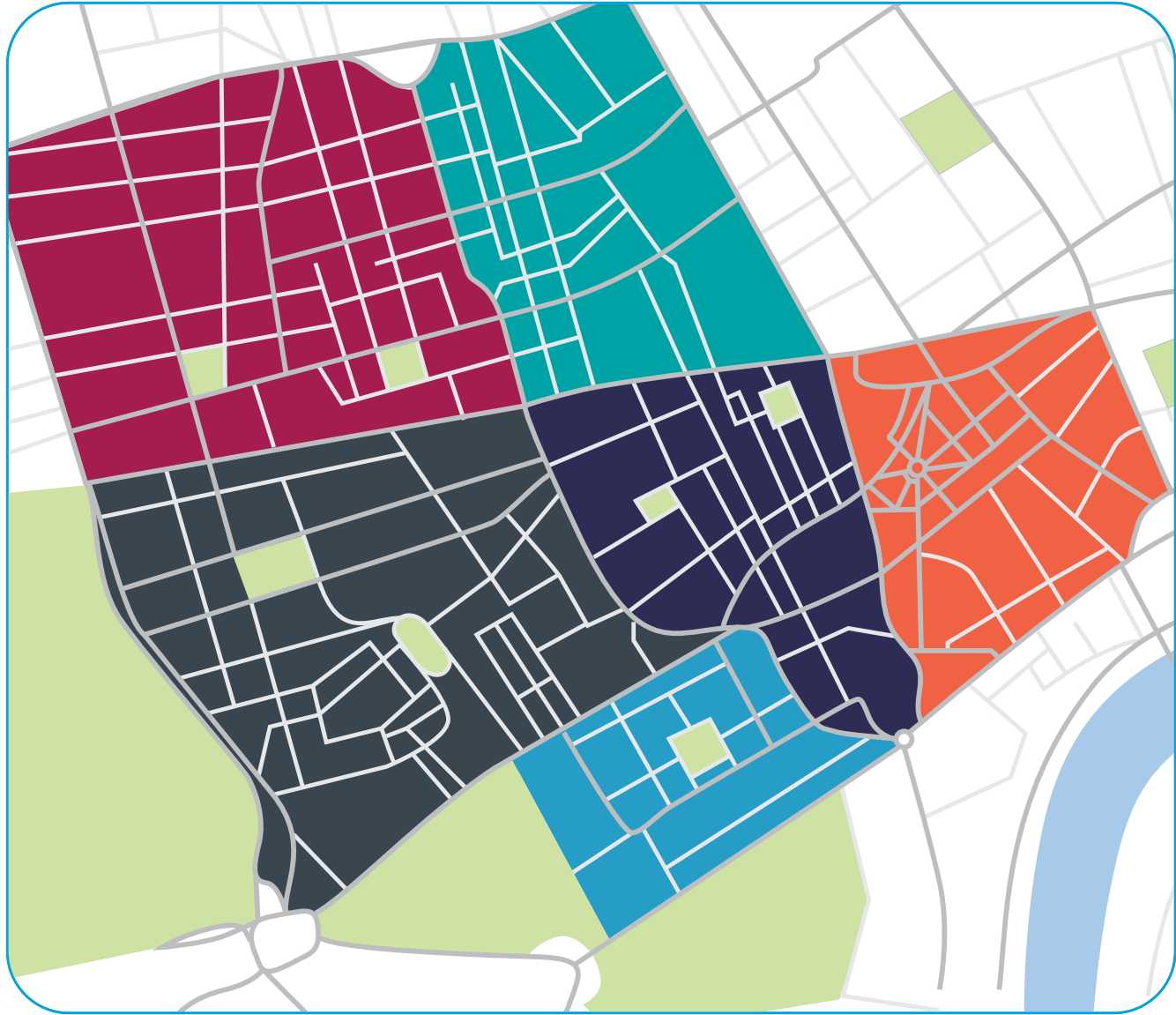


WEST END
OFFICES
**SUBMARKETS
RESEARCH**

Q1 2023





CONTENTS

West End Market

4-5 ●

Mayfair

6-7 ●

St James's

8-9 ●

Marylebone

10-11 ●

Fitzrovia

12-13 ●

Soho

14-15 ●

Covent Garden

16-17 ●

WEST END OFFICE MARKET

COMMENTARY

West End take up fell below trend in Q1 2023, falling to 571,600 sq ft in 181 transactions, with below trend rates of activity being recorded in Fitzrovia, Soho and Covent Garden. Take up in Mayfair, St James's and Marylebone continued to drive activity in the West End, with activity in these sub markets at or above trend rates.

The largest letting in the Q1 2023 was the 106,100 sq ft pre let to PIMCO at Derwent London's new scheme at 19-35 Baker Street, with the building expected to be ready for occupation in 2025. This continues the trend of large pre lets dominating letting activity over the past 12-18 months.

Demand has continued to strengthen and stood at the highest level since the start of the pandemic at 5.6m sq ft in the period to the end of March 2023, an increase of 20% from the end 2022 figure. The major increase in requirements has been for larger buildings (>20,000 sq ft), where demand is up by 53% since the end of last year. The creative sector has seen the most significant uptick in demand, accounting for 32% of all requirements.

Prime rents have continued to recover strongly, with rents in Mayfair and St James's now back to their previous peak of £135.00 per sq ft and prime values in Marylebone and Fitzrovia moving to new peaks of £100.00 per sq ft and £95.00 per sq ft respectively. Prime rents across the core West End markets have increased by 10.5% on average over the past 12 months.

5.6m
Demand moves to highest level in three years in Q1 2023

TAKE UP

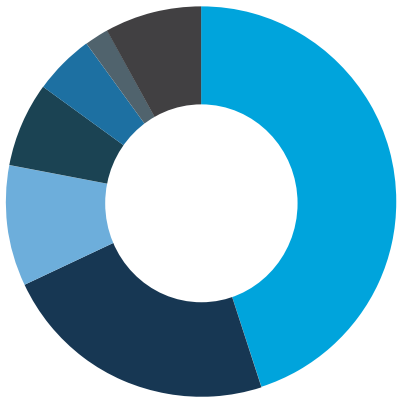
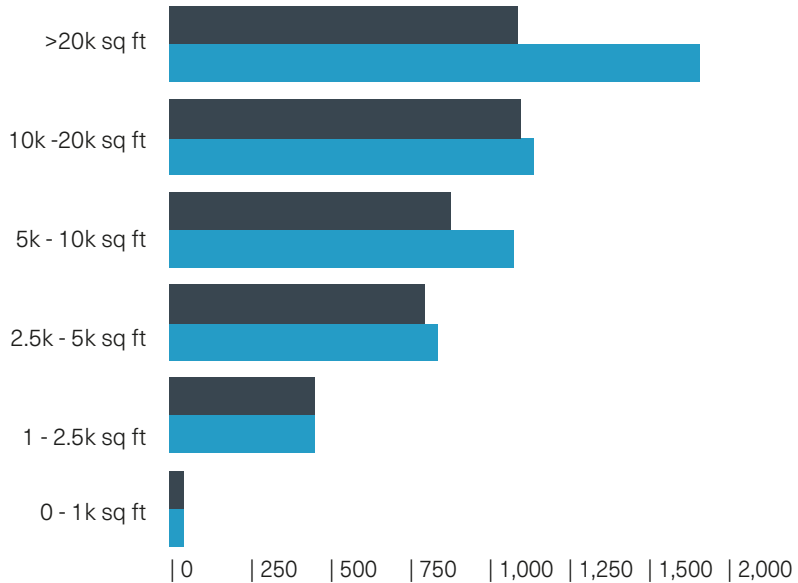
REQUIREMENTS BY SIZE (Q1 2023)

Q4 2022

Q1 2023

Q1 2023 DEMAND

5.60m sq ft



TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

Financial Services	45%
DAMIT	23%
Real Estate	10%
Bus & Prof Services	7%
Man/Eng & Mining	5%
Retailers	2%
Other	8%

TAKE UP (000's sq ft.)

