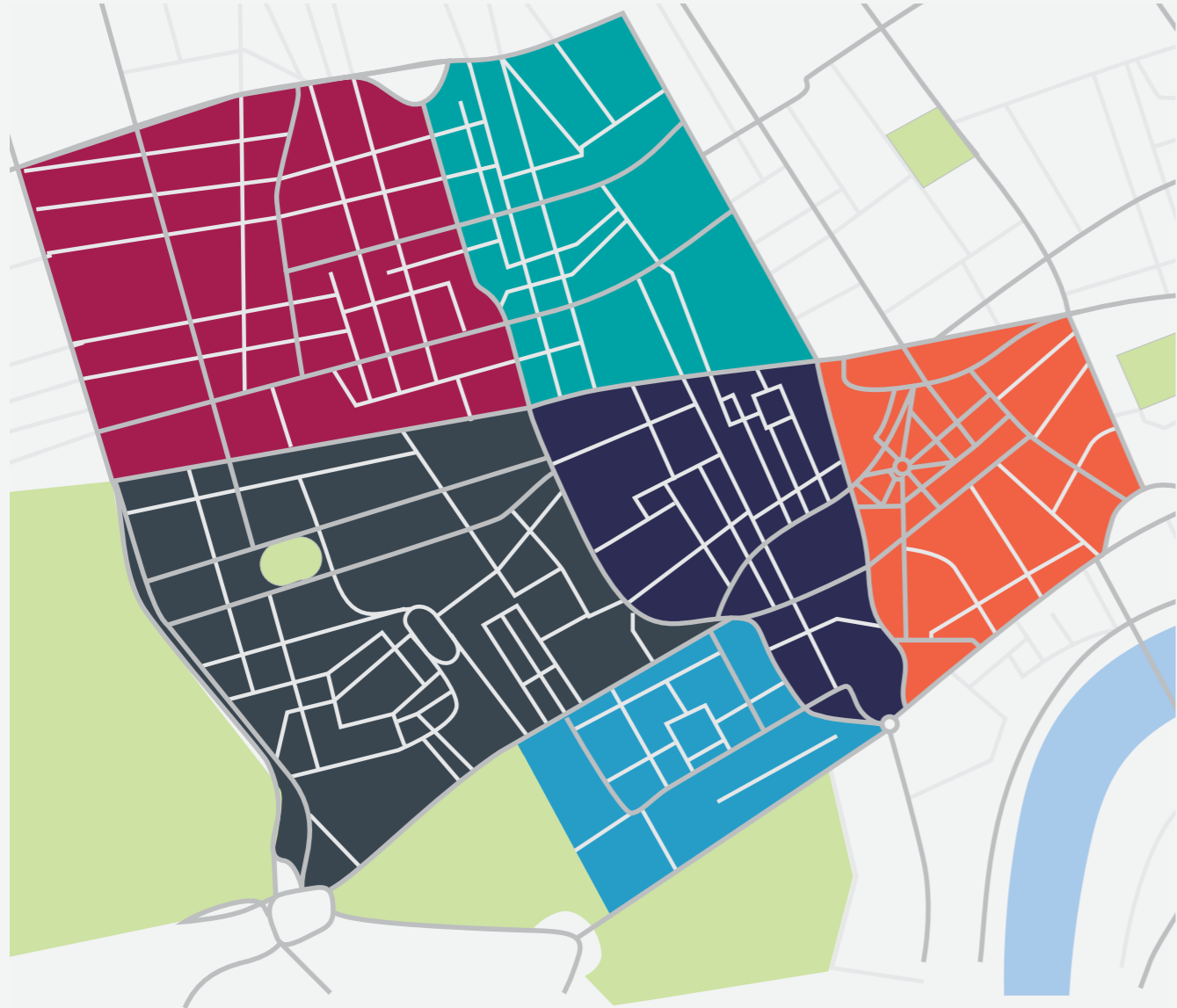


WEST END  
OFFICES  
**SUBMARKETS  
RESEARCH**

— Q2 2020





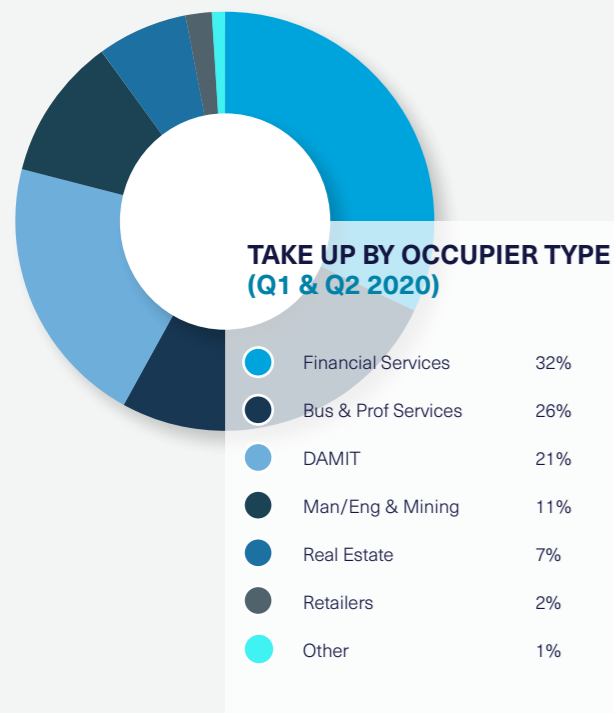
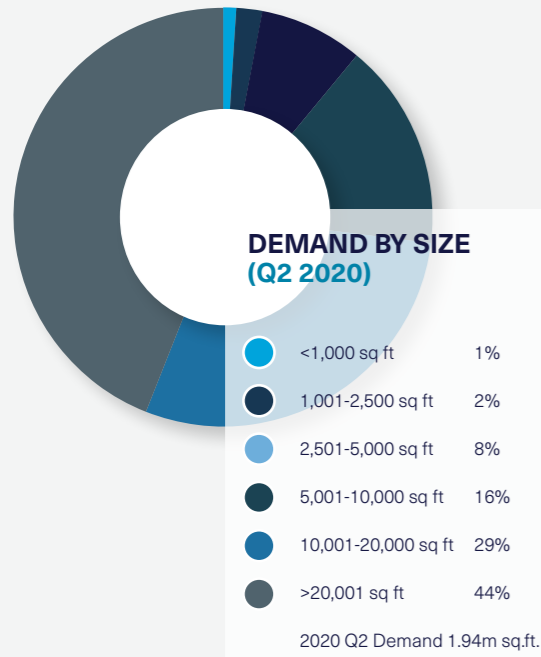
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# WEST END OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



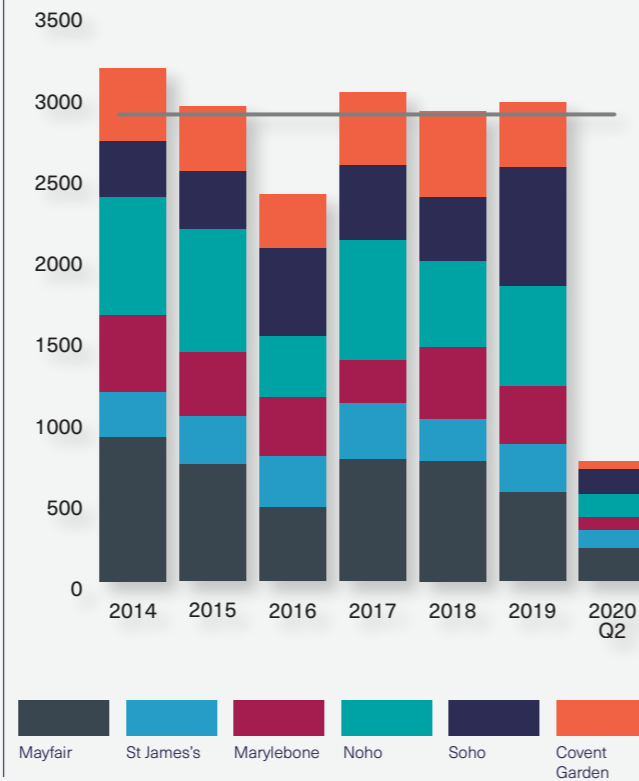
Activity slowed in the 'core' West End markets in Q2 2020, with 268,175 sq ft of take up recorded across a total of 53 transactions. Covid-19 affected levels of activity in the second quarter are 70% below the long run average quarterly take up level for the 'core' West End of 720,000 sq ft in 190 transactions.

Take up in the first six months of the year now stands at 761,023 sq ft, with most sub markets seeing activity rates significantly below trend levels for obvious reasons. The main exception to this has been in St James's, where take up has remained relatively resilient, albeit with a much reduced number of transactions.

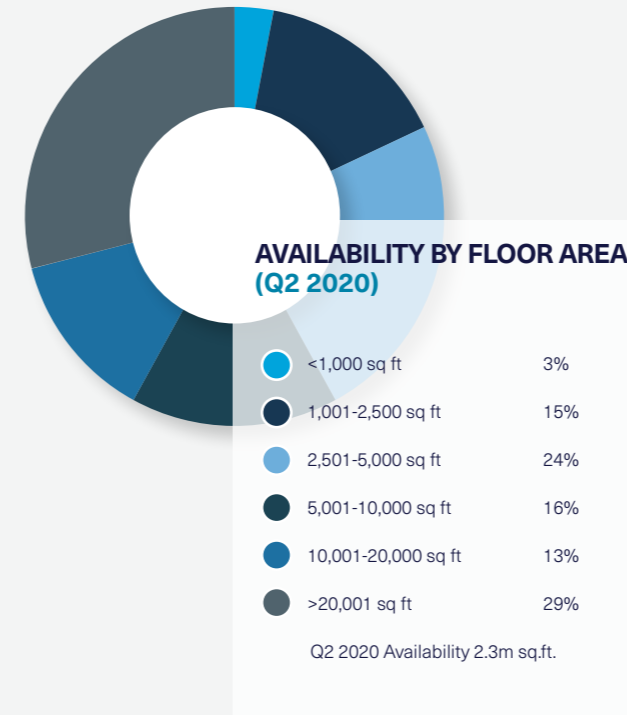
Supply edged upward to 2.3m sq ft across the 'core' West End markets in Q2, although the picture was varied across the sub markets, with Mayfair, Marylebone and Soho seeing the most significant increase, whilst St James's and Covent Garden saw a continued tightening. Grade A supply edged up to 1m sq ft, accounting for 45% of total space on the market. The overall availability rate edged up to 4.6% from 4.3% at the end of Q1.

Demand in the 'core' West End markets eased back significantly as occupiers reviewed their space requirements in the light of the Covid-19 experiences. Demand eased back to 1.94m sq ft from 3.1m sq ft at the end of Q1, although several sectors have increased their floor space requirements despite the current environment. Financial service companies increased their requirements for West End floor space by 20% over the past three months, whilst the demand from retailers has reduced significantly.

