

H1 2023

MAYFAIR OFFICE MARKET SNAPSHOT

LEASING PICKS UP IN 2023

DeVono

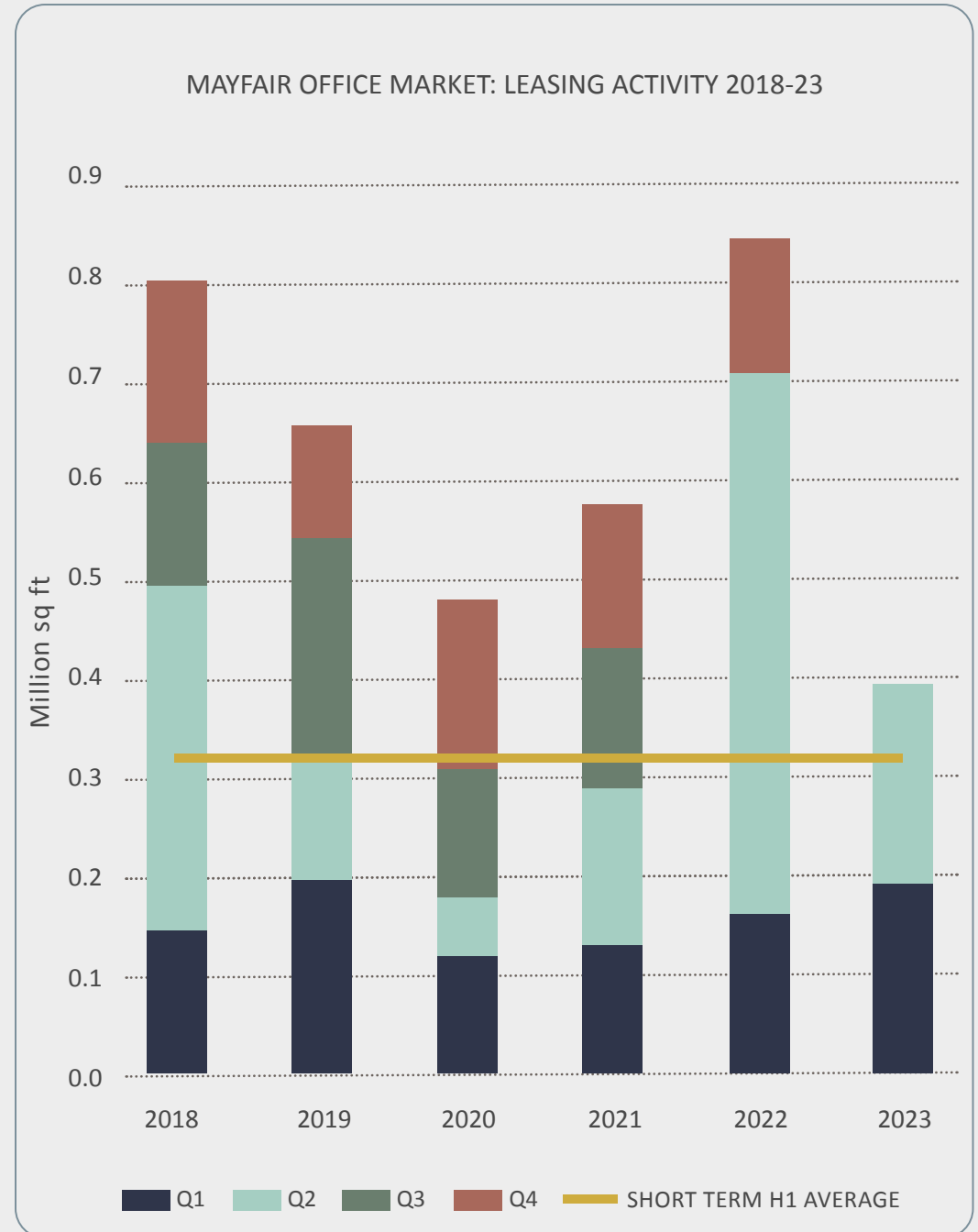
LEASING MOMENTUM BUILDS IN 2023

2022 constituted a peak in popularity for the Mayfair market with 844,932 sq ft leased, up 33% on the 5-year annual average. This was stimulated primarily by significant leasing activity in Q3 2022, with the Blackstone Group taking 225,000 sq ft in Lansdowne House, 57 Berkeley Square.