MAYFAIR

ST JAMES'S

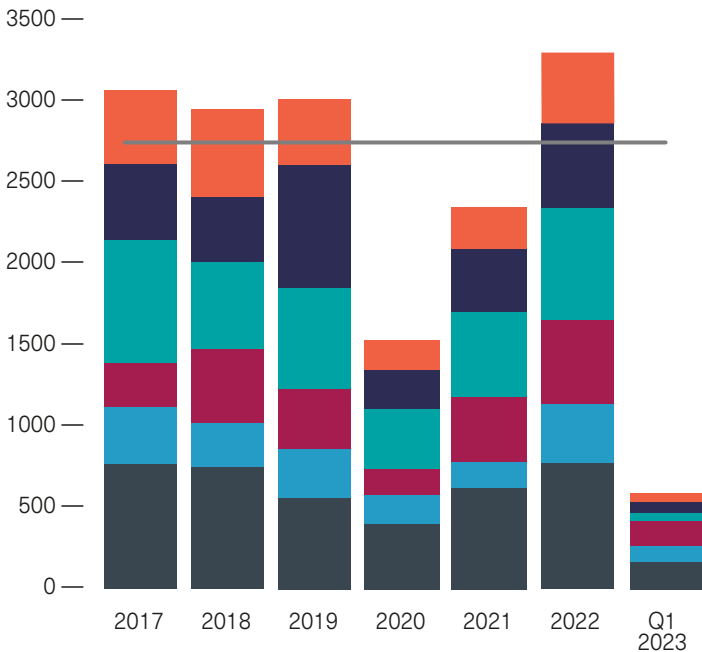
MARYLEBONE

FITZROVIA

SOHO

COVENT GARDEN

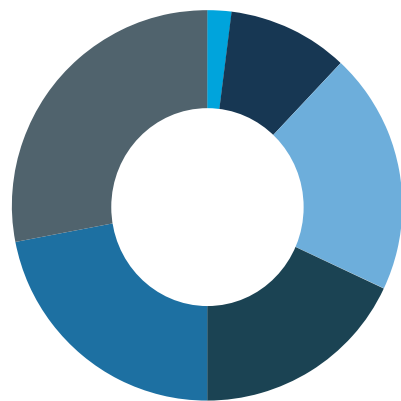
10 Year Average



SUPPLY

Supply across the West End market stabilised at 2.47m sq ft in the first three months of the year and remains at its lowest level since Q2 2020. Grade A supply moved above 1m sq ft once again, with a number of larger spaces being launched or coming back to the market, most notably at One Curzon Street and the recently completed Berners & Wells building in Fitzrovia. The availability rate is now below the long run average (6.0%) at 4.8%.

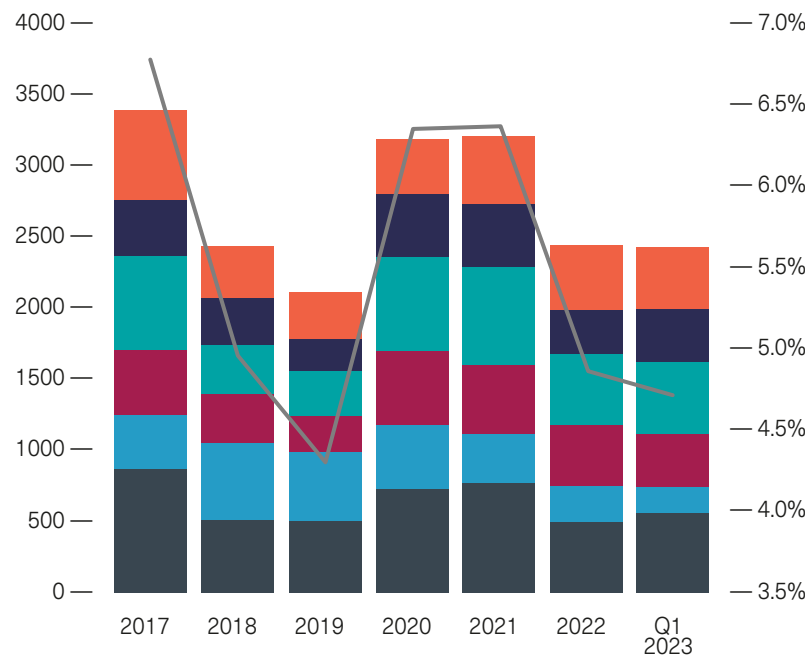
AVAILABILITY BY FLOOR AREA (Q1 2023)



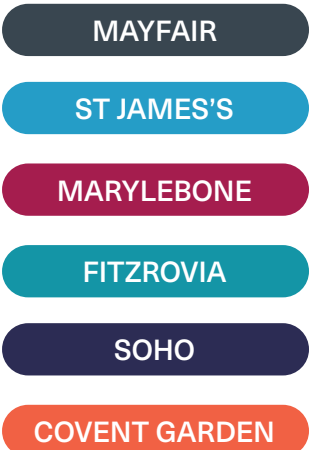
<1,000 sq ft	2%
1,001-2,500 sq ft	10%
2,501-5,000 sq ft	20%
5,001-10,000 sq ft	18%
10,001-20,000 sq ft	22%
>20,001 sq ft	28%

Q1 2023 AVAILABILITY

2.47m sq ft

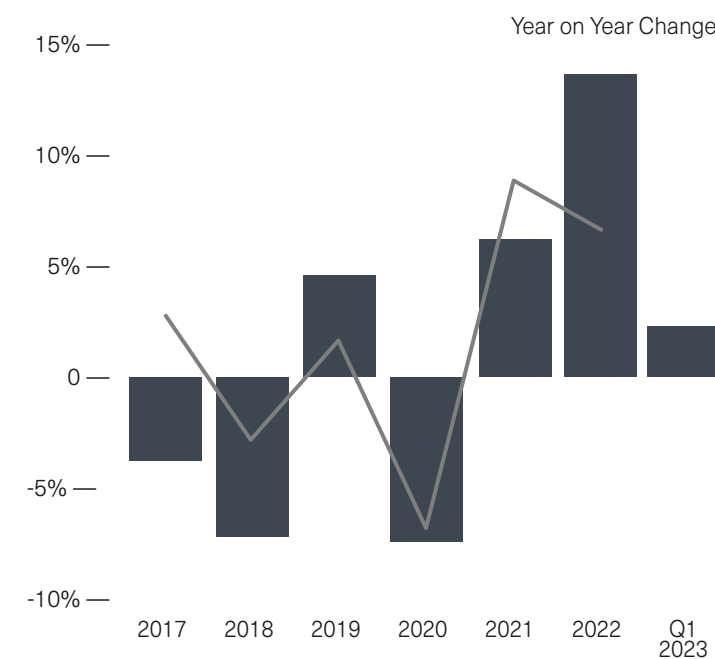


AVAILABILITY (000's sq ft.)



Availability Rate (RHS)

RENTAL VALUES

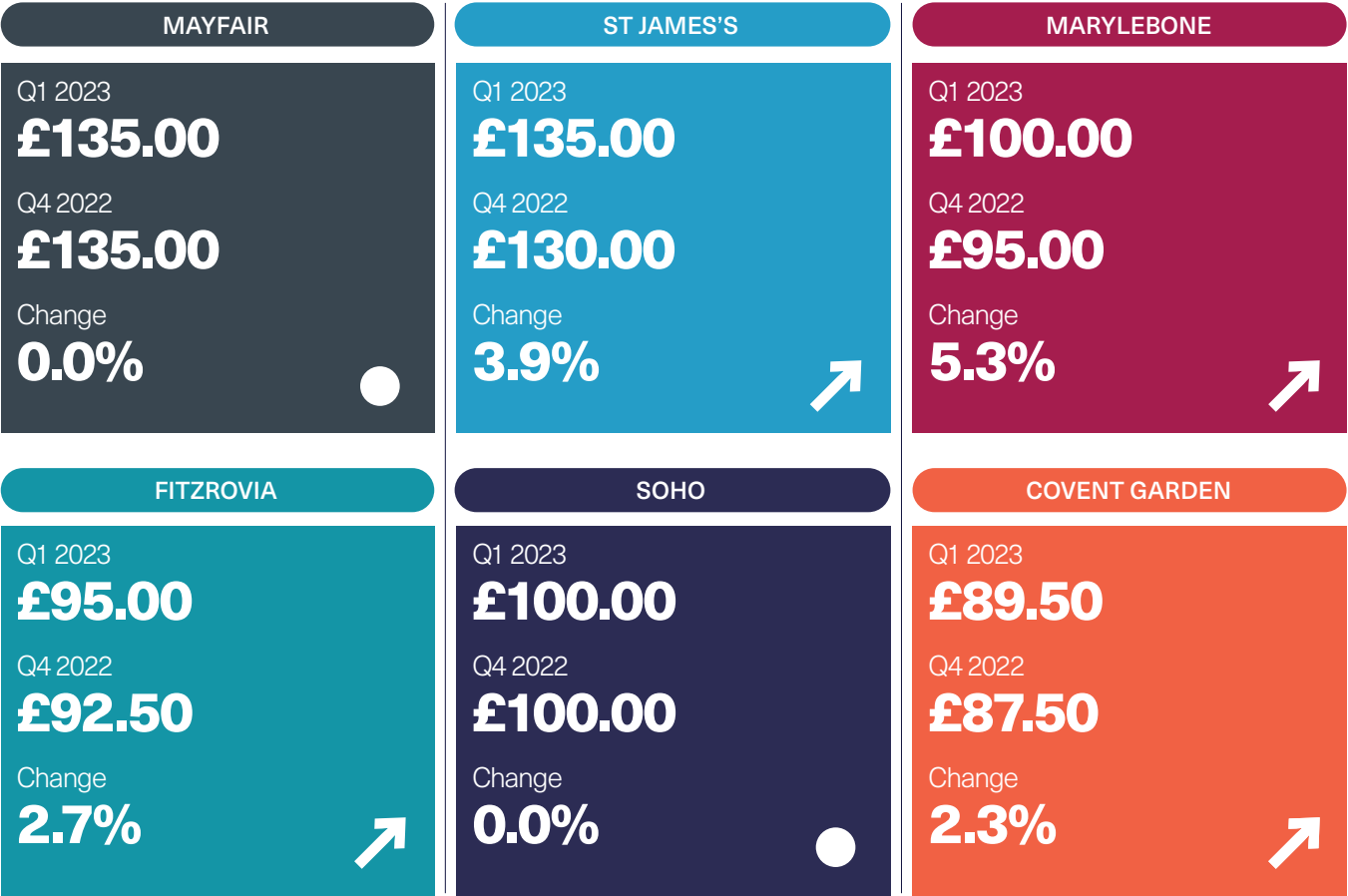


PRIME AND SECONDARY RENTAL GROWTH

PRIME

Grade B

PRIME RENTAL VALUES



MAYFAIR OFFICE MARKET

COMMENTARY

Take up fell back to trend levels of activity in Mayfair in Q1 2023 following a strong second half year in 2022, when take up was boosted by the Blackstone deal at Lansdowne House, Berkeley Square. Activity in Q1 2023 was 168,300 sq ft in 45 transactions, with tenants continuing to focus on Grade A space. The lettings of Grade A space accounted for 65% of total space acquired in the quarter.

