Q2 2024

Mayfair & St James's Office Market Snapshot

DEVONO

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Mayfair and St James's are famed for their provision of shopping, nightlife and historic buildings, but the area is also a key office market, home to a wide range of businesses. This report provides an in-depth analysis of the current market landscape. Covering the first half of 2024, the report highlights trends in leasing activity, rental growth, and space availability.

It also examines the sectors driving demand in these prestigious office markets and offers forecasts on future developments and rents. Whether you're interested in Grade A or Grade B spaces, the report offers valuable insights into the evolving dynamics of this part of London.

Shaun Dawson,
Head of Insights,
Devono

Leasing

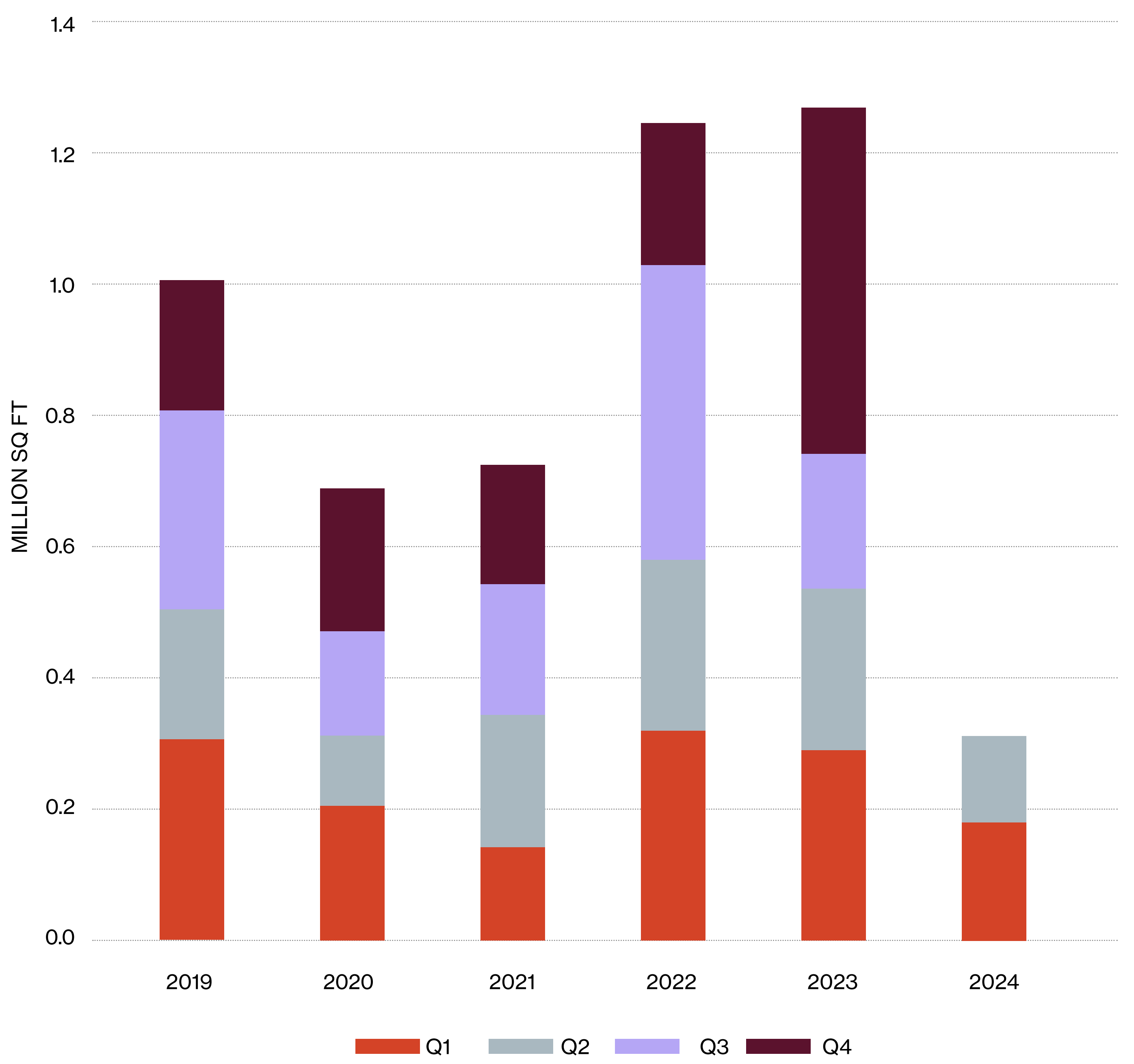
Leasing activity across the Mayfair-St James's office market has failed to match the buoyant levels seen in 2022-23. The first half of 2024 has seen just 320,276 sq ft leased, not only representing a drop of 57% on the previous six-month period but coming in significantly below the short-term half-yearly average of 499,570 sq ft.

