

West End super prime office rents could reach highs of £300psf by December 2024

2 years ago



BNP Paribas Real Estate West End office agent Simon Knights has revealed that lettings could see rents for super prime stock reach highs of “up to £300 per square foot by December 2024” as demand continues to outstrip constrained supply.

Simon Knights, head of West End agency at BNP Paribas Real Estate commented: “You don’t need a crystal ball to see where the super prime West End office market is headed. We predicted last year that leasing events, business growth plans, and the importance of employing talent would drive the market and all the cynics accused us of being terrifyingly optimistic, and look, we’ve seen rents of over £200 per square foot regularly discussed on prime buildings.

“Banking and finance occupiers in particular continue to steer the direction of the market. This activity has seen footprints rocketing in size and discussions around super prime rents move to new heights as the grapple for space becomes increasingly more heated and competitive. My prediction, based upon this activity, is that we could see rents reach highs of up to £300 per square foot by December 2024 as this demand continues to prove the naysayers wrong that believed the end is nigh for the office sector. These occupiers seeking out these new premises are less concerned by physical occupancy and are more much enlivened by location, talent, status and growth.”

Simon’s statement is evidenced by the latest Q3 2023 data shared today:

- West End take-up climbed from 520,000 sq ft in Q2 2023 to 746,000 sq ft, whilst the vacancy rate stood at just below 6.0%.
- In Mayfair and St James’s, the Grade A vacancy rate stands at around 3.0%

- Banking & Finance remained the most active office sector, accounting for a 32.6% share of take-up across 20 deals equating to over 243,000 sq ft, representing a quarter-on-quarter increase of almost two-thirds (66.5%) in the West End
- Prime West End rents stand at £150 per square foot (up 7.1% year-on-year)

Rents have been achieved in excess of £150 per square foot at the super prime end of the market across buildings like 65 Davies Street, W1 (£185psf); 38 Berkeley Square, W1J (£180psf); Berkeley Square's Lansdowne House, W1J (£175psf); and 75 Grosvenor Street, W1K (£170psf).

The following 5 deals across the financial sector demonstrates where the occupier footprint has grown substantially:

Financial sector office occupier size increase across the West End over the past year				
Date	Occupier	Previous office (location & size)	Signed new office (location & size)	Size increase
10.2022	Blackstone	40 Berkeley Square, Berkeley Square House & 11-12 St James's Square (110,000 sq ft)	Lansdowne House (225,000 sq ft)	105%
01.2023	Hayfin Capital Management	One Eagle Place (11,000 sq ft)	65 Davies Street (23,500 sq ft)	114%
05.2023	TA Associates	Devonshire House (8,000 sq ft)	Devonshire House (36,000 sq ft) (expansion)	350%
06.2023	Eisler Capital	16 St James's Street (12,000 sq ft)	Lucent (50,000 sq ft)	317%
10.2023	Blue Owl Capital	16 Berkeley Street (2,000 sq ft)	65 Davies Street (11,500 sq ft)	475%

Source: BNP Paribas Real Estate West End office data

The news comes as employment growth outpaces the percentage change in office stock. According to Oxford Economics, total Westminster office-based employment growth was forecast to increase 20.1%

between 2018 and 2023 (which translated to an uptick of circa 84,000 employees), whilst financial employment grew 35.9% over the same period.

Looking ahead, Westminster employment growth is expected to slow marginally to 2.7% between 2023 and 2027, whilst West End office stock is expected to increase 4.4% over the same period (taking into account schemes under construction).

Simon continues: "Office-based employment growth statistics, the aggressive expansion of the financial sector and how it compares against the pipeline of stock is massively important to this success story regardless of whether it slows down or not. This uptick against the constrained supply will only aggravate bidding even further and will act essentially like a pressure cooker on the rents. Reputations are on the line for these predominant occupiers and they will not give up without a fight if the space meets their needs. We might see some new kids on the block as a result, sure, but my money is on those guys to continue ruling the school."

[This prediction follows the firm's announcement last year](#) that 40% of the market will have a lease event in 2023 and 2024, with equally large volumes to follow in the two subsequent years.