

Waking up to uncertainty

The euro crisis has hit take-up, but expanding TMT firms and tight supply could push up rents, writes Sandra Jones for EGi London Offices

“Anybody who can avoid making a decision, will avoid making a decision” was how CBRE’s Digby Flower summed up the state of the London market at the start of 2012. Well, they would, wouldn’t they? After all, the business world is beset with uncertainty. Economic forecasts remain gloomy, the debt crisis in Europe rumbles on, and the financial sector faces new, tighter regulation, if not from Europe, then from the home front. As *The Economist* recently pointed out: “Unless banks can better demonstrate their usefulness to society, they face a debilitating battle against new regulation.” And in a rather surreal moment, Barclays Capital published research correlating the completion of tall buildings with recession, which, as

The Shard reaches for the sky and the ITEM Club declare the UK to be back in recession, feels ominous.

In a survey conducted by the *FT* in January 2012 of 83 economists, including 11 former members of the Bank of England’s monetary policy committee, three times more respondents thought the economic outlook would deteriorate than thought it would improve in 2012.

Sir Alan Budd, founding chairman of the Office for Budget Responsibility, described the UK’s predicament as a “choice between extended misery if the euro survives and catastrophe if it doesn’t”. Deloitte’s CFO Survey found that “CFOs are working on the assumption that the UK is likely to fall back into recession”.

The uncertainty does not end there. The Centre for Economics and Business Research expects at least one country to have left the eurozone before the year is out

(no prizes for guessing which one) and puts the probability of its break up within the next decade at 99%. And as the main political parties squabble over who owns the phrase “responsible capitalism”, the Occupy camp has become a familiar and much photographed feature of the City streetscape next to St Paul’s Cathedral. Strange times, leading to *The Economist*, of all publications, running a series entitled “Capitalism in Crisis”.

Against this background, there is no denying that 2011 has been a tough year in the London office market and 2012 looks likely to be another. The promise of recovery that characterised 2010 evaporated and take-up was greatly reduced in 2011 across central London, falling to 9.6m sq ft. That is 31% less than the previous year’s total of 14m sq ft and significantly below the five-year average of 12.3m sq ft. The West End and Midtown

were more resilient than the City but every market fell short of its five-year average. Jones Lang LaSalle reported “the lowest volume of City take-up since 2003”. CBRE cited some of the reasons for the fall in take-up as the consolidation of operations to cut costs in the financial sector and the shelving of expansion plans.

All agents reported that take-up had been bolstered by the TMT sector, which, according to Cushman & Wakefield, accounted for 22% of all space let in central London in 2011. Of course, the two are related because lack of demand from the financial sector created opportunities for TMT companies to acquire high-quality space on favourable terms. Elaine Rossall of Cushman & Wakefield points out that the TMT sector is fast moving and social but highly cost-driven and has gravitated to lower rented Midtown and City fringe locations. With grade A space on the City fringe available for around £35 per sq ft, the more conventional creative and advertising locations around Soho look expensive. Bill Page of JLL explained that the issue of cost is driving the TMT sector out of Soho to areas such as Shoreditch, Farringdon and Clerkenwell. And for the bigger, more corporate TMT businesses, the large units available in Victoria exert a “supply pull”.

Shaun Dawson of Drivers Jonas Deloitte pointed to Microsoft and Experian being attracted to Cardinal Place in Victoria by the large floorplates. He also highlighted the importance of small units to this sector, pointing out that the average size of lettings to the TMT sector was less than 7,000 sq ft in 2011, although the largest was 165,000 sq ft.

JLL has found that 35% of the current active and potential demand for office space in central London is from businesses in the TMT sector. Beyond the TMT sector, the only real impetus for relocation is lease expiry, and even then many occupiers take the opportunity to renew. “Lease events” are expected to be a key driver of demand in 2012. Uncertainty has been given as the

reason for Cameron McKenna’s withdrawal from negotiations on 200,000 sq ft at Principal Place in Norton Folgate.

Despite all that, the consensus among the major London agents is that we should expect some upward pressure on rents in parts of central London before the year is out. That is not unfounded optimism. According to Deloitte, “48% of CFOs think troubled times create new opportunities”. Bill Page says: “There may be more certainty by then and that alone can renew confidence.” And confidence is required to encourage businesses to make decisions.

There is a widely held assumption that the economy will produce some better numbers towards the end of the year and that, together with the fact that the supply of new development in central London has been heavily constrained by the dearth of development finance, should, in the opinion of most agents, be enough to create undersupply in selected parts of the market.

In the City, Digby Flower contests the assertion that the next generation of new developments will be relatively small – only around 100,000 sq ft – because “that was all that could be funded” and says that once the limited supply of groundscrapers has been absorbed, there will be competition for large floorplates of 40,000 sq ft-plus, probably in early 2013. The crop of towers under construction cannot satisfy that demand. Julian Hind of Farebrother makes a similar point about Midtown: “Landlords must commit to improve obsolete stock in Midtown and so sustain a market that, with a relatively modest increase in take-up across the remaining grade-A stock, could

rapidly change gear.” In the West End there has been an increase in development activity, but most of it will be finished by 2013. According to Page, “vacancy will trend downwards in 2012”. DJ Deloitte’s Crane Survey reports a 12% increase in development, with 7.2m sq ft under construction, but concludes that “despite this increased activity, the total volume of delivery still remains some way behind long-term levels”.

In the longer term, some new drivers of demand are in prospect. Aon’s decision to make London its headquarters is encouraging. There is growing confidence that the City of London will join Hong Kong as an offshore centre where the Chinese currency, the Renminbi, can be traded. New regulation in the financial sector will create advisory work for professional services companies and the Legal Services Act is likely to lead to restructuring in the legal sector. There will also be opportunities for hedge funds to move into new business areas when the more controversial products are discontinued by investment banks. The TMT sector has blossomed in London in recent years and the fact that much of this industry is simply using technology to serve traditional needs for advertising, information flows and business support to financial and legal service firms should not go unnoticed – this sector is clustering around the power base of London’s established industries.

Bill Page also points to the performance of London’s economy which, he says, has outperformed the rest of the UK. That differential is expected to widen over the next year, reinforcing confidence in the capital and encouraging businesses to convert requirements into transactions. The number of unsatisfied

requirements has been slowly but surely rising over the course of 2011 and all agents agree that there is good reason to expect a revival of confidence towards the end of 2012 to be reflected in growing take-up volumes. JLL recorded a 43% increase in total demand in the City during 2011, ending the year 14% above the 10-year average. While this is partly caused by the backlog of occupiers stalling decisions, the rate of new enquiries is pleasing.

