

October to December

1. In the West End office leasing market, Savills reported take up of 452,128 sq ft in December (the strongest month in the quarter). This took total take-up in calendar 2022 to 4.5m sq ft which was up 6% on the year prior and above the 10-year average by 8%.
2. Demand for high-quality space has translated into sustained growth for average prime rents, which increased 7.3% in 2022 to £128.76 per sq ft. Similarly, average Grade A rents grew 3.4% to £85.15 per sq ft. This stands in contrast to average Grade B rents, which have declined 4.7% to £52.40 per sq ft.
3. West End supply rose slightly to 7.6m sq ft, leaving the vacancy rate unchanged from the previous month at 6.4%. It remains 210 bps higher than the pre-COVID December 2019 figure of 4.3%. The proportion of supply classed as Grade A increased to 72%. 46% is now new as several large developments due in April to June 2023 were added to the figures.
4. In the City office leasing market, Savills reported take-up of 417,937 sq ft in December bringing the quarterly take-up to 1.4m sq ft. Annual take-up reached 5.8m sq ft, which is up on 2021 by 21%, but down on the 10-year annual average by 8%.
5. Quarterly average prime rent reached £88.36 per sq ft, this is a record setter for the City of London. Annual average prime rents increased 4.5%, settling at £86.03 per sq ft. Similarly, average grade A rents increased 4.2%, to reach £67.13 per sq ft. The bifurcation between the 'best' and the 'rest' is becoming increasingly pronounced. Between now and 2026, Savills are forecasting prime rents to increase 3.4% year-on-year, compared to a 0.7% decline for Grade B space.
6. Total City supply has increased marginally, settling at 13.4m sq ft. Since August, the vacancy rate has remained between 9.5% and 9.6%. Despite the high vacancy rate compared to the long-term average (6.3%), the quality split within the market means vacancy rate amongst prime stock is far lower.
7. JLL reported investment volumes were subdued in the final quarter of the calendar year reaching just £1.2 billion across Central London. This was 68% below the 10-year quarterly average (£3.7bn) and the lowest quarterly volumes since April to June 2020.
8. Full year volumes saw £12.2 billion traded across Central London, which was below the £13.3 billion transacted in 2021 and 18% lower than the 10-year annual average of £14.8 billion. The largest transaction of the quarter was Lazari's acquisition of the Fenwick Department Store, 63 New Bond Street, W1 for £428.5 million. The building has planning consent for a five-storey office extension and a part change of use from retail to offices.

9. Purchases during the calendar year were dominated by overseas investors which invested £9.6 billion (79% of the total). The largest group was Asia-Pacific with a 44% of the total, followed by American purchasers with 16%. Investors from Singapore, South Korea and the USA have been most active within these groups. Investment from UK purchasers accounted for 21% of annual volumes, down from 39% recorded in 2021.

10. The City prime yield moved out a further 25bps to stand at 4.50% at the end of quarter. The prime West End yield for larger lot sizes softened over the quarter with the £40m-£125m lot sizes standing at 4.00% and lot sizes over £125m moving out to 4.25%.