The dip in the total volume of leasing is not a result of fewer businesses securing space; the total of 118 deals recorded for H1 2024 is in line with the short-term average.

No deals transacted larger than 50K sq ft and the significant drop in deals for spaces sized 10K-50K sq ft in H1 2024 has led to lower leasing numbers. Meanwhile, smaller spaces of below 5K sq ft have retained tenant demand; the average size of deal in H1 2024 was 2,714 sq ft whereas in 2023 it was 5,167 sq ft.

The average lease length of transactions in 2023 was 6.1 years, and so far in 2024 this has edged downwards to 5.8 years.

Mayfair-St James's Office Market: Leasing Activity, 2019-2024



Source: Devono Insights

Who Is Attracted To Mayfair-St James's?

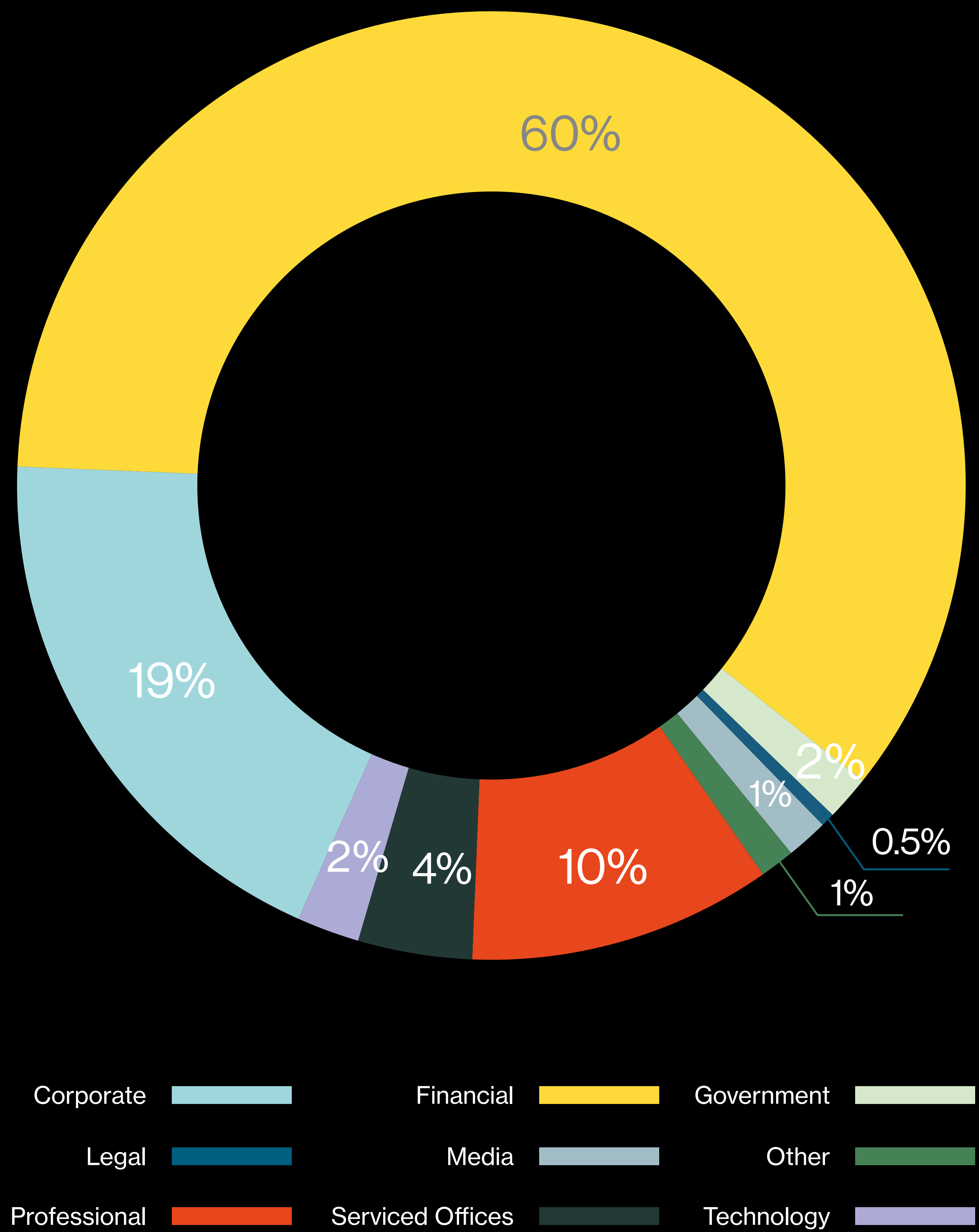
The **Financial sector** accounted for the largest share of leasing at 60% in H1 2024, which continues the trend seen in 2023.