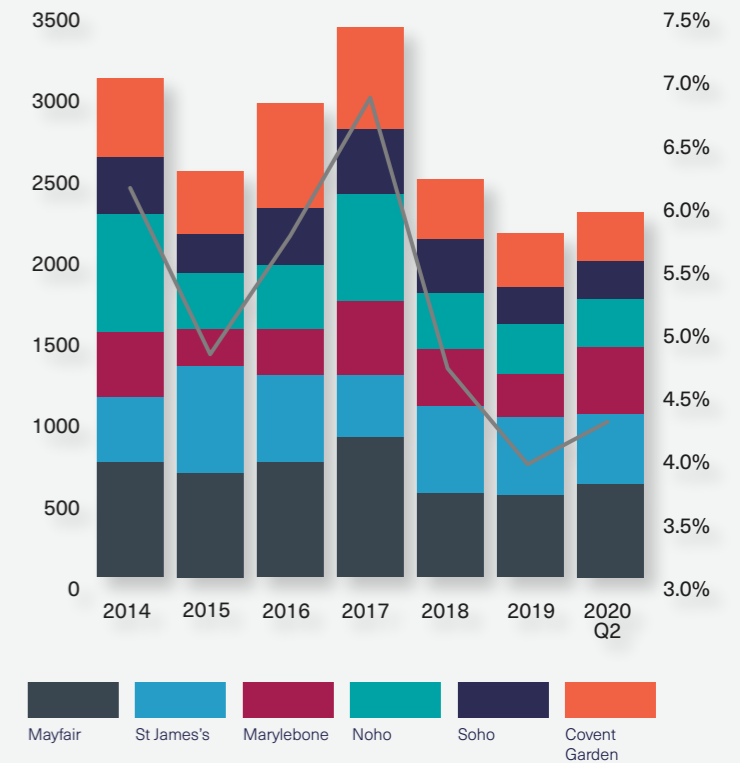
### WEST END TAKE UP (000's sq ft.)



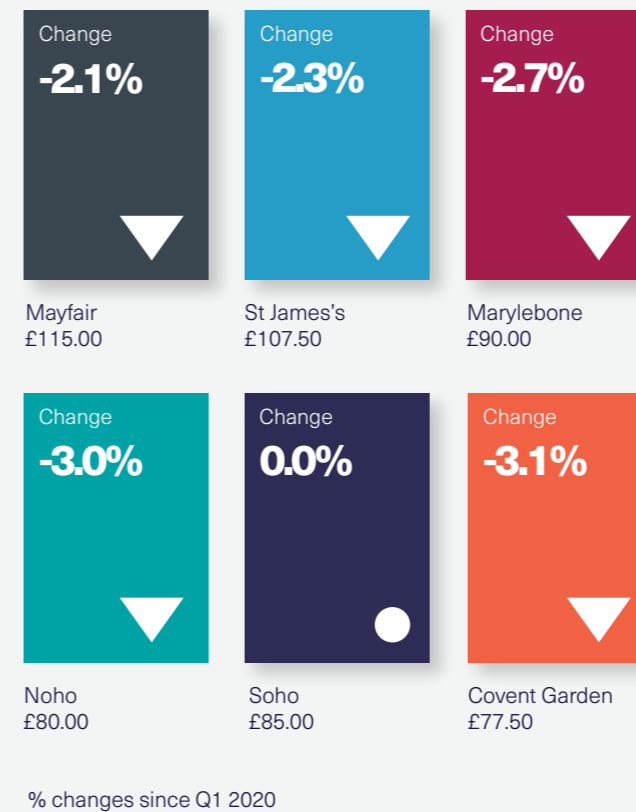
## SUPPLY



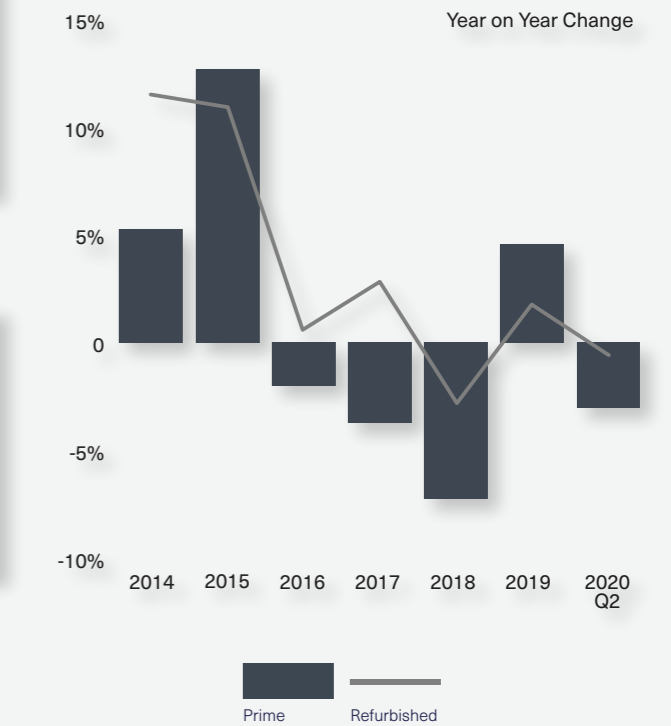
### WEST END AVAILABILITY (000's sq ft.)



## PRIME RENTAL VALUES



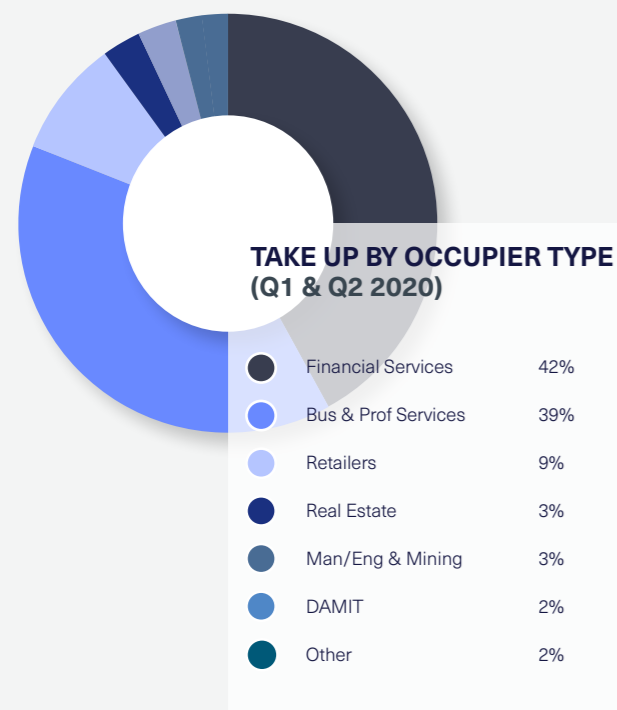
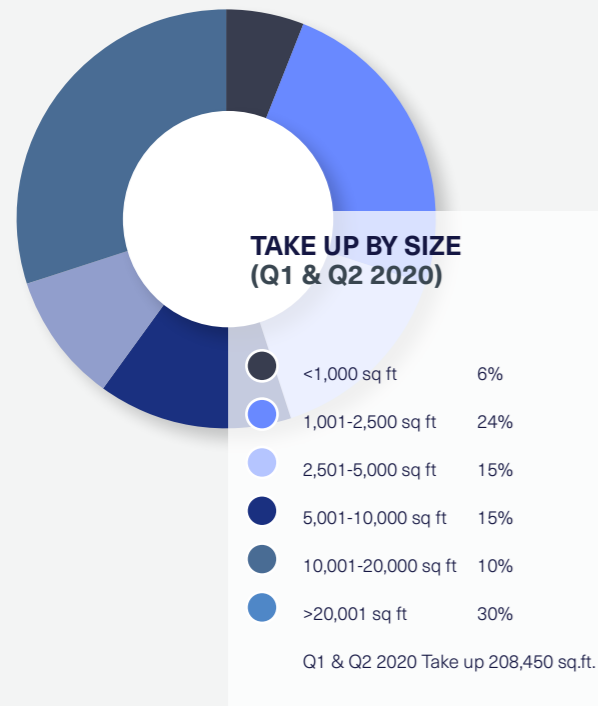
### PRIME & SECONDARY RENTAL GROWTH



# MAYFAIR OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



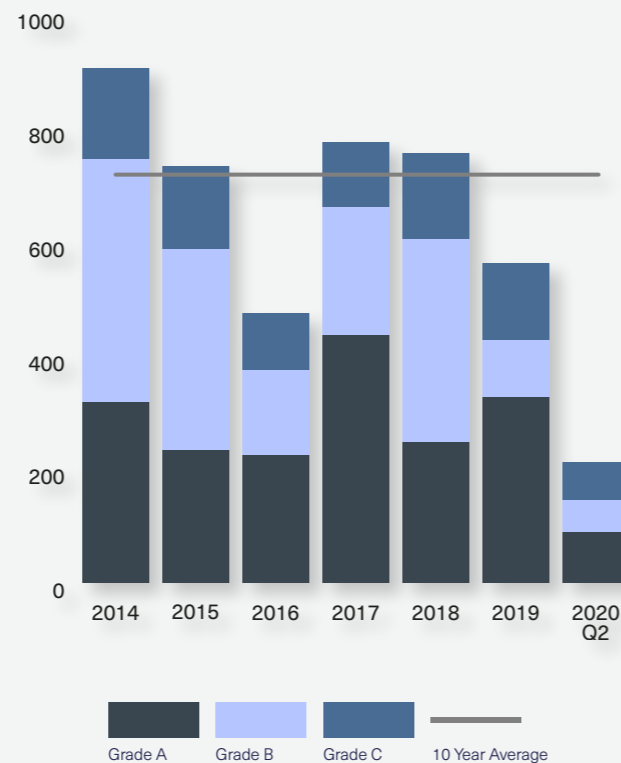
Take up eased significantly in the Mayfair market in Q2 2020 as 'lockdown' reduced market activity to 45,688 sq ft across 21 transactions. The first half of the year has now seen 208,450 sq ft of lettings in 64 transactions, with full year activity expected to be well below trend levels of 705,000 sq ft per annum.

Activity in the second quarter was typified by smaller transactions, with only one deal above 5,000 sq ft completing, the 7,990 sq ft letting to debt management group, Arcmont Asset Management at 5 Hanover Square. Financial services companies have continued to dominate activity in the Mayfair market, accounting for 42% of take up in the year to date.

