

# West End Office Market Watch



## West End under offers reach a near two year high

October take-up was slightly muted in comparison to strong performing previous months, with take-up reaching 161,219 sq ft across 21 transactions. This brought year-to-date take-up to 2.87m sq ft, up 92% on the same point last year, but down on the 10-year average by 12%.

The largest transaction to complete last month saw Swedish gaming company Sharkmob's acquisition of the fourth floor at 80 Strand, WC2, (38,718 sq ft) on a 10-year lease term at £72.50 per sq ft.

The Victoria/Westminster sub-market area accounted for the majority of take-up with 81% of space acquired over the month. The largest transactions to complete in this area was Chevron's acquisition of a 10 year sub-lease, from The Very Group, of the part 2nd floor (18,541 sq ft), at 111 Buckingham Palace Road, SW1. Another notable transaction to complete in this area was the letting of the 3rd to 6th floors at 1 Old Queen Street, SW1 across three separate transactions.

Looking at sectors driving demand, the Tech & Media sector continues to dominate take-up and has accounted for 33% of space acquired this year, followed by the Insurance & Financial Services sector accounting for 20%, and then by the Retail & Leisure sector with 9%.

However, in terms of transactions numbers, the Insurance & Financial sector has been a key driver of activity this year and has accounted for the largest quantity, 34%, of transactions to have completed. With 65 transactions in total, we have seen the same number of transactions complete to this sector as we did over the same period in 2019. With the Insurance & Financial sector accounting for 39% of West End specific Active requirements, the sector is set to continue to be a key driver of leasing activity across the West End.

Whilst leasing activity over the month was slightly subdued, space under offer continued to increase and was up by 13% on the previous month. With space under offer at 1.5m sq ft, this is up 34% on the long-term average and the highest level of under offers since November 2019, a positive signal of demand gaining momentum. Around 82% of space under offer is of Grade A standard and the development pipeline accounts for 37% of space under offer, continuing to reflect the intensified occupier preference for high quality space.

Supply has remained broadly stable over the past three months and at the end of October remained at 7.8m sq ft, equating to a vacancy rate of 6.7%. Currently, the overall amount of tenant controlled space, at 2.5m sq ft, is at the lowest level it has been at since November 2020, and is now 19% below its peak in April this year. Unsurprisingly, tenant space put on to the market since the beginning of the pandemic makes up the majority of space withdrawn this year.

Around 10m sq ft of new developments and extensive refurbishments are scheduled to complete over the next four years. As it stands, 3.6m sq ft (16%) of these have already been pre-let. A further 5% is currently under offer.

We are currently anticipating a record level of development activity, with 3.6m sq ft scheduled to complete during 2023, though this will likely be tempered with the passage of time, rising buildings costs and current supply chain challenges. The largest development currently schedule to complete over this period is Stanhope/Mitsui's Gateway East development, (200,000 sq ft), W12, followed by Argent's S3 development, N1C (195,000 sq ft). At present 5% of 2023's pipeline has already been pre-let.



**2.8m sq ft**  
2021 YTD take-up

**81%**

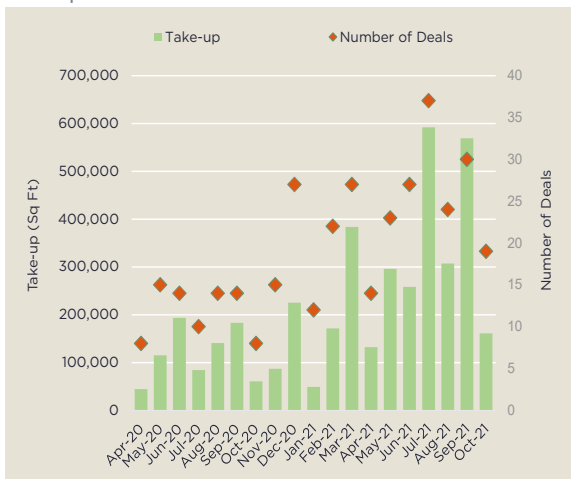
of 2021 year-to-date take-up is grade A quality



