

# Central London Office Market Overview

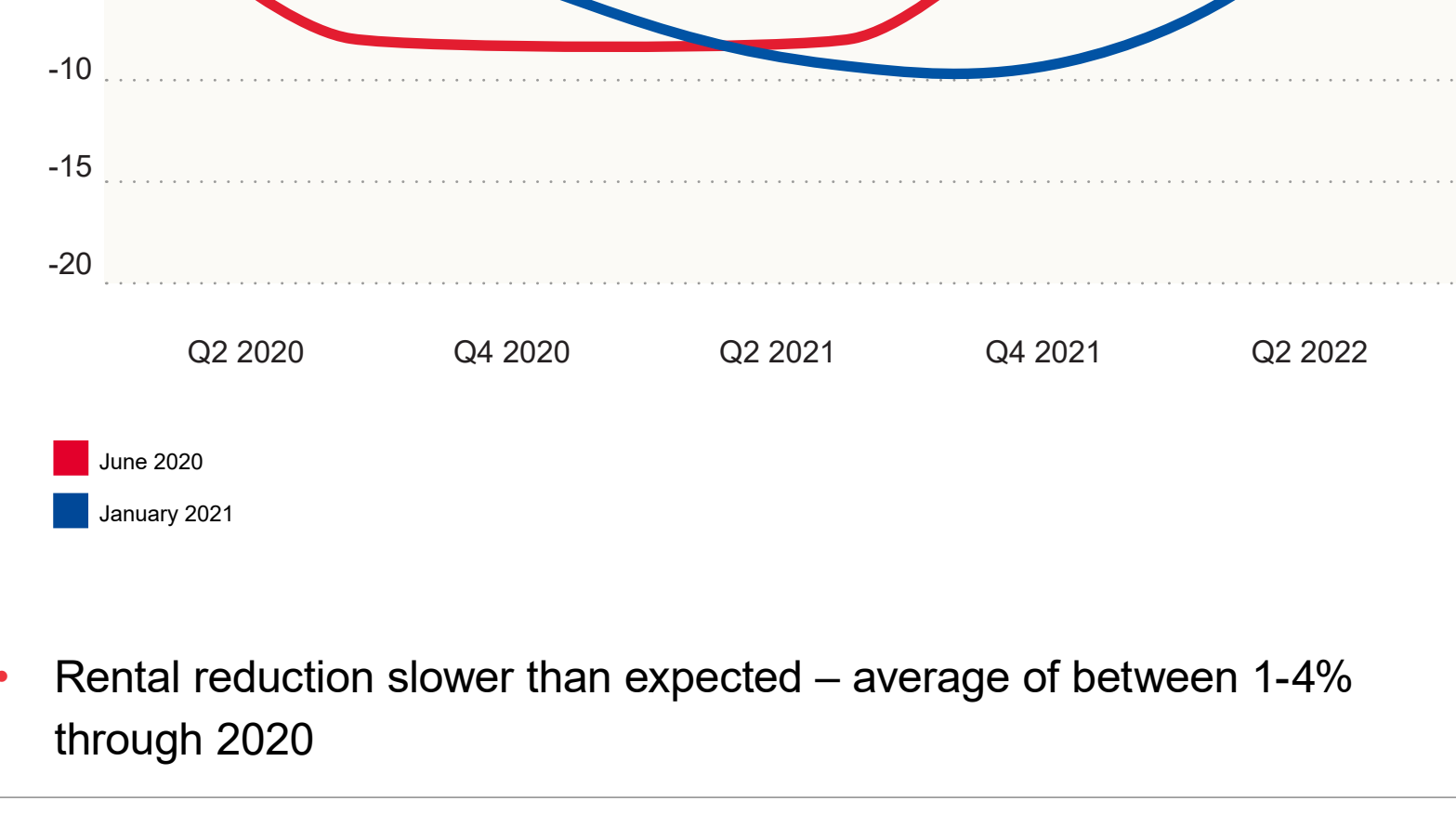
## February 2021

### Market Headlines

	LONDON	WEST END	CITY
Market Total (sq ft)	401m (396m)	91m (74.2m)	79.9m (65m)
Vacancy Rate (%)	6.7% (4.9%)	4.8% (3.2%)	9.5% (5.7%)
Availability Rate (%)	9.8% (8.1%)	7.8% (5.7%)	14.3% (10.3%)
Under Development (sq ft)	14.2m	1.7m	4.3m
Prime Rent (per sq ft)	-	£110 (£115.00)	£72.50 (£75.00)
Prime Yield (%)	-	4 – 4.25 % (4.00 - 4.25%)	4 – 4.25 % (4.75 - 5.00%)
Non-prime Yield (%)	-	4.5 – 4.75 %	5 – 5.25 %