In the West End, total demand increased by 14% although volumes here remained below the 10-year average. Several companies are seeking over 100,000 sq ft, including Coca Cola, Burberry, Macmillan Publishing and Google. TMT continues to fuel demand, with household names such as LinkedIn and Skype likely to commit to new space in 2012.

Top rents in the City stand at £55 per sq ft according to CBRE and £92.50 per sq ft in core West End markets. Forecasts for rental growth are cautious but, by 2013, there is a widely held view that West End rents will move over £100 per sq ft.

And, says CBRE, overseas investors' appetite for London offices "shows no sign of abating". Estimates of total investment turnover in 2011 vary from £8.4bn (CBRE) to £10.7bn (JLL), depending on geographical definitions. Drivers Jonas Deloitte, which recorded a total spend of £9.6bn, calculated that 56% of it was purchased by overseas investors. Specifically, 17% of the money spent on

London office investments came from the Far East, 11% from European investors and 10% from the US. In 2010, Far Eastern money had accounted for only 6% of purchases and European money for 5.7%. UK institutions were also active in 2011, having purchased 19% of the stock traded while public companies accounted for 12%.

UK institutions were active sellers in 2011 too, accounting for 24%, compared with 11% in 2010, but again, the most dominant category of vendor was overseas investors, which accounted for 37% of the market. The most prolific of the overseas vendors were Irish. Almost 9% of the investment stock traded was brought to the market by receivers and 15% by private property companies.

Prime yields in the City range from 5% to 5.25% and in the West End from 4% to 4.25%. The combination of restricted stock and strong demand are expected to keep prime yields at their current level in 2012 in both markets. Nevertheless, even in the heady investment market, there is no appetite for risk and the emphasis on quality stock will mean that secondary yields are likely to move out over the year.

Uncertainty is the mood that will dictate performance throughout the London office market in 2012. Even the mayoral elections have caught the uncertainty bug – Boris's once-secure lead has been eroded and, in polls conducted in mid-January, support for the two main candidates was split 51:49.

"I can't see much happening this summer" says Digby Flower as he contemplates a season of Jubilee celebrations followed by the Olympics. It seems we must wait for the end of 2012 to see any real action in central London office markets and it is no wonder that, as UKR chair Jackie Sadek tweeted: "They're hanging from the rafters at the Jones Lang LaSalle Property Predictions gig!" Well, they would be, wouldn't they?

Sandra Jones is a consultant with Ramidus Consulting

WHAT LONDON OFFICES MONITORS

Markets

City core EC1A, EC2M, EC2N, EC2R, EC2Y, EC2V, EC2A (only Finsbury Pavement, Finsbury Square, Appold Street and Chiswell Street), EC3, EC4 (excluding EC4A and EC4Y)

City fringe EC1M, EC1N (excluding postcode sector 2), EC1R, EC1V, EC1Y, EC2A (excluding Finsbury Pavement, Finsbury Square, Appold Street and Chiswell Street), E1

South Bank SE1 postcode sectors 0, 1, 2 and 9

Docklands E14

Midtown EC4A and EC4Y, EC1N (postcode sector 2), WC1, WC2 (excluding Leicester Square)

West End W1, SW1, NW1 sectors 2 (Euston Road only), 3, 5 and 6, Leicester Square (WC2) and W2 sectors 1, 2 and 6

Additional markets

South Central Remainder of SE1 and all of SE11

North Central Remainder of NW1 and N1, N7 and E8

West Central Remainder of W2 and all of W6, W8, W14, SW3, SW5, SW6, SW7 and SW10

Data

Building stock Any office building over 93m² (1,000 sq ft) in City Core, West End, Midtown, Docklands, City Fringe and South Bank and over 465m² (5,000 sq ft) in North Central, West Central and South Central

Availability Any unit above 93m² (1,000 sq ft) in buildings subject to the above stock thresholds

Take-up Any unit above 232m² (2,500 sq ft) subject to stock thresholds

Planning Any project over 232m² (2,500 sq ft) subject to stock thresholds

Definitions

Quarters For data collation reasons, our quarters run from the first of the month to the last day of the third month, ie, 1 January to 31 March; 1 April to 30 June; 1 July to 30 September and 1 October to 31 December. Some data in this report is given in half-years for space reasons.

Agency league tables The total space disposed by each agent adds up to more than total take-up. This is because space in joint agency deals has been attributed to all agents involved. The market share is each agent's share of take-up, not the total of all agents. The tables include all completed deals over 93m² (1,000 sq ft) within our boundaries including prelets and excluding space under offer, lease renewals, restructures, management agreements or investment sales.

Availability rates Total building stock figures divided by vacant space which is actively being marketed. Neither figure includes space under construction or yet to commence construction.

Availability and take-up New/refurb (existing) is a combined total of newly constructed and refurbished space; premarketing is any space marketed which is yet to commence construction; secondhand is any space which has previously been occupied; under construction is a combined total of refurbishment and redevelopment projects currently under construction. Space under offer is included. Investment properties are not included.

Average asking prices An average of asking prices by grade of space by market. Only space available on new leases with a quoting rent is collated. Space under offer has been included. Please note that secondhand grade-A space is previously occupied units with air-conditioning and one or more of raised floors, underfloor trunking or perimeter trunking.

Investment sales Subject to stock thresholds, a total of space sold as freehold, long leasehold or virtual freehold, both for investment and for owner occupation.

Construction starts with prelets A total of space commencing refurbishment or redevelopment by quarter with a total of that space prelet. This includes space not on the market.

Completed space actively marketed Simply a total of completed refurbishments and redevelopments being actively marketed by quarter. Includes space let but never occupied.

Completions with space available A total of all office space currently under construction by completion date with how much is still available. This includes space not on the market.

CENTRAL LONDON LETTING AGENTS LEAGUE TABLE – 2011

Jones Lang La Salle topped the central London letting agents' league table in 2011 for the second consecutive year, albeit with a greatly reduced market share of a much-diminished market. JLL secured 19% of the total let, or 2.44m sq ft of disposals, squeezing CBRE into second place with 2.26m sq ft and a market share of 18%. These two agents continue to dominate the table, although in 2010 their positions had been earned with far more substantial market shares of 28% and 26% respectively. This is explained by the distorting effect of very large transactions. JLL acted on more deals in 2011 than 2010 – 222 compared with 181 – and yet the total square footage of those 222 deals was just half of the 2010 total. It should be noted that the JLL data incorporates King Sturge, with which it merged in 2011 and which was in seventh place itself in last year's table.