Professional sector take-up in H1 2024 is 13% higher than that in H1 2023. The average size of deal in H1 2024 has been 2,057 sq ft, whereas in 2023 it was 4,290 sq ft.

The **Technology sector** has been relatively active in recent years, averaging 8 deals per year, yet in 2024 just 3 have been accounted for so far.

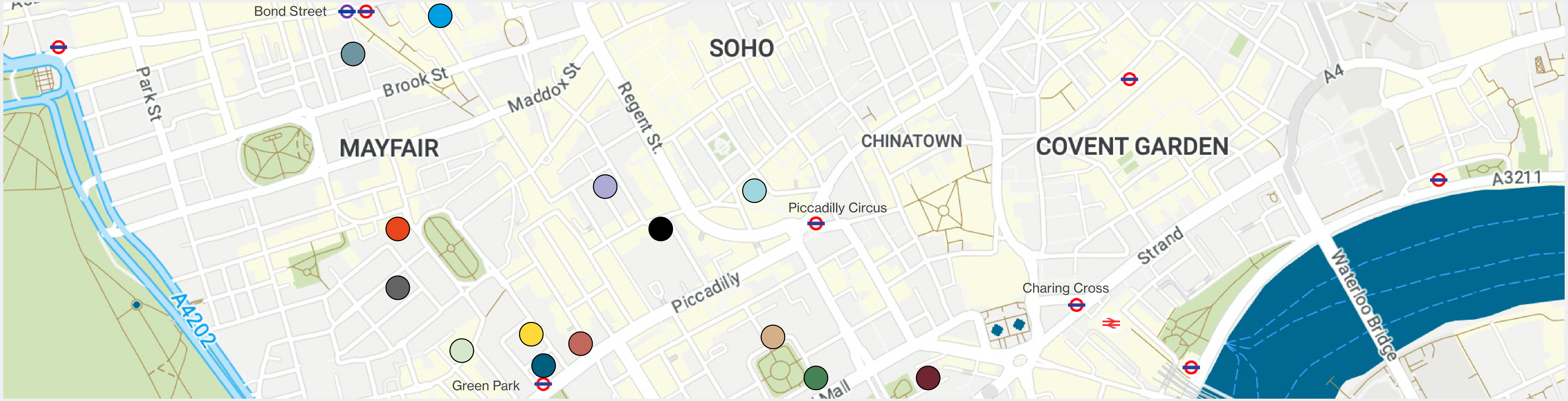
Legal sector take-up dropped in H1 2024 with just one deal recorded. The short-term annual average number of legal sector lettings is 4.

