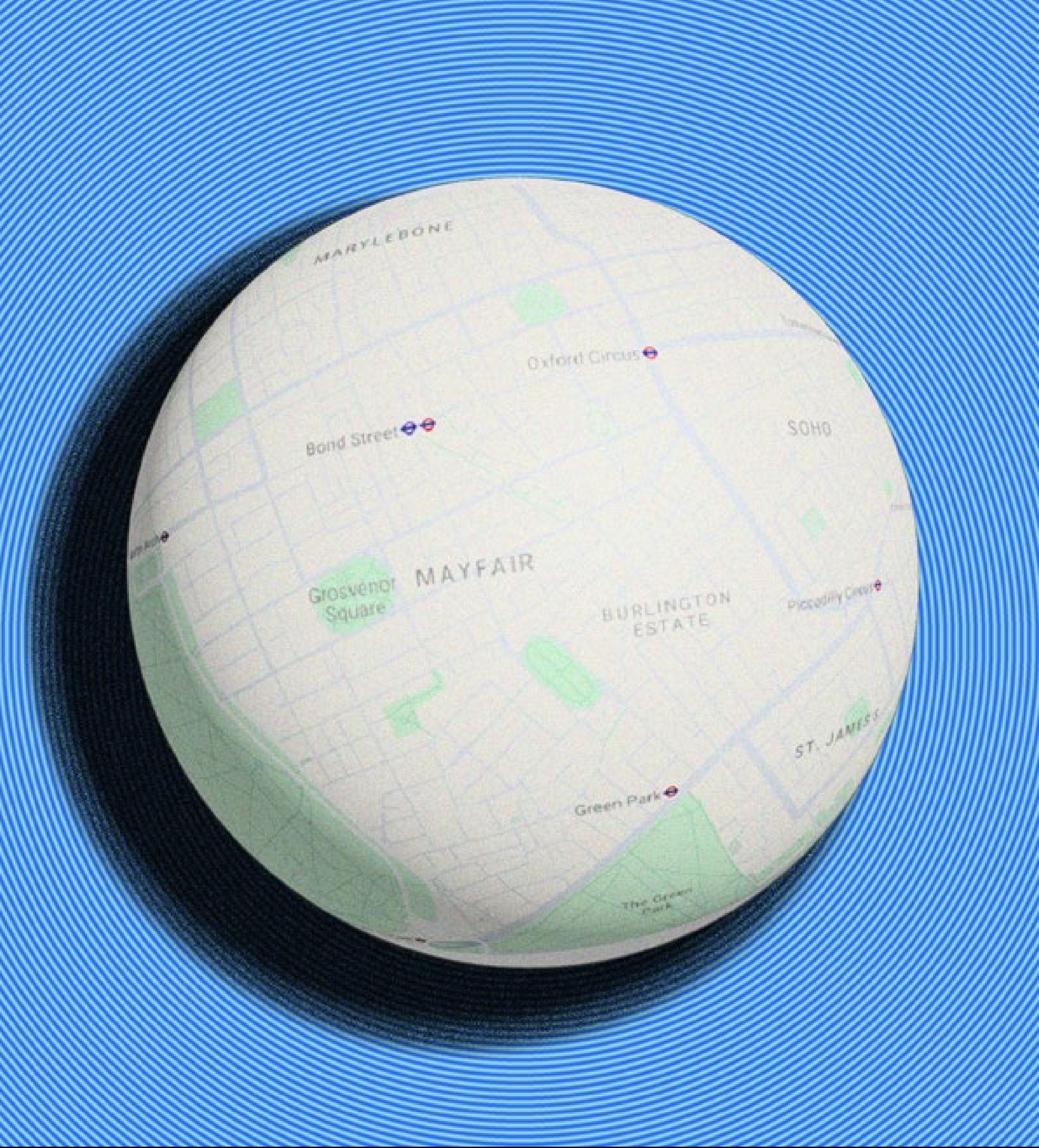

2024

Mayfair & St James's Office Market Snapshot

DEVONO

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Mayfair & St James's Office Market Snapshot

Mayfair and St James's remain two of London's most prestigious business districts, renowned for their prime buildings, access to a myriad of amenities, and of course historic charm and appeal. The market continues to attract a diverse range of occupiers whether it is private equity firms, recruiters, energy companies or not-for-profits.