Encouragingly for landlords, this momentum has continued into 2023, with the half-yearly (H1) total even exceeding that recorded the previous year by 28%.

The major contributor to leasing has been the letting of 83,000 sq ft at 36 Berkeley Square to Chanel Limited in Q2, pushing the average deal size up to 4,338 sq ft.

As such, the absence of mega deals over 100,000 sq ft in 2023 does not seem to have been to the detriment of leasing growth in Mayfair, especially considering that the only deal of this size was transacted during the peak year of 2022.



WHO IS ATTRACTED TO MAYFAIR?

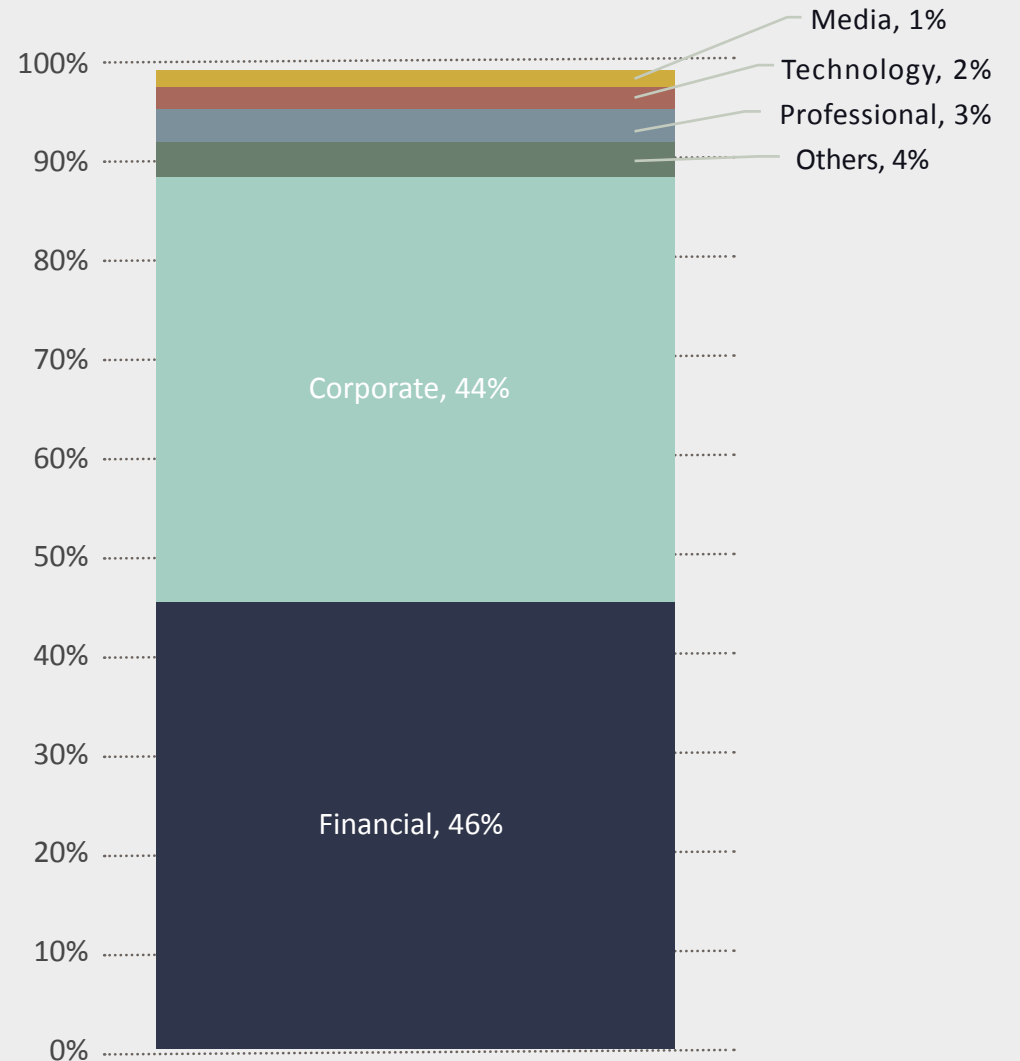
Mayfair continues to be dominated by certain sectors with the Financial and Corporate sectors having jointly accounted for 90% of total leasing, in H1 2023.