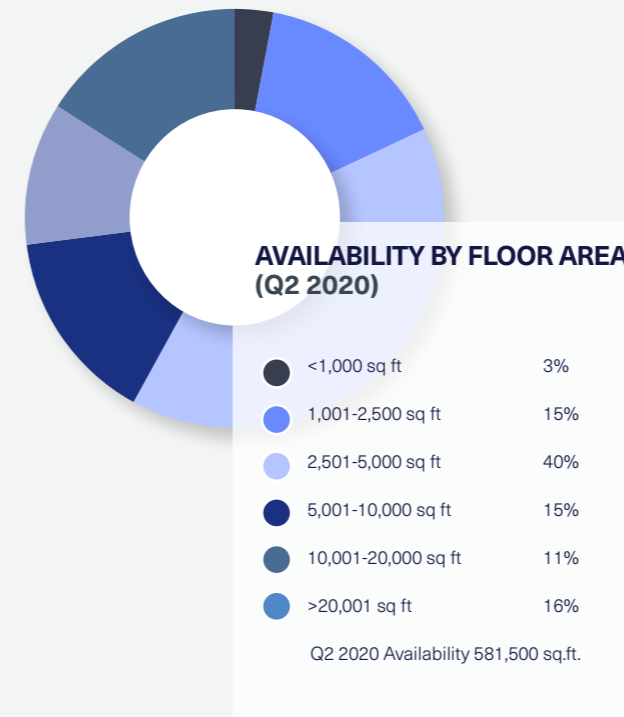
Supply increased for the first time in three years, moving up by almost 70,000 sq ft since the start of the year to 581,500 sq ft. Whilst this is a significant move for the market, the availability rate remains close to its low point, standing at 4.6%. The majority of the rise in supply has been in Grade A space, which increased to 245,200 sq ft, or 42% of stock on the market.

Prime rents in Mayfair slipped back to £115.00 per sq ft, levels last seen in the middle of last year, when the market was undermined by Brexit uncertainty. Rents on both refurbished and unrefurbished space also eased, falling to £85.00 per sq ft and £62.50 per sq ft respectively.

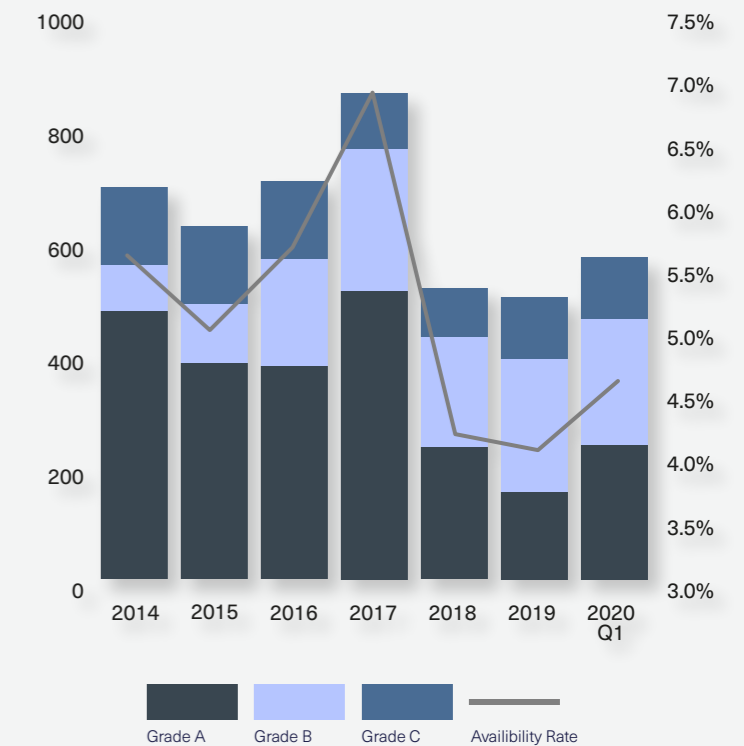
### MAYFAIR TAKE UP (000's sq ft.)



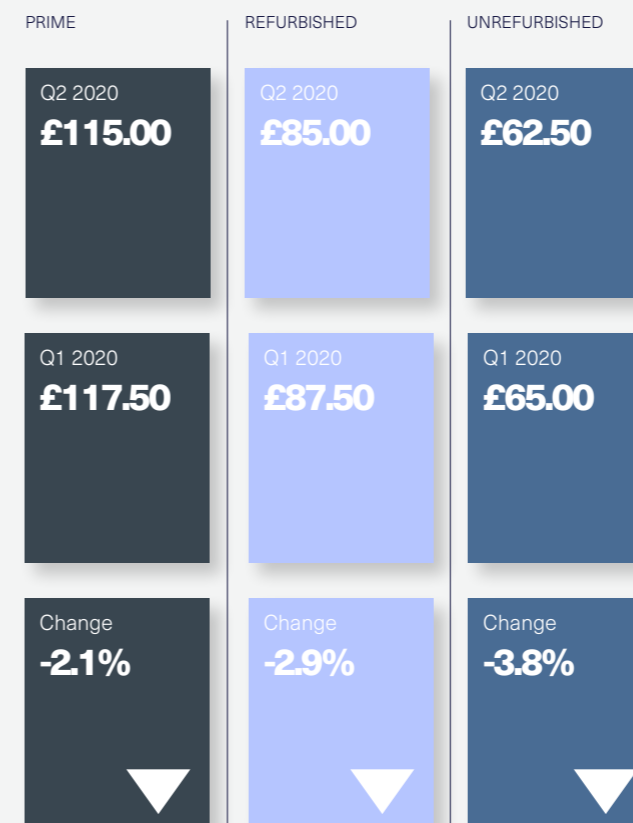
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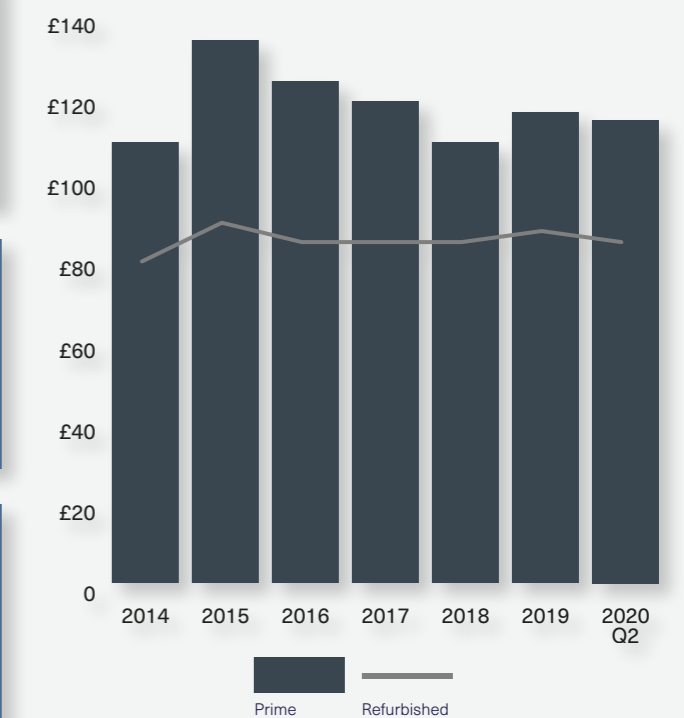
### MAYFAIR AVAILABILITY (000's sq ft.)



## RENTAL VALUES



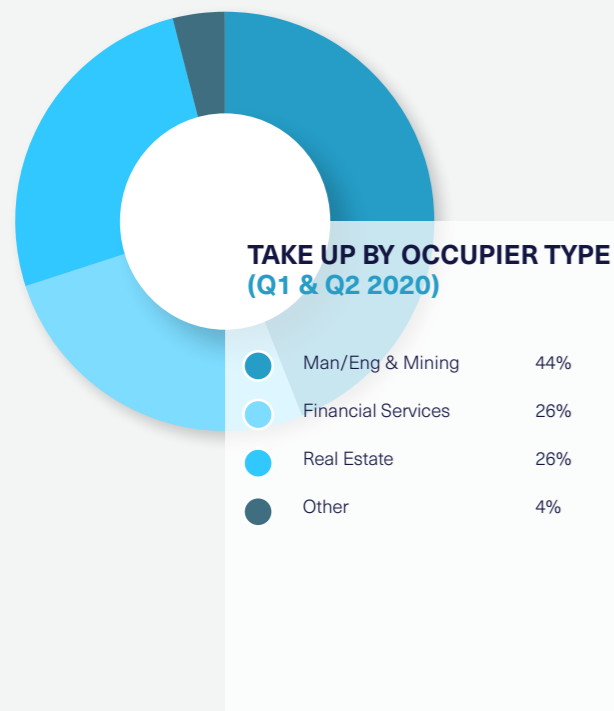
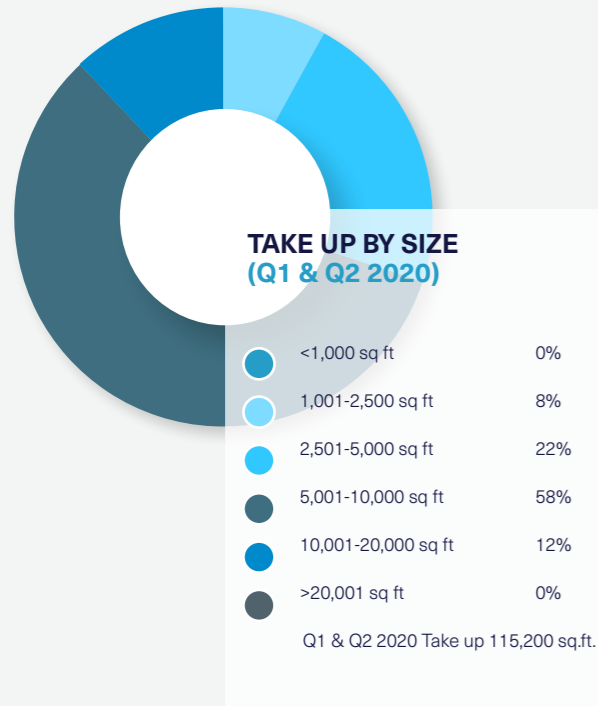
### PRIME & SECONDARY RENTAL GROWTH



# ST JAMES'S OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



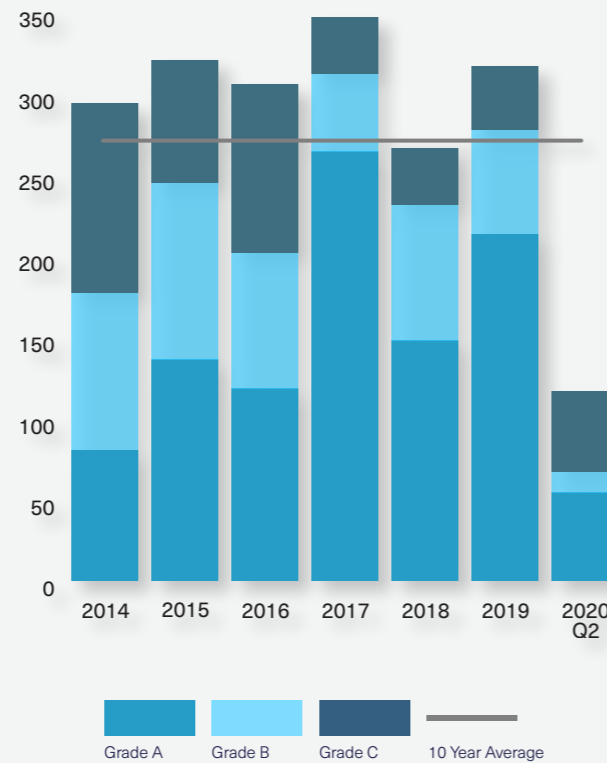
Activity in St James's has 'bucked the trend' of the other West End markets, remaining at trend levels in the first six months of 2020 despite the impacts of 'lockdown'. Take up stands at 126,650 sq ft at the half year point across 25 transactions.