This report provides an in-depth analysis of the Mayfair and St James's office market, exploring leasing trends, rental performance, and supply of office space that is shaping the area, in the face of shifting demand dynamics and emerging market challenges.

Shaun Dawson,
Head of Insights,
Devono

Leasing

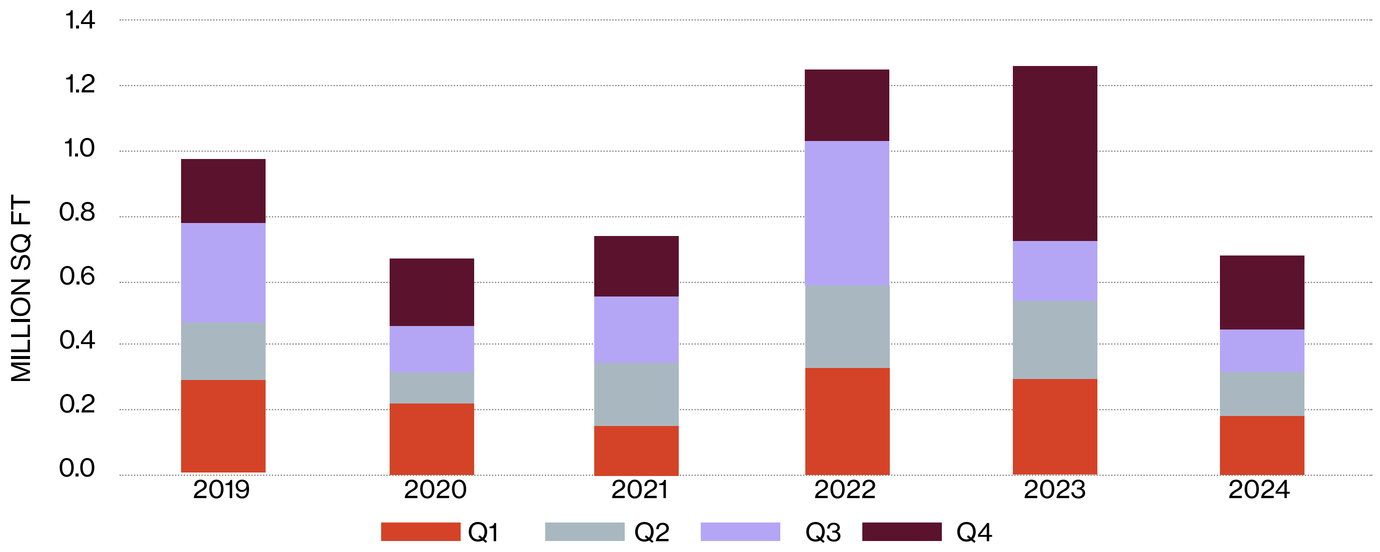
Tenant demand falters in 2024

While leasing activity gained momentum in the second half of the year, the significant slowdown in H1 caused the annual total to plummet. The 675,000 sq ft leased in 2024 was just over half of the previous year's figure, marking the lowest post-pandemic annual total - only 2% higher than the depths of 2020.

So, what led to this sharp decline? It was a combination of fewer large deals and a notable drop in tenant commitment. For the first time since 2021, no transactions over 50,000 sq ft were recorded, pulling the average deal size down to 3,464 sq ft - the lowest in Mayfair since before 2004. Additionally, the number of deals fell to a post-pandemic low in contrast to neighbouring markets like North of Oxford Street, where demand surged.