Space under offer is 34% above long-term average

### West End take-up

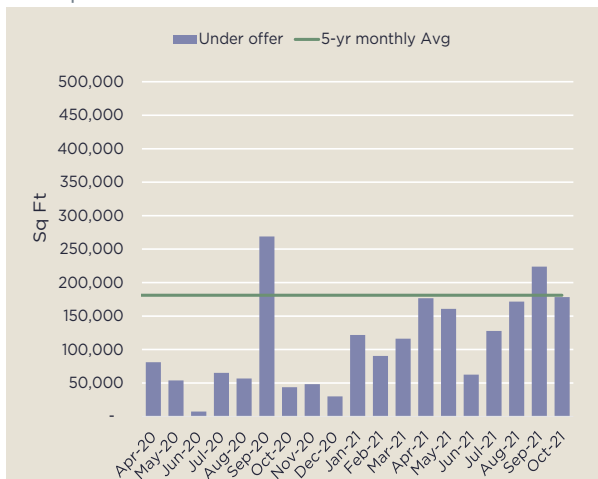
Graph 1



Source: Savills

### West End under offers

Graph 2



The Tech & Media sector account for 33% of YTD take-up

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Nov-20	86,937	66%	2,235,621
Dec-20	225,245	66%	1,806,097
Jan-21	49,172	81%	1,577,681
Feb-21	171,553	68%	1,518,685
Mar-21	383,838	82%	1,739,031
Apr-21	132,383	84%	1,826,892
May-21	295,885	87%	2,007,707
Jun-21	258,415	83%	2,072,774
Jul-21	591,959	84%	2,580,390
Aug-21	307,234	86%	2,746,617
Sep-21	568,970	85%	3,132,421
Oct-21	161,219	86%	3,232,810

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan-Oct 20	1,493,915	-58%	66%
Jan-Oct-21	2,871,456	92%	83%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Nov-20	£75.00	n/a	£68.30	-	-
Dec-20	£277.00	£74.97	£61.00	£107.50	24
Jan-21	£90.00	£89.50	£59.50	-	-
Feb-21	£140.00	£89.00	£62.00	-	-
Mar-21	£122.50	£86.00	£66.70	£118.50	27
Apr-21	£121.00	£95.50	£70.00	-	-
May-21	£117.50	£83.76		-	-
Jun-21	£115.00	£78.53	£58.67	£116.75	26
Jul-21	£111.25	£73.02	£69.13	-	-
Aug-21	£155.00	£77.13	£46.66	-	-
Sep-21	£127.50	£82.36	£54.36	£120.00	24
Oct-21	£136.50	£81.45	£45.83	-	-

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
6,443,512	58%	2.0%	5.7%
7,065,552	57%	9.7%	6.2%
7,172,337	59%	1.5%	6.3%
7,452,274	58%	3.9%	6.6%
7,803,002	60%	4.7%	6.9%
8,065,784	60%	3.4%	7.1%
7,850,537	60%	-2.7%	6.9%
7,780,829	61%	-0.9%	6.8%
8,062,280	60%	3.6%	7.0%
7,689,936	60%	-4.6%	6.7%
7,755,911	62%	0.9%	6.7%
7,758,457	62%	0.0%	6.7%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2022	862,760	2,290,088	3,152,848	40%
2023	1,213,043	1,975,119	3,188,162	5%
2024	487,004	845,621	1,332,625	11%
2025	791,200	2,114,880	2,906,080	0%
Total	3,354,007	7,225,708	10,579,715	15%

## Demand & Under-offers

Table 6

West End Potential Requirements (sq ft)	1.3m
West End Active Requirements (sq ft)	5.1m
West End Total Requirements (sq ft)	6.4m
% change on 12 month ave	-6%
Total under offer (sq ft)	1.49m
Under offer this month (sq ft)	178,353
% change on average (total)	34%
Landlord controlled supply	67%
Tenant controlled supply	33%

