

West End Office Market Watch



Vacancy rate remains unchanged for the fifth consecutive month

The final quarter of the year got off to a slow start with take-up totalling just 172,900 sq ft across 21 transactions, marking the second weakest month we have recorded so far this year. This took YTD leasing activity to 2.42m sq ft, down 26% and 31% on the 5 and 10-year averages respectively.

For the seventh month this year the Financial Services sector was responsible for the largest transaction to complete. Private equity firm HarbourVest Partners acquired the 2nd floor (28,053 sq ft) at Air W1, 20 Air Street, W1 for £100.00 per sq ft on a 10-year term. This represents roughly a tripling in footprint from its existing premises at 33 Jermyn Street, SW1. It also highlights the challenge that occupiers within the core face when looking to expand given the tight levels of supply in core markets, therefore forcing them to look further afield.

Consequently, this has had a noticeable impact on rents in these neighbouring markets. Between 2018 and 2021 only 8% of £100+ rents were outside of Mayfair and St James's. So far this year, 27% of the those rents have been outside these areas.

This persistent undersupply in the core is unlikely to change in the near future given the constrained development pipeline for these areas. For example in Mayfair, only one speculative scheme is scheduled to complete in 2024: BEAM's comprehensive refurbishment of 20 Berkeley Square, W1 (23,907 sq ft), 78% of which is currently under offer.

Reassuringly supply has remained relatively stable despite the subdued levels of take-up. The vacancy rate overall remains unchanged at 7.2% for the fifth consecutive month. However, the reality in the core is much tighter with the current vacancy rate in Mayfair & St James's standing at just 3.7%.

Tenant-controlled space also experienced little change this month and currently stands at 1.22m sq ft or 14% of overall supply, which is only marginally higher than the 1.20m recorded in March 2020, before the beginning of the COVID-19 lockdowns. This comes after a significant fall last month following Meta's decision at the end of Q3 to surrender the remainder of its lease at 1 Triton Square, NW1 (c. 320,000 sq ft).

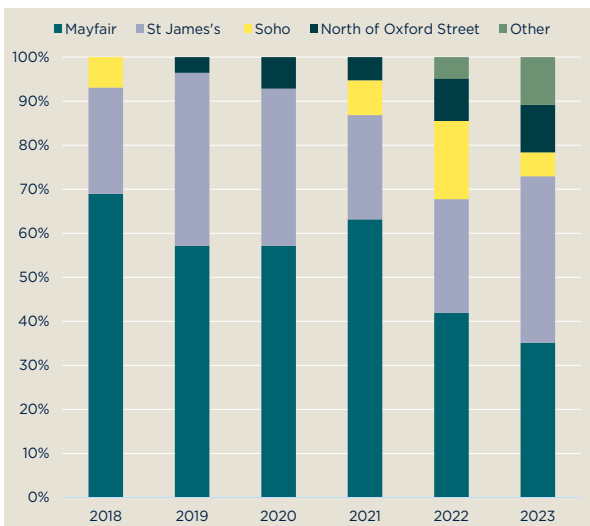
Looking ahead to 2024, whilst development completions are set to be 31% lower than 2023's record quantity, it will still be 36% above the 10-year average. Furthermore, next year's pipeline is more heavily weighted towards comprehensive refurbishments with only a third being new build, compared to 64% for this year. Covent Garden is set to see the greatest amount of speculative space delivered (526,000 sq ft), or a quarter of the total, including Space House (260,000 sq ft) and The Acre (240,000 sq ft).

Key Stats

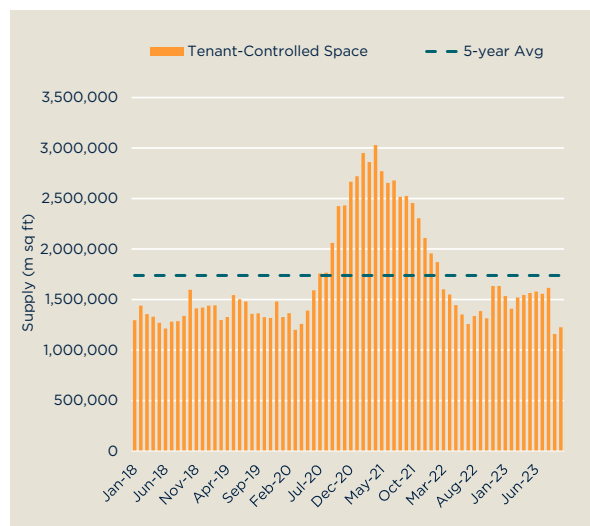


80% of the 2024 pipeline is rated or targeting 'BREEAM' 'Excellent' or 'Outstanding'

West End £100+ rents by location (2018-present)



Historic tenant-controlled supply (sq ft)



Source Savills Research



Tenant-controlled space is down 30% on the 5-year average

West End Take-up (YTD)

% change on the 5-year average

-26%

% change on the 10-year average

-31%

West End & Central London Requirements

Active Requirements (sq ft)

5.9M

Potential Requirements (sq ft)

2.4M

Source Savills Research

Total YTD Insurance & Financial Services sector take-up (sq ft) is up 59% on the 10-year average



Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Oct 22	3,870,382	20%
Jan - Oct 23	2,422,240	-37%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2024	1,771,290	845,977	2,617,267	18%
2025	1,469,686	1,593,084	3,062,770	10%
2026	585,582	3,274,740	3,860,322	4%
2027	518,000	695,496	1,213,496	21%
Total	4,344,558	6,409,297	10,753,855	11%

Significant October transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Air W1, 20 Air Street, W1	2nd	28,053	A	£100.00	HarbourVest Partners	The Crown Estate
31 St James's Square, SW1	Ground-1st	27,820	A	c . £98.00	Heidrick & Struggles	Audley Property
103 Wigmore Street, W1	2nd	11,855	A	Confidential	Confidential	Selfridges
N2, 1 Bressenden Place, SW1	3rd	11,777	A	£80.00	Beaufort Commodities	Landsec
16 New Burlington Place, W1	2nd	9,000	A	£120.00	Findlay Park Partners	The Crown Estate

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