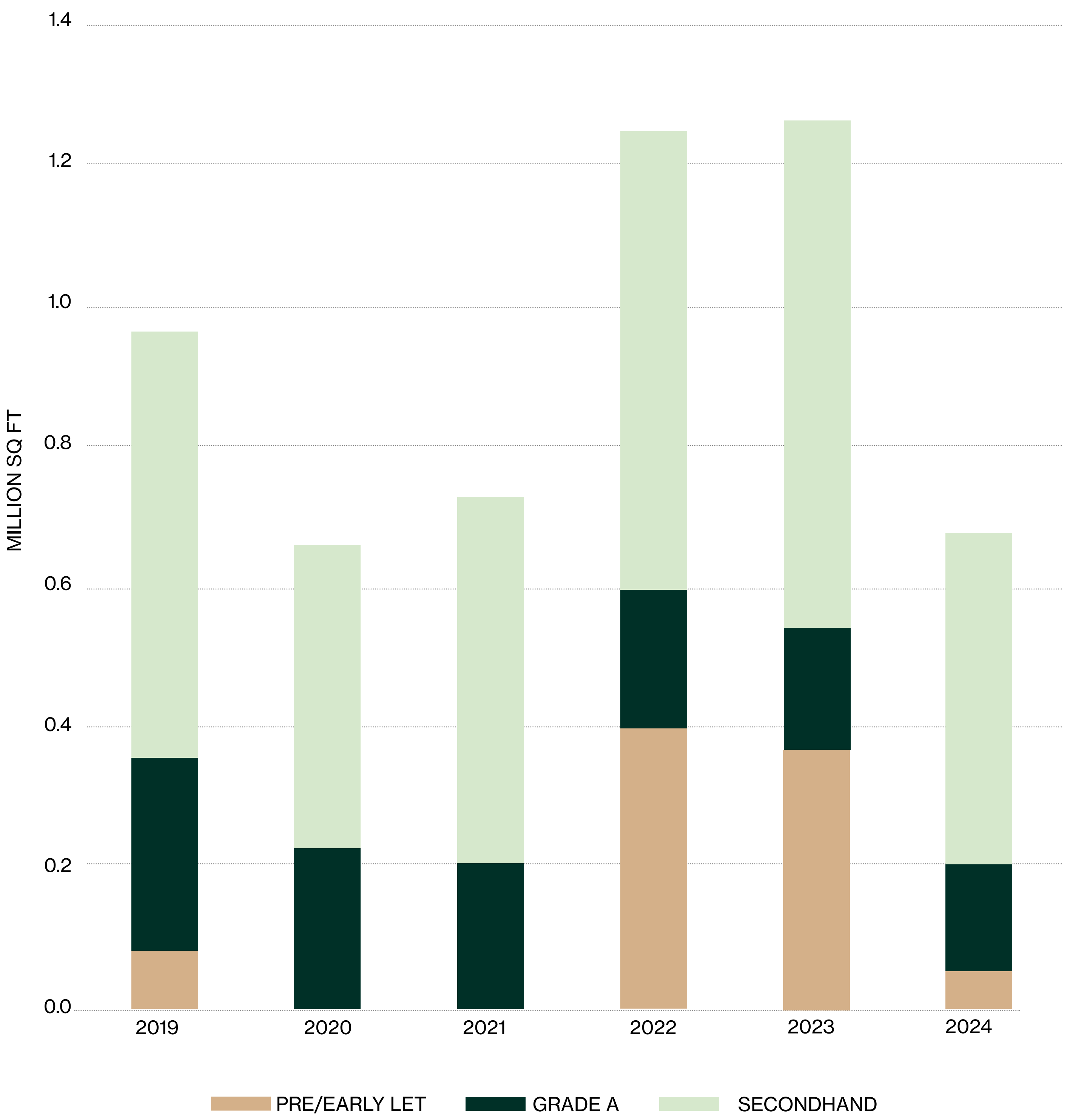
Adding further pressure, rising rents in Mayfair have made firms more hesitant to commit to Grade A space. In 2024, a striking 83% of deals were for secondhand offices. However, quality remained a priority - 78% of the transacted space consisted of better-quality secondhand stock.

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



Source: Devono Insights

Mayfair-St James's Office Market:
Leasing Activity By Grade, 2019-24



Source: Devono Insights

Longer leases

Despite these challenges, one notable trend stands out: firms that did secure space in Mayfair were willing to commit for longer. The average lease term increased to 6.3 years, reflecting a growing confidence in the role of the office. This aligns with a broader trend across central London, where companies are showing greater certainty in their long-term workplace strategies.

Who Is Attracted To Mayfair-St James's?

The **financial sector** maintained its dominant leasing position in 2024 accounting for 56% of space leased. However, volume has notably contracted for the second consecutive year, with leasing halving compared to 2023.

The **corporate sector**, which saw a surge in large deals over 50,000 sq ft in 2023, struggled to sustain that momentum in 2024. No deals exceeded 15,000 sq ft, and the number of transactions fell by 24%.