That being said, the Financial Sector's dominance in this market has loosened compared to in 2022, when the sector accounted for 76% of the total space leased. This has primarily been the result of a drop in leasing in 2023 compared to H1 2022 of 22%.

The gap has been filled by the Corporate sector, with leasing by this sector in H1 2023 representing an increase of 321% on the previous year.

Bringing the total transacted by Corporate firms to 113,109 sq ft, the largest quantity of space let by the sector in Mayfair during a H1 period since 2002-2004

MAYFAIR OFFICE MARKET: SHARE OF LEASING BY SECTOR, H1 2023



WHO WAS LEASING IN 2023?

BUILDING	POSTCODE	SIZE (SQ FT)	SPACE GRADE	TENANT	SECTOR	DEAL QTR
36 BERKELEY SQUARE	W1J	83,000	GRADE A	CHANEL LIMITED	CORPORATE	Q2
1 MAYFAIR PLACE	W1J	36,326	SECONDHAND	TA ASSOCIATES	FINANCIAL	Q1
65 DAVIES STREET	W1K	19,056	GRADE A	HARRIS WILLIAMS & CO LTD HARRIS (PNC)	FINANCIAL	Q2
80 NEW BOND STREET	W1S	14,218	GRADE A	UPL LTD	CORPORATE	Q1
65 DAVIES STREET	W1K	12,294	GRADE A	SPX CAPITAL	FINANCIAL	Q1
51 BERKELEY SQUARE	W1J	9,824	SECONDHAND	GRAFTER UK	OTHER	Q1
14 ST GEORGE STREET	W1S	6,880	GRADE A	ANTIN INFRASTRUCTURE PARTNERS	FINANCIAL	Q1
2-5 OLD BOND STREET	W1S	6,058	SECONDHAND	HAMBURG COMMERCIAL BANK AG	FINANCIAL	Q1
55 NEW BOND STREET	W1S	5,741	SECONDHAND	GRACEWAY CAPITAL	FINANCIAL	Q2
10 STRATTON STREET	W1J	5,627	SECONDHAND	HIG CAPITAL	FINANCIAL	Q1