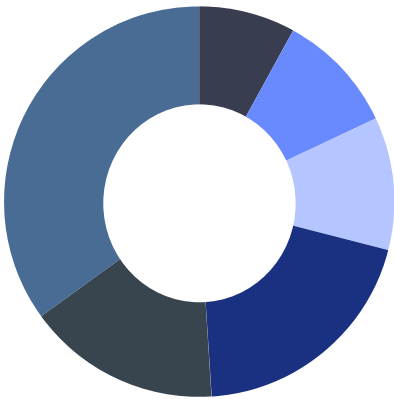
The largest letting was at Mayfair Place, where private equity group TA Associates took 36,325 sq ft at £135psf, whilst debt investor Hayfin took 22,950 sq ft at 65 Davies Street at £170psf. These two lettings signified the continued dominance of the financial services sector in the Mayfair market, with 63% of letting over the past six months being to companies operating in the sector.

Prime rents remained at their 2015 peak level of £135.00 per sq ft in Q1 2023, with rents having increased by 28.6% over the past two years. Rents on Grade B and Grade C space remained stable at their new levels of £92.50 per sq ft and £69.50 per sq ft respectively.

28.6%

Growth in prime rents
over past two years

TAKE UP



TAKE UP BY SIZE (Q1 2023)

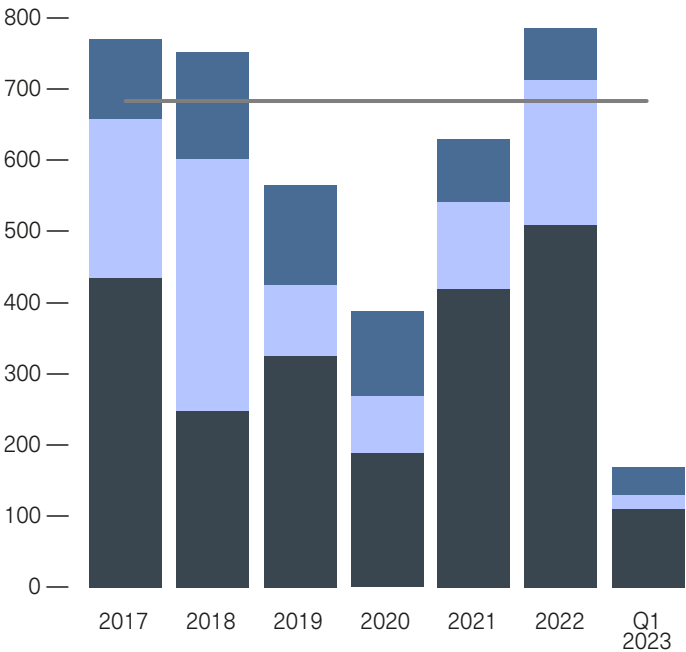
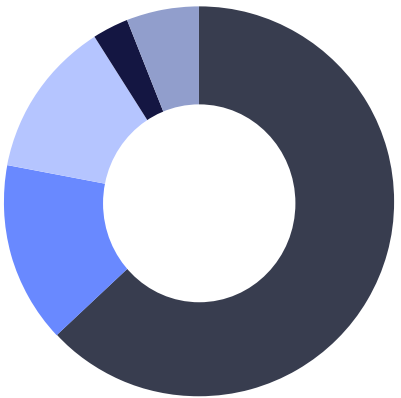
<1,000 sq ft	8%
1,001-2,500 sq ft	10%
2,501-5,000 sq ft	11%
5,001-10,000 sq ft	20%
10,001-20,000 sq ft	16%
>20,001 sq ft	35%

Q1 2023 TAKE UP

168,300 sq ft

TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

Financial Services	63%
Man/Eng & Mining	15%
Real Estate	13%
Bus & Prof Services	3%
Other	6%



TAKE UP (000's sq ft.)

Grade A

Grade B

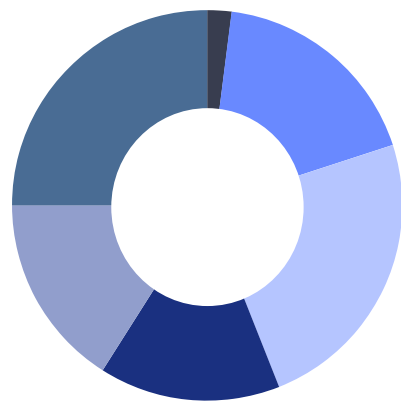
Grade C

10 Year Average

SUPPLY

Availability ticked up to 577,600 sq ft following the release of space back at 1 Curzon Street (43,400 sq ft with 15,975 sq ft under offer) and the soon to be completed 7 Old Park Lane (54,600 sq ft). Grade A supply continues to dominate availability, accounting for 42% of stock on the market. The availability rate moved up to 4.6% in Q1 2023 from 4.0% at the end of 2022.

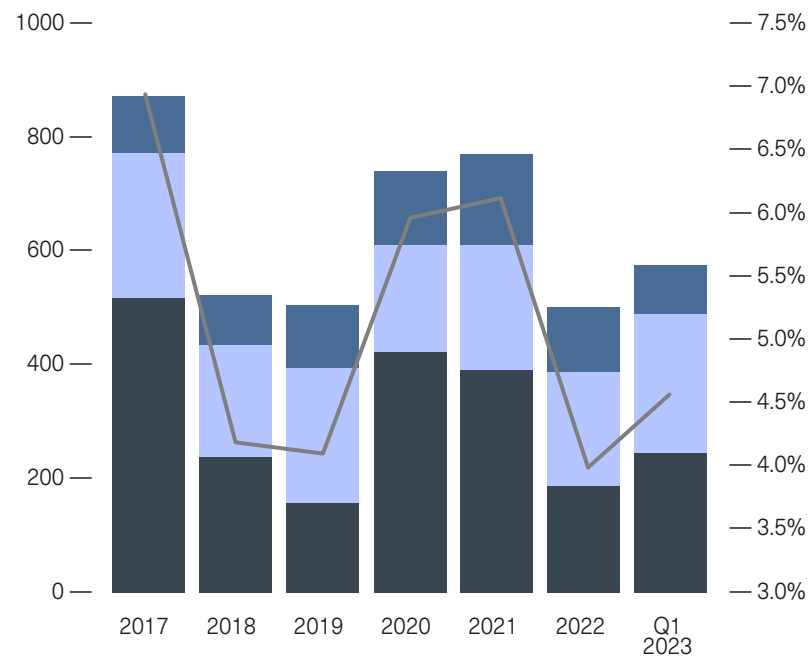
AVAILABILITY BY FLOOR AREA
(Q1 2023)



<1,000 sq ft	2%
1,001-2,500 sq ft	10%
2,501-5,000 sq ft	25%
5,001-10,000 sq ft	10%
10,001-20,000 sq ft	22%
>20,001 sq ft	31%

Q1 2023 AVAILABILITY

577,600 sq ft

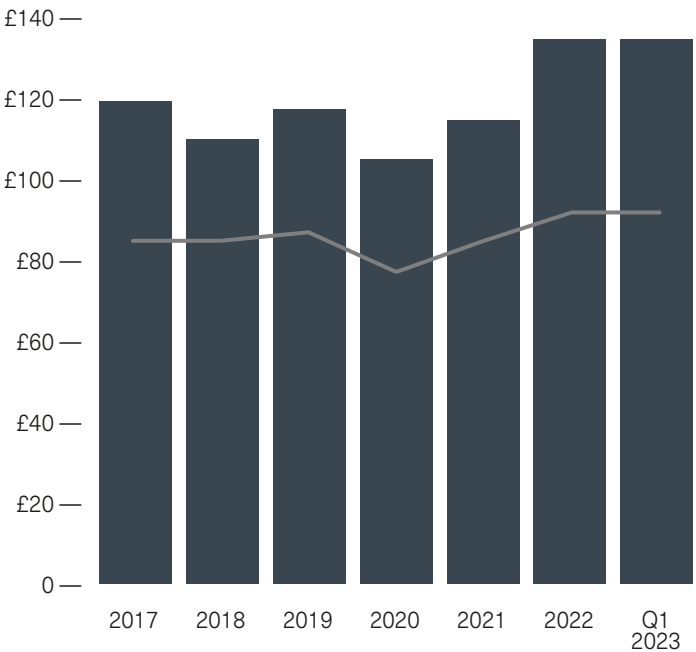


AVAILABILITY
(000's sq ft.)