The **public sector** registered the largest deal of the year with the Government of Ireland taking c.32,000 sq ft of space for use as a new embassy at a redeveloped 10 Spring Gardens.

Meanwhile, the **media sector** saw a resurgence, with leased space more than doubling to around 16,000 sq ft. This uptick was driven by a return of deals ranging from 2,500 to 10,000 sq ft.

Office Availability in 2024

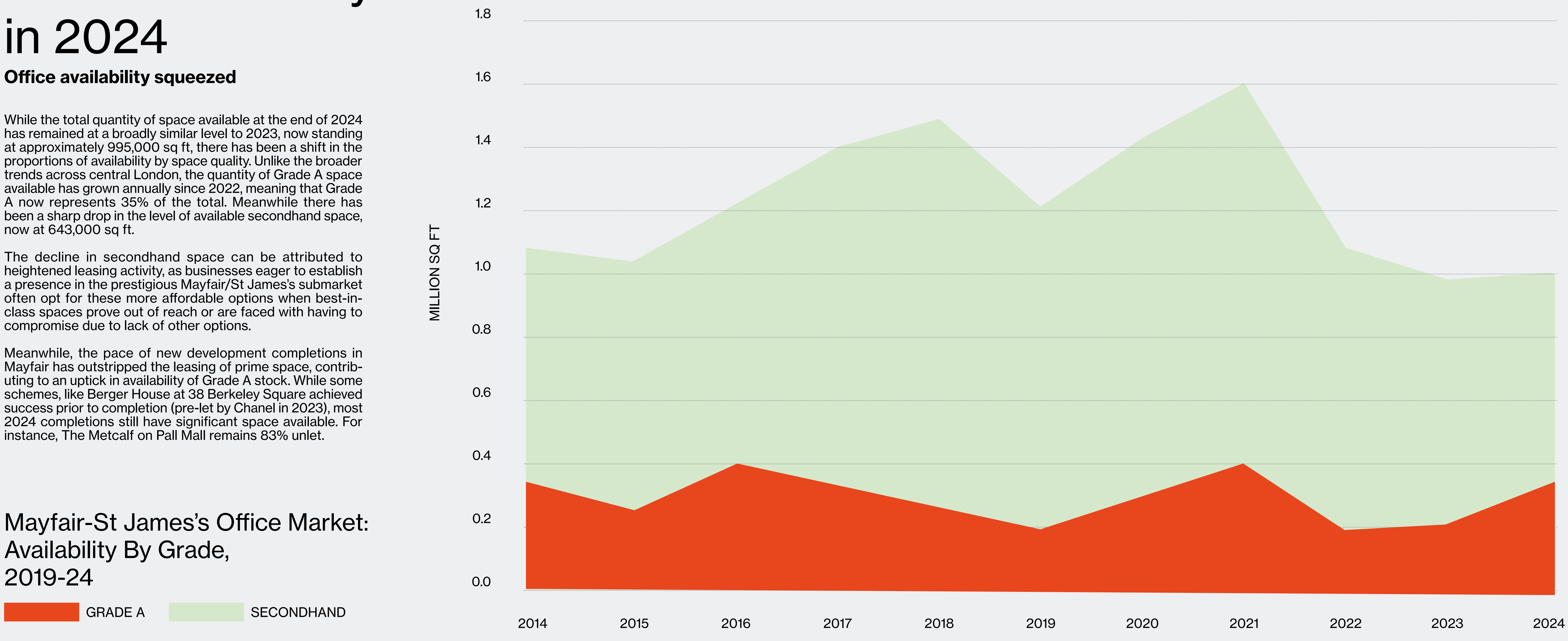
Office availability squeezed

While the total quantity of space available at the end of 2024 has remained at a broadly similar level to 2023, now standing at approximately 995,000 sq ft, there has been a shift in the proportions of availability by space quality. Unlike the broader trends across central London, the quantity of Grade A space available has grown annually since 2022, meaning that Grade A now represents 35% of the total. Meanwhile there has been a sharp drop in the level of available secondhand space, now at 643,000 sq ft.

The decline in secondhand space can be attributed to heightened leasing activity, as businesses eager to establish a presence in the prestigious Mayfair/St James's submarket often opt for these more affordable options when best-in-class spaces prove out of reach or are faced with having to compromise due to lack of other options.