Take up in Q2 2020 was boosted by two larger lettings, with aerospace group, Leonardo taking 14,064 sq ft at 1 Eagle Square, whilst Blackstone Real Estate took 9,130 sq ft at 11 St James's Square. Apart from these two transactions, activity levels have remained subdued in the second quarter.

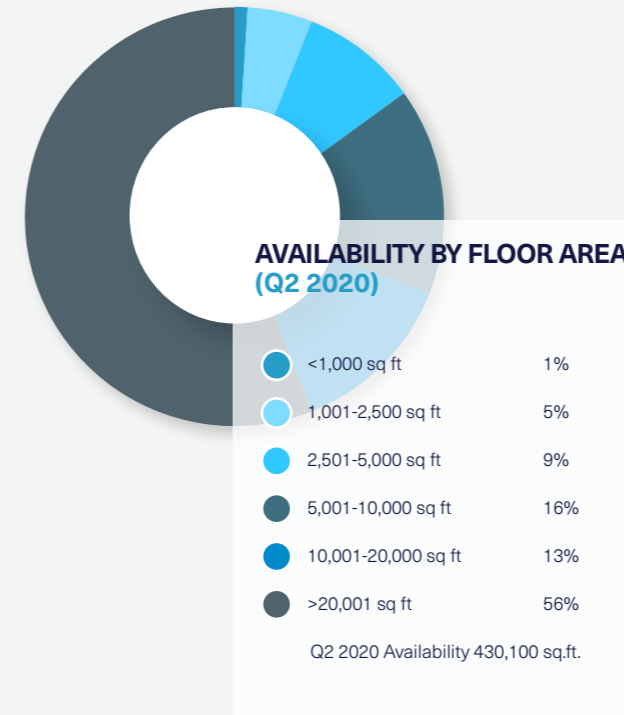
The good start to the year has seen supply move down to its lowest level in three years, standing at 430,100 sq ft at the end of June 2020. St James's currently has the best supply of Grade A space on the market, with 310,600 sq ft currently being marketed, with 65% of this space in larger buildings.

Prime rents in St James's have continued to slip and now stand at £107.50 per sq ft, their lowest level since 2012/13. Rents on refurbished and unrefurbished space have remained more robust at £77.50 per sq ft and £62.50 per sq ft respectively and are now broadly comparable to rents for similar stock in the Marylebone market.

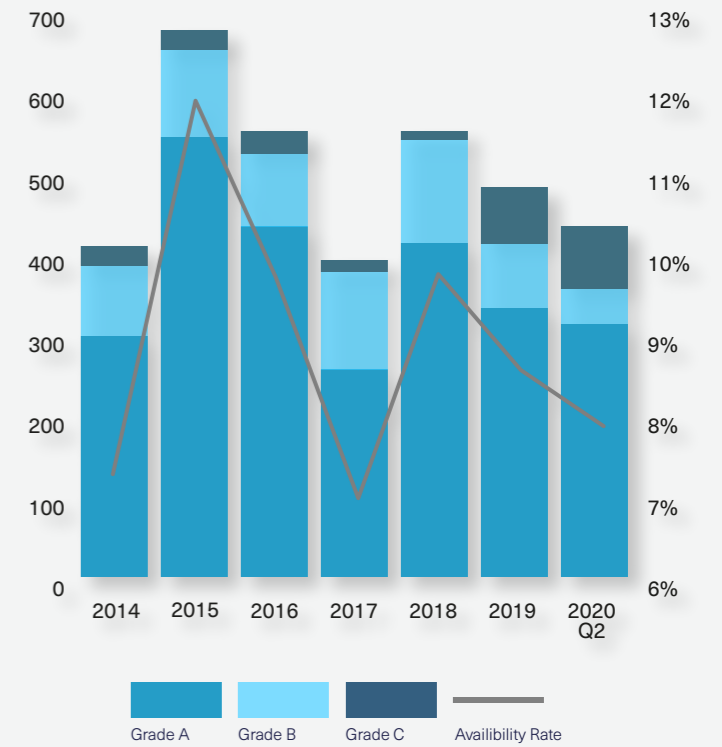
### ST JAMES'S TAKE UP (000's sq ft.)



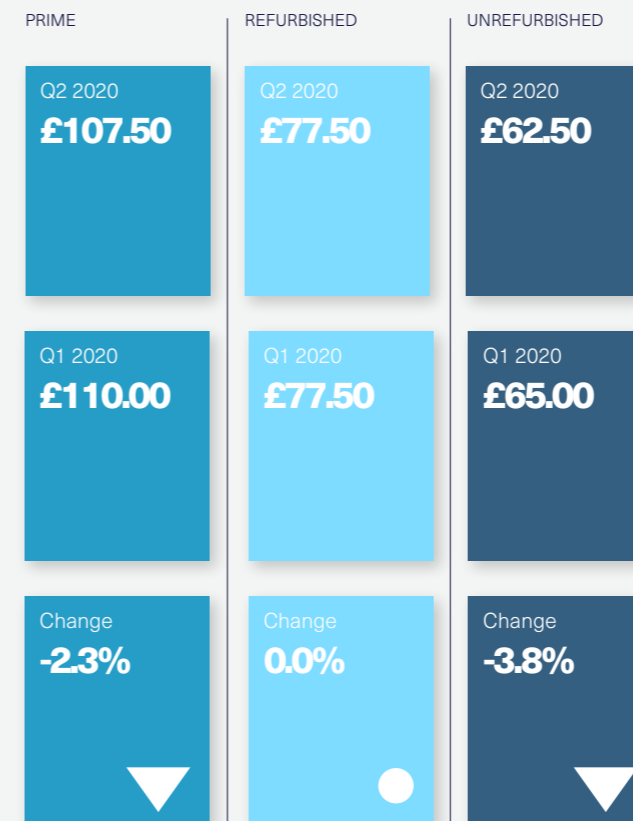
## SUPPLY



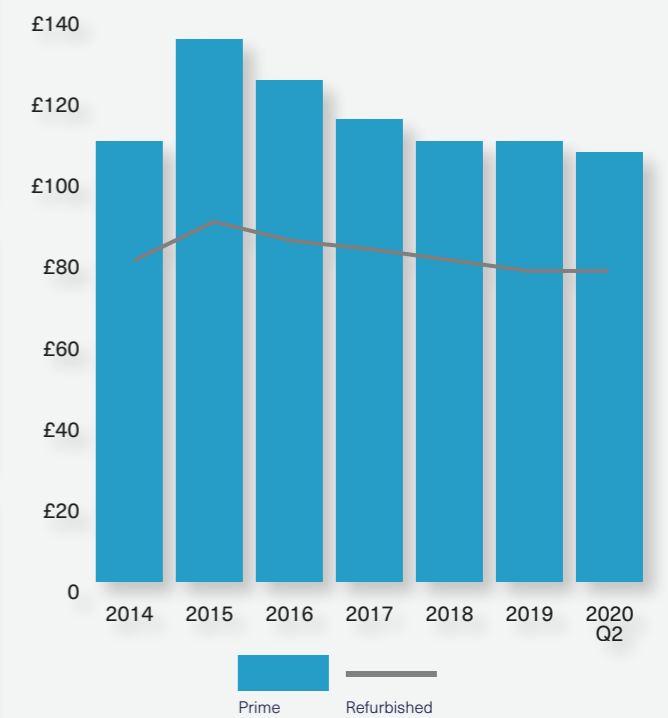
### ST JAMES'S AVAILABILITY (000's sq ft.)



## RENTAL VALUES



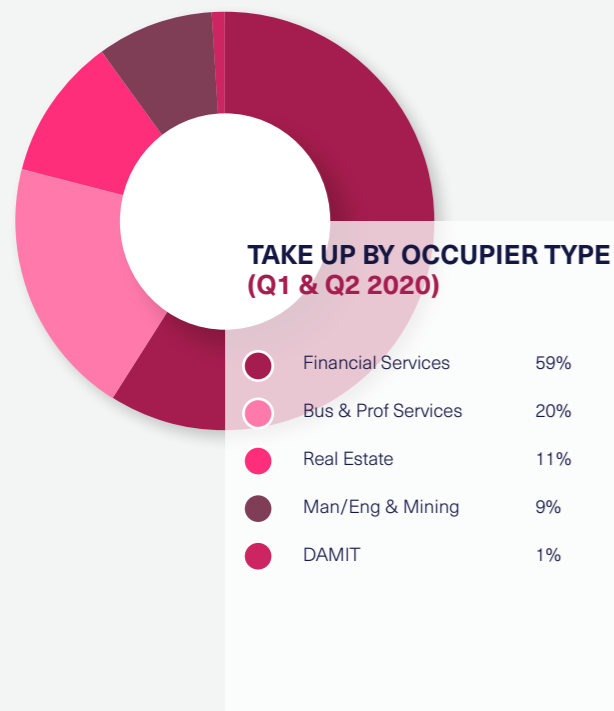
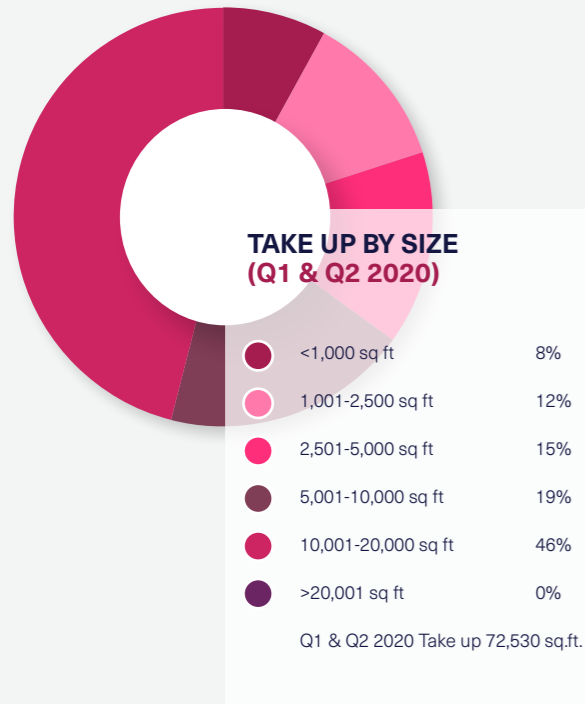
### PRIME & SECONDARY RENTAL GROWTH



# MARYLEBONE OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



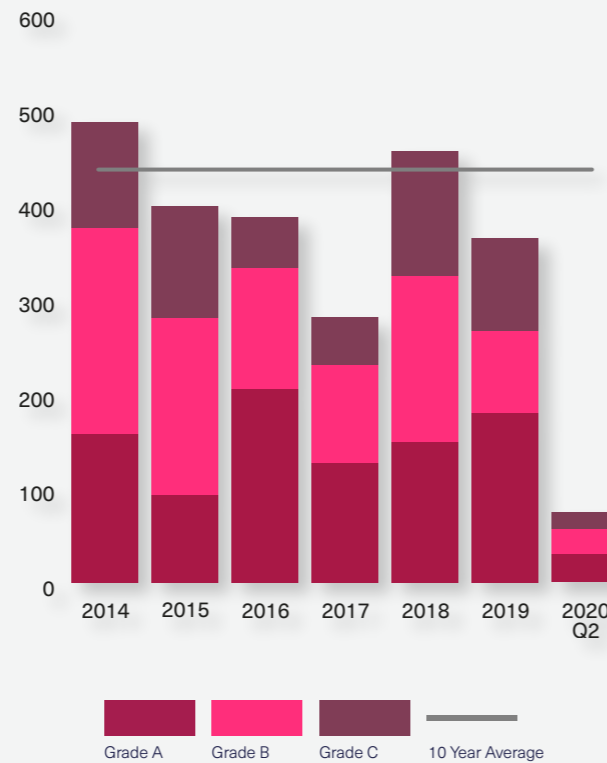
Take up in Marylebone has remained below trend in the first six months of 2020, as the market remained slow. Total activity in the first half of the year was 72,530 sq ft in 20 transactions. Transaction levels are significantly down on recent years, where market turnover has averaged 25 transactions per quarter.

