

# West End Office Market Watch



## Leasing activity remains strong as active requirements pick-up

Leasing activity remained strong over the month, with 298,543 sq ft completing across 28 transactions, making it the highest amount of space leased in April in over 5 years. This brought year to date take-up to 1.53m sq ft, up 30% on the long term average for this period and up 12% on 2018.

The largest transaction to complete in April was 102,600 sq ft at Derwent's 1 Soho Place development, where G Research pre-let the upper six floors on a 15 year lease at £95.00 per sq ft. We also saw a new record rent achieved in Mayfair at 30 Berkeley Square, W1 with Steadview Capital taking 2,572 sq ft on part of the 6th floor at £250.00 per sq ft.

So far this year the Tech & Media sector has accounted for 30% of take-up (428,821 sq ft), followed by the Serviced Office Provider sector with 19% (262,901 sq ft) and the Insurance & Financial sector with 18% (254,021 sq ft).

Whilst around 60% of transactions to complete during the month were less than 5,000 sq ft, we saw another sizeable transaction complete at WestWorks, White City, W12, with Li & Fung taking the 5th floor (50,431 sq ft) on confidential terms.

As predicted last month, we have seen almost 1m sq ft of additional West End & Central London active requirements launched during the month which has largely been as a result of upcoming lease expiries. In total, demand stood at 5.7m sq ft and was up 25% on the annual average and at its highest point in over 16 months.

While the size-bands of current requirements are fairly evenly spread, requirements for space between 25- 50,000 sq ft makes up a quarter of current Central London and West End requirements (see Graph 2).

Space under offer also continued to increase over the month and stood at 1.5m sq ft at the end of April. The most notable space under offer in April was approx 100,000 sq ft at 64 Victoria Street, SW1 which has since exchanged.

Supply at the end of the month stood at 4.9m sq ft, which equates to a vacancy rate of 4.0%. Over 85% of the floors that are currently available across the West End are less than 10,000 sq ft. There are around 45 floors which could accommodate a single floor requirement over 15,000 sq ft, half of these are located in Hammersmith.

The vacancy rate has remained at the same level over the last three months and equates to around 11 months of take-up at the rate we have seen over the last year. We expect supply will continue to remain at the same level over the next year, before moving out by 30 bps to 4.3% during 2020.

An additional 823,838 sq ft of extensive refurbishments and developments have been scheduled for 2022 since the start of the year. This brings the total pipeline for the next four years to 10.1m sq ft. Already 36% of this has been pre-let which leaves 6.2m sq ft of speculative space to be delivered. A further 1.5m sq ft has so far been scheduled for 2023.