Meanwhile, the pace of new development completions in Mayfair has outstripped the leasing of prime space, contributing to an uptick in availability of Grade A stock. While some schemes, like Berger House at 38 Berkeley Square achieved success prior to completion (pre-let by Chanel in 2023), most 2024 completions still have significant space available. For instance, The Metcalf on Pall Mall remains 83% unlet.

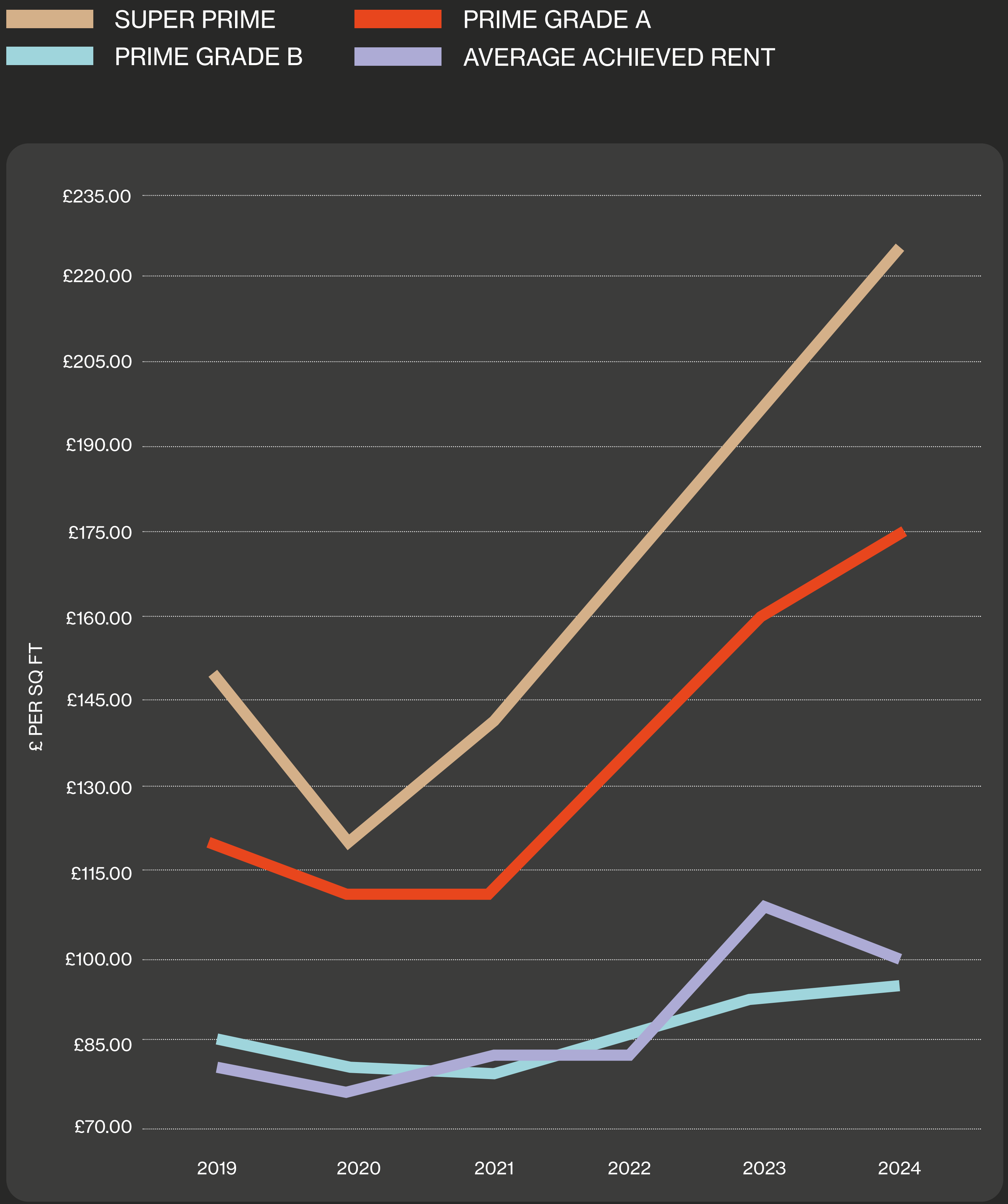
Mayfair-St James's Office Market: Availability By Grade, 2019-24



Source: Devono Insights

Rents

Mayfair-St James's Office Market: Office Rents, 2019-24



Source: Devono Insights

Surge in Prime Rents

After a year of stability, rents for the highest-quality spaces in Mayfair experienced upward pressure in the final quarter of 2024. Grade A rents climbed 9% quarter-on-quarter to £175.00 per sq ft. 'Super prime' spaces saw an even sharper rise of 13%, despite commanding the highest rents in central London.

