

Market Trends, October – December 2021

1. In the City office leasing market, Savills reported that take-up for the December quarter reached 778,341 sq ft across 34 deals, giving a total for the year of 4.8m sq ft. This was up on 2020 by 65% but down on the 10-year annual average by just under a quarter (23%).
2. Grade A space remained the clear preference as it accounted for 93% of take-up, which is up on the 10-year average of 83%. Total City supply settled for a second consecutive month on 12.5m sq ft, equating to a vacancy rate of 9.0%, which is down 40 bps on the peak in September, but still up on the long-term average by 300 bps. The average prime rent for 2021 settled at £82.30 psf, up on 2020 by 3.1% and the highest annual figure on record.
3. 2021 saw 58 deals over £70.00 psf, this accounts for 20% of total transactions, this is up by 9 on last year and up 12 on the five-year average. Moreover, the average grade A rent for 2021 settled at £64.37 psf, down marginally on 2020 by 1.1%, highlighting the growing disparity within Grade A quality. Looking forward, 4.4m sq ft of space is due for completion in 2022, 33% of which is already pre-let, leaving 3.0m sq ft of space left to be delivered speculatively throughout the year.
4. In the West End office leasing market, Savills reported that 612,861 sq ft transacted in the October to December quarter, bringing the year-end total to 4.19m sq ft. As a result, the total volume of deals was 2.3% higher than the 10-year long-term average, and 132% higher than 2020's total volume.
5. Overall, Grade A transactions made up 85% of 2021's total, this is 8% higher than the average Grade-A share seen over the past 10-years. The average prime rent for the final quarter of calendar 2021 stood at £116.00 psf, which contributed to the average prime rent for the whole of 2021 to stand at £120.00 psf, this is 7.1% higher than 2020's average. As it stood in December the total available space in the West End reached 7.5m sq ft, equating to a vacancy rate of 6.4%. This is 60 bps down from its peak in April 2021, however, is still above the 10-year long-term average by 230 bps.
6. In the City investment market, Savills confirmed that December was the busiest month of 2021 with 15 buildings trading. £890.70m transacted, taking the overall volume for the year to £7.72bn across 91 deals. This is 68% ahead of 2020 turnover where only £4.59bn transacted. Despite this significant uplift, volumes were still low in a historic context being 20% below the 10-year average for turnover of £9.68bn. This was mainly due to the UK being in 'full lockdown,'.
7. By year-end there were 24 buildings which sold with a value over £100.0m, totalling £5.57bn, 72% of total transactional volume for the year. This was short

of the 2017 record, where deals over £100.0m accounted for 76% of total transactional volume.

8. In the West End investment Market, the October to December investment activity totalled £1.53bn accounted for 26% of the West End's annual volume and reflected 19% of deals by the number of transactions. This has left 2021 turnover 19% higher than 2020, partly justified by the fact less of the year was restricted by a national lockdown.
9. More notably the West End's 2021 turnover sits 11% above the 2019 total and only 4% below the 5-year average, illustrating a resurgence in market activity to pre-Covid levels. There were 7 transactions over £100m taking place compared to 18 deals in this size bracket exchanging over the entire year. This indicates the undeterred and significant investor confidence in the West End market despite the ongoing and uncertain pandemic conditions.
10. Savills Prime City yield remains at 3.75% (same as pre-covid), this compares to a West End Prime Yield of 3.25%.