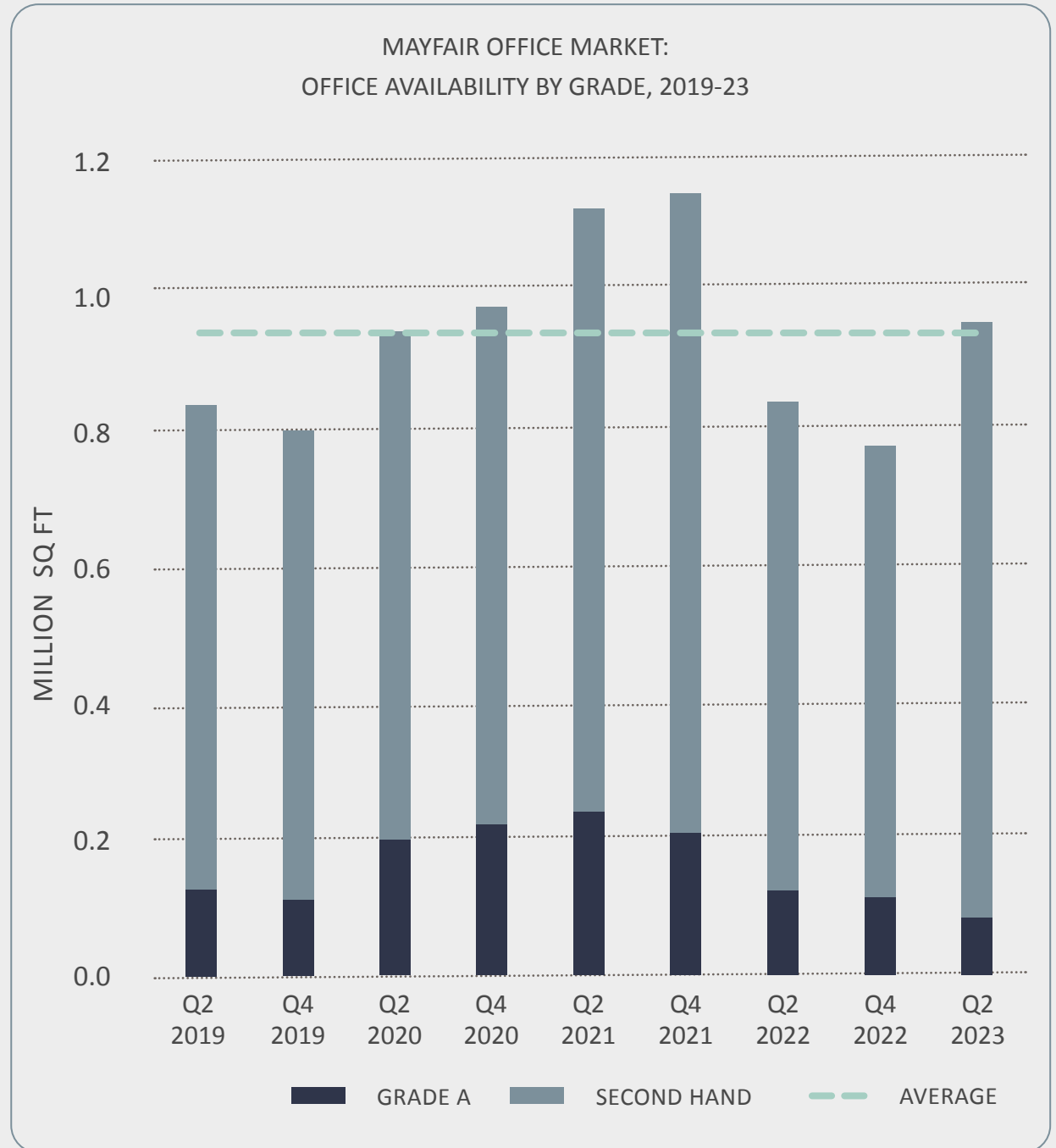
SQUEEZE ON TOP QUALITY SPACES

The continued popularity of the Mayfair office market since the pandemic meant that availability began to erode following the peak seen at the end of 2021.

However, we have seen levels begin to rise again with the total increasing by 23% since Q1 2023 to 953,124 sq ft, now 2% above the average for the previous four years.

That being said, Grade A availability specifically has continued on its downward trajectory since 2021, now standing at 25% below the total recorded at its lowest level since 2019 at only 86,880 sq ft.

Grade A accounted for 26% of deals in Q2 2023 compared to 15% in Q1, suggesting that the push towards best-in-class spaces is intensifying which will continue to widen the gap in available space between Grade A and Secondhand in Mayfair.