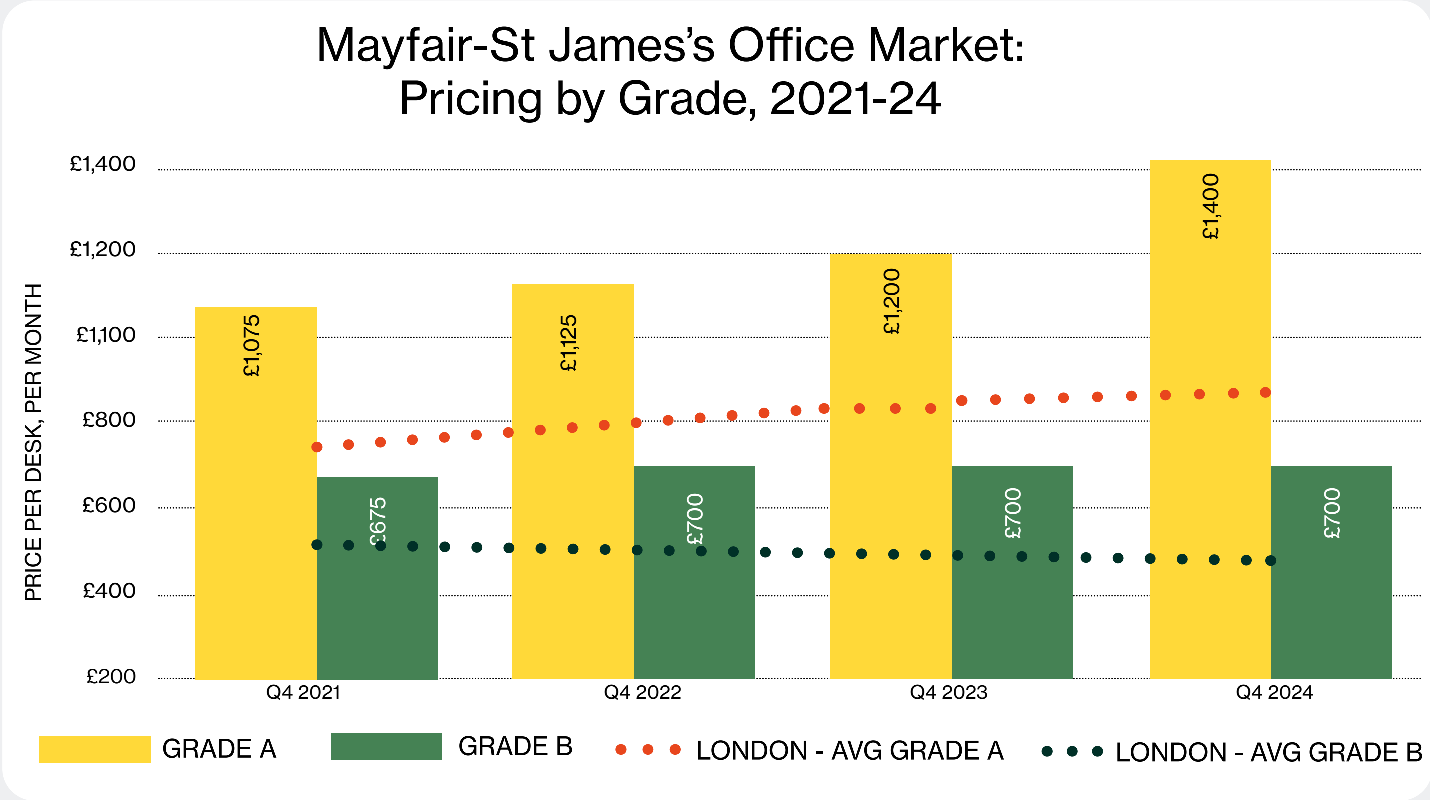
Taking a longer-term view, Mayfair's rental growth stands out. Both Grade A and super prime categories have seen increases of over 45% in the past five years - outpacing Grade A rental growth across all other markets.