Mayfair-St James's Office Market:
Share Of Leasing By Sector, H1 2024



Source: Devono Insights

Who was Leasing in 2023-24?



	BUILDING	POSTCODE	SIZE (SQ FT)	GRADE	TENANT	SECTOR
	50 BERKELEY ST	W1J 8HA	173,405	PRE-LET	MILLENNIUM CAPITAL	FINANCIAL
	36 BERKELEY SQ	W1J 5AE	83,000	PRE-LET	CHANEL	CORPORATE
	20 AIR ST	W1B 5AN	55,645	SECONDHAND	PAUL WEISS	LEGAL
	1 MAYFAIR PL	W1J 8AJ	36,326	SECONDHAND	TA ASSOCIATES	FINANCIAL
	31 ST JAMES'S SQ	SW1Y 4JR	34,270	GRADE A	SYMMETRY INVESTMENT	FINANCIAL
	20 AIR ST	W1B 5AN	28,053	SECONDHAND	HARBOURVEST	FINANCIAL
	31 ST JAMES'S SQ	SW1Y 4JR	27,820	GRADE A	HEIDRICK & STRUGGLES	PROFESSIONAL
	20 AIR ST	W1B 5AN	26,788	SECONDHAND	PAUL WEISS	LEGAL
	20 CARLTON HOUSE TER	SW1Y 5AN	26,738	PRE-LET	CAMPBELL LUTYENS	FINANCIAL
	10 OLD BURLINGTON ST	W1S 3AQ	19,862	SECONDHAND	MILLENNIUM CAPITAL	FINANCIAL
	65 DAVIES ST	W1K 5AF	19,056	PRE-LET	HARRIS WILLIAMS & CO LTD HARRIS (PNC)	FINANCIAL
	31 ST JAMES'S SQ	SW1Y 4JR	17,335	PRE-LET	RAYMOND JAMES INVESTMENT SERVICES	FINANCIAL
	1 CURZON ST	W1J 5HD	15,974	SECONDHAND	HOULIHAN LOKEY	FINANCIAL
	48 DOVER ST	W1S 4NX	14,912	SECONDHAND	SIXTH STREET	FINANCIAL
	11 HILL ST	W1J 5LF	14,787	SECONDHAND	ESSAR ENERGY	CORPORATE
	THE BURLIAN, 80 NEW BOND ST	W1S 1SB	14,218	PRE-LET	UPL Ltd	CORPORATE
	20 CARLTON HOUSE TER	SW1Y 5AN	13,317	PRE-LET	BP	CORPORATE
	65 DAVIES ST	W1K 5AF	12,294	PRE-LET	SPX CAPITAL	FINANCIAL
	31 ST JAMES'S SQ	SW1Y 4JR	12,192	GRADE A	POINT72	FINANCIAL
	THE BURLIAN, 80 NEW BOND ST	W1S 1SB	11,506	GRADE A	ALLWYN ENTERTAINMENT	CORPORATE
	65 DAVIES ST	W1K 5AF	11,303	PRE-LET	BLUE OWL CAPITAL	FINANCIAL
	25 SACKVILLE ST	W1S 3DN	10,822	SECONDHAND GRADE A	TAULA CAPITAL MANAGEMENT	FINANCIAL
	8 ST. JAMES'S SQ	SW1Y 4JU	10,141	SECONDHAND GRADE A	POINT72	FINANCIAL

Availability

Office availability at the end of Q2 2024 was circa 1.2 million sq ft, which was up by 19% since the end of 2023.

Despite the rise, the level of total availability is down approx. 27% on the recent peak in 2021.