DTZ came in third place once again, with a market share of just under 12%. Again, this placing has been earned with a smaller market share, in 2010, DTZ acted on 17% of space let. The next three positions were held by the same agents as last year – with Knight Frank, Cushman & Wakefield and Savills in fourth, fifth and sixth places respectively. KF's market share dropped from 13% in 2010 to 8% in 2011 with just over 1m sq ft let.

Cushman & Wakefield was the only agent in the top six to increase its share of the market in 2011. Its market share rose from 6% in 2010 to almost 8% in 2011, having acted on just over 1m sq ft in 93 transactions. Savills distinguished itself by acting on more transactions in 2011 than it had in 2010 – having been involved in 83 deals in 2011, compared with 67 in 2010.



25 Churchill Place: 247,500 sq ft let to EMA in Q3

DISPOSALS – OFFICE BREAKDOWN 2011

JONES LANG LASALLE

43%
WEST END

57%
CITY

CBRE
40%
WEST END

60%
CITY

DTZ
42%
WEST END

58%
CITY

CUSHMAN & WAKEFIELD

65%
WEST END

35%
CITY

KNIGHT FRANK

68%
WEST END

32%
CITY

Strutt & Parker and Edward Charles & Partners each climbed two places in 2011 to seventh and eight places respectively, while BNP Paribas slipped from eighth to ninth place. The agents in positions 10 to 20 in the league table had between 2% and 3% of the market each but achieved that share with a far greater number of small transactions, often acting on between 60 and 80 deals. This creates some interesting contrasts when agents are ranked by number of disposals.

AGENTS' SHARE BY NUMBER OF DISPOSALS – 2011

JLL earned first place in this league table too, with 222 transactions, compared with CBRE's 203. This is a reversal of their 2010 positions. DTZ took third place again, as it did in 2010, but with 115 transactions, little more than half the number racked up by JLL this year.

Cushman & Wakefield was fourth with 93 disposals, while Knight Frank was pushed into sixth place by Anton Page, which was 19th when ranked by square footage but squeezed into fifth place on number of disposals.

The top three – JLL, CBRE and DTZ – all did more deals from their City office than their West End office, with all three having a similar proportion of between 57% and 60% from the City team. In contrast, Cushman & Wakefield and Knight Frank were stronger in the West End, with 65% and 68% respectively. Anton Page and EA Shaw, placed fifth and seventh, were exclusively from City offices. Were there a league table of West End transactions, JLL would still be in first position, with Savills in second position and CBRE in third place with 81. Ranked by City offices, JLL would retain its first place, CBRE second and Anton Page up to third.

Rank	10	11	Agent	Sum of Size (Sq Ft)	No of deals	Market share
1	1		Jones Lang LaSalle	2,435,162	222	19%
2	2		CBRE	2,256,466	203	18%
3	3		DTZ	1,532,217	115	12%
4	4		Knight Frank	1,037,625	94	8%
5	5		Cushman & Wakefield	1,002,080	93	8%
6	6		Savills	860,431	83	7%
9	7		Strutt & Parker	500,000	74	4%
10	8		Edward Charles & Partners	434,684	84	3%
8	9		BNP Paribas Real Estate	390,910	44	3%
13	10		Drivers Jonas Deloitte	376,304	69	3%
15	11		EA Shaw	355,807	86	3%
14	12		GVA	354,619	61	3%
12	13		Farebrother	350,560	63	3%
11	14		Richard Susskind & Co	327,079	77	3%
19	15		H2SO	318,268	35	2%
17	16		Allsop	309,658	56	2%
na	17		Hatton Real Estate	278,319	79	2%
na	18		Monmouth Dean	274,191	77	2%
21	19		Anton Page	253,555	92	2%
23	20		Newton Perkins	250,597	46	2%
na	21		Pilcher Hershman	247,048	22	2%
na	22		Tuckerman	219,303	53	2%
na	23		Frost Meadowcroft	198,186	43	2%
22	24		Colliers International	191,869	50	2%
na	25		BDG Sparkes Porter	156,509	54	1%

Rank	Agent	City	West End	No of disposals
1	Jones Lang LaSalle	127	95	222
2	CBRE	122	81	203
3	DTZ	67	48	115
4	Knight Frank	29	61	94
5	Cushman & Wakefield	33	60	93
6	Anton Page	92		92
7	EA Shaw	86		86
8	Edward Charles & Partners		84	84
9	Savills	39	44	83
10	Hatton Real Estate	79		79
11=	Monmouth Dean		77	77
11=	Richard Susskind & Co	77		77
13	Strutt & Parker	33	41	74
14	Drivers Jonas Deloitte	34	35	69
15	GVA	28	30	58
16	Allsop	50	6	56
17	BDG Sparkes Porter		54	54
18	Tuckerman		53	53
19	Colliers International	12	38	50
20	Newton Perkins	46		46
21	BNP Paribas Real Estate	28	16	44
22	Frost Meadowcroft		43	43
23	The Langham Estate		42	42
24	Capita Symonds	36	5	41
25=	Crossland Otter Hunt		35	35
25=	H2SO		35	35

Source: EGI London Offices

Source: EGI London Offices

AGENTS' SHARE BY MARKET – 2011

City core

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Jones Lang LaSalle	920,346	102	29%
2	CBRE	906,169	90	29%
3	DTZ	615,909	44	20%
4	Savills	425,097	38	13%
5	Knight Frank	229,212	19	7%

The top three positions mirrored 2010, although the differential between first and second was marginal. JLL's share includes King Sturge, which was fifth in 2010.

City fringe

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	DTZ	260,448	7	16%
2	Richard Susskind & Co	256,832	69	16%
3	Hatton Real Estate	201,016	67	12%
4	Anton Page LLP	200,997	72	12%
5	CBRE	190,128	8	12%

DTZ topped this table with just seven deals, beating Richard Susskind by less than 4,000 sq ft. Smaller agents achieved their places with smaller transactions.

Midtown

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Jones Lang LaSalle	487,851	31	70%
2	Cushman & Wakefield	379,379	13	55%
3	Farebrother	239,001	40	34%
4	EA Shaw	175,926	39	25%
5	CBRE	89,753	13	13%

JLL and Cushman & Wakefield dominated this table in 2011 after letting Central St Giles. Farebrother was pushed into third place despite securing a 34% market share.