Grade B Rents Hold

In a reversal of the trends we have seen for the Grade A spaces, Grade B spaces saw a small rental rise at the start of the year, up 3% from £92.50 to £95.00 per sq ft, and have since plateaued. This more recent relaxation in the pace of rental growth for the secondhand spaces has meant that the Grade B level is now only 12% higher than it was 5 years ago, far less significant than that for the best quality spaces.

With prime Grade B spaces making up the majority of transactions in 2024, landlords appear to have maintained stable rents, amidst competition with spaces of similar quality. However, with leasing momentum relatively healthy for Grade B options, landlords may feel emboldened to pursue further increases in 2025, potentially edging closer to the £100.00 per sq ft mark – the current average rent achieved in Mayfair.

Flexible Office Pricing in 2024



Source: Devono Insights

Surging Desk Rates for Grade A Serviced Offices

In the final quarter of 2024, serviced office providers in the Mayfair-St James's submarket significantly increased pricing for their Grade A offerings. The lowest-priced options in this category rose to £1,000 per desk per month (pdpm), while premium spaces saw rates climb to £1,800 pdpm. This represents a 17% rise in the average Grade A desk rate compared to the end of 2023 and a striking 30% increase since the close of 2021.

Confidence in Demand Fuels Premium Pricing

While new serviced office centres have emerged in 2024, including Landmark's opening at 75 Grosvenor Street, these newer locations are charging below the upper prime desk rates. The most significant uplift has come from existing providers raising prices on their established Grade A spaces.

With the traditional Grade A leasehold market experiencing softer demand, we are seeing serviced office providers capturing a considerable share of this tenant interest. The sharp increase in desk rates reflects their confidence in both the strength of demand and occupiers' willingness to pay a premium for flexible, high-quality office space.

Grade B Desk Rates Hold Steady to Attract Occupiers

In contrast, the average Grade B desk rate has remained stable at £700 pdpm since Q2 2022. This steady pricing strategy suggests that providers are deliberately maintaining affordability to remain competitive against the traditional leasehold market. By keeping rates flat, providers are aiming to attract occupiers seeking cost-effective yet flexible space, ensuring continued demand for their Grade B offerings.

Outlook

Workplace and workforce dynamics are evolving rapidly and aligning them for the future presents a significant challenge to many. In 2025, business leaders will face a shifting landscape influenced by economic uncertainty, political change, and technological advancement. Yet within these challenges lie opportunities - to redefine the office, its purpose, and its connection to employees.

The Devono Insights team has identified five key themes poised to shape workplace strategies in the year ahead. From resetting hybrid working models and leveraging AI to managing financial pressures, navigating this environment will require agility and foresight. At the heart of it all, fostering and retaining talent remains essential for building a resilient and future-ready workforce.

2025 Office Reset

Businesses are looking to achieve greater clarity on in-office frequency and their remote working policy, particularly mandated days and enforcement.

Social Value of the Office

Businesses will increasingly be aware of the benefit of using the office as a tool to foster greater collaboration, engagement and enhance employee wellbeing.