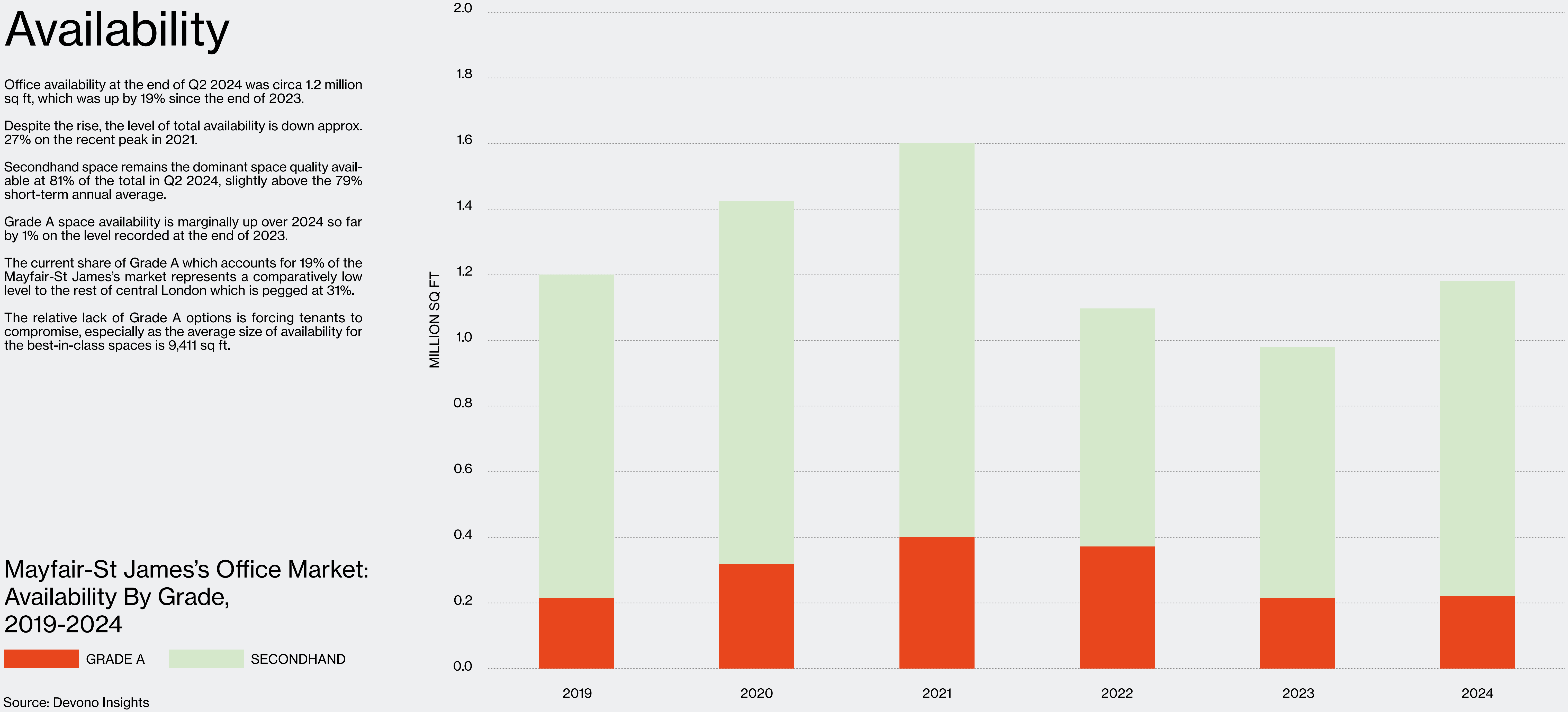
Secondhand space remains the dominant space quality available at 81% of the total in Q2 2024, slightly above the 79% short-term annual average.

Grade A space availability is marginally up over 2024 so far by 1% on the level recorded at the end of 2023.

The current share of Grade A which accounts for 19% of the Mayfair-St James's market represents a comparatively low level to the rest of central London which is pegged at 31%.

