

Market Trends, April – June 2021

1. In the City office letting market, Savills reported that take up for June Quarter reached some 790,500 sq ft across 72 deals, bringing the total for the first six months of the calendar year to 1.57m sq ft (118 deals). This is down on the same point last year by 14% (1.82 sq ft), and down 38% on the 5-year average. Grade A space continues to be the preference within the City, as 89% of take-up in the first half of the year was of this quality. It should be noted that in June the City has seen the highest monthly 'under offer' figure since September 2019. At the end of the quarter, there was 12.5m sq ft of available supply, equating to a vacancy rate of 9%, which is up on June last year by 330bps and also unsurprisingly up on the long-term average of 6.6%. Total demand for the City of London stands at 10.2m sq ft. This consists of 8m sq ft of active requirements and 2.2m sq ft of potential requirements, which is positive. As a comparison, the January – March 2021 figure saw total demand requirements of 9.5m sq ft. Some 3.2m sq ft of space is due for completion in calendar 2021, 31% of which is already pre-let.
2. In the West End office letting market, Savills reported that the first half of the calendar year take-up reached 1.2m sq ft, with the April – June quarterly take-up reaching 625,800 sq ft. This is up by 9.6% from January – March 2021, and subsequently becomes the strongest quarter since COVID-19 restrictions began in March 2020. Leasing activity reached 217,000 sq ft in June, across 24 transactions. For the half year this was 39% below the long-term average, although it is 20% up for the June 2020 figures. June saw supply remaining at about 7.8m sq ft. This takes the overall vacancy rate for the West End to 6.8%, 10bps lower than the previous quarter, but still higher than the long-term average of 4.5%. 64% of developments set to complete this calendar year have been pre-let
3. In the City investment market, the total investment volume at the end of June 2021 was £2.99bn, around 64% up on the first six months of calendar 2020 (£1.83bn). June alone contributed to the figures by some £1.62bn in 12 transactions. Furthermore, Savills understand there is approximately £1.85bn currently under offer in the City across 28 transactions, down from March (£1.93bn).
4. In the West End investment market, turnover stood at an estimated £277m in June, spread across five transactions. Whilst ahead of last year's figures, this is approximately 47% below the five-year monthly average. However there is growing momentum and is best illustrated by analysis of the April - June 2021 quarterly activity, which saw £832m trade across 20 transactions – a notable contrast to the near standstill conditions at the same time in 2020 where volume dropped to £155m, spread across only nine transactions. Savills understand there is approximately £1.82bn available on the open market, which is likely to increase, although what is on the market is likely to be snapped up quickly.

5. Savills's Prime City yield is 4.00% (more or less the same as pre-COVID), which compares with the West End prime yield of 3.25%, reducing from 3.5% last quarter. Prime rents in the City are now at circa £77.25 psf (a reduction of some 7% from £82.50 psf, last quarter), with rent frees for a 10-year lease reducing by 1 month to 27 months. In the West End the prime rents have decreased by 1.5% from last quarter at £116.75psf, although rent free periods have moved down to 26 months (from 27 months) from the previous quarter.