The largest deal in Q2 2020 was the 14,614 sq ft letting to Toscafund Asset Management at Ferguson House, Marylebone Road. Financial services companies have dominated activity in the Marylebone market over the past 12 months and have accounted for the two largest lettings in the year to date.

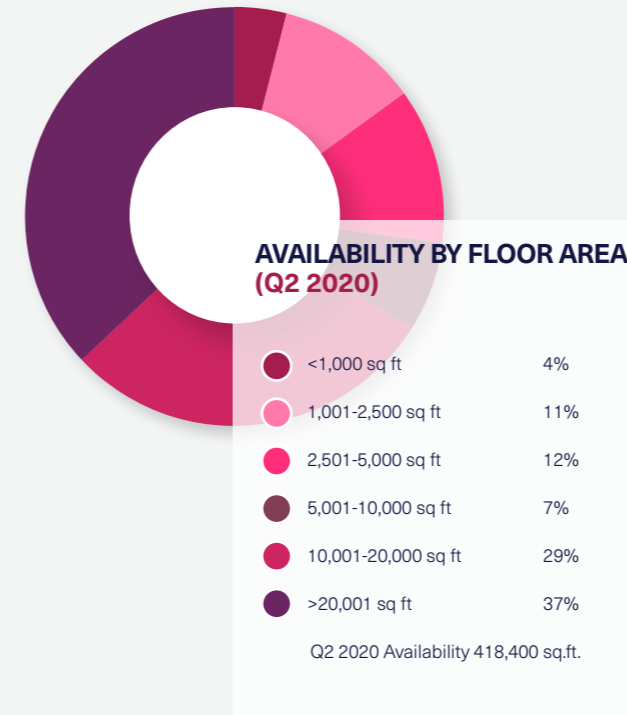
Supply increased by 75,000 sq ft to 418,400 sq ft as the activity levels slowed. Availability is now at its highest level since Q1 2018, with several new Grade A buildings coming to the market, the Portman Estates 18,500 sq ft building at 16 Bryanston Street and the Howard de Walden Estate's recently refurbished 142-146 Harley Street. Both buildings are suitable for D1 or educational uses.

Prime rents in Marylebone eased back to mid 2019 levels at £90.00 per sq ft on the back of slow market activity and increased supply. Rents on both refurbished and unrefurbished space remained stable at £75.00 per sq ft and £62.50 per sq ft respectively.

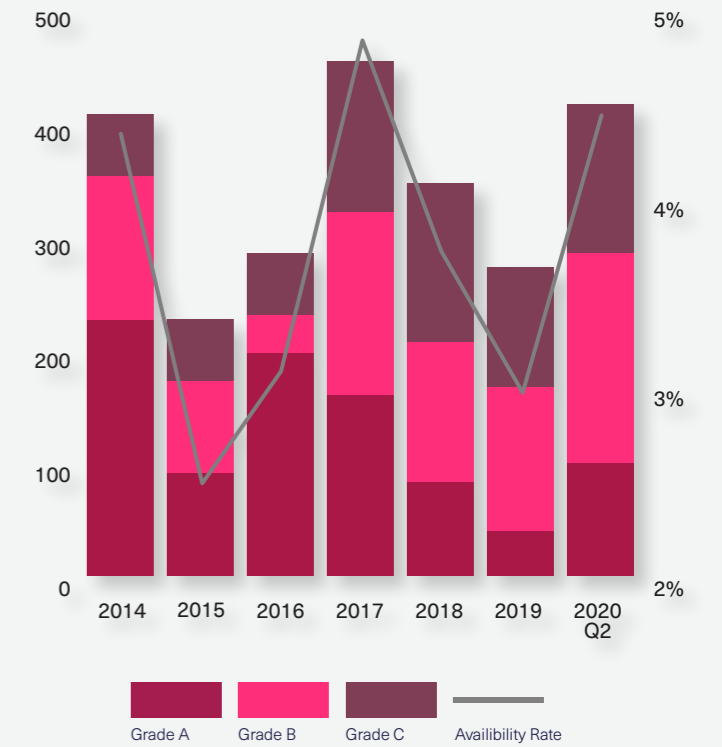
### MARYLEBONE TAKE UP (000's sq ft.)



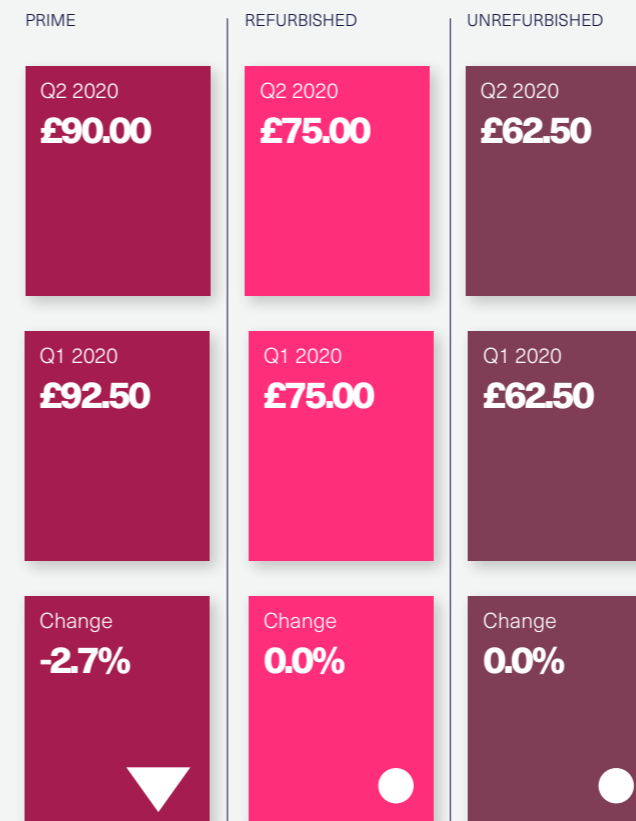
## SUPPLY



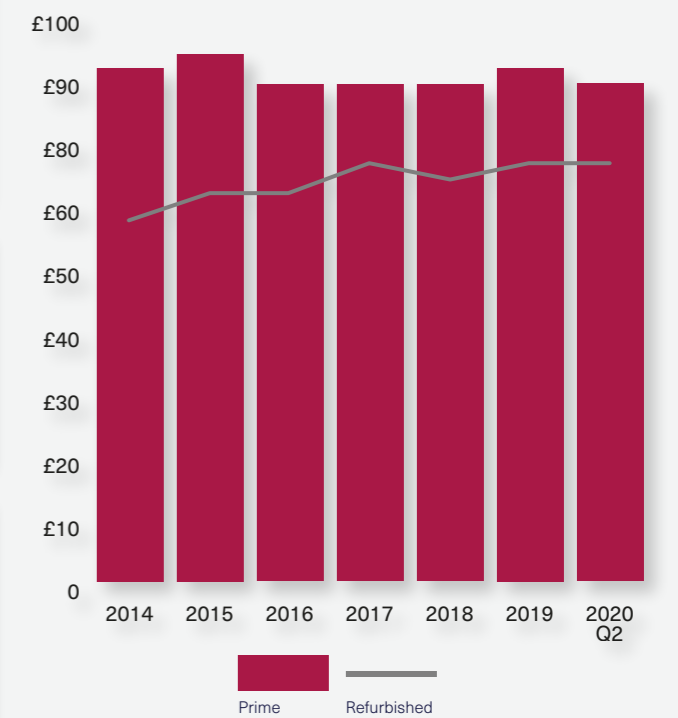
### MARYLEBONE AVAILABILITY (000's sq ft.)



## RENTAL VALUES



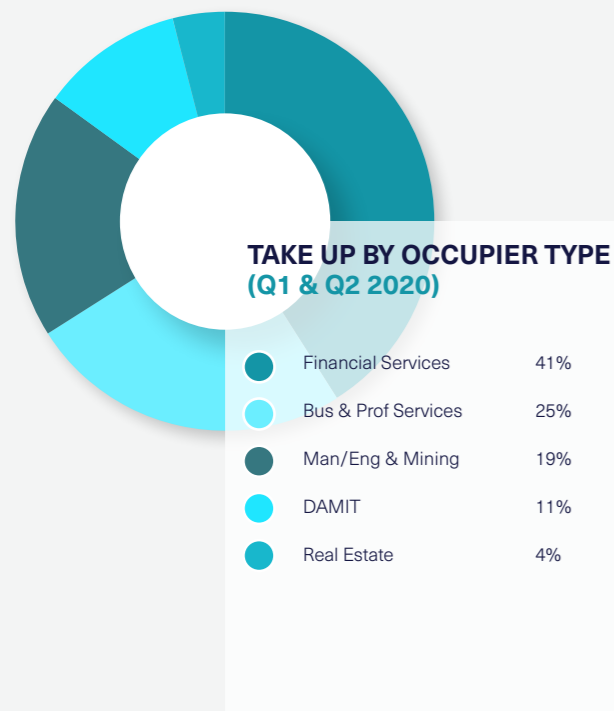
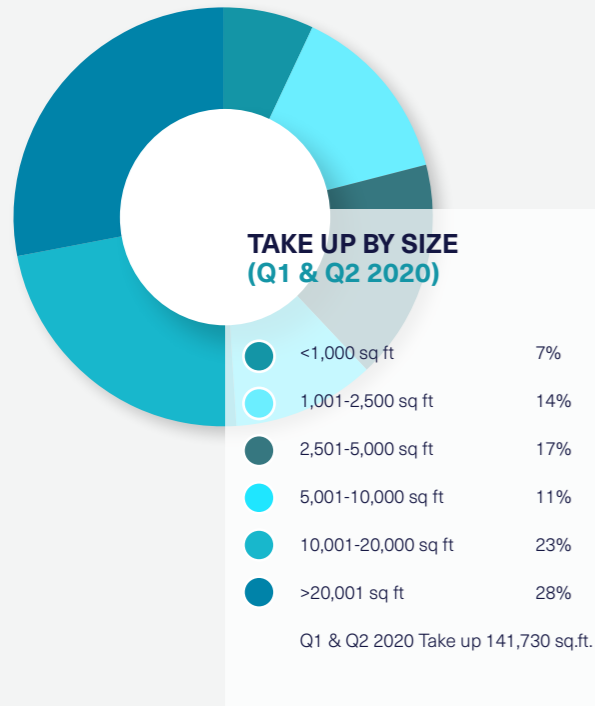
### PRIME & SECONDARY RENTAL GROWTH



