

Market Trends, July – September 2021

1. In the City office letting market, Savills reported that take-up for the September Quarter reached some 1.08m sq ft across 64 deals. This brought the total for the nine months to the end of September to 2.65m sq ft (184 deals), which remains down by 50% on size, and down 39% in the number of deals transacted, on the 10-year average.

Grade A space continues to be the preference within the City, as 91% of take-up in the first half of the calendar year was of this quality. It should be noted though that the July to September quarterly take-up figures provides an air of positivity, with take-up the highest since the start of the COVID-19 pandemic.

At the end of September, there was 13.01m sq ft of available supply, equating to a vacancy rate of 9.3%. This is up by 330bps on the long-term average of 6%.

The continued bias for quality office space has insulated the quarterly headline and prime rents. The average prime rent for July to September in the City settled at £80.67 psf, which is up on the three months prior by 4.4% and same period last year by 4.7%. The average Grade A rent for the quarter settled at £67.05 psf; this is the highest quarterly figure since the April – June quarter 2020 (£68.10 psf).

2. In the West End office letting market, Savills reported that the September quarter take-up reached 1.5m sq ft, across 91 deals. This is the highest quarterly take-up to occur since same period in 2018 and brought the year-to-date total to 2.75m sq ft, 92% above where it stood this time last year.

The calendar year-to-date take-up is still down on the 10-year average by 11%, largely due to the subdued first six months of 2021.

In the July – September quarter the average Prime rent reached £120.00 per sq ft, taking the calendar year-to-date average to £118.25 per sq ft, where it stood at the end of 2019. Similarly, the average Grade A rent achieved so far in 2021 stands at £82.67 per sq ft, a rise of 3% from 2020. Comparatively, over the same period, we have seen average Grade B rents fall by 10% to reach £54.81 per sq ft.

3. In the City investment market, Savills confirmed that September saw twelve transactions totalling £1.013bn, the largest September ever recorded in the City market and the second-largest monthly turnover for the year (to date). Transactional volumes for September 2021 were seven times more than those achieved in the same month last year when only two buildings traded (£144.7m), highlighting a clear change in investor appetite in 2021. Total investment for the year now stands at £5.35bn across 60 deals, which is 117%

ahead of the same point in 2020, when there had only been 43 transactions, totalling £2.45bn. In the most recent quarter, investment totalled £2.34bn across 26 deals, significantly ahead of the same period in 2020 when only £640m traded and 14% ahead of the five-year average for the equivalent quarter investment, which is £2.05bn.

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 April to June quarterly activity, which saw £832m trade across 20 transactions – a notable contrast to the near standstill conditions experienced over the same period a year prior, where volume stooped 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 3.75% reducing from 4% last quarter and now the same as pre-COVID, which compares with the West End prime yield of 3.25%.