South Bank

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	EA Shaw	126,256	30	22%
2	DTZ	118,976	8	21%
3	Cushman & Wakefield	104,277	7	18%
4	CBRE	73,569	5	13%
5	Edward Symmons	67,658	27	12%

EA Shaw retained its number-one position, beating the larger agents, with 22% of the market derived from a much larger number of transactions.

Docklands

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	CBRE	354,383	11	51%
2	Jones Lang LaSalle	330,586	7	48%
3	Cherryman	117,707	16	17%
4	DTZ	95,476	5	14%
5	Knight Frank	86,318	5	12%

CBRE and JLL dominated, having both acted on the 247,500 sq ft let to EMA in Q3. Cherryman acted on more transactions to earn third place.

West End

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	CBRE	607,671	72	16%
2	Jones Lang LaSalle	484,268	59	13%
3	Knight Frank	461,094	50	13%
4	Edward Charles & Ptnrs	305,234	60	8%
5	DTZ	266,914	40	7%

CBRE took the number-one slot with a healthy margin over JLL and Knight Frank, having been involved in 25% more of the market. DTZ slipped from first place in 2010.



Central St Giles, WC2:
155,000 sq ft let to Google in Q2

ACQUISITIONS – 2011

CBRE earned the number-one slot in the league table of acquisitions for the second consecutive year, but with a far smaller market share of 10% in 2011, compared with 20% in 2010, based on its involvement in 1.3m sq ft of transactions. JLL retained second place, but with 588,500 sq ft – less than half the square footage achieved by CBRE – and a market share of 5%, well down on its 15% share in 2010. Acquisition work has been distributed far more widely among the London agents in 2011, with more small firms nearing the top of the table and far smaller market shares for the leading firms. Again, this is presumably a reflection of the smaller number of very large transactions.

BNP Paribas Real Estate was ranked third by this measure with just under 4% of the market, a position it achieved in 2010 with a 12% share. It is interesting to note that its total of 505,100 sq ft was made up of 14 transactions, whereas JLL's 588,500 sq ft comprised 61 separate acquisitions. Devono, which moved up six places from 10th in 2010 to fourth in 2011, acted on more acquisitions than any other agent, with 97 compared with first-placed CBRE's 68, but Devono's 97 deals added up to 439,500 sq ft, giving it a market share of 3% by square footage. Savills moved up one place to fifth position with a market share of 3% from 31 transactions.

Rank	Agent	Acquisitions (sq ft)	No of deals	Market share
1	CBRE	1,342,853	68	10%
2	Jones Lang LaSalle	588,511	61	5%
3	BNP Paribas Real Estate	505,097	14	4%
4	DeVono	439,500	97	3%
5	Savills	354,108	31	3%
6	Drivers Jonas Deloitte	237,145	11	2%
7	DTZ	218,436	20	2%
8	Knight Frank	212,555	21	2%
9	Cushman & Wakefield	210,990	22	2%
10	Monmouth Dean	153,861	27	1%
11	GVA	151,318	20	1%
12	Newton Perkins	90,280	20	1%
13	DE & J Levy	87,399	5	1%
14	Colliers International	80,745	12	1%
15	Edward Charles & Partners	80,398	15	1%
16	AOS Studley incorporating Spring4	75,270	8	1%
17	Hall Kemp	75,076	6	1%
18	Capita Symonds	74,006	1	1%
19	Crossland Otter Hunt	60,740	17	0%
20	Cluttons	58,463	3	0%
21	Strutt & Parker	56,820	11	0%
22	James Andrew International	54,865	5	0%
23	Mellersh & Harding	51,090	10	0%
24	Daniel Watney	43,049	7	0%
25	Montagu Evans	41,088	6	0%

