*	Rent free**
Feb-17	£120.00	£79.14	£63.42	-	-
Mar-17	£190.00	£85.03	£57.48	£122.39	18
Apr-17	£120.00	£85.12	£53.14	-	-
May-17	£105.00	£75.20	£59.00	-	-
Jun-17	£135.00	£77.49	£65.00	£114.06	20
Jul-17	£110.00	£78.15	£68.15	-	-
Aug-17	£109.00	£76.13	£55.25	-	-
Sep-17	£135.00	£75.11	£45.00	£116.43	20
Oct-17	£175.00	£83.15	£64.73		
Nov-17	£105.00	£78.18	£52.17		
Dec-17	£150.00	£87.71	£52.45	£127.67	15
Jan-18	£102.50	£71.53	£54.25	-	-
Feb-18	£120.00	£82.42	£71.33	-	-

TABLE 5

Demand & Under Offers

WE Potential demand (sq ft)	587,000
WE Active demand (sq ft)	4,719,000
WE Total demand (sq ft)	5,306,000
% change on 12 month ave	-12%
Total under offer (sq ft)	1,013,620
Under offer this month (sq ft)	217,463
% change on ave	69%
Landlord controlled supply	70%
Tenant controlled supply	30%

Demand figures include Central London requirements

TABLE 6

Development pipeline

Sq ft	Refurb	Devs	Total	% Pre-let
2018	1,072,479	950,786	2,023,265	56%
2019	600,000	1,389,464	1,989,464	43%
2020	603,000	200,6276	2,609,276	0%
2021	150,000	1,658,215	1,808,215	28%
Total	2,425,479	6,004,741	8,430,220	30%

Completions due in the next 6 months are included in the supply figures

*Average prime rents for preceeding 3 months ** Average rent free on leases of 10 years for preceeding 3 months

TABLE 7
Significant February transactions

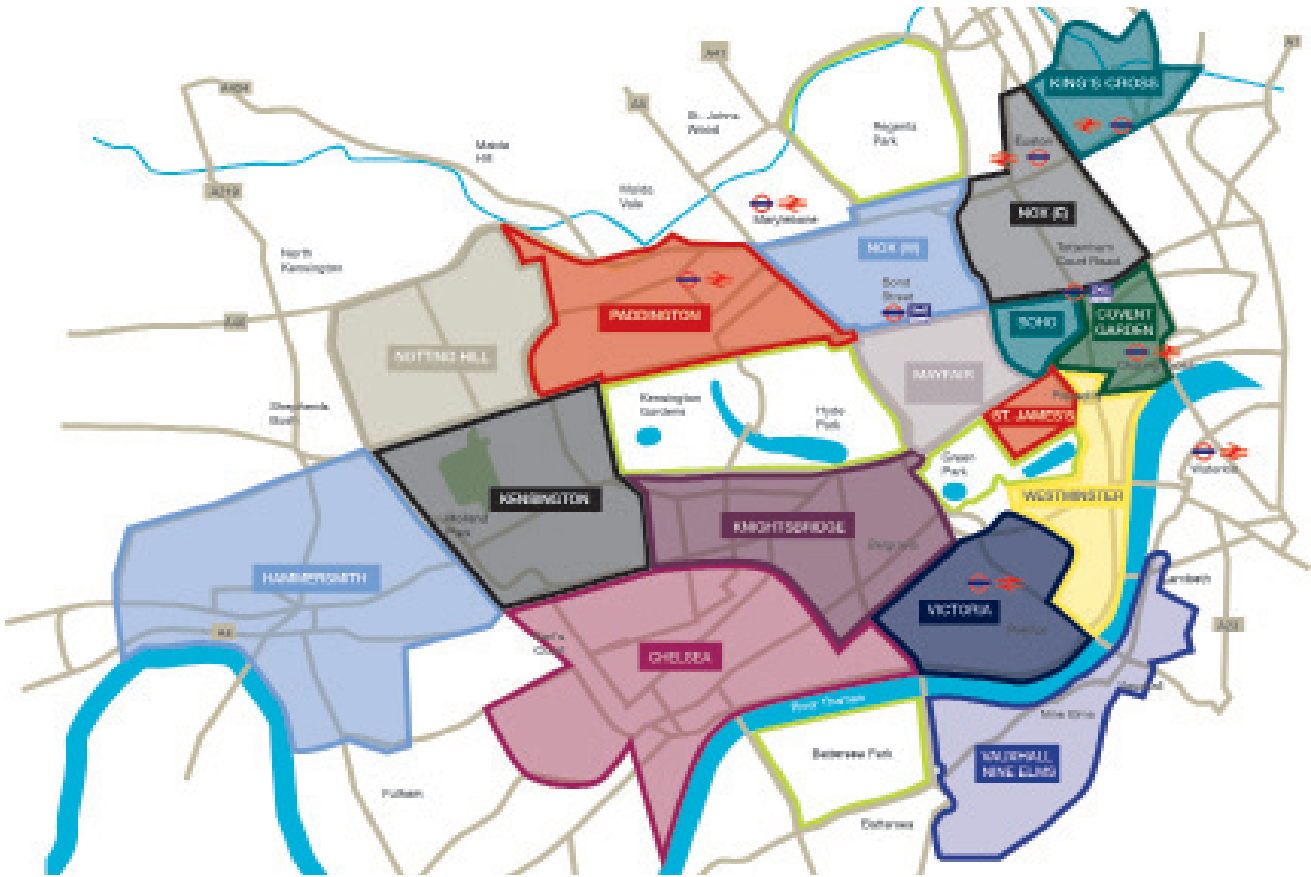
Address	Floor/s	Sq ft	Grade	Achieved rent	Tenant	Lessor
80 Victoria Street, SW1	pt5	37,661	A	Confidential	Intuit Limited	Land Securities
55 Well Street, W1	3-6	20,989	A	Confidential	Confidential	Pontsarn Investments
Verde, Bressenden Place, SW1	pt2	14,735	A	£67.50	CarWow	Tishman Speyer
55 Baker Street, W1	pt5	10,500	A	£65.00	Euronet	BDO
Nova North, 20 Terminus Place, SW1	pt8	10,000	A	Confidential	Confidential	Land Securities
60 Buckingham Palace Road, SW1	2-3	8,699	A	£50.00	Travcorp Management	Reuben Brothers
142-150 Wardour Street, W1	pt4	8,309	A	Confidential	Campus London	Threadneedle Property Investment
42 Portland Place, W1	Bldg	7,556	B	£66.17	Confidential	Howard de Walden Estate