**5.7m sq ft**

West End & Central London requirements were up 25% on the short term average



**£250.00 PSF**

new record rent achieved in Mayfair

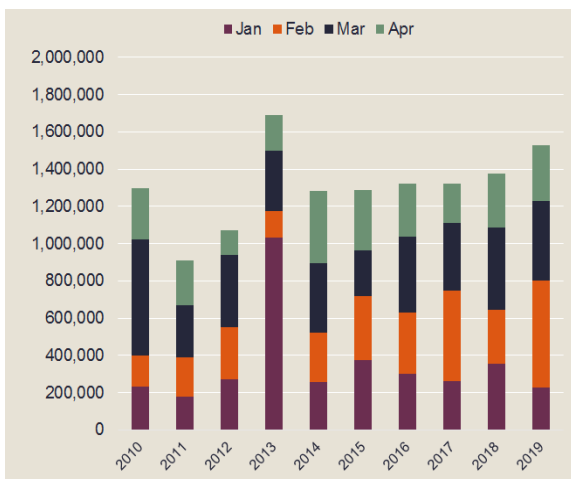


**6.2m sq ft**

of speculative space is expected to be delivered over the next four years

### West End Jan-Apr take-up 2010-2019

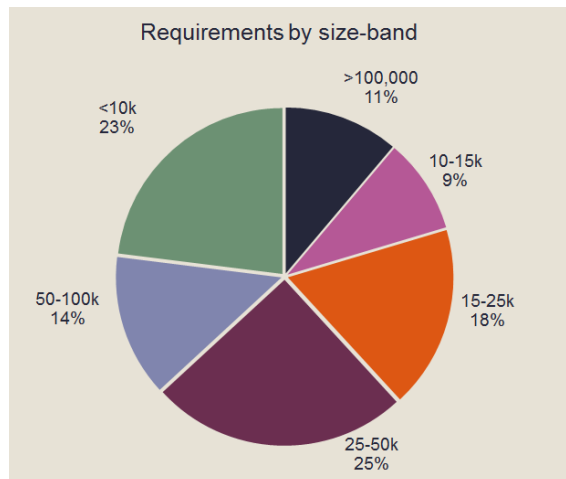
Graph 1



Source: Savills

### West End & Central London requirements

Graph 2



**1.5m sq ft**

Under offer at the end of April

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
May-18	295,141	79%	5,422,355
Jun-18	525,288	82%	5,185,979
Jul-18	1,192,648	84%	5,877,339
Aug-18	283,074	84%	5,897,176
Sep-18	148,833	83%	5,137,114
Oct-18	477,941	82%	5,243,040
Nov-18	349,030	82%	5,246,872
Dec-18	457,935	82%	5,138,164
Jan-19	228,589	54%	4,982,933
Feb-19	571,406	75%	5,263,679
Mar-19	429,750	74%	5,249,391
Apr-19	298,543	77%	5,258,178

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 18 - Apr 18	1,363,060	7%	79%
Jan 19 - Apr 19	1,528,288	12%	77%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
May-18	£185.00	£79.80	£64.69	-	-
Jun-18	£104.00	£72.16	£51.17	£109.20	24
Jul-18	£120.00	£79.53	£60.40	-	-
Aug-18	£150.00	£78.27	£68.24	-	-
Sep-18	£92.50	£74.69	£54.95	£103.30	22
Oct-18	£100.00	£75.65	£55.03	-	-
Nov-18	£100.00	£75.64	£55.03	-	-
Dec-18	£105.00	£83.75	£59.50	£103.40	19
Jan-19	£85.25	£72.02	£51.50	-	-
Feb-19	£118.00	£71.39	£63.00	-	-
Mar-19	£130.00	£75.80	£62.56	£119.30	22
Apr-19	£250.00	£76.79	£55.16	-	-

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,536,129	58%	-1.0%	3.7%
4,492,323	60%	-1.0%	3.7%
4,741,176	55%	5.5%	3.9%
4,760,149	55%	0.4%	3.9%
5,147,690	69%	8.1%	4.2%
5,146,841	66%	0.0%	4.2%
4,871,727	63%	-5.3%	4.0%
4,734,611	63%	-2.8%	3.9%
4,797,457	65%	1.3%	3.9%
4,810,098	60%	0.3%	4.0%
4,803,390	64%	-0.1%	4.0%
4,914,843	63%	2.3%	4.0%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2019	1,144,051	1,410,558	2,554,609	71%
2020	706,116	1,286,852	1,992,968	38%
2021	1,218,132	1,898,462	3,116,594	35%
2022	843,535	1,571,868	2,415,403	0%
Total	3,911,834	6,167,740	10,079,574	36%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	0.9m
West End Active Requirements (sq ft)	4.8m
West End Total Requirements (sq ft)	5.7m
% change on 12 month ave	25%
Total under offer (sq ft)	1.5m
Under offer this month (sq ft)	301,346
% change on average (total)	111%
Landlord controlled supply	73%
Tenant controlled supply	27%

\*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 April transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
1 Soho Place, W1	5-10	102,600	A	£95.00	G Research	Derwent London
WestWorks, White City W12	5	50,431	A	Confidential	Li & Fung	Stanhope/Mitsui
90 Long Acre, WC2	4pt	20,674	A	£46.00	ComplyAdvantage	Northwood Investors
130 Jermyn Street, SW1	2,3,pt4	15,846	A	Confidential	Knotel	Blackstone
1 New Burlington Place, W1	4pt	11,501	A	Confidential	Segro	Gemfields
14-16 Great Portland Street, W1	Entire	10,798	A	£84.65	The Wing	Arcadia Developments
30 Berkeley Square, W1	6pt	2,572	A	£250.00	Steadview Capital	Mercury group

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## Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
245 Hammersmith Road	W6	242,477	76,122 sq ft under offer to Hana
Euston Tower, Euston Road	NW1	151,970	Short term leases - Not quoting
Elms House, Hammersmith	W6	96,260	Sublease from Jacobs Engineering
The Post Building, New Oxford Street	WC1	86,511	Guiding high £80's psf
The Foundry, 77 Fulham Palace Road	W6	68,179	Quoting £57.50 psf
Albany House, 94-98 Petty France	SW1	60,000	c. £40.00
The White Building, Notting Hill	W11	58,396	Available on a new lease

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