# NOHO OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



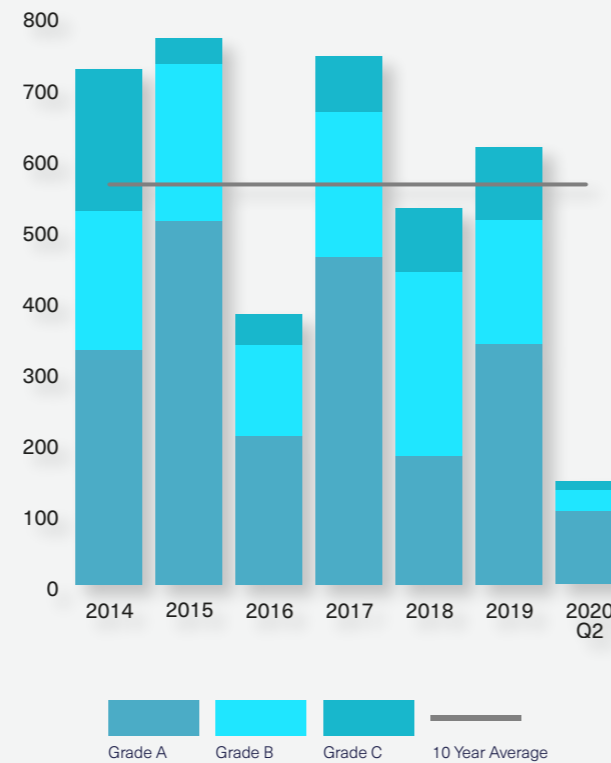
Noho has been one of the strongest sub markets in the West End over the past few years but it has not been immune from the impacts of the Covid-19 'lockdown'. In the first six months of the year take up has been 141,730 sq ft across 38 transactions, with only six of these deals completing in Q2.

Despite the slowing, Noho registered the second largest transaction in Q2, the 39,970 sq ft pre let to brokers Exane BNP Paribas at Great Portland Estate's Oxford House scheme at 1 Newman Street development. The 119,100 sq ft scheme is due to complete in May 2021.

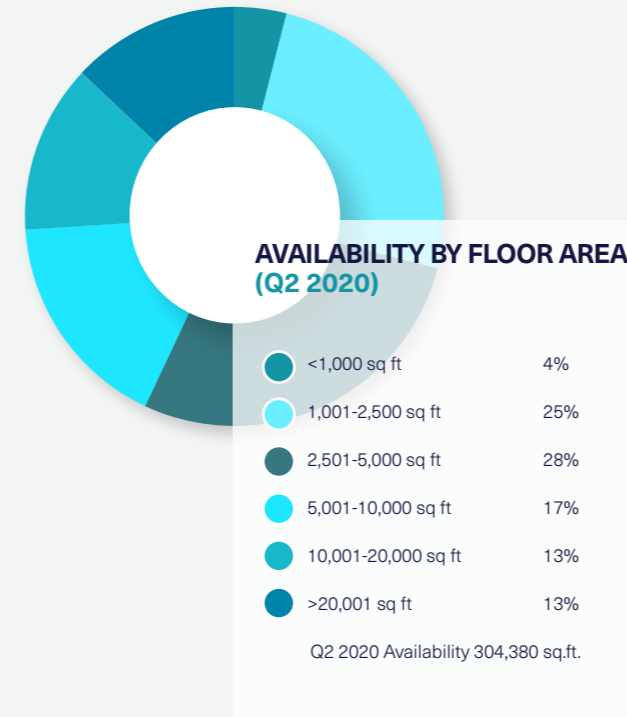
Unlike most other 'core' West End markets, supply in Noho has reduced over the first half of 2020, falling to 304,380 sq ft. The reduction in supply has arisen despite the remarketing of 40,000 sq ft at Derwent London's 80 Charlotte Street, which completed during Q2. The availability rate remains one of the lowest amongst the West End sub markets, standing at 3.5%.

Rents on refurbished space in Noho edged up slightly to £65.00 per sq ft, probably in response to the low levels of Grade B stock on the market. Prime rents eased slightly to £80.00 per sq ft on the back of the uptick in availability in this sector of the market.

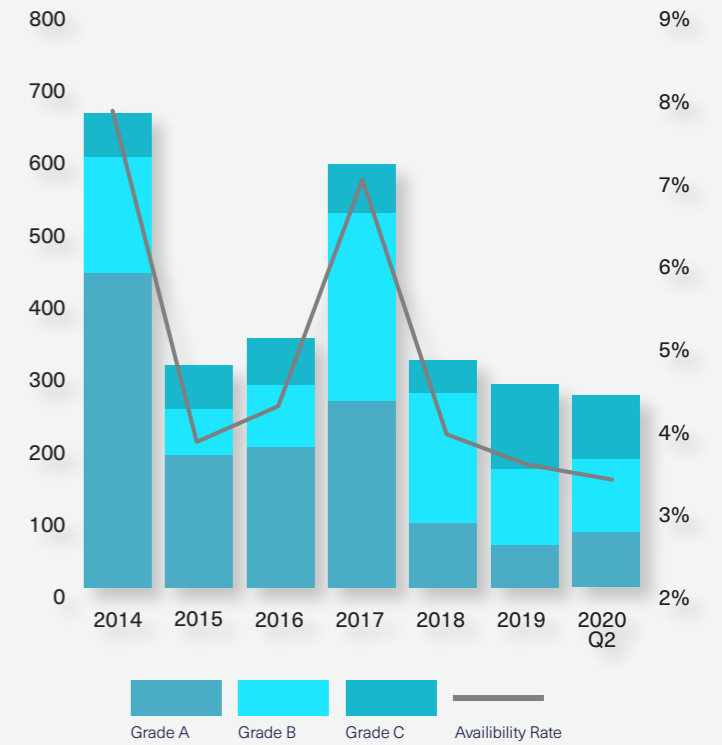
### NOHO TAKE UP (000's sq ft.)



## SUPPLY



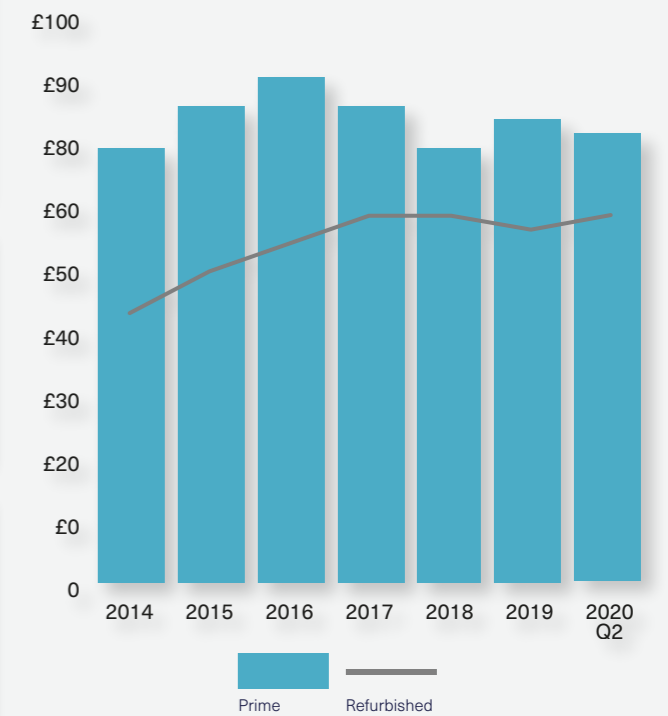
### NOHO AVAILABILITY (000's sq ft.)



## RENTAL VALUES



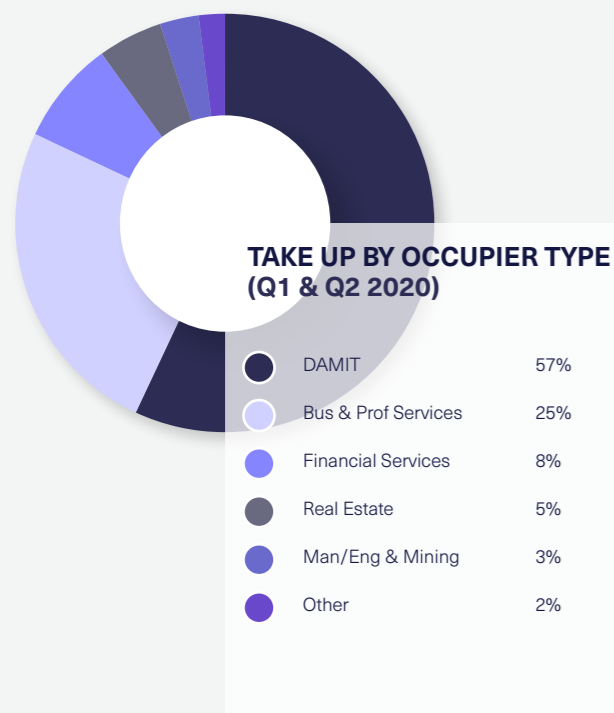
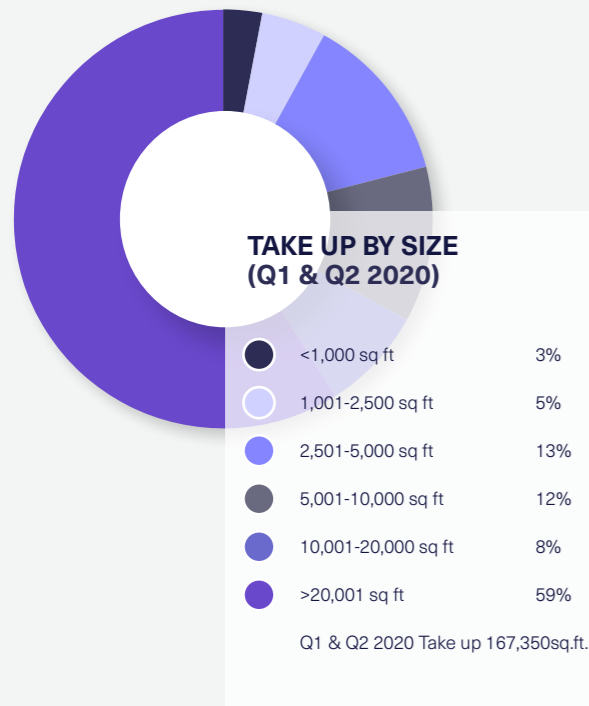
### PRIME & SECONDARY RENTAL GROWTH



# SOHO OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



Grade A supply in Soho increased in Q2 2020, more than doubling to 119,020 sq ft, with a number of floors coming onto the market. The largest of these was the 22,276 sq ft in the recently refurbished 25 Argyll Street. Overall supply now stands at 242,660 sq ft, the highest level since mid 2019. The availability rate remains one of the lowest amongst the 'core' West End markets at 3.7%.