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



- Rental reduction slower than expected – average of between 1-4% through 2020
- Expected prolonged period of recovery into 2022
- Occupier incentives increased by c.5-8%

### General Commentary



Best-in-class still seeing strongest demand



No clear evidence of the hub & spoke model, yet



Serviced office sector still hurting, but enquiry numbers up. Will occupiers seek out institutional LL offerings?



60% of workers want to split WFH & office time



45% increase in amount of tenant space hitting market

### Occupier Commentary

- 70% reduction in take-up through 2020. Worse than 2009
- Forecast stronger demand from Spring/Summer 2021 onwards as confidence returns
- TMT & Professional services sectors performing best
- Increased demand for Landlord fitted & flex space
- Foreseeable demand for centrally located offices in City Centre

### Development & Investment Commentary

- Prime stock seeing strong interest, secondary locations seeing pricing correction
- Many speculative developments not yet started - on hold
- Overall strong growth story for prime stock
  - Diversification from other use classes
  - Attractive yields
  - Currency play
  - Frustration in home markets
  - Liquidity of Prime London office assets
- Strong overseas demand, c.65% of all 2020 transactions
- Current/Future stock limited and campaigns on hold until Spring 2021

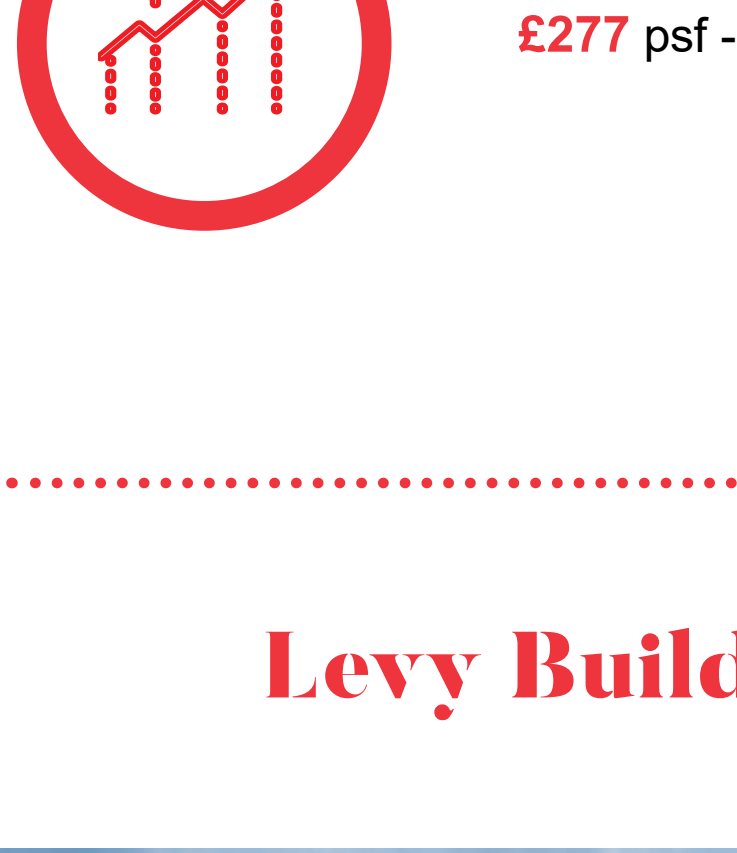
### The St James's Submarket

- From Strength to Strength -

- c.£677 million transacted from Feb 2020 – Jan 2021 – seven transactions
- Strong overseas demand seeking prime assets
- Healthy yields driven by impressive occupier demographic and leasing activity through 2020
- Further opportunities to come?