SUMMARY STATISTICS

	City core			City fringe			Docklands			Midtown			South Bank			West End			Overall		
	2010	2011	2011	2010	2011	2011	2010	2011	2011	2010	2011	2011	2010	2011	2011	2010	2011	2011	2010	2011	2011
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
Take-up (m sq ft) annual or quarter total																					
New/refurb existing	1.75	0.68	0.07	0.28	0.25	0.01	0.13	0.00	0.00	0.57	0.54	0.10	0.02	0.03	0.00	0.73	0.48	0.29	3.48	1.97	0.48
Premarketing	1.20	0.00	0.00	0.00	0.02	0.02	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	1.20	0.37	0.02
Secondhand	2.12	2.04	0.58	1.02	1.04	0.28	2.08	0.39	0.24	1.11	0.88	0.22	0.17	0.44	0.11	2.56	1.99	0.51	9.06	6.79	1.95
Under construction	0.20	0.23	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.24	0.09	0.26	0.47	0.28
Total	5.27	2.95	0.85	1.30	1.31	0.32	2.22	0.64	0.24	1.73	1.42	0.32	0.19	0.47	0.11	3.29	2.81	0.88	14.00	9.61	2.72
Availability (m sq ft) annual quarterly average or quarter end																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
New/refurb existing	2.01	2.32	2.48	0.36	0.23	0.23	0.50	0.42	0.43	0.61	0.31	0.25	0.06	0.04	0.02	0.88	0.57	0.55	4.41	3.90	3.96
Premarketing	5.98	5.04	5.26	2.16	1.77	2.08	5.44	4.96	4.91	0.81	0.83	0.88	0.82	0.56	0.43	1.26	0.94	0.66	16.47	14.10	14.22
Secondhand	4.32	4.50	5.08	2.01	1.68	1.62	1.49	1.20	1.04	2.72	2.50	2.44	0.84	0.81	0.65	5.08	3.58	3.21	16.46	14.26	14.03
Under construction	2.49	3.17	3.20	0.14	0.47	0.21	0.55	0.31	0.00	0.30	0.38	0.41	0.40	0.94	1.08	0.58	0.99	0.89	4.47	6.26	5.79
Total	14.80	15.02	16.02	4.66	4.15	4.14	7.99	6.88	6.37	4.44	4.02	3.98	2.12	2.36	2.19	7.80	6.09	5.30	41.81	38.52	38.00
Availability rate % annual average or quarter																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
%	11.03%	11.63%	12.95%	10.79%	8.66%	8.40%	8.63%	7.54%	7.83%	10.48%	8.81%	8.44%	7.88%	7.44%	5.92%	9.40%	6.57%	5.90%	9.70%	8.44%	8.24%
Under offer and withdrawn (m sq ft) quarter or quarterly average																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
Under offer	0.46	0.46	0.51	0.15	0.24	0.11	0.13	0.03	0.03	0.31	0.24	0.10	0.04	0.11	0.04	0.42	0.31	0.23	1.52	1.39	1.02
Withdrawn	0.11	0.19	0.21	0.11	0.07	0.04	0.27	0.03	0.03	0.10	0.13	0.10	0.07	0.02	0.02	0.14	0.13	0.13	0.80	0.56	0.52
Average asking prices (£ per sq ft) quarter or quarterly average																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
* New leases only																					
New build existing	£44.87	£49.89	£47.32	£14.40	£27.50	£35.00	£40.88	£39.21	£39.17	£47.19	£47.66	£46.50	£36.88	##N/A	##N/A	£73.86	£70.79	£68.90	##N/A	##N/A	##N/A
Secondhand grade A	£32.33	£33.54	£33.77	£24.15	£22.58	£25.17	£30.19	£33.07	£33.75	£34.65	£34.47	£32.99	£27.41	£24.43	£23.33	£45.80	£47.94	£49.41	£32.42	£32.67	£33.07
Investment sales (m sq ft) annual or quarter total																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
Totalsqft	2.23	4.79	0.91	1.48	1.36	0.08	1.72	0.01	0.00	1.73	2.33	0.29	0.42	0.06	0.00	2.01	2.14	0.08	9.59	10.69	1.35
Number of transactions	28	56	6	24	36	9	6	1	0	29	48	9	12	4	0	77	73	8	176	218	32
Construction starts (m sq ft) annual or quarter total																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
Total started	1.39	1.74	0	0.09	0.23	0.01	0.01	0.00	0.00	0.26	0.24	0.04	0.01	0.51	0.00	1.11	0.71	0.33	2.88	3.43	0.64
Prelet	0.00	0.19	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.00	0.00	0.41	0.00
Speculative	1.39	1.55	0.00	0.09	0.18	0.01	0.01	0.00	0.00	0.26	0.24	0.04	0.01	0.51	0.00	1.11	0.55	0.33	2.88	3.03	0.64
Completed space still available (m sq ft) (completion by full year or part of year)																					
	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04	01-Q4	04	04
Total completed	1.49	1.01	0.00	0.39	0.05	0.00	0.00	0.01	0.00	0.91	0.16	0.00	0.50	0.00	0.00	0.86	0.44	0.39	4.15	1.67	0.39
Still available	0.62	0.72	0.00	0.03	0.05	0.00	0.00	0.00	0.00	0.03	0.05	0.00	0.00	0.00	0.00	0.13	0.17	0.17	0.81	0.99	0.17
Future completions (m sq ft) for full year or part of year																					
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Total to complete	0.55	0.21	1.22	0.44	0.01	0.00	0.00	0.00	0.00	0.38	0.10	0.00	0.65	0.43	0.00	0.75	0.88	0.00	2.77	1.63	1.22
Amount still available	0.55	0.21	1.02	0.39	0.01	0.00	0.00	0.00	0.00	0.38	0.10	0.00	0.65	0.43	0.00	0.73	0.73	0.00	2.70	1.48	1.02
% still available	100%	100%	84%	89%	100%	0%	100%	0%	0%	100%	100%	0%	100%	100%	0%	97%	83%	0%	98%	91%	84%

KEY TRANSACTIONS – ALL MARKETS

Market	Address	Tenant	Size (Sq Ft)	Agent
City core	Leadenhall Building, 122 Leadenhall Street, EC3	Aon	191,988	DTZ/Jones Lang LaSalle
City core	Murray House, 1 Royal Mint Court, EC3	Deloitte	87,558	CBRE
Docklands	Independent House, 191 Marsh Wall, E14	Undisclosed letting	74,710	Cherryman/ART Chartered Surveyors
West End	Marcol House, 289-293 Regent Street, W1	Savills	65,716	Knight Frank/H2SO
West End	Paddington Central, 2 Kingdom Street, W2	Nokia Telecommunications	58,366	CBRE/Savills
West End	11 Baker Street, W1	Pimco Europe	57,195	DTZ
West End	Airw1, 50-72 Regent Street, W1	Telefonica UK	50,980	CBRE/Jones Lang LaSalle
City core	Seal House, 1 Swan Lane, EC4	Groupon	43,484	CBRE
South Bank	More London, 6 More London Place, SE1	Ernst & Young	35,409	CBRE
Midtown	Kierran Cross, 11 Strand, WC2	Punter Southall & Co	35,177	Crossland Otter Hunt
City core	Ropemaker, 25 Ropemaker Street, EC2	Mitsubishi Europe	32,188	BNP Paribas Real Estate/DTZ
West End	Airw1, 50-72 Regent Street, W1	Halfords Media	31,177	Jones Lang LaSalle/CBRE
West End	Trafalgar Place, 2-4 Cockspur Street, SW1	Serious Fraud Office	31,130	BNP Paribas Real Estate/Cluttons
Midtown	7 Savoy Court, WC2	Turner & Townsend UK	30,196	Jones Lang LaSalle
City core	London Underwriting Centre, 3 Minster Court, EC3	DAC Beachcroft	29,261	Allsop

CENTRAL LONDON LETTING AGENTS LEAGUE TABLE – Q4 2011

Rank	Agent	Disposals (sq ft)	Percentage	No of deals
1	CBRE	719,774	20%	56
2	Jones Lang LaSalle	719,036	20%	49
3	DTZ	498,895	14%	21
4	Savills	313,711	9%	25
5	Knight Frank	207,070	6%	19
6	Strutt & Parker	154,814	4%	18
7	Drivers Jonas Deloitte	138,092	4%	17
8	BNP Paribas Real Estate	130,598	4%	14
9	Edward Charles & Partners	121,481	3%	26
10	Farebrother	116,629	3%	18
11	HZSO	112,124	3%	8
12	Cushman & Wakefield	105,720	3%	15
13	Allsop	96,074	3%	20
14	Cherryman	87,776	2%	4
15	Hatton Real Estate	82,947	2%	19
16	Tuckerman	77,664	2%	14
17	ART Chartered Surveyors	74,710	2%	1
18	Newton Perkins	71,510	2%	13
19	Monmouth Dean	69,925	2%	17
20	EA Shaw	65,711	2%	21