The relative lack of Grade A options is forcing tenants to compromise, especially as the average size of availability for the best-in-class spaces is 9,411 sq ft.

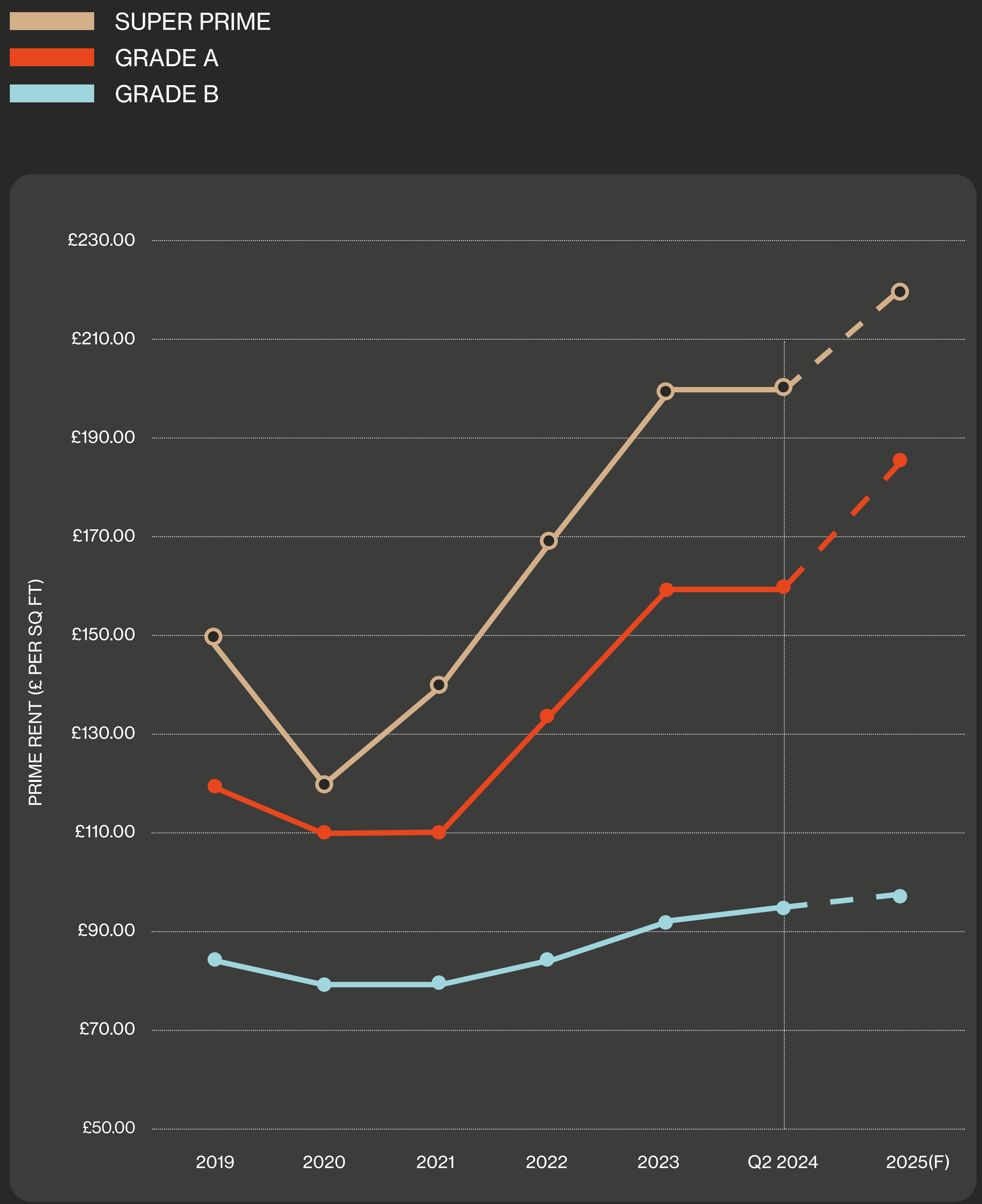
Mayfair-St James's Office Market: Availability By Grade, 2019-2024



Source: Devono Insights

Rents

Mayfair-St James's Office Market:
Prime Rents, 2019-2025 (Forecast)



Source: Devono Insights

Prime Grade A

Prime Grade A rents have now remained at the new high of £160.00 per sq ft for 3 quarters, following a 7% uplift in the autumn of 2023.

