

Market Trends, January – March 2022

1. In the City office leasing market, Savills reported that March take-up reached 402,554 sq ft across 32 deals, bringing the total quarter take-up figure to 1.3m sq ft. This is up 71% on the same point last year and is in line with the ten-year average. The twelve-month rolling take-up currently sits at 5.4m sq ft – this is 125% to the same figure twelve months ago (2.4m sq ft).
2. Total City supply rose by 4% and currently stands at 12.9m sq ft, equating to a vacancy rate of 9.2%, and is up considerably on the five-year average of 8.3m sq ft. A contributing factor to this rise is the addition of 550,000 sq ft of speculative schemes scheduled to complete by September 2022 being added to availability.
3. The average Grade A City rent for the first quarter of 2022 settled at £67.11 psf, up on the same period last year by 4%. In the last six months Savills have seen 49 rents achieved over £70.00 psf, or 30% of all known rents in that period. This leaves the average prime for the last six months of £83.64 psf, a record level for any six-month period.
4. The quarter (January to March) saw 683,657 sq ft of office space complete and brought to market. Of the remaining 3.0m sq ft scheduled to complete this calendar year, 40% is pre-let. In total, between 2022 and 2025, the City is anticipating 15.5m sq ft to be completed, of which 18% is pre-let.
5. In the West End office leasing market, Savills reported March as the strongest month for take-up so far this year, albeit the quarter has been quiet in comparison to previous years. Leasing activity reached 264,341 sq ft across 25 transactions – this took the quarter's total to 652,105 sq ft across 79 transactions. This was both 35% and 20% below the ten-year long-term average by volume and number of leasing transactions, respectively.
6. From this 1.30m sq ft of space, 82% is classified as Grade A, whilst 78% of the quarter's take-up was also made up of Grade A space. At the end of the first quarter, the average prime rent stood at £121.66 psf, a 1.5% rise from where it stood at the end of last year.
7. Average Grade A rents remain strong at £82.78 psf whilst the average Grade B rent has fallen by 13% from the end of last year to reach £48.05 psf as demand for this type of office space continues to lessen, albeit this is based on a smaller number of transactions.
8. At the end of the quarter supply rose slightly to reach 7.6m sq ft. This supply was, in part, due to the addition of speculative 2022 completions, which were added to supply at the end of this quarter, adding 606,624 sq ft to supply. Consequently, the vacancy rate has risen in March to reach 6.5%, 20 bps

higher than the previous month and above the ten-year long-term average of 4.1%. Savills are still seeing the available tenant supply decline as it reached 1.6m at the end of last month, an 18% fall from the start of the year.

9. In the City investment market, Savills confirmed the total transaction volume for the quarter reached £3.8bn across 36 deals, 27% higher than the previous record in the January-March quarter in 2007. This reflects a year-on-year increase of 540% on the same quarter in 2021. March was the busiest month of the quarter, with 20 deals reaching exchange of contracts totalling £2.731bn, reflecting an average lot size of £136.5m.
10. In the West End investment market, Savills recorded a quarterly investment turnover of £1.91bn across 23 transactions. Of this 16% of the volume took place in March, where nine deals totalling £307m exchanged. However, the lion's share derives from January's turnover (82%) which is largely attributed to Google's acquisition of Central Saint Giles. The market witnessed a resurgence of activity following a muted February, and the quarterly volume figure represents an increase on the five-year and ten-year averages by 60% and 37%, respectively.
11. In terms of available stock, Savills are tracking a wealth of 'buyable' assets totalling £2.1bn, and over 20% of this volume was marketed in March, across nine buildings. Following a particularly strong quarter, and with a further £1.76bn under offer, they expect momentum to continue into the next (current) quarter, particularly as vendors wish to close existing sales before the traditional lull of summer.
12. Savills Prime City yield remains at 3.75% (same as pre-covid), this compares to a West End Prime Yield of 3.25%.