2 Kingdom Street, W2:
58,000 sq ft let to Nokia in Q4

Rank	Agent	Disposals (sq ft)	Market share	No of deals
City core				
1	Jones Lang LaSalle	358,971	40%	22
2	CBRE	245,279	27%	20
3	DTZ	231,733	26%	6
4	BNP Paribas Real Estate	61,987	7%	6
5	Newton Perkins	60,604	7%	11
City fringe				
1	Hatton Real Estate	66,322	17%	16
2	CBRE	54,019	14%	4
3	Allsop	35,062	9%	9
4	Richard Susskind & Co	32,895	9%	15
5	Pitcher Hershman	32,836	9%	7
Midtown				
1	Farebrother	73,708	21%	10
2	Jones Lang LaSalle	70,548	20%	4
3	CBRE	36,624	10%	3
4	Crossland Otter Hunt	35,176	10%	1
5	EA Shaw	27,542	8%	10
South Bank				
1	CBRE	58,880	48%	2
2	EA Shaw	18,283	15%	5
3	Edward Symmons	16,579	14%	5
4	DTZ	9,419	8%	1
5	Farebrother	9,419	8%	1
Docklands				
1	Cherryman	87,776	36%	4
2	ART Chartered Surveyors	74,710	31%	1
3	CBRE	68,196	28%	6
4	Jones Lang LaSalle	49,782	21%	3
5	GVA	15,145	6%	2
West End				
1	CBRE	228,050	23%	19
2	Jones Lang LaSalle	190,578	19%	18
3	Savills	132,428	13%	18
4	Knight Frank	129,123	13%	12
5	DTZ	103,363	10%	8

CBRE retained first position in Q4 for central London, ahead of JLL for the second consecutive quarter, albeit by a narrow margin. They were separated by just 738 sq ft, or 0.03%. The top three slots in the Q4 table were shared by CBRE, JLL and DTZ – which have them for six of the last eight quarters. Savills, with 9%, took fourth place from Knight Frank, up from sixth in Q3, and Knight Frank slipped to fifth place in Q4, with half the 12% market share it had secured in Q3.

The same three agents occupied the top three places in the City core, but with JLL at number one. On the City fringe the big agents were overshadowed by smaller players. Only CBRE retained its top-five position and it was beaten into second place by Hatton Real Estate, which secured a 17% market share, ahead of CBRE's 14%. These are, however, shares of a small market. Allsop's third place was earned by letting 35,000 sq ft.

In Midtown, Farebrother was top with a 21% market share, narrowly beating JLL (20%) into second place. Again, the total was modest at 356,200 sq ft.

CBRE was number one in the West End in Q4 with 23% of the market, comfortably ahead of JLL, which acted on 19% of the space let. Savills was third with 13%.

KEY NEW INSTRUCTIONS – ALL MARKETS

Market	Address	Grade	Size (Sq Ft)	Agent
City core	10 Aldermanbury, EC2	Secondhand	272,801	Cushman & Wakefield/DTZ
City core	72 Fore Street, EC2	Premarketing	218,371	BNP Paribas Real Estate
City core	99 Bishopsgate, EC2	Secondhand	145,050	Jones Lang LaSalle/CBRE
City core	33 King William Street, EC4	New/refurb existing	130,405	CBRE
City fringe	183-213 Old Street, EC1	Premarketing	118,479	Savills/CBRE
Midtown	150 Holborn, EC1	Premarketing	72,463	Cushman & Wakefield
City fringe	Exchange House, 12 Exchange Square, EC2	Secondhand	71,161	Drivers Jonas Deloitte/Jones Lang LaSalle
West End	25 Eccleston Place, SW1	Secondhand	42,485	Knight Frank/Mellers & Harding
City core	Murray House, 1 Royal Mint Court, EC3	Secondhand	38,878	CBRE
West End	Carlton House, 11a Regent Street, SW1	Secondhand	36,644	Jones Lang LaSalle/CBRE
City core	The Willis Building, 51 Lime Street, EC3	Secondhand	35,744	BNP Paribas Real Estate
City fringe	Telephone House, 69-77 Paul Street, EC2	Secondhand	29,720	Allsop
City core	Mellon Financial Centre, 160-162 Queen Victoria Street, EC4	Secondhand	26,296	Jones Lang LaSalle
City fringe	The Quadrant, 17 Thomas More Square, E1	Secondhand	24,358	Jones Lang LaSalle
West End	1 Butler Place, SW1	Secondhand	22,001	CBRE

TAKE-UP

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	74,346	-83.93	-50.29	-67.22
Premarketing	-	n/a	-100.00	n/a
Secondhand	584,389	-20.38	11.04	35.12
Under construction	191,986	33.23	n/a	n/a
Total	850,721	-36.54	-27.65	29.04

Hopes that Q4 would be stronger than Q3 in the City core were realised with a 29% increase in take-up in the final quarter, but the full-year total remained disappointingly low at 2.95m sq ft – making this one of only two annual periods to fall short of 3m sq ft in the past seven years, the other being 2008.

The Q4 improvement was primarily driven by two substantial transactions: the 192,000 sq ft preletting of 122 Leadenhall Street, EC3 to Aon, which had been in the pipeline since the early months of the year, and Deloitte's acquisition of 87,000 sq ft of secondhand grade-B space in Murray House, Royal Mint Court, EC3.

The reported rent at 122 Leadenhall Street is £52.50 per sq ft and the average lease term to first break is 19 years. The building is being developed by British Land and construction is expected to be completed in 2014. The space let to Aon is on the fourth to 13th floors and it has reserved an option to take a further 85,000 sq ft on floors 14 to 18. In Murray House, Deloitte has taken the third, fourth and fifth floors, which were formerly occupied by Barclays Bank, the terms are confidential at the time of writing.

No other transaction exceeded 50,000 sq ft in the City core and there were no lettings of existing new space larger than 20,000 sq ft. Groupon, the internet voucher seller, took 43,500 sq ft of secondhand space in a sublet from Bank of America Merrill Lynch at Seal House on Swan Lane, EC4, providing another example of a technology business bolstering demand in the City and City fringe.

510,000 sq ft was put under offer in Q4, slightly more than the quarterly average for the year and more than the twice the volume recorded in Q3. Much of this was accounted for by two prospective transactions, which were further floors of 122 Leadenhall Street and 120,000 sq ft at Northgate House, 20-28 Moorgate, EC2, which is being sublet by JP Morgan.

SUPPLY

Supply (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	2,483,113	-14.91	19.11	1.88
Premarketing	5,261,508	-28.14	-18.70	3.35
Secondhand	5,078,571	15.47	21.95	12.30
Under construction	3,201,182	82.74	54.96	-4.60
Total	16,024,374	-2.23	8.37	4.01

There was a 4% increase in supply in the final quarter, taking the total to over 16m sq ft for the first time since Q3 2009. The bulk of that increase was in secondhand space, which rose by 12% and is now more than 5m sq ft. The other components of supply

CITY CORE



Murray House, Royal Mint Court, EC3: 87,600 sq ft let to Deloitte



122 Leadenhall Street, EC3: 192,000 sq ft let to Aon

remained broadly stable. Over 12 months, however, the differences have been more marked. The supply of newly built or refurbished space rose by 20% during 2011 to 2.5m sq ft, while the supply of secondhand space, which makes up the bulk of ready-to-occupy space, expanded by 22%. The completion of Cannon Place, 78 Cannon Street, EC4, and Heron Tower, Bishopsgate, EC2, in 2011, account for almost 800,000 sq ft between them.