Similarly, super prime rents (small high end boutique spaces in the heart of the market) have stabilized over the past few quarters at £200.00 per sq ft.

Whilst this represents a bit of respite following a period of significant growth for the top end of the market, the erosion of available Grade A options means that upward pressure still exists, and our forecasts show double-digit growth is expected over the next 18 months.

Prime Grade B

Prime Grade B rental growth has been slower with a 15% uplift over the past 5 years, now at £95.00 per sq ft. The more subdued pace of rental growth is a result of the volume of secondhand space available dampening asking rents.

However, this level constitutes a new high for this market and with further growth expected, Grade B rents continue to push towards £100.00 per sq ft, a first for any central London location.

Flexible Office Pricing:

The confidence from providers in the desirability of their most well-located and high-quality spaces is clear to see as the most expensive locations see desk rates push ever higher, with Mayfair, North of Oxford Street and King's Cross/Euston all experiencing an uplift despite average Grade A desk rates in these areas already being well in excess of £1,100 per desk, per month (pdpm).

Grade A flexible offices in Mayfair-St James's are commanding an average of £1,350 pdpm, representing an uplift of 13% since Q1 2024.

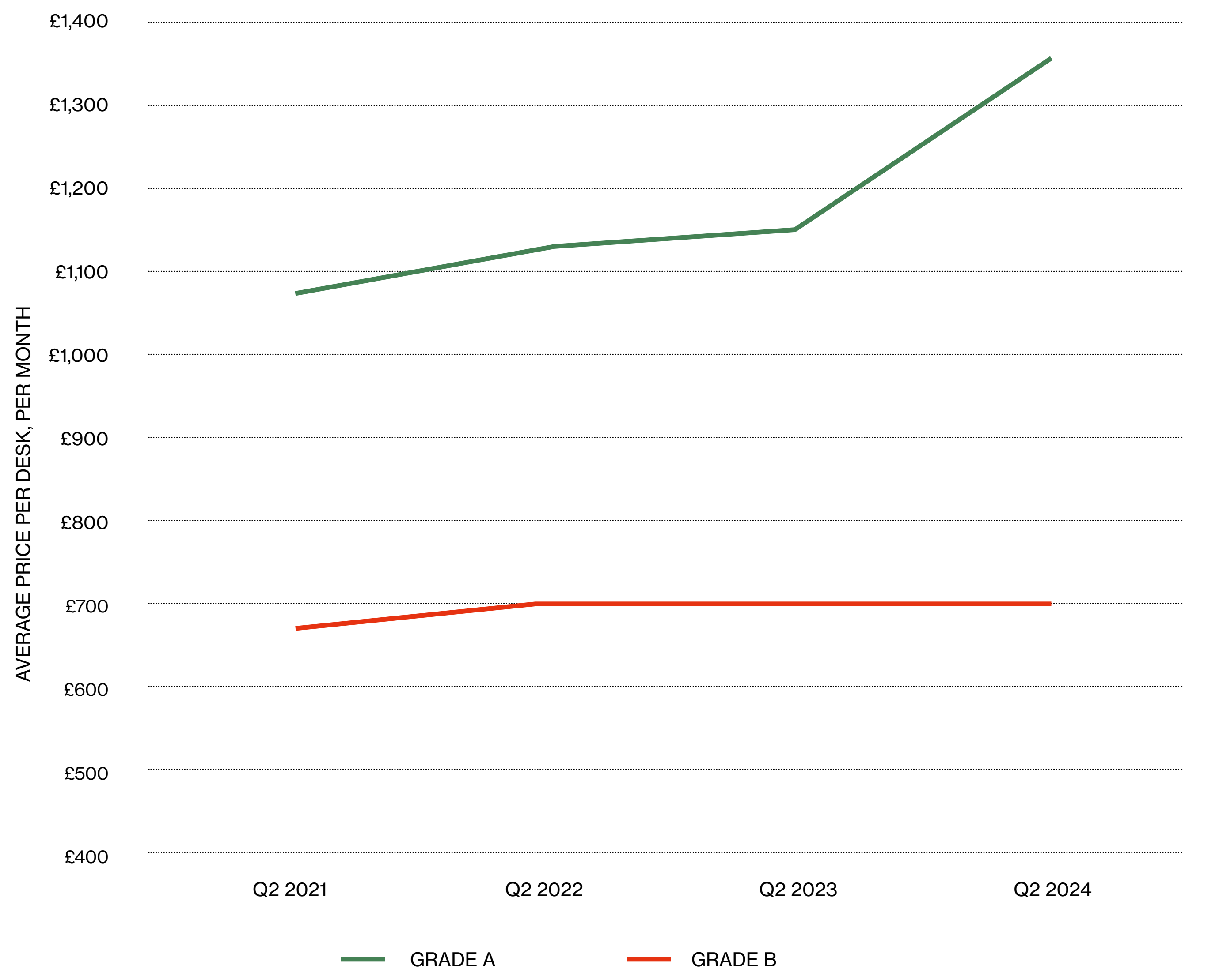
Grade B flexible offices average at £700 pdpm. This level has been maintained for the past two years. What we are seeing here is that providers have taken two separate approaches to their portfolio.