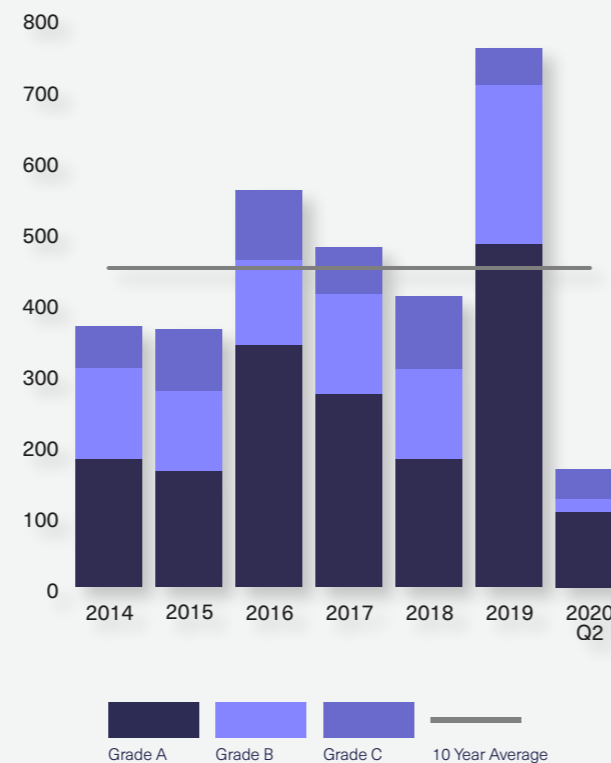
Take up in Q2 was boosted by the largest transaction in the quarter, with Roxor Gaming pre letting 65,896 sq ft at 25 Golden Square. Activity in the quarter was 89,850 sq ft in eight transactions.

In addition, BDG Sparkes Porter let 12,727 sq ft to forex trading group Argentex Group at 25 Argyll Street.

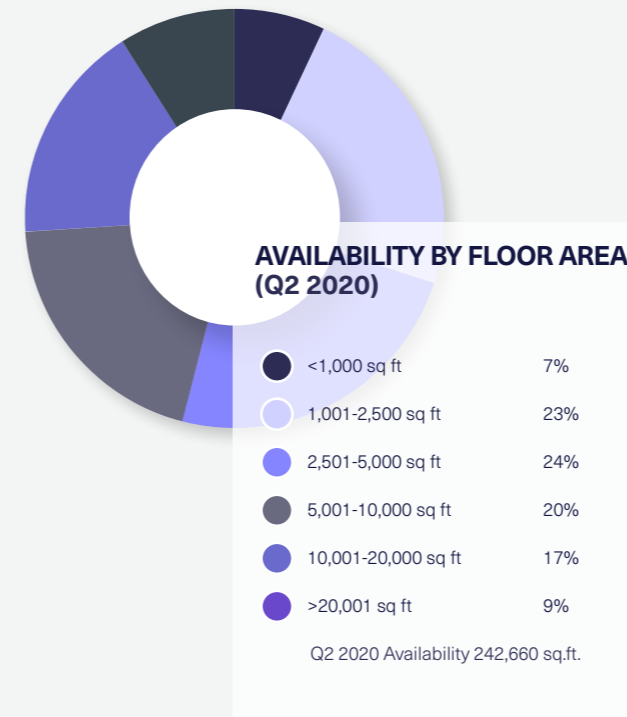
Activity is expected to end the year below trend levels as occupiers continue to re assess their occupational requirements.

Prime rents and rents on unrefurbished space in Soho remained stable at £85.00 per sq ft and £57.50 per sq ft and still offers some of the best space on the market for occupiers in the 'creative' sector. Rents on refurbished space fell back by 3.3% to £72.50 per sq ft.

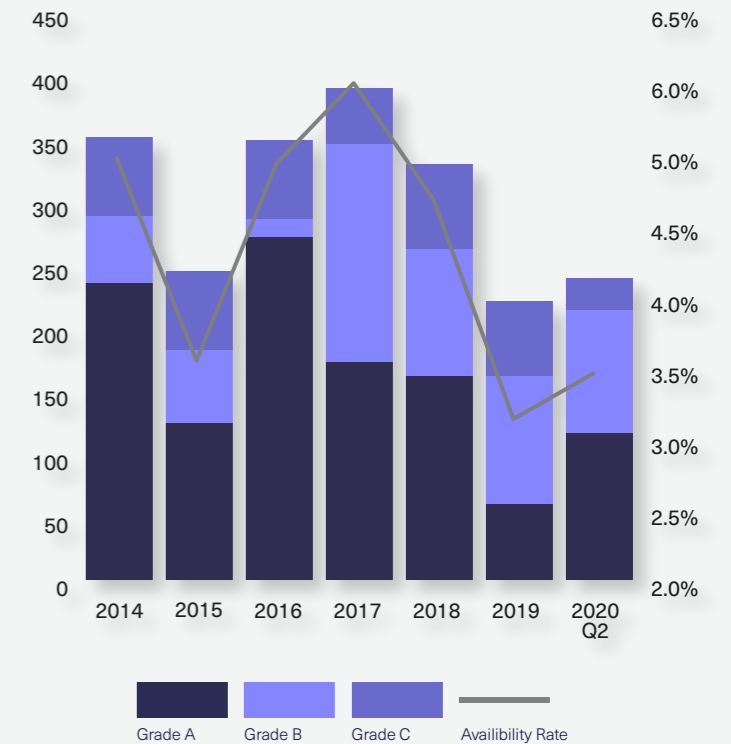
### SOHO TAKE UP (000's sq ft.)



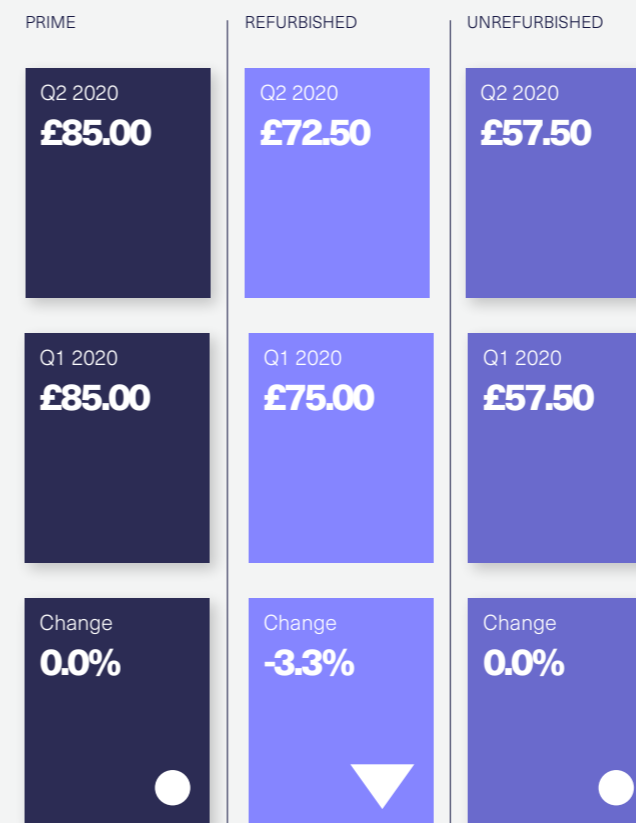
## SUPPLY



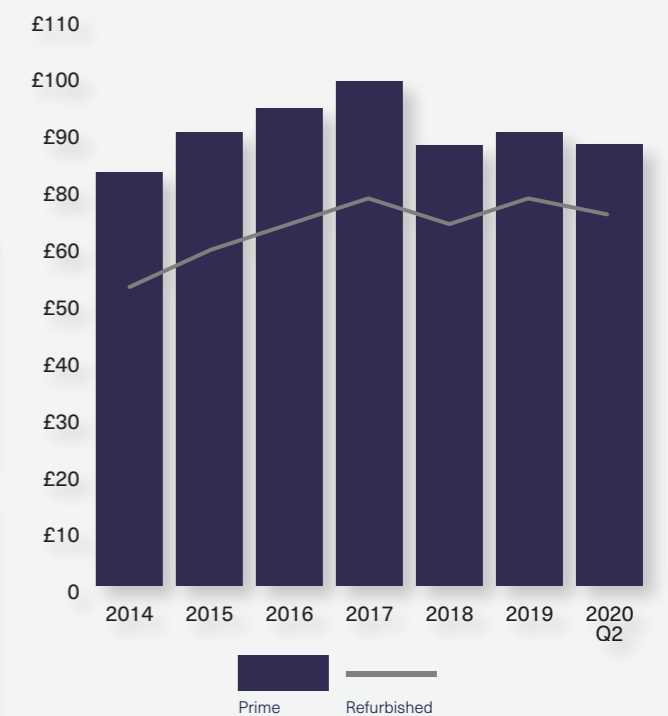
### SOHO AVAILABILITY (000's sq ft.)