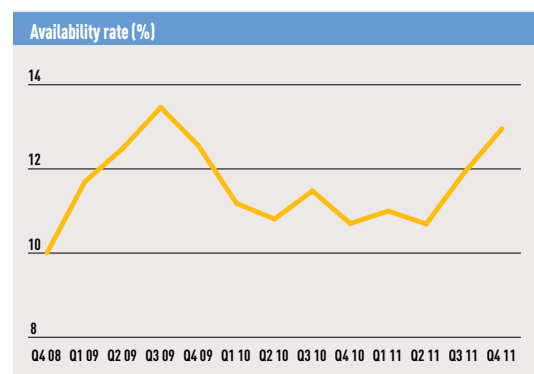
It is interesting to note the shifting balance between space being premarketed and space under construction. At the beginning of 2011 there was 6.5m sq ft being premarketed and just over 2m sq ft under construction, but by the end of 2011 it had changed to 5.2m sq ft and 3.2m sq ft respectively.

Put another way, there is 54% more space under construction now than in Q4 2010 and 82% more than the final quarter of 2009, with corresponding reductions in the amount of space being premarketed.

The most substantial developments to start during 2011 were 20 Fenchurch Street EC3; 122 Leadenhall Street EC3 and Sixty London, on Holborn Viaduct EC1. These three alone brought 1.4m sq ft into the supply of stock under construction, although by Q4 190,000 sq ft of Leadenhall Street was prelet.

The largest addition to existing supply in the City core in Q4 was 10 Aldermanbury Square, EC2, where 272,800 sq ft will become vacant in the summer when JP Morgan relocates to 25 Canada Square. 145,000 sq ft formerly occupied by Deutsche Bank is now available at 99 Bishopsgate, EC2, and will be refurbished; and at 33 King William St, EC4, 130,000 sq ft has come to the market with two years remaining on a lease to Blackrock, after which Topland may redevelop the building.

AVAILABILITY RATE

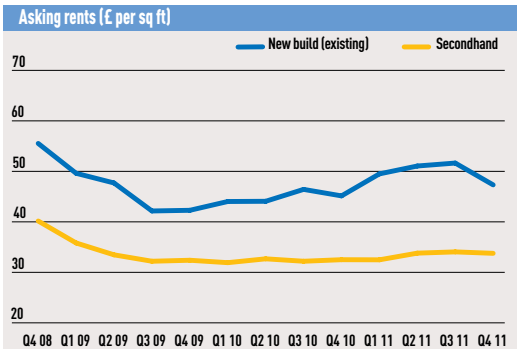


Altogether, the supply of newly built and secondhand space (7.57m sq ft) translates into an availability rate of 13%, which is edging back to its 2009 peak of 13.5% and significantly higher than in any other of the central London sub-markets. The substantial development completions noted above have contributed to this rise, although the flow of secondhand space has also been significant. At this level, there is no pressure on rental growth, particularly as the amount of space under construction is also expanding.

29%

INCREASE IN TAKE-UP

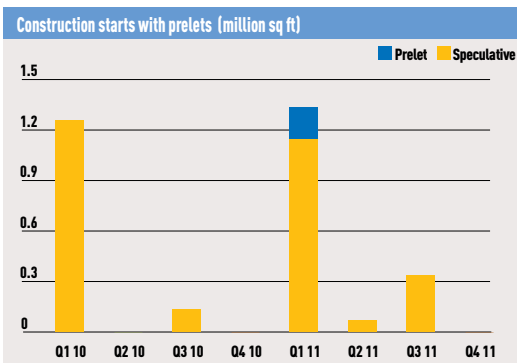
ASKING RENTS



Average asking rents for new-build stock have slipped back to a more realistic £47.25 per sq ft in Q4 2011 and for the year the average was £50 per sq ft. For grade-A secondhand stock, the average asking rent was marginally lower at £33.50 per sq ft.

The new space in 78 Cannon Street and The Walbrook is on the market at £57.50 per sq ft, while the highest asking rent is £70 per sq ft for a sublease in 55 Ludgate Hill.

CONSTRUCTION STARTS



There were no development completions in the City core in Q4 2011 and no new development starts. There remains a substantial body of construction under way, however, much of it in three prominent towers. On its own, The Pinnacle, Bishopsgate, EC2, being developed by Arab Investors, will bring more than 1m sq ft of office space to the market. Concerns over development funding that were aired in the autumn seem to have been allayed as HSH Nordbank agreed to extend the loan facility, but the completion date has been pushed back to 2015. Land Securities (with Canary Wharf Group) is pressing ahead with the construction of 20 Fenchurch Street, EC3, and it is on track to deliver 627,000 sq ft of office space in 2014, as is British Land with its 587,900 sq ft at 122 Leadenhall Street, EC3.

Elsewhere in the City core, several substantial buildings are undergoing refurbishment, including Finsbury Circus House, EC2, (169,100 sq ft) and 199 Bishopsgate, EC2, (145,100 sq ft). There are two other new buildings under construction, but they are much smaller, at St Paul's House in Warwick Lane, EC4, (43,100 sq ft) and 20 Cannon Street, EC4, (37,100 sq ft).

CITY CORE



33 King William Street, EC4:
130,000 to let



10 Aldermanbury, EC2:
272,800 sq ft to let

192,000
SQ FT PRELET
TO AON

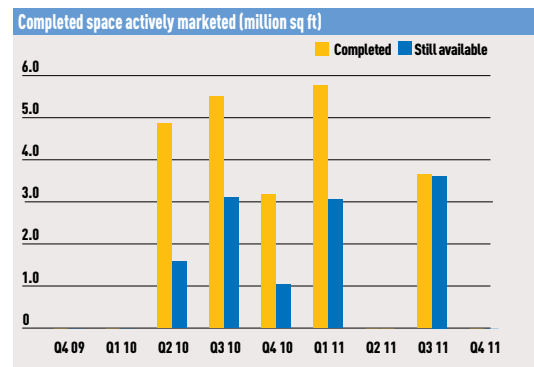
INVESTMENT

There were five investment transactions completed in Q4 in the City core, adding up to 460,000 sq ft – little more than half the level recorded in the preceding quarter and not much more than 10% of the volume that changed hands in the whole year. More than half of the investment sales completed in 2011 in the City core occurred in Q2, when 2.33m sq ft was sold in 33 separate lots.

