

# West End Office Market Watch



## Supply continues to rise with more occupiers releasing space at the start of Q4

Take-up in October reached 57,056 sq ft, across 6 transactions with leasing activity dampened by the prospect of another lockdown. With year-to-date take-up at just 1.4m sq ft, this is now down 58% on the long-term average for this period and 63% on the 5 year average.

The largest transaction to complete during the month was Hines' pre-let of the 3rd to 5th floors (36,000 sq ft) at its own Grain House, 30-35 Drury Lane development, WC2, on a 15 year lease. The next largest transaction was at The Tower, Buckingham Green, SW1, (5,952 sqft) to Strabag on confidential terms.

Underlying demand remained virtually unchanged from the previous month with many occupiers having secured short term extensions and placing their previous active searches on hold.

At the end of October active Central London & West End requirements remained at 4.6m sq ft and potential requirements stood at 2.7m sq ft. We anticipate many requirements will be reactivated during the second half of 2021/2022. An additional 44,000 sq ft went under offer during October which brought the overall amount to 970,000 sq ft.

The most notable change to occur during October was the amount of tenant space that continued to arrive on the market. An additional 364,437 sq ft of tenant controlled space was released during the month, which brought the overall total amount of tenant controlled space to 2.4m sq ft. This was a monthly increase of 18% making it the greatest month on month increase seen in over three years.

Over a third of the tenant controlled space released in October was from tenants located in the Victoria sub-market. Victoria now accounts for 22% of space that has been released by occupiers since March's lockdown. This is followed by NOX East with 18% and by Soho with 13%.

Tenant controlled space now accounts for 38% of overall supply across the West End, up on the long-term average of 25%. The Tech & Media sector makes up 39% of tenant space released since March's Lockdown, the remainder is fairly evenly spread over various sectors though the Retail & Leisure sector accounts for the next largest share of this with 13%.

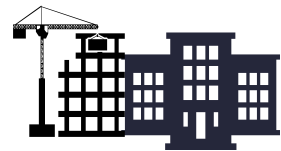
This increase in tenant controlled supply has pushed overall supply further out to 6.3m sq ft. This equates to a vacancy rate of 5.6% and is the highest rate we have seen in 10 years. Currently there is around 315,000 sq ft of speculative space scheduled for delivery in Q2 2021. These figures will be added to current supply at the end of Q4 as our current supply figure includes completions due in the next 6 months.

At present 3.5m sq ft is scheduled for delivery in 2021, 60% of this has already been pre-let. The majority, 91%, of space that has already been pre-let in 2021 is due to complete in the first half of the year.

Overall 26% of the development pipeline for the next four years (13.3m sq ft), has already been pre-let. Around two thirds of will be new developments with refurbishments accounting for 28% of scheduled completions.

## 2.4m sq ft

Tenant controlled space has increased by 102% since the end of March



## 3.5m sq ft

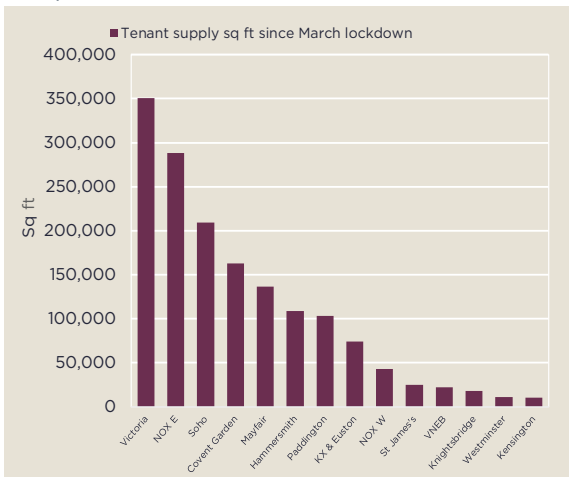
is scheduled for delivery in 2021, 60% of this has already been pre-let

## 1.4m sq ft

year-to-date take-up is down 60% on the previous year

### New tenant controlled space by sub-market

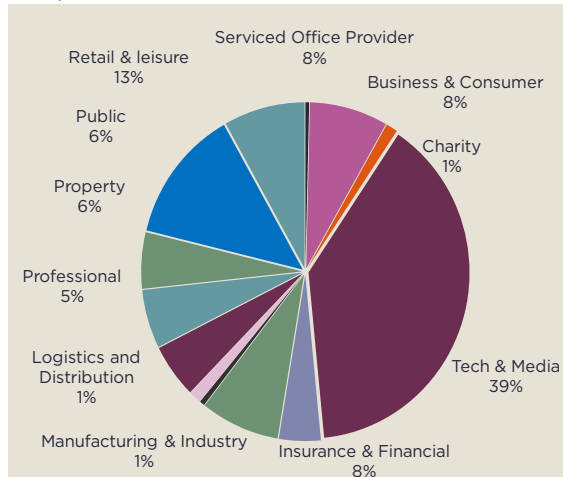
Graph 1



Source: Savills

### Tenant controlled space by sector (since March)

Graph 2



## 4.6m sq ft

West End & Central London active requirements have remained at the same level

# Analysis close up

## Monthly take-up

Table 1

|        | Sq ft   | % Grade A | 12 month rolling take-up |
|--------|---------|-----------|--------------------------|
| Nov-19 | 293,023 | 64%       | 4,267,483                |
| Dec-19 | 654,769 | 77%       | 4,464,317                |
| Jan-20 | 277,588 | 12%       | 4,511,328                |
| Feb-20 | 223,704 | 76%       | 4,149,678                |
| Mar-20 | 160,932 | 51%       | 3,889,808                |
| Apr-20 | 41,723  | 71%       | 3,630,675                |
| May-20 | 108,913 | 75%       | 3,434,518                |
| Jun-20 | 187,678 | 80%       | 3,359,973                |
| Jul-20 | 63,890  | 73%       | 2,961,670                |
| Aug-20 | 147,578 | 88%       | 2,958,108                |
| Sep-20 | 174,851 | 89%       | 2,813,183                |
| Oct-20 | 52,556  | 86%       | 2,387,205                |

