

West End Office Market Watch



Insurance & Financial Services occupiers continue to expand footprint

Take-up during September reached 275,880 sq ft across 32 transactions, bringing total Q3 leasing activity to 757,330 sq ft, an increase of 10% on the previous quarter, although remaining 38% lower than the 10-year average. The YTD figure is down by a similar margin of 37%, at 2.2m sq ft.

This has largely been a consequence of the fall off in demand from the Tech & Media sector, which has made up just 13% of space acquired so far this year compared to 29% between 2013 and 2022. Overall take-up from this sector is down 73% on the 10-year average.

An uptick in demand from financial services tenants has helped to partly offset this downturn, with many choosing to expand their current office footprint including Moelis & Co. and Houlihan Lokey that were mentioned in last month's update.

The largest transaction saw Rothesay Life take additional space at The Post Building, 21-31 New Oxford Street, WC1, through acquiring the 3rd and 4th floors (44,179 sq ft). The terms remain confidential at present.

In a further example, Qube Research & Technologies (QRT) leased the 6th and 7th floors (23,550 sq ft) at Landsec's recently completed new development N2, 1 Bressenden Place, SW1. This actually marks QRT's second expansion in this building, having initially acquired the 12th to part 15th floors (39,487 sq ft) in May 2022, before also taking the 11th floor (11,777 sq ft) shortly thereafter.

This is a trend we expect to see continue. A recent analysis of our active demand data reveals that of the financial occupiers on our schedule, a majority are looking to grow their existing footprint, while only 10% are actually looking to reduce it. A key

driver of this in the West End has been the Asset/Investment Management & Private Equity subsector which makes up of a quarter of tenants looking for space.

Rental growth should also benefit from this increase in demand given the sector's history of paying the top rents in the West End, having been responsible for over 75% of the £100+ rents achieved since 2020. We have already seen the YTD average prime rent reach a new high of £135.02 per sq ft, up 11% on the same time last year.

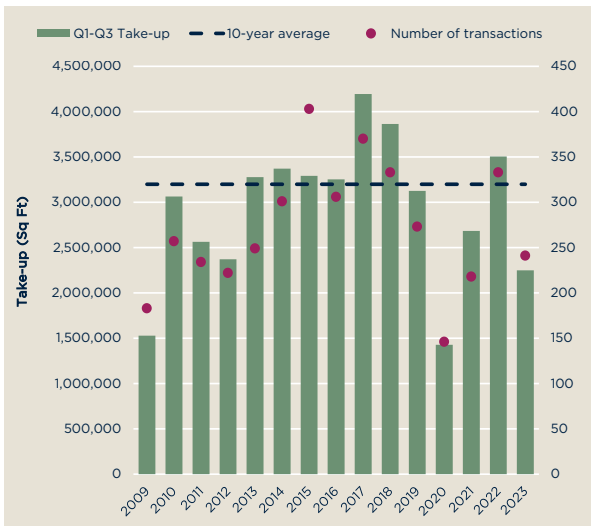
Overall supply remained stable, with the vacancy rate remaining unchanged at 7.2% for the fourth consecutive month. Recently, supply has spiked at the end of quarter due to the addition of new developments from an elevated pipeline. However, delays to schemes have blunted further rises from this source.

Key Stats

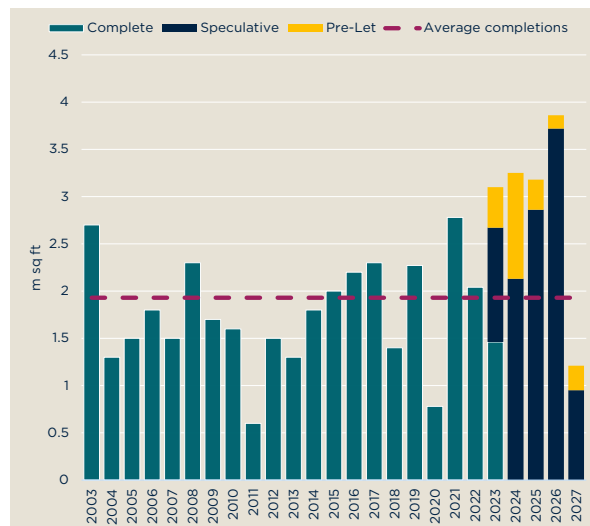


The Insurance & Financial Services sector accounts for 40% of Q1-Q3 take-up

Historic Q1-Q3 West End Take-up (sq ft)



2023-2027 West End Development Pipeline



Source Savills Research



Tenant-controlled space makes up just 13% of overall supply

West End Take-up (YTD)

% change on the 5-year average

-23%

% change on the 10-year average

-37%

West End & Central London Requirements

Active Requirements (sq ft)

5.9M

Potential Requirements (sq ft)

2.7M

Source Savills Research

£135.02

2023 YTD Prime Rent, up 11% on same period last year.

Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Sep 22	3,496,878	30%
Jan - Sep 23	2,249,340	-36%

Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2024	1,738,637	1,519,728	3,258,365	35%
2025	1,469,686	1,706,084	3,175,770	10%
2026	585,582	3,274,740	3,860,322	4%
2027	518,000	695,496	3,860,322	17%
Total	4,311,905	7,196,048	11,507,457	16%

Significant September transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
The Post Building, 21-31 New Oxford Street, WC1	3rd-4th	44,179	A	Confidential	Rothsay Life	Nationwide
N2, 1 Bressenden Place, SW1	6th-7th	23,550	A	Confidential	Qube Research & Technologies	Landsec
The Point, 37 North Wharf Road, W2	Part 5th	17,825	A	£80.00	Ipsen	Tishman Speyer
Priory House, 6 Wrights Lane, W8	Building	14,904	B	£54.00	Huckletree	ETA Travel
Arthur Stanley House, 40-50 Tottenham Court Road, W1	Ground-1st	12,888	A	£75.00	Ink Clothing	Westbrook Partners

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