Pressure on Costs

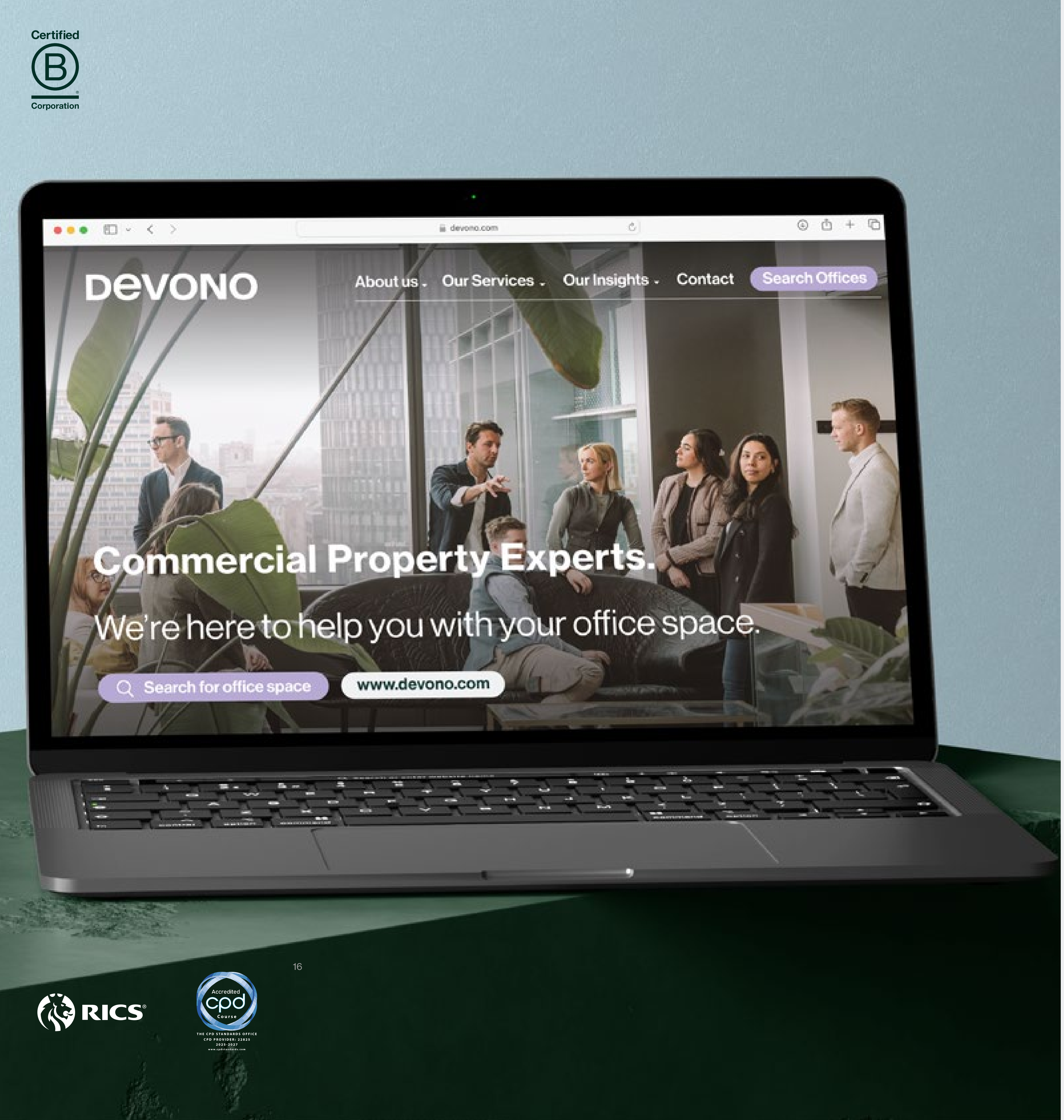
Office rental growth to remain a real challenge to businesses' workplace strategies and options, forcing some to compromise on investment elsewhere.

Digitisation & Cybersecurity

Greater focus and investment on workplace tech, AI and cybersecurity solutions to maintain competition and increase productivity.

Flex Options go Mainstream

Serviced offices are no longer a trend but a mainstream strategy. Flexible office solutions are becoming integral to long-term planning.



About Devono

Devono is the UK's leading occupier-only consultancy firm, specialising in real estate solutions tailored to support your unique business goals. Our deep understanding of each occupier's strategy enables us to define precise real estate requirements that address talent, growth, operational priorities, and budgets.

We go beyond merely signing leases; our aim is to foster positive work cultures, engage your people, and establish a robust platform for future growth. Our commitment is to leave a lasting, positive impact on every project and business we work with.

For over 20 years, we have proudly supported thousands of businesses across the UK, guided by core values that drive our collaborative approach and partnership with our clients.

Devono are proud to be the first UK tenant only representative agent to become B Corp certified. We prioritise long-lasting relationships, the wellbeing of our team, and a positive working environment.

Our Services

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

Contact us

Chris Lewis
Head of Occupier Agency
E: cl@devono.com
T: 020 7096 9911

Shaun Dawson
Head of Insights
E: sd@devono.com
T: 020 7451 1321

Mark James
Research Analyst
E: mj@devono.com
T: 020 7451 1321