

# West End Office Market Watch



## Subdued August dominated by the core and Insurance & Financial Services sector

Total take-up during August reached 186,420 sq ft across 25 transactions, marking the second weakest month we have recorded so far this year, with leasing activity largely characterised by a number of smaller deals. This took the overall YTD figure to 1.93m sq ft, down 28% on the 10-year average.

The largest transaction to complete this month was Moelis & Co's pre-let of the 2nd and 3rd floors (49,175 sq ft), roughly double the size of its current office in the City, at Derwent's 25 Baker Street, W1 development for £100.00 per sq ft on a 15-year term.

Only the ground floor remains, reflecting the strong demand for the newest stock, especially new build. Furthermore, this scheme's practical completion date is still over a year away, illustrating the increasing amount of time in advance that tenants are having to pre-let space, particularly for larger floorplates in core locations.

The second largest transaction to take place also marked an expansion with Houlihan Lokey increasing their existing footprint at 1 Curzon Street, W1 by acquiring the part 3rd floor (15,974 sq ft) for £130.00 per sq ft on a 10-year term.

Whilst last month's take-up saw an unusually high proportion of Grade B space acquired, in addition to relatively low levels of activity from the Insurance & Financial Services sector, August's leasing activity saw a return to the dominant themes we have seen so far this year.

The Insurance & Financial Services sector made up the majority of space acquired, at 54%, including all of the five largest transactions this month, where the tenant has been disclosed.

Consequently, take-up has largely been weighted towards the core, with Mayfair and St James's accounting for 40% of

this August's transactions by number. Furthermore, 98% was of Grade A quality.

Overall supply fell marginally this month to 8.5m sq ft, while the vacancy rate remained at 7.2% for the third consecutive month. Notably, the only months we have witnessed a rise in the vacancy rate year have been at the end of the quarter when speculative developments due two quarters ahead are added to supply figures. This suggests that this year's elevated development pipeline has been the primary driver of supply increases rather than grey space. In fact, tenant-controlled space stands at 1.6m sq ft, well below the peak reached during the pandemic of 2.7m sq ft.

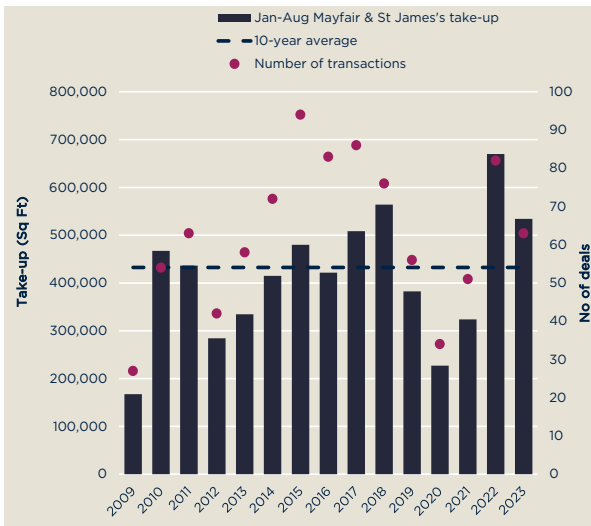
Moreover, while pipeline completions are expected to remain above the 10-year average next year, many schemes have faced delays in light of elevated debt costs, build costs and general economic uncertainty.

### Key Stats

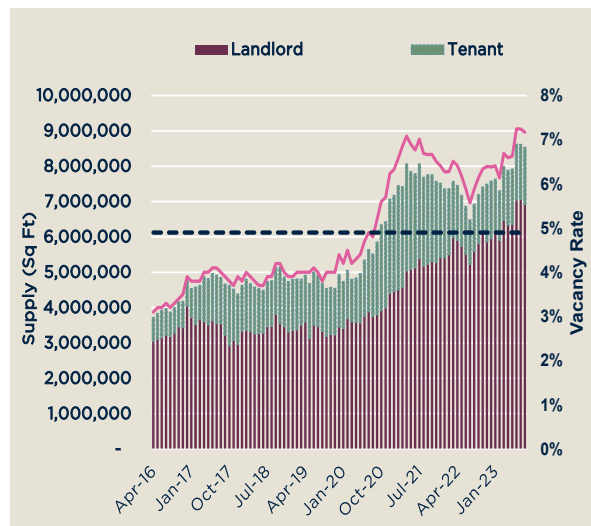


Vacancy rate remains at 7.2% for the third consecutive month

#### Historic Mayfair & St James's take-up



#### Landlord vs. tenant-controlled supply



Source Savills Research

#### West End Take-up (YTD)

% change on the 5-year average

**-23%**

% change on the 10-year average

**-28%**

#### West End & Central London Requirements

Active Requirements (sq ft)

**5.8M**

Potential Requirements (sq ft)

**2.7M**

Source Savills Research



17% of the 2023-2026 pipeline is now pre-let



Number of pre-lets stands at 19, up on the 10-year average of 12

## Year-to-date take-up

Table 1

	Sq ft	% change on previous year
Jan - Aug 22	2,870,568	45%
Jan - Aug 23	1,934,652	-33%

## Development pipeline

Table 2

Sq ft	Refurb	Devs	Total	% Pre-let
2023	828,630	1,950,933	2,779,563	42%
2024	956,006	1,919,093	2,875,099	22%
2025	1,421,084	1,364,230	2,785,314	6%
2026	3,274,740	585,582	3,860,322	4%
Total	6,480,460	5,819,838	12,300,298	17%

## Significant August transactions

Table 3

Address	Floor/s	Sq ft	Grade	Rent achieved	Tenant	Lessor
25 Baker Street, W1	2nd-3rd	49,175	A	£100.00	Moelis & Co.	Derwent
1 Curzon Street, W1	Part 3rd	15,974	A	£130.00	Houlihan Lokey	BEAM
20 Carlton House Terrace, SW1	Ground	13,317	A	Confidential	BP	Clivedale
101 New Cavendish Street, W1	Part 2nd	11,084	A	£79.50	Zenium Technology Partners	Welput
One Hooper's Court, Basil Street, SW3	Part 3rd	9,891	A	£107.50	Farrallon Capital	Chelsfield

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