## RENTAL VALUES



### PRIME & SECONDARY RENTAL GROWTH

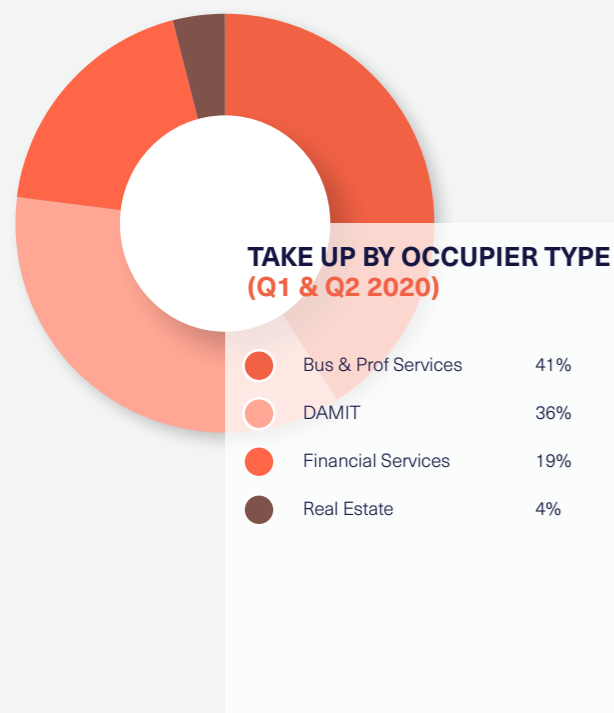
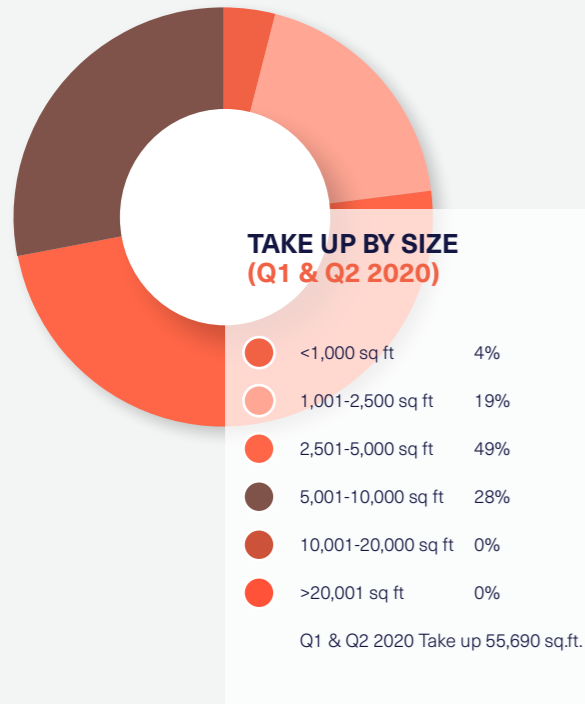




# COVENT GARDEN OFFICE MARKET

## COMMENTARY

### TAKE UP & DEMAND



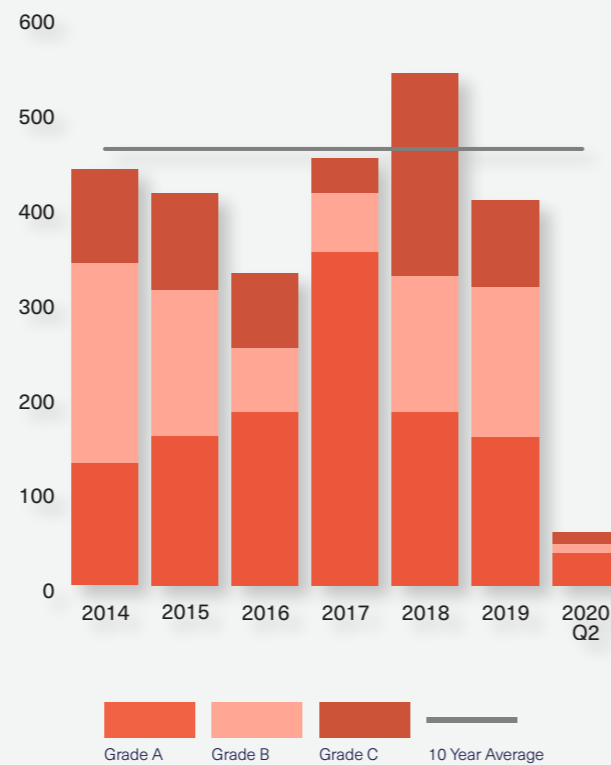
Take up in Covent Garden has remained slow over the first six months of 2020, with only 55,690 sq ft of lettings completing across 21 transactions. There has been a lack of larger lettings over the first half of the year, with only two deals above 5,000 sq ft completing.

The largest deal in the year to date was the 7,860 sq ft letting of the top two floors at AXA Investment Managers recently completed One Smart's Place to Veritas Asset Management. A further 25,976 sq ft remains available at the building.

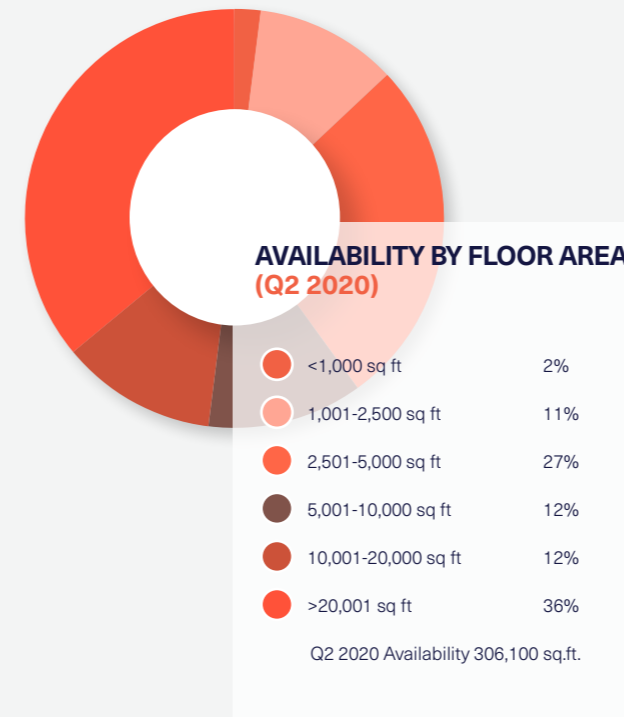
Supply continued to tighten in Q2 2020, falling to 306,149 sq ft, the lowest level in more than 10 years. The Covent Garden market remains relatively well placed, with 47% of supply being Grade A space, with 41,100 sq ft of Grade A stock at 1 Kingsway. The overall availability rate is now down to 4.6%.

Prime rents in Covent Garden fell below the £80.00 per sq ft mark for the first time in 12 months, reducing by 3.1% to £77.50 per sq ft. Rents on both refurbished and unrefurbished space remained stable at £65.00 per sq ft and £55.00 per sq ft respectively, reflecting the tight supply condition in the market.

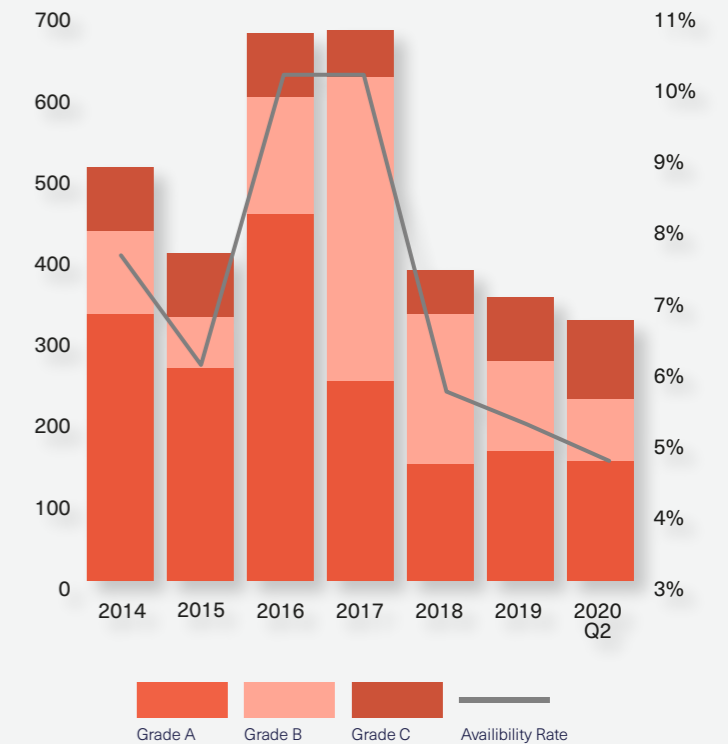
### COVENT GARDEN TAKE UP (000's sq ft.)



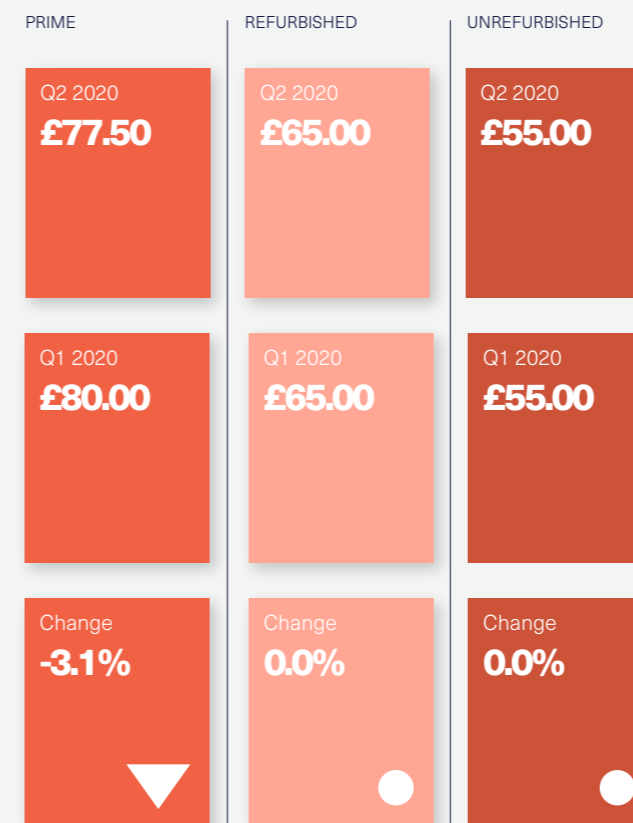
## SUPPLY



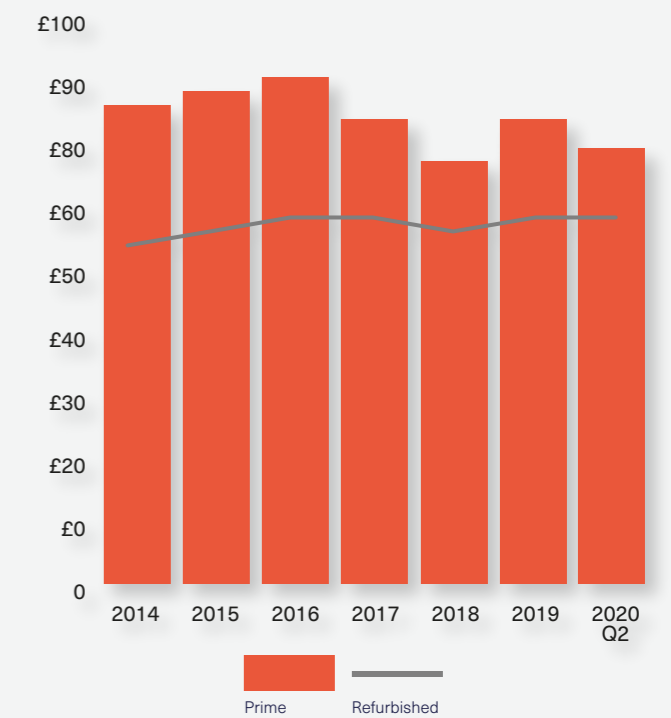
### COVENT GARDEN AVAILABILITY (000's sq ft.)



## RENTAL VALUES



### PRIME & SECONDARY RENTAL GROWTH



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