Grade A
Grade B
Grade C

Availability Rate

RENTAL VALUES



PRIME AND SECONDARY
RENTAL GROWTH

Grade A
Grade B

SERVICED OFFICE DESK
RATES Q1 2023

Lowest

£315

Highest

£1,500

RENTAL VALUES
Q1 2023

PRIME

Q1 2023

£135.00

Q4 2022

£135.00

Change

0.0%

Grade B

Q1 2023

£92.50

Q4 2022

£92.50

Change

0.0%

Grade C

Q1 2023

£69.50

Q4 2022

£69.50

Change

0.0%

ST JAMES'S OFFICE MARKET

COMMENTARY

Take up in the St James's market continued to run at above trend levels in Q1 2023 following the very strong showing in the previous 12 months. Lettings in the quarter were 96,000 sq ft in 31 transactions. Activity has been focused towards better buildings, with 72% of all lettings of Grade A space.

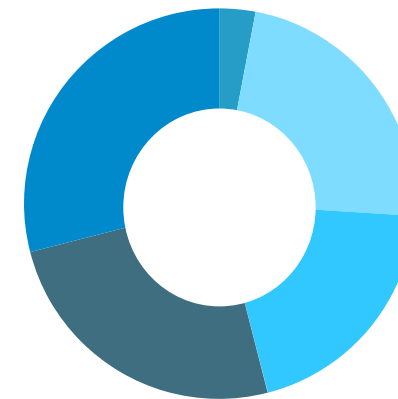
Activity in Q1 2023 was dominated by smaller deals, with lettings below 10,000 sq ft accounting for 71% of all transactions. The only two deals above 10,000 sq ft were investment group Raymond James leasing of 17,335 sq ft at 31 St James's Square, whilst 10,141 sq ft was let at 8 St James's Square.

Prime rents in St James's returned to their 2015 peak of £135.00 per sq ft in Q1 2023 and have now grown by 35% over the past two years. The growth in rents on Grade B and Grade C space has been more modest, rising by 23.4% to £89.50 per sq ft and 22.7% to £67.50 per sq ft respectively.

3.2%

Availability down to the lowest level in more than a decade

TAKE UP



TAKE UP BY SIZE (Q1 2023)

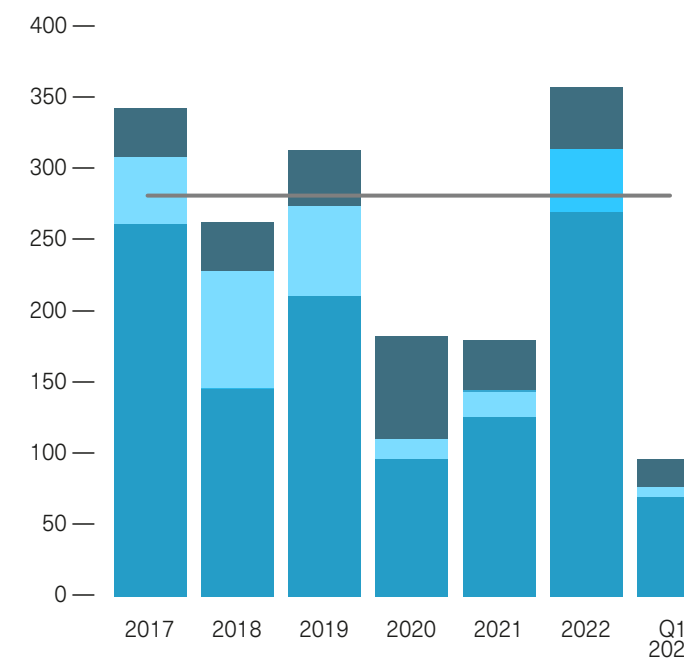
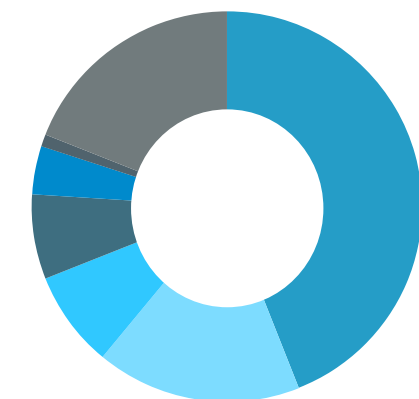
<1,000 sq ft	3%
1,001-2,500 sq ft	23%
2,501-5,000 sq ft	20%
5,001-10,000 sq ft	25%
10,001-20,000 sq ft	29%
>20,001 sq ft	0%

Q1 2023 TAKE UP

95,960 sq ft

TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

Financial Services	44%
Man/Eng & Mining	17%
DAMIT	8%
Bus & Prof Services	7%
Real Estate	4%
Retailers	1%
Other	19%



TAKE UP (000's sq ft.)

Grade A

Grade B

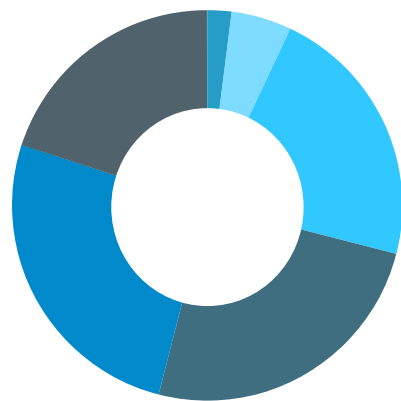
Grade C

10 Year Average

SUPPLY

Supply has continued to tighten and is now at a record low of 175,100 sq ft, with the availability rate down to 3.2%. Availability in St James's has seen a sharp contraction over the past few years, falling by 63% from pre pandemic levels. The largest space on the market remains BentallGreenOak's 78 St James's Street and this is the only ready to occupy building in St James's able to accommodate a requirement of above 20,000 sq ft.

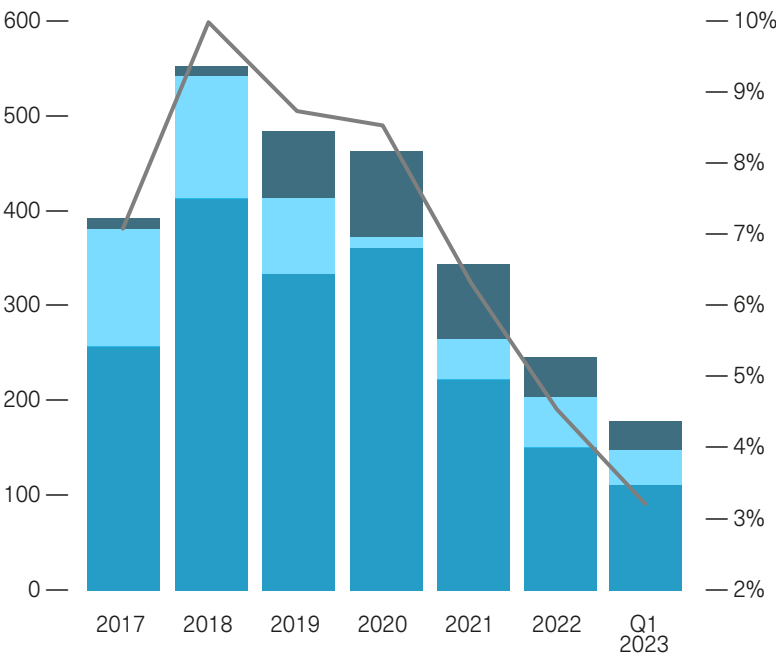
AVAILABILITY BY FLOOR AREA (Q1 2023)



<1,000 sq ft	2%
1,001-2,500 sq ft	11%
2,501-5,000 sq ft	22%
5,001-10,000 sq ft	26%
10,001-20,000 sq ft	27%
>20,001 sq ft	12%

Q1 2023 AVAILABILITY

175,100 sq ft



AVAILABILITY (000's sq ft.)