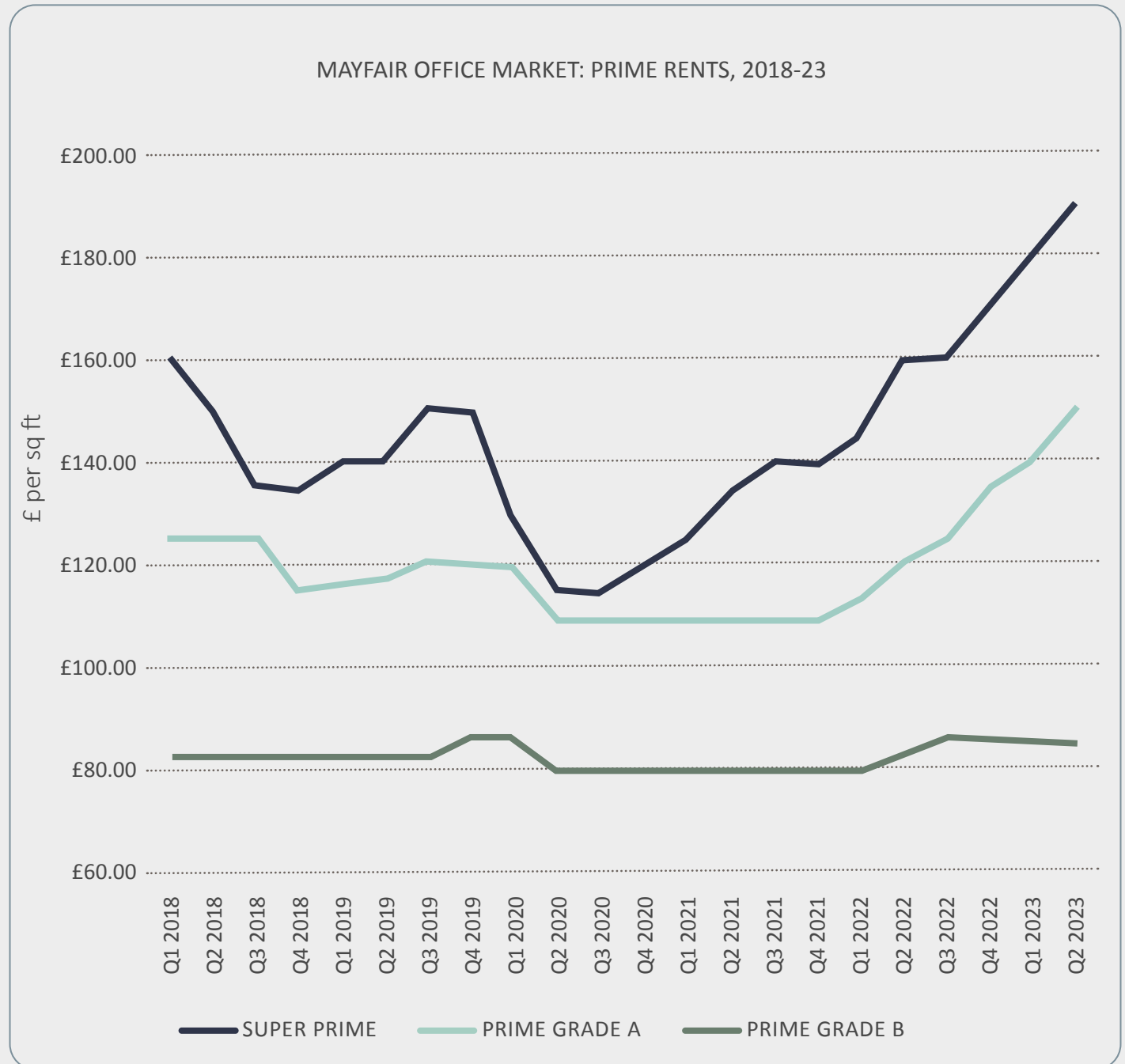
PRIME RENTS CONTINUE TO PUSH UP

In recent years we have seen the development of a two-tier pricing market for the best office space in Mayfair.

The squeeze on the high quality of space available in this location has meant that the very best spaces (super prime) are tracking £190.00 per sq ft, with rental growth continuing quarter-on-quarter.

Grade A rents continue to push higher with Q1 representing the sixth consecutive quarter of upward rental movement, increasing to £150.00 per sq ft, 25% in excess of that recorded 12 months ago.

Prime Grade B spaces on the other hand have seen rents plateau at £85.00 per sq ft for a fourth quarter.

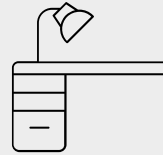


OUTLOOK 2023

As we come to the end of 2023, the wider backdrop of rising cost pressures and reduced optimism has not lessened and will likely prompt further assessment of workplace strategies, ensuring that the office is fit-for-purpose and viable.

Economic uncertainty would normally put the brakes on businesses making big-ticket decisions, however the pace of evolution of the office sees no signs of slowing as businesses are forced to tackle some challenges head-on when trying to 'right-size' their office.

Hybrid working patterns, headcount changes, workforce demands, increased costs, not discounting a wider conversation on the role and purpose of the office, are all influencing office space decisions in 2023 and 2024.



The workforce and hybrid working to shape space requirements in the medium-to-long-term



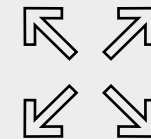
Technology to further evolve the way we work at home and in-office



ESG goals to influence location, space, size and design requirements



Costs: operational, talent, space, fit-out all to face pressures



Availability of the right space could hamper tenant searches – more good quality space is needed



SHAUN DAWSON

HEAD OF INSIGHTS

SD@DEVONO.COM

DeVono