\*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

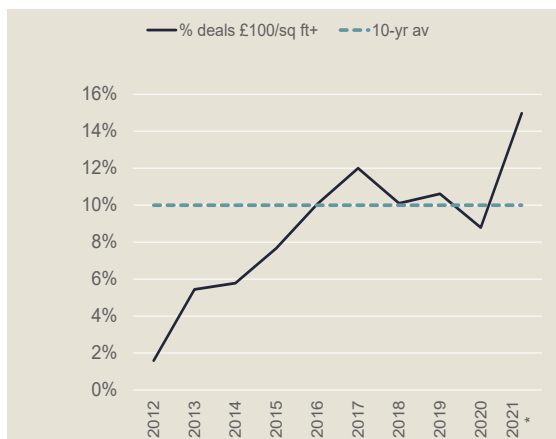
Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
80 Strand, WC2	4	38,718	A	£72.50	Sharkmob	Sirosa
72 Welbeck Street, W1	1	18,546	A	Confidential	Confidential	Astrea Asset Management
111 Buckingham Palace Road, SW1	2 part	18,541	A	Confidential	Chevron	The Very Group
245 Hammersmith Road, W6	11	13,700	A	£57.00	Imperial Brands	Legal & General / MEC
5 Hanover Square, W1	6	6,178	A	£136.50	Sand Grove Capital	Chime

## In Focus - Rents

### West End rents (£100/sq ft+)

Graph 3



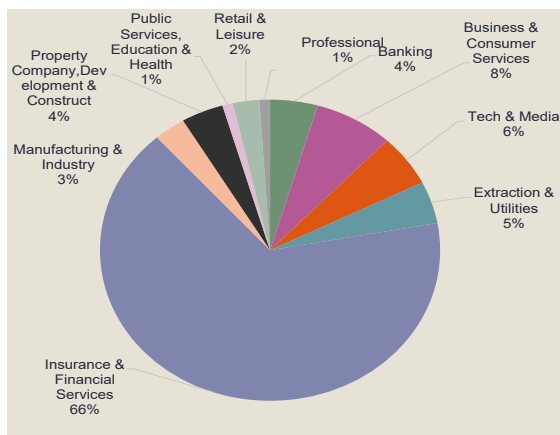
This year we have continued to see strong prime rental performance as the continued bias for quality office space has insulated headline rents. The West End has experienced an increased proportion of higher rents, with nearly 15% of rents achieved this year being in excess of £100.00/sq ft, this is compared to the 10-year average of 10%. The year-to-date average prime rent has settled at £118.25/sq ft, which is the same as the end of 2019.

Transactions to Insurance & Financial Services sector occupiers have accounted for the majority, 80%, of rents achieving over £100.00 per sq ft so far this year. Since 2015 the sector has accounted for 67% of rents over £100 per sq ft.

Prime rents are expected to growth 2.6% year-on-year until 2025 and grade A is expected to grow 2.3%, whilst grade B rents will continue to decline by 1.2% a year.

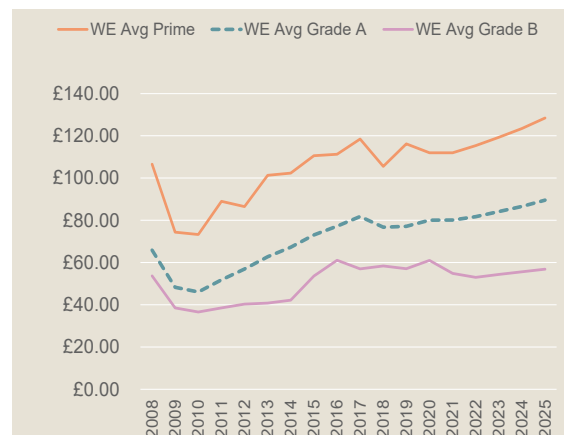
### Take-up by Business Sector at £100/sq ft + (since 2015)

Graph 4



### West End rental forecasts

Graph 5



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