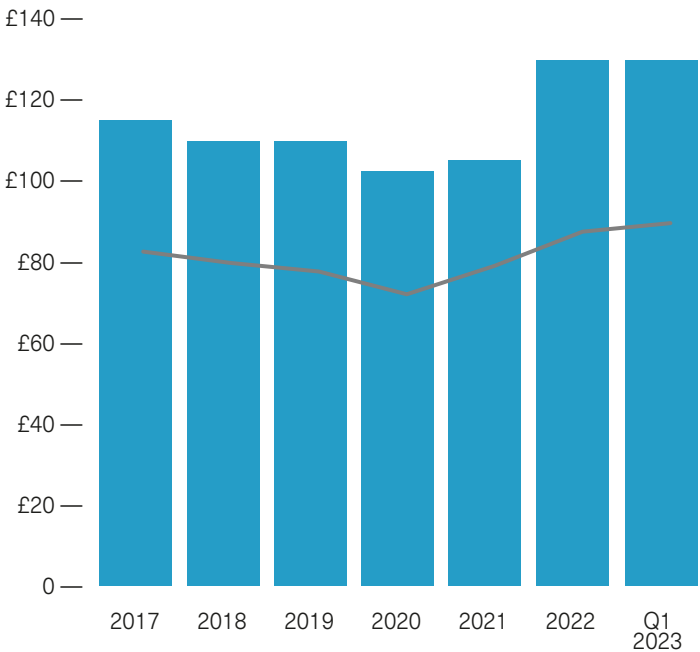
Grade A

Grade B

Grade C

Availability Rate

RENTAL VALUES



PRIME AND SECONDARY RENTAL GROWTH

Grade A

Grade B

SERVICED OFFICE DESK RATES Q1 2023

Lowest

£439

Highest

£1,100

RENTAL VALUES Q1 2023

PRIME

Grade B

Grade C

Q1 2023

£135.00

Q4 2022

£130.00

Change

3.9%

↑

Q1 2023

£89.50

Q4 2022

£87.50

Change

2.3%

↑

Q1 2023

£67.50

Q4 2022

£67.50

Change

0.0%

●

MARYLEBONE OFFICE MARKET

COMMENTARY

Take up in the Marylebone market continued at above trend levels in Q1 2023, with total activity of 148,330 sq ft in 26 transactions. The strong first quarter continues to underline Marylebone's new position as location of choice for the financial services sector.

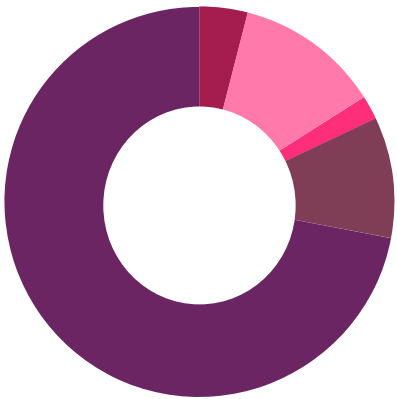
The trend of large pre lets dominating activity continued, with PIMCO agreeing to lease 106,100 sq ft over the top five floors at Derwent London's new scheme at 25 Baker Street. PIMCO have also secured the option to take an additional 24,700 sq ft, which can be exercised up to 12 months prior to practical completion. The building is expected to be ready for occupation in 2025.

Prime rents in Marylebone moved to a new peak for the area of £100 per sq ft following the PIMCO deal. Prime rents have increased by 11.1% over the past 12 months with rents on Grade B space also moving to a new peak level of £79.50 per sq ft. Grade C stock has seen rents move up to £67.50 per sq ft, although activity in this sector of the market restricted, with tenants targeting better quality accommodation.

£100 psf

Prime rents move to new record for the Marylebone market

TAKE UP



TAKE UP BY SIZE (Q1 2023)

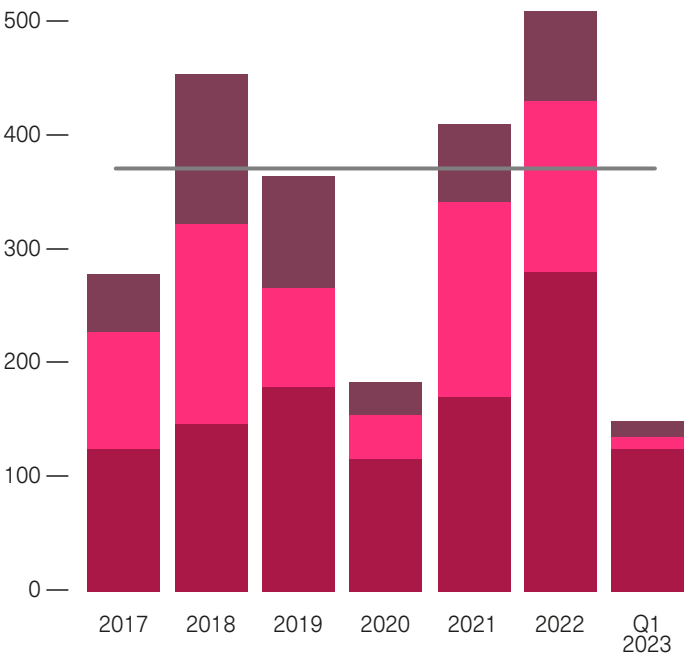
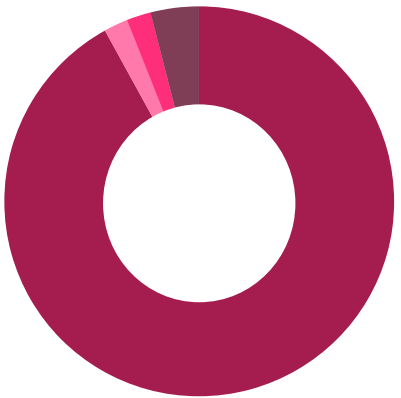
<1,000 sq ft	4%
1,001-2,500 sq ft	12%
2,501-5,000 sq ft	2%
5,001-10,000 sq ft	10%
10,001-20,000 sq ft	0%
>20,001 sq ft	72%

Q1 2023 TAKE UP

148,330 sq ft

TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

Financial Services	92%
Real Estate	2%
DAMIT	2%
Other	4%



TAKE UP (000's sq ft.)

Grade A

Grade B

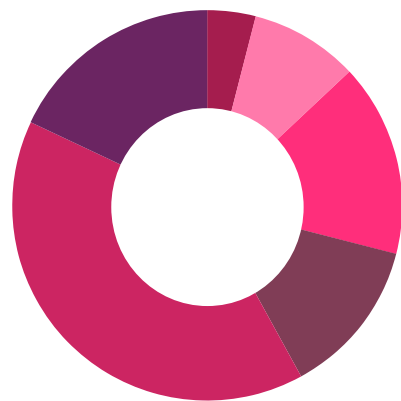
Grade C

10 Year Average

SUPPLY

Supply has continued to tighten and is now at its lowest level since the start of the pandemic, falling to 410,900 sq ft. Grade A space remains a major element of supply, accounting for 46% of overall availability, with the largest Grade A space is at the recently completed 1 Great Cumberland Place, where floors 4-6 offer 24,900 sq ft. Despite the introduction of new space onto the market, availability is down over the year as a whole, with the availability rate now down to 4.4% from 5.4% at the end of 2020.

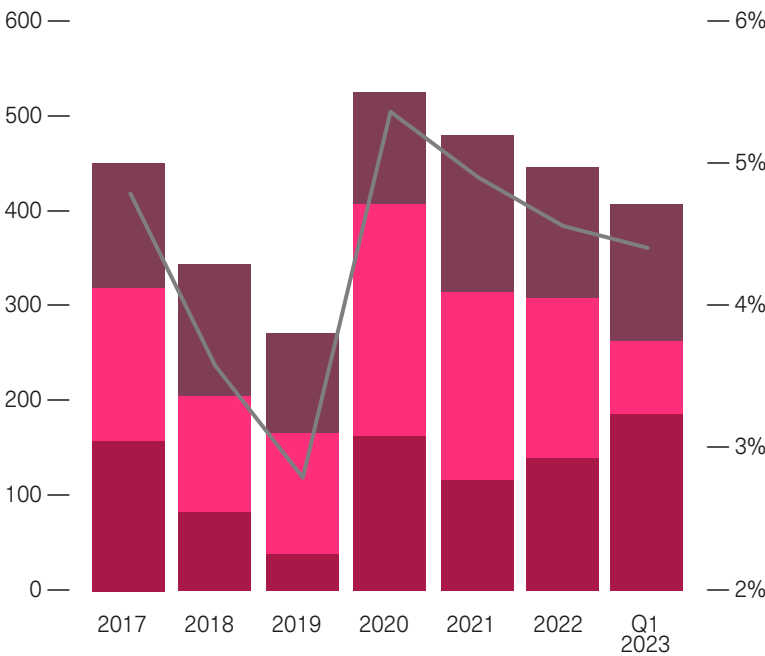
AVAILABILITY BY FLOOR AREA (Q1 2023)



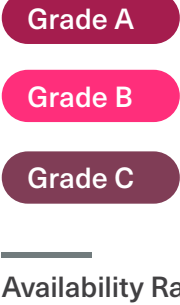
<1,000 sq ft	4%
1,001-2,500 sq ft	9%
2,501-5,000 sq ft	16%
5,001-10,000 sq ft	13%
10,001-20,000 sq ft	40%
>20,001 sq ft	18%

