

1. In the lettings market, Savills reported that City office take-up for March reached 273,058 sq ft across 17 deals. This brought the total for January – March to 771,406 sq ft (46 deals). This is down on this point last year by 43% (1.35m sq ft) and down 31% on the 10-year average take-up. The current 12-month rolling take-up fell to 2.35m sq ft, this is compared to this time last year where it stood at 7.0m sq ft, a 66% decrease.
2. Grade A space continues to be the preference within the City, with 95% of take-up over the first three months of 2021 being of this quality. At the end of March 2021, there was 12.3m sq ft of available supply, equating to a vacancy rate of 8.9%. This is up by 360bps on the same period last year, and unsurprisingly up on the long-term average of 6.6%. Total demand within the City of London stands at 9.5m sq ft, consisting of 6.4m sq ft of active requirements and 3.1m sq ft of potential requirements. This is down 8% on total demand at the end of calendar 2020, but up on the long-term average by 8%. For comparison, at the same time in 2020, total demand requirement stood at 8.3m sq ft. Some 3.2m sq ft of space is due for completion in throughout calendar 2021, of which 31% is already pre-let.
3. In the West End office letting market, Savills reported that January – March take-up reached 564,532 sq ft with March becoming the strongest month for take-up since the first lockdown in March 2020. Leasing activity reached 369,260 sq ft for the month, across 25 transactions. Although this was 81% below the long-term average for the January – March period, March 2021 is up 89% from January and February's total combined. March saw a notable increase in supply as it stood at 7.8m sq ft. This is a 5% rise from the previous month, and a 10% rise from the end of calendar 2020. This takes the overall vacancy rate for the West End to 6.9%, 30bps higher than last month's figure. Of developments set to complete this year, 62% have been pre-let.
4. In the City investment market, total volume for January – March 2021 was approximately £625.75m, around 50% down on the same period in 2020 (£1.32bn) and 65% down on the five-year average of £1.79bn. A relatively strong March contributed to 12 transactions, which compares with 22 in January – March 2020. Furthermore, Savills understand there is approximately £1.93bn currently under offer in the City across 16 transactions, down from last month (£2.21bn).
5. In the West End investment market, turnover stood at an estimated £246m in March, spread across seven transactions. Whilst ahead of last year, this is approximately 49% below the five-year monthly average and brings annual turnover to £701m across 20 transactions – some 33% below last year's January – March figure and 55% below the five-year average. Furthermore, Savills understand there is approximately £1.6bn currently under offer in the West End.
6. Savills's Prime City yield is 4.00% (approximately in line with pre-pandemic yields). This compares with the West End prime yield of 3.5%. Prime rents in the City are now at circa £82.50 psf (10% up from a year ago), with rent frees for a 10-year lease rising to 28 months, compared to 25-27 months, last quarter. In the West End the prime rent has increased by 7% from a year ago at £118.50psf, although rent free periods have moved out to 27 months (from 24 months) on a 10-year term.