

April to June

1. In the West End office leasing market, Savills reported record breaking take-up in June of 1m sq ft across 40 transactions which is the third highest monthly take-up they have ever recorded. By way of comparison, the first 5 months of the year saw average monthly take-up reach around 230,000 sq ft. As a result, at the end of the first half of the year, take-up reached 2.17m sq ft across 187 transactions. This is 13% above the 10-year long-term average and 68% higher than where leasing activity stood at the end of the same period last year. The main driver of the increased activity has been from pre-lets, with 7 of the 10 largest transactions being pre-lets sized 40,000 sq ft and above which is a promising sign of market sentiment going forward.
2. 89% of take-up year-to-date has been of Grade A quality, and in June alone Grade A transactions accounted for the overwhelming majority, with 98%. Furthermore, buildings with a BREEAM rating of 'Very Good' or above have accounted for 52% of leasing activity.
3. Last month, the vacancy rate was the lowest it has been since November 2020, standing at 5.9%, that is despite 534,159 sq ft of speculative October to December 2022 completions being added into supply. This year and next continue to be record years for new developments in the West End – between 2022 and 2026 Savills are anticipating 13m sq ft to complete.
4. In the City office leasing market, Savills reported June take-up of almost half a million sq ft (486,785 sq ft) across 36 transactions. Total take-up for first half of the year amounted to 3.1m sq ft across 197 deals. Positively, this is up 8% on the 10-year average, but down in terms of the average number of deals, highlighting an increasing average transaction size, which can partially be attributed to the higher level of pre-letting activity across the City. Pre-letting accounted for 31% of take-up since the start of last year. Driven by rising scrutiny with regards to achieving sustainability goals, and battling for the best talent, there continues to be a preference for premium office space.
5. Supply across the City remained constant at 12.7m sq ft, equating to a vacancy rate of 9.1%. Although, this is down on the post-pandemic peak by 30 bps, it is still up 280 bps on the 10-year average of 6.3%. Overall, 23% of the development pipeline for the next five years has been pre-let. From growing raw material costs and supply chain issues to increasing labour costs to keep up with rising inflation and higher building costs, it is likely that in the coming quarters, the certainty and viability of some of the schemes on the pipeline will come under review, and it is to be expected that some will experience both delays in starts and subsequent completion dates.
6. In the West End investment Market, Savills recorded an investment volume of £420m across 8 transactions in June, bringing April to June turnover to £1.82bn

(across 24 deals), representing a 50% increase and 15% increase on the 5-year and 10-year equivalent quarter averages, respectively. This figure represents a 10% fall on the activity witnessed on the prior quarter, likely hindered by the notable rise in finance costs and the continued increase in build costs.

7. The total 2022 volume for the first half of the calendar year, at £3.84bn, is the highest level observed since the same period in 2017, demonstrating the market's strong rebound from the height of the coronavirus pandemic. Whilst the volume figure is 28% ahead of the 10-year average, the number of transactions (49) is down 28% on the average, highlighting a growing trend over the last decade of larger-but-fewer trades; partially a function of price inflation (which itself was largely driven by rental growth).
8. In the City investment market, Savills confirmed the total transaction volume for June reached £696.7m, an increase of 260% on the May figures. Following a record first quarter, the second quarter of the calendar year was more subdued with a total transaction volume of £1.11bn across 24 deals reflecting an average lot size of £46.25m. This places the January to June 2022 transactional volume at £5.28bn across 62 deals, reflecting a 76.5% increase on the same period last year, and 31% above the 10-year average. This equates to the highest transactional volume during the first half of the calendar year since 2018 where investment volumes reached £5.8bn.
9. Savills Prime City yield was moved outward from 3.75% to 4.00% in June, which compared to a West End Prime Yield of 3.25%.