Q1 2023 AVAILABILITY

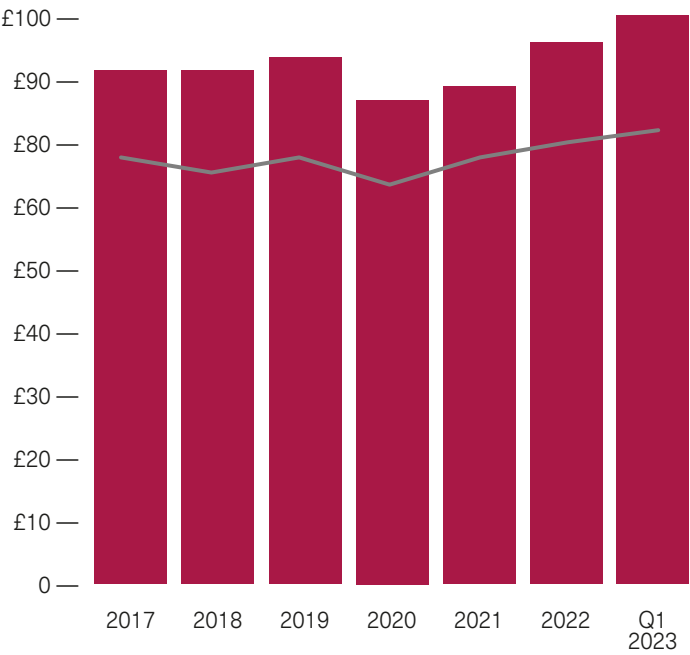
410,900 sq ft



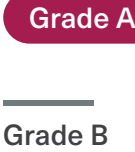
AVAILABILITY (000's sq ft.)



RENTAL VALUES



PRIME AND SECONDARY RENTAL GROWTH



SERVICED OFFICE DESK RATES Q1 2023

Lowest

£300

Highest

£1,360

RENTAL VALUES Q1 2023

PRIME	Grade B	Grade C
Q1 2023 £100.00	Q1 2023 £79.50	Q1 2023 £67.50
Q4 2022 £95.00	Q4 2022 £77.50	Q4 2022 £65.00
Change 5.3%	Change 2.6%	Change 3.8%

FITZROVIA OFFICE MARKET

COMMENTARY

Fitzrovia has been one of the strongest West End sub markets over the past two years and has provided a major source of larger Grade A space. Take up slowed in Q1 2023, with total activity down to 53,100 sq ft across 32 transactions and a lack of larger lettings completing.

The largest transaction in the first three months of the year was the 7,925 sq ft letting to online retailer Bazaarvoice at 1 Newman Street, whilst cloud based communications group Dubber took 6,025 sq ft at 60 Charlotte Street.

Prime rents in Fitzrovia moved to a new peak level once again, rising to £95.00 per sq ft at the end of Q1 2023 and have now increased by 11.1% over the past 12 months. Rents on Grade B space moved above £70.00 per sq ft for the first time, rising to £72.50 per sq ft (7.4% growth over the past year), whilst rents on poorer quality stock moved back to £62.50 per sq ft.

11.8%

Increase in prime
rents in Fitzrovia
over past 12 months

TAKE UP



TAKE UP BY SIZE (Q1 2023)

<1,000 sq ft	18%
1,001-2,500 sq ft	19%
2,501-5,000 sq ft	26%
5,001-10,000 sq ft	37%
10,001-20,000 sq ft	0%
>20,001 sq ft	0%

Q1 2023 TAKE UP

53,100 sq ft

TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

Financial Services	31%
Real Estate	21%
Bus & Prof Services	18%
DAMIT	17%
Retailers	5%
Man/Eng & Mining	1%
Other	7%



TAKE UP (000's sq ft.)

Grade A

Grade B

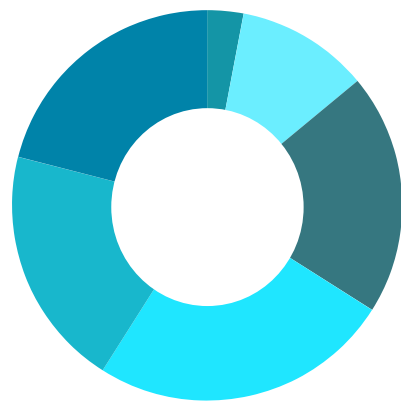
Grade C

10 Year Average

SUPPLY

Fitzrovia remains one of the best sub markets for occupiers looking for larger Grade A floor space, with three buildings of circa 50,000 sq ft on the market at the end of Q1. The largest space is at the recently refurbished Berners & Wells building on Berners Street, which offers 56,250 sq ft over nine floors. The building is ready for occupation in Q2 2023. Overall availability remains just below 500,000 sq ft, with the availability rate one of the highest amongst the West End sub markets at 5.4%.

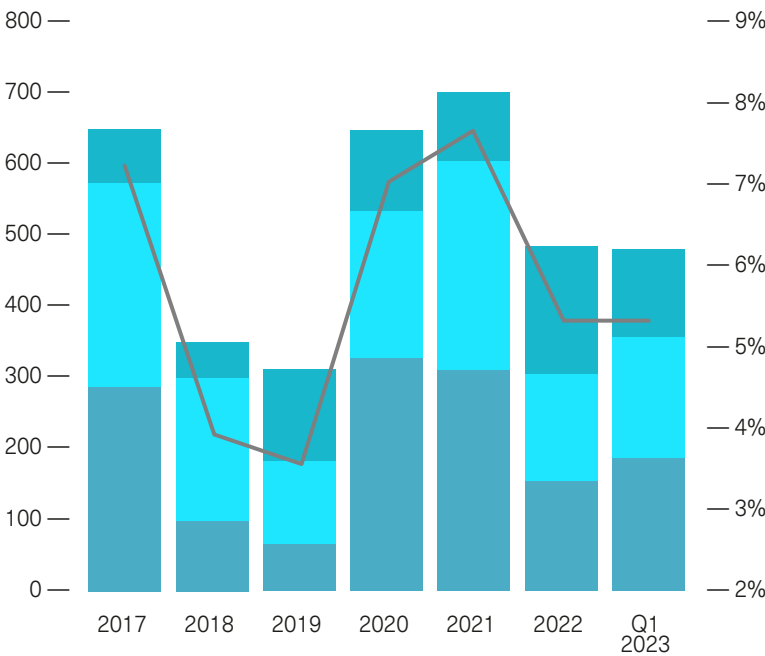
AVAILABILITY BY FLOOR AREA (Q1 2023)



<1,000 sq ft	3%
1,001-2,500 sq ft	11%
2,501-5,000 sq ft	20%
5,001-10,000 sq ft	25%
10,001-20,000 sq ft	20%
>20,001 sq ft	21%

Q1 2023 AVAILABILITY

492,140 sq ft



AVAILABILITY (000's sq ft.)

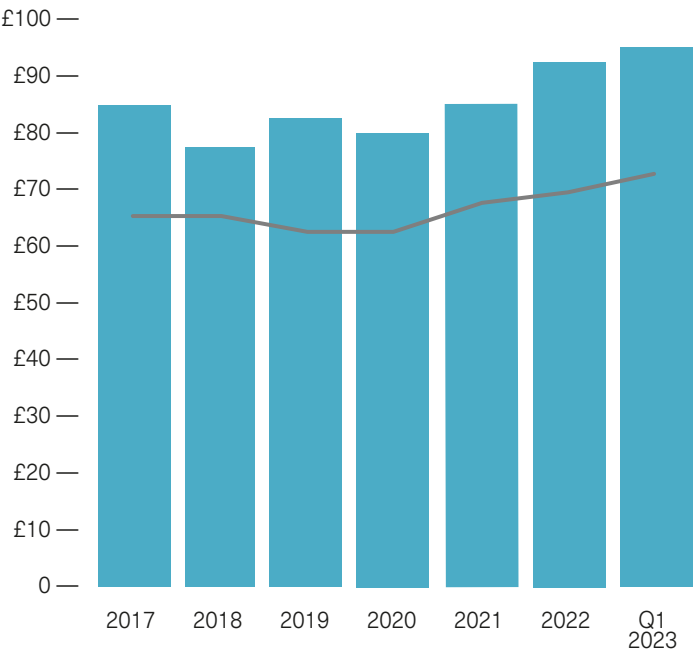
Grade A

Grade B

Grade C

Availability Rate

RENTAL VALUES



PRIME AND SECONDARY RENTAL GROWTH

Grade A

Grade B

SERVICED OFFICE DESK RATES Q1 2023

Lowest

£249

Highest

£1,185

RENTAL VALUES Q1 2023

PRIME

Grade B

Grade C

Q1 2023

£95.00

Q4 2022

£92.50

Change

2.7%



Q1 2023

£72.50

Q4 2022

£69.50

Change

4.3%



Q1 2023

£62.50

Q4 2022

£60.00

Change

4.2%



SOHO OFFICE MARKET

COMMENTARY

Take up in the Soho market eased back from the strong second half of last year, falling to 62,800 sq ft in Q1 2023 across 32 transactions. Activity slowed, with the majority of lettings focused on deals below 5,000 sq ft.