TABLE 8
Significant supply

Address	Floor/s	Sq ft	Grade	Quoting rent	Lessor	U/O
5 Merchant Square, W2	G-7	148,063	A	£60.00	Marks & Spencer	148,063
The Foundry, 77 Fulham Palace Road, W6	G-4	110,277	A	£57.50	AXA	42,098
The Point, Paddington, W2	LG, G, Pt1, Pt2, Pt9	102,345	A	£50-£65	EE, Tishman Speyer	
123 Buckingham Palace Road, SW1	2 & 4	80,924	A	£45- £59.50	PA Consulting, BskyB	40,987
25 Wilton Road, SW1	G-6	78,995	A	£75.00	Royal London	
Nova North, Bressenden Place, SW1	3-5, pt 8	65,900	A	£65.00+	LandSec, CPPIB	65,900
Riverside, Manbre Road, W6	G-4	66,913	A	£50.00	Goodman	10,221
Euston Tower, Euston Road, NW1	14-19	60,708	A	NQ	Mapeley Estates	

MAP 1

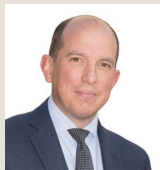
Savills West End office submarkets



Please contact us for further information



Hunter Booth
Director
0207 409 8832
hunter.booth@savills.com



Ed Betts
Director
0207 7758 3887
ed.betts@savills.com



Liell Francklin
Director
0207 409 8712
lfrancklin@savills.com



Tim Wadhams
Director
0207 409 8803
twadhams@savills.com



Brian Allen
Director
0207 409 8778
bmallen@savills.com



Mark Gilbert-Smith
Director
0207 409 5925
mgsmith@savills.com



Freddie Corlett
Associate Director
0207 409 8764
fcorlett@savills.com



Andrew Wedderspoon
Associate Director
0207 409 8706
awedderspoon@savills.com



Hannah Buxton
Surveyor
0207 075 2858
hbuxton@savills.com

Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

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. Whilst 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.