## Year to date take-up

Table 3

|                   | Sq ft     | % change on previous year | % Grade A |
|-------------------|-----------|---------------------------|-----------|
| Jan 19-<br>Oct 19 | 3,580,768 | -17%                      | 81%       |
| Jan 20-<br>Oct 20 | 1,443,913 | -58%                      | 64%       |

## Rents

Table 5

| £ per sq ft | Top achieved | Average |         |         |             |
|-------------|--------------|---------|---------|---------|-------------|
|             |              | Grade A | Grade B | Prime*  | Rent free** |
| 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  | -       | -           |
| Jun-20      | £90.00       | £82.16  | £61.53  | £100.00 | 24          |
| Jul-20      | £112.50      | £91.25  | £69.50  | -       | -           |
| Aug-20      | £125.00      | £81.83  | £61.00  | -       | -           |
| Sep-20      | £82.50       | £74.21  | £63.47  | £120.00 | 24          |
| Oct-20      | £100.00      | £86.66  | £62.93  | -       | -           |

## Supply

Table 2

| Total     | % Grade A | % chg on prev month | Vacancy rate (%) |
|-----------|-----------|---------------------|------------------|
| 4,544,486 | 59%       | -0.6%               | 4.0%             |
| 4,932,348 | 56%       | 8.5%                | 4.4%             |
| 4,740,257 | 55%       | -3.9%               | 4.2%             |
| 5,054,819 | 53%       | 6.6%                | 4.5%             |
| 4,799,913 | 55%       | -5.0%               | 4.2%             |
| 4,838,872 | 55%       | 0.8%                | 4.3%             |
| 4,962,053 | 54%       | 2.5%                | 4.4%             |
| 5,364,966 | 54%       | 8.1%                | 4.7%             |
| 5,626,844 | 53%       | 4.9%                | 4.9%             |
| 5,513,246 | 53%       | -2.0%               | 4.8%             |
| 5,838,546 | 55%       | 5.9%                | 5.2%             |
| 6,317,748 | 57%       | 8.2%                | 5.6%             |

## Development pipeline

Table 4

| Sq ft | Refurb    | Devs      | Total      | % Pre-let |
|-------|-----------|-----------|------------|-----------|
| 2021  | 925,902   | 2,614,792 | 3,540,694  | 60%       |
| 2022  | 1,069,900 | 2,694,937 | 3,764,837  | 29%       |
| 2023  | 1,084,750 | 2,228,153 | 3,312,903  | 1%        |
| 2024  | 465,000   | 1,506,889 | 1,971,889  | 0%        |
| Total | 3,545,552 | 9,044,771 | 12,590,323 | 26%       |

## Demand & Under-offers

Table 6

|   |        |
|---|--------|
| West End Potential Requirements (sq ft) | 2.8m   |
| West End Active Requirements (sq ft)    | 4.6m   |
| West End Total Requirements (sq ft)     | 7.4m   |
| % change on 12 month ave                | 13%    |
| Total under offer (sq ft)               | 0.9m   |
| Under offer this month (sq ft)          | 43,763 |
| % change on average (total)             | 13%    |
| Landlord controlled supply              | 62%    |
| Tenant controlled supply                | 38%    |

\*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 October transactions

Table 7

| Address                            | Floor/s | Sq ft  | Grade | Rent achieved | Tenant  | Lessor            |
|------------------------------------|---------|--------|-------|---------------|---------|-------------------|
| Grain House, 30-35 Drury Lane, WC2 | 3-5     | 36,000 | A     | Confidential  | Hines   | Hines             |
| The Tower, Buckingham Green, SW1   | 3       | 5,952  | A     | Confidential  | Strabag | London & Oriental |

## Savills contacts

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## Significant supply

Table 8

| Address                            | Postcode | Available Sq ft | Comments               |
|------------------------------------|----------|-----------------|------------------------|
| 245 Hammersmith Road               | W6       | 214,000         |                        |
| 80 Strand                          | WC2      | 121,442         |                        |
| Elms House, Hammersmith            | W6       | 96,260          |                        |
| Warwick House                      | W14      | 86,701          | Sublease or assignment |
| Millbank Tower                     | SW1      | 61,595          | Short term             |
| 33 Cavendish Square                | W1       | 60,133          |                        |
| The White Building, Notting Hill   | W11      | 61,434          | Quoting £42.50 psf     |
| Phoenix House, 10 Wandsworth Road  | SW8      | 59,036          | Quoting £35.00 psf     |
| The Foundry, 77 Fulham Palace Road | W6       | 59,036          | Quoting £57.50 psf     |

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