For Grade B they have kept pricing at a reasonable level so as not to put off those businesses for which flex space presents a malleable solution that leaves room for expansion and responsiveness to business shifts.

Grade A on the other hand is where providers are confident that occupiers are willing to pay a premium to occupy space that meets their sustainability and employee experience requirements while also retaining that element of flexibility.

> ***...providers have taken two separate approaches to their portfolio.***

Mayfair-St James's Office Market: Flex Office Average Pricing 2021-24



Source: Devono Insights

Outlook

Occupiers will continue, and in greater volume, to look to secure the top-quality spaces in both Grade A and B with a keen eye on sustainability credentials.

The pace of the return-to-the office will increase further as more businesses are expected to mandate greater in-office frequency. This may well tip the average of 3 days we have seen this past couple of years more towards 4 days in the office.

Costs will remain a key factor for business for all big-ticket spends such as the workplace, not least of all with the rise in rents.

We do however expect to see a number of opportunities emerge that could lessen the impact of rising costs. Pre-leasing to secure that preferred space at a preferential rate, negotiating with your landlord on your existing space for refurbishment, or discussing with your landlord for capex contributions for fit-out and furniture. With the right guidance opportunities do exist.

- Economic pressures still loom
- Appreciation of Managed Offices
- Greater push to meet ESG goals
- Landlord capex contributions for tenants
- Pressure on level of rental incentives

About Devono

Devono is the UK's leading occupier-only advisory firm. We specialise in advising businesses of all sizes and sectors, on commercial real estate solutions that best support their wider business objectives.

A significant part of our role is helping our clients to understand and define their occupational requirements. We take into account key factors including talent challenges, headcount forecasts, operational priorities and cost considerations, to help craft a brief that is not only fit for purpose today but will also deliver a sustainable occupational footprint moving forward.

Our ultimate goal as an organisation is to navigate real estate opportunities in such a way as to positively influence a company's culture, productivity and financial performance.

Our Services

- Leasehold Office Agency
- Service Charge Consultancy
- Workplace Consultancy
- Design & Build
- Dilapidations & Building Surveys
- Occupier Disposal
- Rent Reviews
- Flexible Office Agency
- Managed Offices

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