### Deal Spotlight

Post Lockdown Deals



#### NETFLIX

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- 87,000 sq ft



#### 20 AIR STREET

- 31,000 sq ft



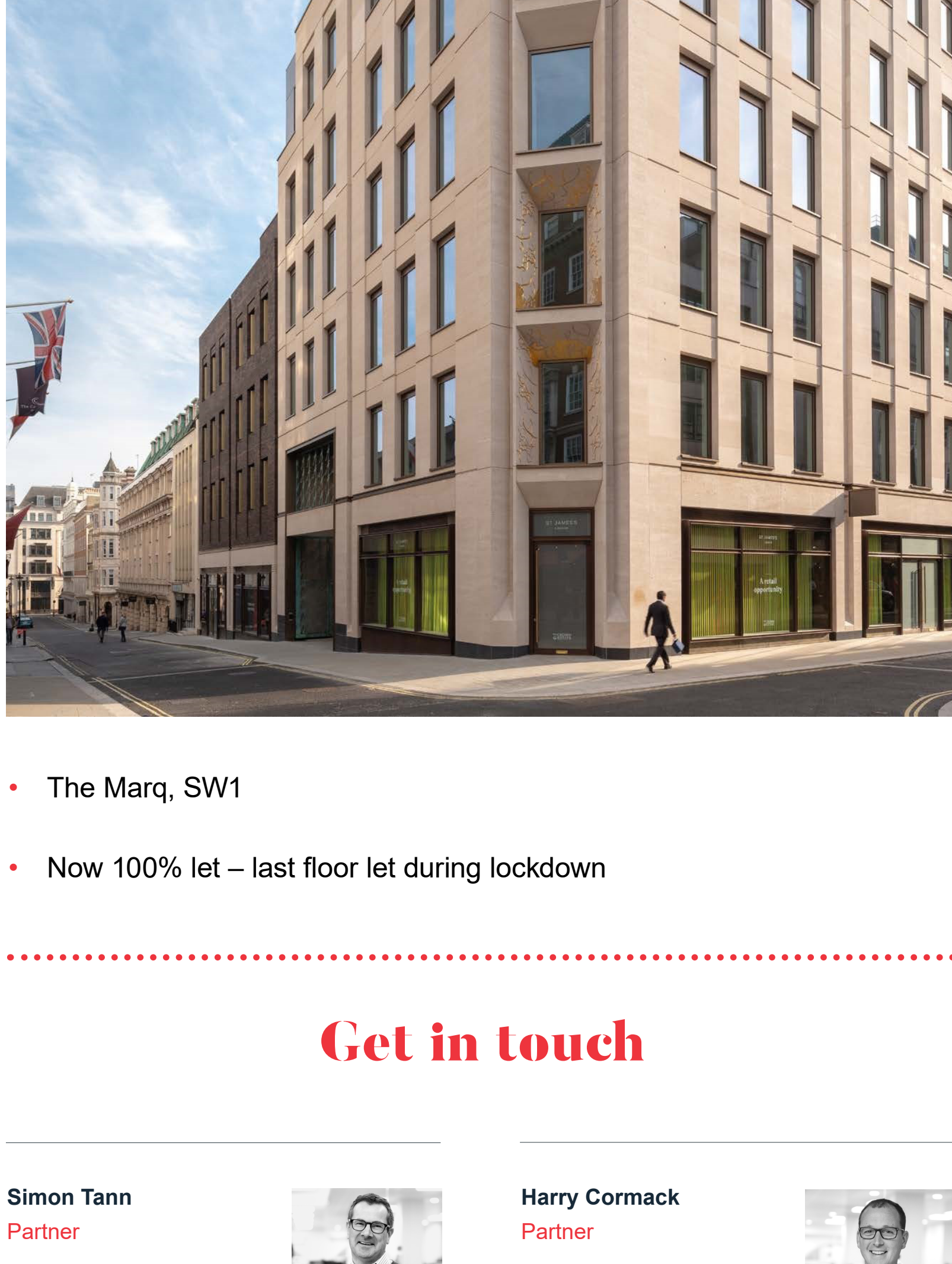
#### PRE-LET 25 GOLDEN SQ

- £92.50 per sq ft



**£277** psf - new record rent on Berkeley Square

### Levy Building Spotlight



- The Marq, SW1
- Now 100% let – last floor let during lockdown

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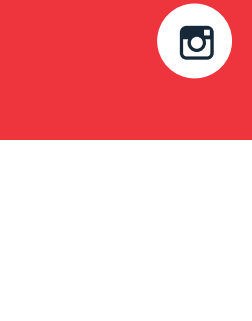
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