

# West End Office Market Watch



## Supply increases as the delivery of tenant space gains momentum

September take-up reached 174,851 sq ft across 13 transactions. This brought take-up for the year to 1.39m sq ft. This was down 55% on the long-term average and 56% on the same period during 2019.

So far this year, 138 transactions have completed, half the number that have completed on average, over the same period, in the last 10 years. Transaction volumes for this year remain heavily weighted towards Q1, with 72 completions occurring in Q1, and less transactions completing in Q2 and Q3 combined (66).

The largest transaction to complete in September was Netflix's acquisition of a sub-lease, from Capita, of the entire building (87,150 sq ft), at the Copyright Building, Berners Street, W1, for a rent believed to be in the early £80's (per sq ft). This is the largest transaction to complete since lockdown in March and the second largest transaction for the year.

The Tech & Media sector continues to be a key driver of leasing activity across the West End and has accounted for 37% of the overall sq ft leased. This is followed by the Insurance & Financial sector with 18% and the Business & Consumer sector with 11%.

Underlying demand continues to remain stable and at a high level with Central London and West End active requirements remaining at 4.6m sq ft, up 16% on the 12 month average. Tech & Media occupiers account for 30% of tenants actively searching for space across the West End and wider Central London area, followed by the Professional Services sector with 27%. Law firms account for the majority, (80%), of active demand from the Professional Services sector. The Insurance & Financial sector followed with 14%.

Space under offer at the end of September was up 57% on the previous month, standing at around 950,000 sq ft, with demand for new quality space remaining high. Two thirds of space that is currently under offer is of Grade A standard.

Whilst general market dynamics remained unchanged, during the month, we began to see the anticipated significant delivery of tenant space coming on to the market, with tenant space experiencing its greatest month on month increase in over three years. At the end of September tenant controlled supply rose to 2.06m sq ft, up 17% on the previous month. This brought the proportion of supply that is tenant controlled up to 35%, up on the long-term average of 25%.

The Tech & Media sector, (in particular media and creative sector occupiers), account for 52% of the tenant release space since lockdown in March, followed by the Retail & Leisure sector with 15%. The remainder was fairly evenly spread between the various other sectors. Units under 5,000 sq ft make-up 57% of the space released by tenants over this period and just shy of two thirds of new tenant supply is for a term of 5 years or less.

NOX East accounts for 19% (190,000 sq ft) of the overall amount of tenant space that has been released since lockdown in March, followed by Victoria and Soho, both with a 17% share of the total.

As a result of the increased tenant space, supply at the end of Q3 stood at 5.8m sq ft, which equates to a vacancy rate of 5.2%. This is an increase of 40 bps on the previous month and is the largest outward movement we have seen since the end of 2019. It is also up on the long-term average of 4.0%.



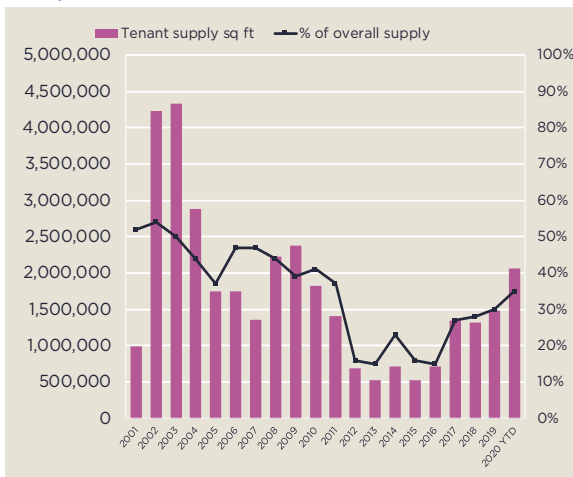
**950,000 sq ft**  
space under offer is up 57% on the previous month

**1.4m sq ft**  
year-to-date take-up is down 56% on the previous year

**4.6m sq ft**  
of occupiers are actively searching for space across the West End and wider Central London area up 2% on the 12 month average

### Tenant controlled space

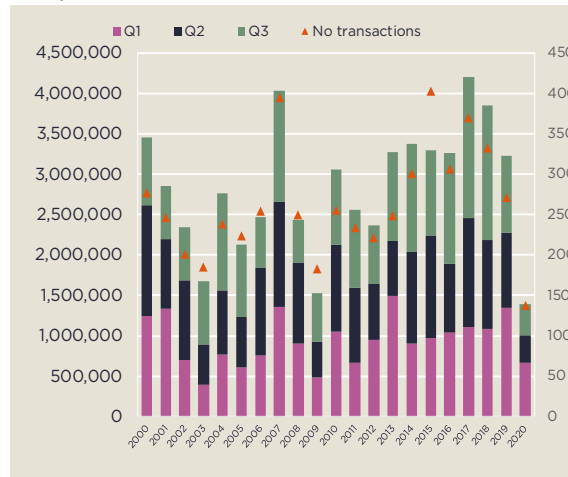
Graph 1



Source: Savills

### Year-to-date take-up

Graph 2



**2.9m sq ft**  
is scheduled for delivery over 2021, 51% of this has already been pre-let

# Analysis close up

## Monthly take-up

Table 1

	Sq ft	% Grade A	12 month rolling take-up
Oct-19	478,534	81%	4,801,431
Nov-19	293,023	80%	4,267,483
Dec-19	654,769	80%	4,464,317
Jan-20	277,588	12%	4,511,328
Feb-20	223,704	41%	4,149,678
Mar-20	160,932	43%	3,889,808
Apr-20	41,723	45%	3,630,675
May-20	108,913	49%	3,434,518
Jun-20	187,678	55%	3,359,973
Jul-20	63,890	56%	2,961,670
Aug-20	147,578	60%	2,958,108
Sep-20	174,851	64%	2,813,183

## Year to date take-up

Table 3

	Sq ft	% change on previous year	% Grade A
Jan 19-Sep19	3,100,055	-20%	80%
Jan 20-Sep 20	1,201,427	-55%	64%

## Rents

Table 5

£ per sq ft	Top achieved	Average			
		Grade A	Grade B	Prime*	Rent free**
Oct-19	£135.00	£81.08	£52.88	-	-
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

## Supply

Table 2

Total	% Grade A	% chg on prev month	Vacancy rate (%)
4,571,005	57%	0.7%	4.0%
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%

## Development pipeline

Table 4

Sq ft	Refurb	Devs	Total	% Pre-let
2021	984,144	1,989,740	2,973,884	51%
2022	817,018	3,010,665	3,827,683	43%
2023	1,219,750	1,382,377	2,602,127	0%
2024	350,000	1,664,268	2,014,268	0%
Total	3,370,912	8,047,050	11,417,962	28%

## 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	16%
Total under offer (sq ft)	0.9m
Under offer this month (sq ft)	268,795
% change on average (total)	11%
Landlord controlled supply	65%
Tenant controlled supply	35%

\*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 September transactions

Table 7

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
Copyright Building, Berners Street, W1	Entire	87,150	A	early £80's	Netflix	Capita
2 Cavendish Square, W1	LG,3	18,139	A	£77.00	Confidential	Howard de Walden Estates
The Point, 37 North Wharf Road, W2	G	16,629	A	£55.00	Stats Perform	BT
6 Agar Street, WC2	3	12,826	A	£76.50	Autodesk	Legal & General

## Savills contacts

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## Significant supply

Table 8

Address	Postcode	Available Sq ft	Comments
80 Strand	WC2	253,000	Sublease
245 Hammersmith Road	W6	214,000	
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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