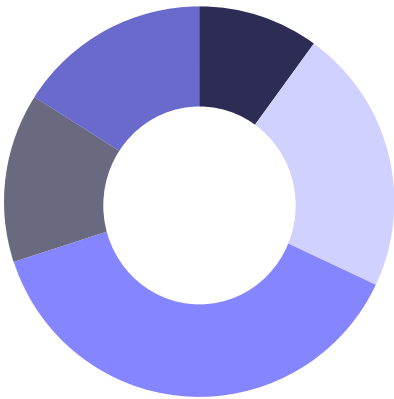
The largest transactions in the first three months of the year were both to financial services group's; the 10,240 sq ft letting to foreign exchange group Argentex at 25 Argyll Street, whilst US private equity group Stonepeak Partners took 8,895 sq ft at 15-18 Golden Square.

Prime rents in Soho remained stable at £100.00 per sq ft in the first three months of 2023 following the sharp upturn in the previous two years. Values have increased by 21.2% since the start of 2021 but remain below the peak of £105.00 per sq ft set in 2017. Rents on Grade B space have also strengthened, moving back to £79.50 per sq ft, with Grade C rents stabilising at £67.50 per sq ft.

63%

Proportion of supply in Grade A space

TAKE UP



TAKE UP BY SIZE (Q1 2023)

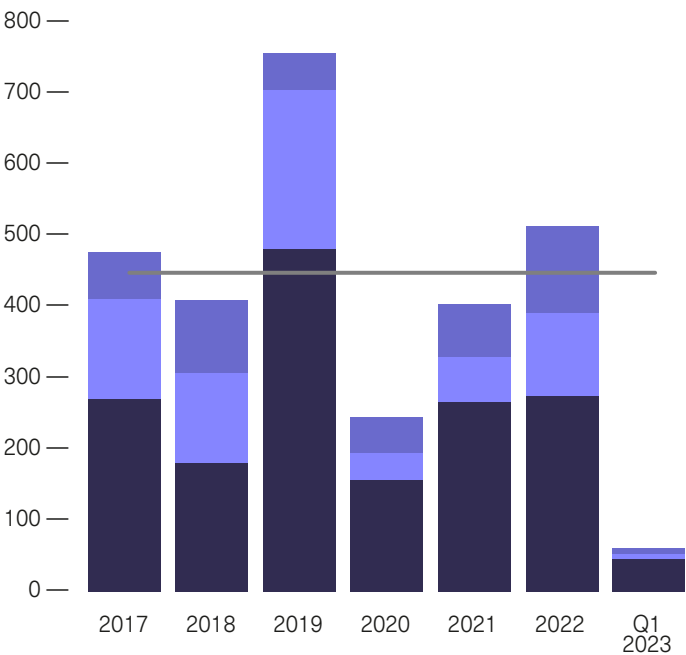
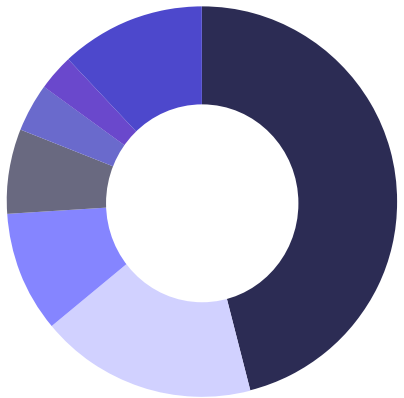
<1,000 sq ft	10%
1,001-2,500 sq ft	22%
2,501-5,000 sq ft	38%
5,001-10,000 sq ft	14%
10,001-20,000 sq ft	16%
>20,001 sq ft	0%

Q1 2023 TAKE UP

62,800 sq ft

TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

Financial Services	46%
DAMIT	18%
Bus & Prof Services	10%
Retailers	7%
Real Estate	4%
Man/Eng & Mining	3%
Other	12%



TAKE UP (000's sq ft.)

Grade A

Grade B

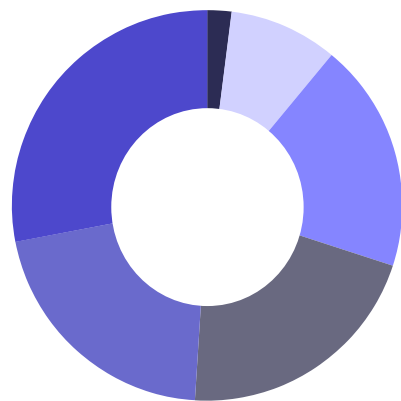
Grade C

10 Year Average

SUPPLY

Supply edged up to 366,600 sq ft in the first three months of the year, with the majority of the increase focused on the amount of Grade A space on the market. Grade A supply increased to 232,700 sq ft and now accounts for 63% of overall stock on the market. The two largest Grade A buildings are Soho Estate's Ilona Rose House, where 46,975 sq ft is still available, whilst 20 Air Street has seen a number of floors come back to the market and now offers 54,850 sq ft across two floors. The availability rate in Soho is now down to 4.7% at the end of Q1 2023.

AVAILABILITY BY FLOOR AREA (Q1 2023)



<1,000 sq ft	2%
1,001-2,500 sq ft	9%
2,501-5,000 sq ft	19%
5,001-10,000 sq ft	21%
10,001-20,000 sq ft	21%
>20,001 sq ft	28%

Q1 2023 AVAILABILITY

366,590 sq ft

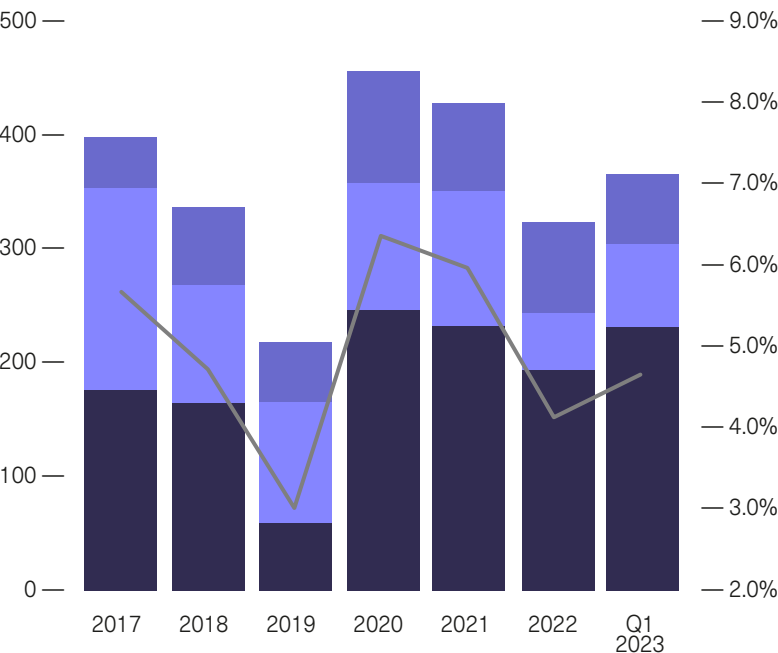
AVAILABILITY (000's sq ft.)

Grade A

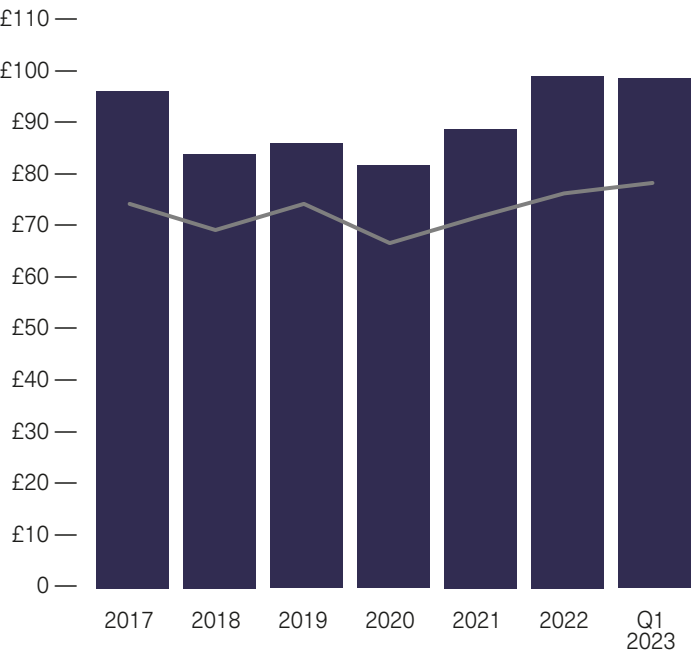
Grade B

Grade C

Availability Rate



RENTAL VALUES



PRIME AND SECONDARY RENTAL GROWTH

Grade A

Grade B

SERVICED OFFICE DESK RATES Q1 2023

Lowest

£309

Highest

£1,200

RENTAL VALUES Q1 2023

PRIME

Grade B

Grade C

Q1 2023

£100.00

Q4 2022

£100.00

Change

0.0%

Q1 2023

£79.50

Q4 2022

£77.50

Change

2.6%



Q1 2023

£67.50

Q4 2022

£67.50

Change

0.0%



COVENT GARDEN OFFICE MARKET

COMMENTARY

Take up in the Covent Garden market eased back from the strong end to last year, which was boosted by the GSK pre let at 77-91 New Oxford Street. Total lettings in the first three months of 2023 were 43,125 sq ft in 15 transactions, with no lettings above 10,000 sq ft completing.

