

Central London Office Market Overview

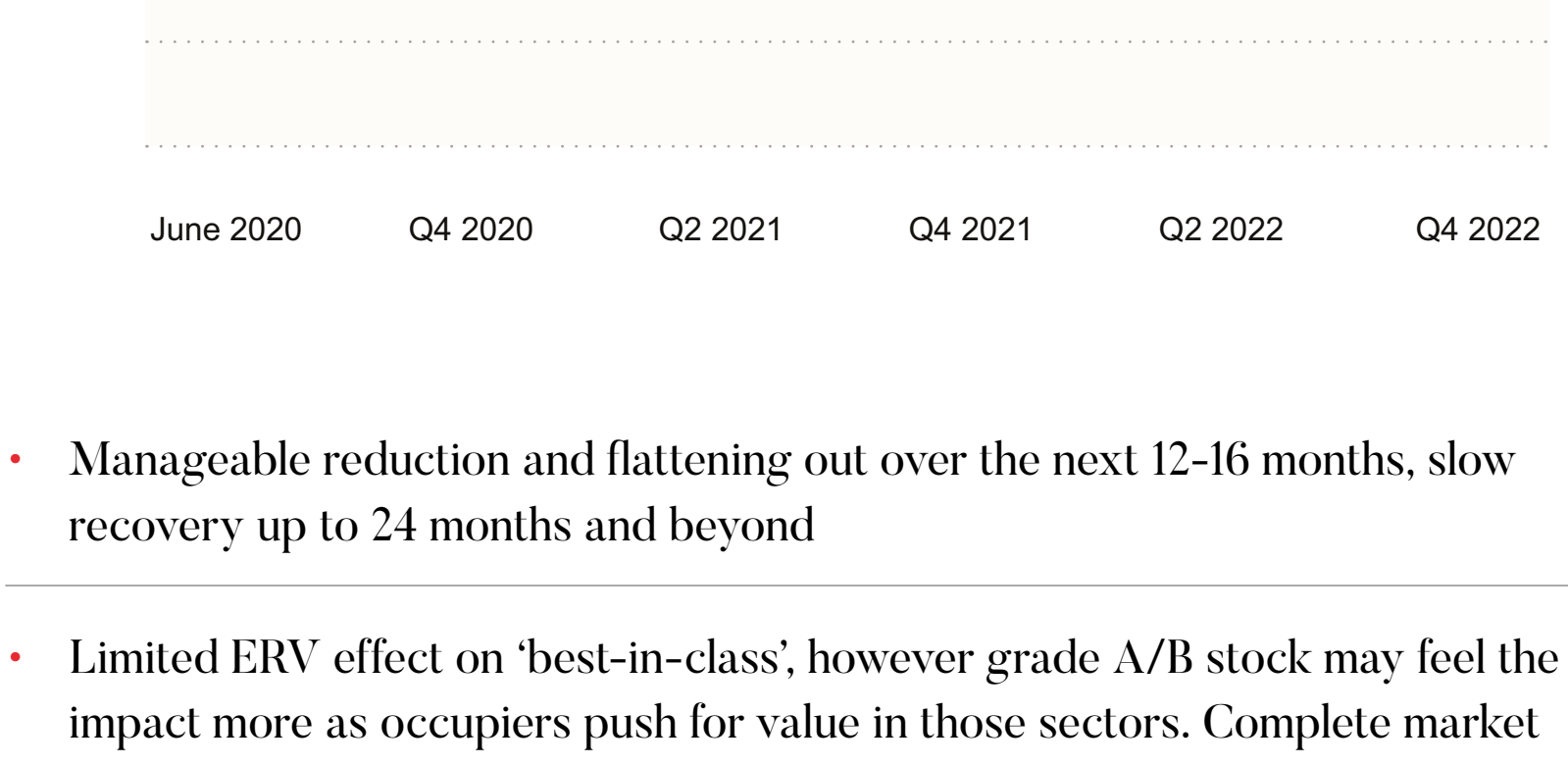
June 2020

Market Headlines

	LONDON	WEST END	CITY
Market Total (sq ft)	396m	74.2m	65m
Vacancy Rate (%)	4.9%	3.2%	5.7%
Availability Rate (%)	8.1%	5.7%	10.3%
Under Development (sq ft)	16.1m	4.2m	5.5m
Prime Rent (per sq ft)	-	£115.00	£75.00
Prime Yield	-	4.00% - 4.25%	4.75 - 5.00%

Data collated from Costar and Levy Real Estate's own research. Prime rent assumes 10,000 sq ft middle floor, in new building.