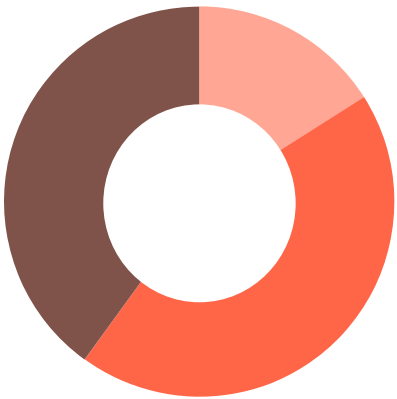
The largest letting in the quarter was to software group Goodnotes, who took 6,300 sq ft at 1 St Giles Square, whilst blockchain specialists Chainanalysis UK took 5,300 sq ft at 77 Kingsway. These two lettings have contributed to the dominance of the science and tech sector in the Covent Garden market.

Prime rents in Covent Garden moved to a new record level £89.50 per sq ft at the end of Q1 2023, having grown by 19.3% since the start of 2021. Rents on Grade B space stabilised at £75.00 per sq ft following sharp increases in the aftermath of the pandemic, whilst Grade C space is now attracting rents of circa £59.50 per sq ft – still the best value across all West End sub markets.

6.2%

Availability rate falls to lowest level since the end of 2020

TAKE UP



TAKE UP BY SIZE (Q1 2023)

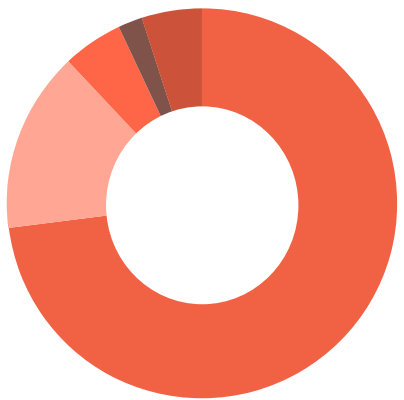
<1,000 sq ft	0%
1,001-2,500 sq ft	16%
2,501-5,000 sq ft	44%
5,001-10,000 sq ft	40%
10,001-20,000 sq ft	0%
>20,001 sq ft	0%

Q1 2023 TAKE UP

43,130 sq ft

TAKE UP BY OCCUPIER TYPE (Q4 2022/Q1 2023)

DAMIT	73%
Real Estate	15%
Bus & Prof Services	5%
Financial Services	2%
Other	5%



600 —

500 —

400 —

300 —

200 —

100 —

0 —

2017

2018

2019

2020

2021

2022

Q1 2023

TAKE UP (000's sq ft.)

Grade A

Grade B

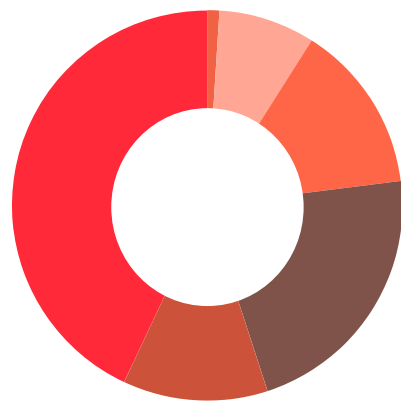
Grade C

10 Year Average

SUPPLY

Supply in Covent Garden has been slow to recover since the pandemic having peaked later than most other markets (Q4 2021). Availability plateaued in Q1 2023 at 446,420 sq ft, only 8% below peak levels. The increase in supply has been due to several new schemes completing, with Grade A space moving up to 193,050 sq ft and the most significant space being at the recently completed refurbishment of The Kodak at 65 Kingsway. The availability rate now stands at 6.2% and remains the highest amongst the West End sub markets.

AVAILABILITY BY FLOOR AREA (Q1 2023)



<1,000 sq ft	1%
1,001-2,500 sq ft	8%
2,501-5,000 sq ft	14%
5,001-10,000 sq ft	22%
10,001-20,000 sq ft	12%
>20,001 sq ft	43%

Q1 2023 AVAILABILITY

446,400 sq ft

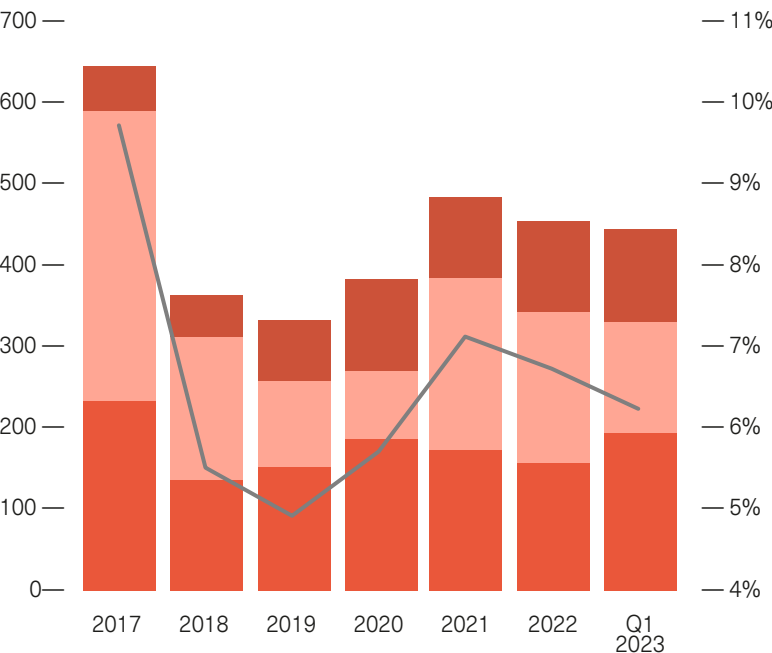
AVAILABILITY (000's sq ft.)

Grade A

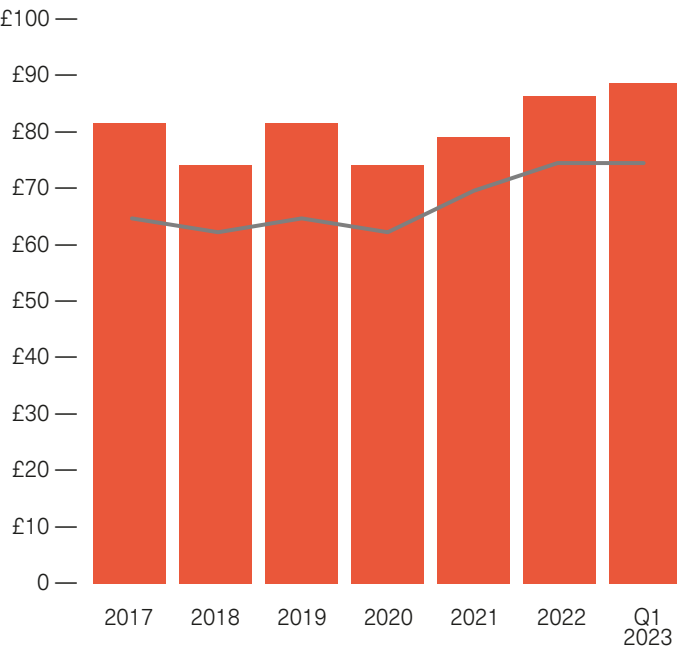
Grade B

Grade C

Availability Rate



RENTAL VALUES



PRIME AND SECONDARY RENTAL GROWTH

Grade A

Grade B

SERVICED OFFICE DESK RATES Q1 2023

Lowest

£545

Highest

£1,100

RENTAL VALUES Q1 2023

PRIME

Grade B

Grade C

Q1 2023

£89.50

Q4 2022

£87.50

Change

2.3%



Q1 2023

£75.00

Q4 2022

£75.00

Change

0.0%



Q1 2023

£59.50

Q4 2022

£57.50

Change

3.5%



BDGSparkesPorter

Office Agency

Ross Blanchflower

ross.blanchflower@bdgsp.co.uk

William Ewing

william.ewing@bdgsp.co.uk

Stuart Fricker

stuart.fricker@bdgsp.co.uk

James Harrison

james.harrison@bdgsp.co.uk

Gregory Porter

gregory.porter@bdgsp.co.uk

Helen Wang

helen.wang@bdgsp.co.uk

Investment

Tom Butt

tom.butt@bdgsp.co.uk

Business Development

Pawel Kaminski

pawel.kaminski@bdgsp.co.uk

45 Maddox Street

London

W1S 2PE

t: 020 7629 1088

w: bdgsp.co.uk