Estimated Rental Forecast



- Manageable reduction and flattening out over the next 12-16 months, slow recovery up to 24 months and beyond
- Limited ERV effect on 'best-in-class', however grade A/B stock may feel the impact more as occupiers push for value in those sectors. Complete market stabilisation by 2022
- Occupier incentives to remain consistent at c. 2-2.25 months RF per year term certain

General Commentary

- Landlords adapting how they manage their buildings day-to-day and then educating occupiers on the changes made
- Inspections started again last month. Virtual tours still prominent
- Serviced office sector struggling with significant vacancy rates. Expected future demand for private offices, rather than co-working areas
- Many Central London occupiers sending an initial 20-30% of total staff into the office from June

Occupier Commentary

- Current negotiations – small tweaks to U/O terms, mostly on rent free & extended time frames
- Occupational density – relationship between lowered office density levels & increased agile working numbers. Will this mean size requirements stay the same?
- Workforce surveys – how people commute and if they're comfortable going in
- Even more prioritisation for well-being in the workplace & hygiene levels – AERATED & WELL RATED
- Increased demand for LL to fit space to CAT B – negating large cash expenditure for smaller occupiers and amortising over course of the lease term
- Increased occupier demand for lease flexibility – serviced office operator bounce back?
- Most occupiers working on a phased return to work, paired with significant home working for the duration of 2020

Development & Investment Commentary

- Low levels of new investment stock
- Some/limited off-market activity
- Strong investor demand, both domestically and internationally
- Generic 25 basis points yield increase
- Limited development delivery pipeline until 2021/22
- Further investment stock may arrive after the June & September quarter dates, if lenders are unforgiving. Retail led is likely to come first

Levy Real Estate Post Lockdown Deals



60 ST JAMES'S STREET, SW1

- £100.00 per sq ft



ONE VINE STREET, MAYFAIR

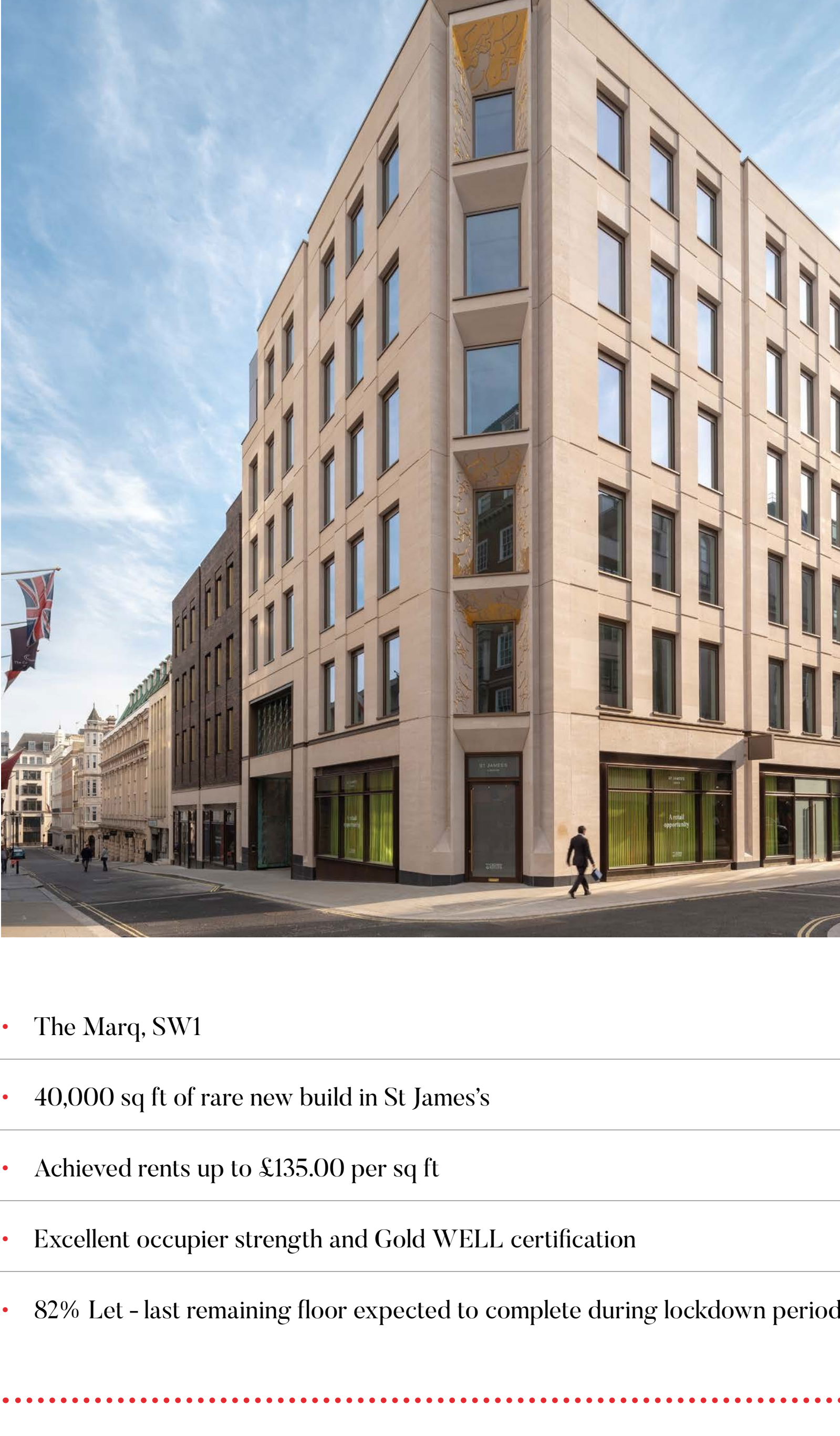
- £95.00 per sq ft



ALBEMARLE STREET, W1

- £92.50 per sq ft

Building Spotlight



- The Marq, SW1
- 40,000 sq ft of rare new build in St James's
- Achieved rents up to £135.00 per sq ft
- Excellent occupier strength and Gold WELL certification
- 82% Let - last remaining floor expected to complete during lockdown period

Get in touch

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