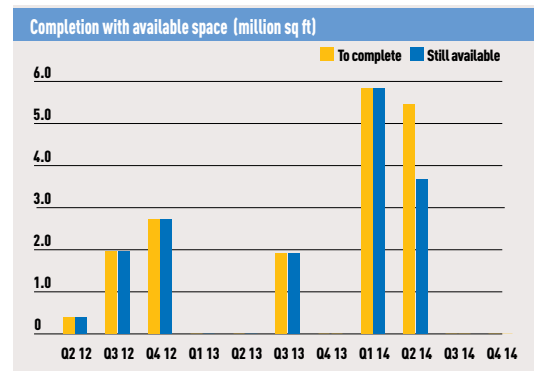
The largest sales in Q4 were of 60 Threadneedle Street, EC2, (202,000 sq ft), 22-25 Finsbury Square, EC2, (124,000 sq ft), and 6 Bevis Marks, EC3, (105,000 sq ft).

60 Threadneedle Street was sold by Hammerson to St Martin's Property Company for £176m at a yield of 4.75%, with around £5m of the price deferred until 2013. Finsbury Square was sold by Shieldpoint 22 to a Jersey-based private investor for £30m and is likely to be redeveloped as a mixed-use scheme including a hotel. The other sizeable investment was the purchase of the development site at 6 Bevis Marks, which is scheduled to start construction early in 2012 and was bought on a 50:50 basis by Axa Real Estate and MGPA.

COMPLETED SPACE ACTIVELY MARKETED



FUTURE COMPLETIONS



TAKE-UP

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	285,544	12.68	358.95	524.17
Premarketing	-	n/a	n/a	-100.00
Secondhand	510,017	-18.38	-15.25	1.48
Under construction	89,091	80.51	n/a	-38.56
Total	884,652	-4.63	33.23	24.97

West End take-up improved for the second consecutive quarter and by a further 25% to reach 885,000 sq ft in Q4, which took the total for the year to 2.81m sq ft. Nevertheless, it remains below the annual average for this market, which, over the past five years has been 3.2m sq ft.

Of the space taken in Q4, 510,000 sq ft (58%) was secondhand, which is similar to the level recorded in Q3. But there was a substantial increase in take-up of new-build or refurbished space, which was 285,500 sq ft in Q4 – five times the Q3 square footage. There was 89,000 sq ft let while it was still under construction, including Savills' prelet of 65,700 sq ft in Marcol House, Regent Street, W1, as its new headquarters, which turned out to be the largest transaction of the quarter. The work should be completed during 2012. Savills has taken a 20-year lease from Great Portland Estates over five floors.

There were three transactions of newly-built space over 50,000 sq ft in Q4, in Paddington Central, Baker Street and AirW1. Nokia took 58,400 sq ft on the ground, fourth and fifth floors of 2 Kingdom Street in Paddington Central, W2; Pimco completed its acquisition of 11 Baker Street, W1, where it took 54,800 sq ft at a reported rent of £62.50 per sq ft; and Telefonica took 51,000 sq ft in AirW1, The Quadrant, close to Piccadilly Circus. In two separate transactions in the same building, Halfords Media took 31,200 sq ft in AirW1 and Generation Investment Management took 21,300 sq ft.

The only secondhand building in the West End to secure a letting of more than 30,000 sq ft was Trafalgar Place in Cockspur Street, SW1, where the Serious Fraud Office took 31,100 sq ft.

In the final quarter of 2011 there were 100 lettings in the West End, up from 88 in Q3. Of these, 83% were less than 10,000 sq ft and they made up 45% of the square footage let. The majority was secondhand space, and secondhand units of less than 10,000 sq ft accounted for 38% of all the space let in Q4 in the West End.

230,000 sq ft was put under offer in Q4, substantially lower than the preceding quarter (380,000 sq ft) and below the annual average of 310,000 sq ft, suggesting that there might be a slowing down in the market, although these figures are heavily skewed by the impact of large units. The largest unit currently under offer in the West End is 10,800 sq ft.

WEST END



Marcol House, Regent St, W1: 65,700 sq ft let to Savills



Air W1: 51,000 sq ft let to Telefonica

65,700
SQ FT PRELET TO SAVILLS FOR NEW HQ

SUPPLY

Supply (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	553,618	-53.46	-11.41	-6.04
Premarketing	659,446	-51.55	-47.23	-31.87
Secondhand	3,205,654	-38.44	-30.80	-3.98
Under construction	885,601	131.09	6.01	-28.16
Total	5,304,319	-34.85	-27.76	-13.45

There is 5.3m sq ft available to let in the West End, of which 885,000 sq ft is still under construction but being actively marketed and 660,000 sq ft is being premarketed before construction begins. That leaves 3.75m sq ft of built stock on the market, most of which (3.2m sq ft) is secondhand, while only 554,000 sq ft has been newly built or refurbished.

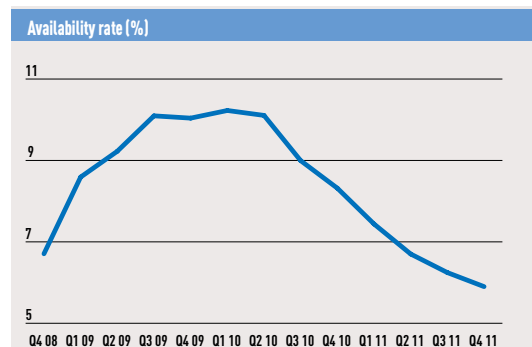
Overall, the level of supply has fallen in the past quarter by 13.5%, with most of that reduction in space under construction or being premarketed. The declines in existing space were relatively modest.

Of the new-build or refurbished space that is still available, the largest unit is 97,250 sq ft in 5 Merchant Square in Paddington Basin, W2, which was completed in 2010. There is also 79,900 sq ft available in The Crown Estate's redevelopment of the former Regent's Palace Hotel, known as Air W1, and 76,000 sq ft remaining in 2 Kingdom Street in Paddington Central, W2.

Buildings 2 and 3 in Merchant Square are also being premarketed and account for 193,700 sq ft and 165,950 sq ft respectively, and there is 99,250 sq ft being premarketed as Clifton House 101 Euston Road, NW1.

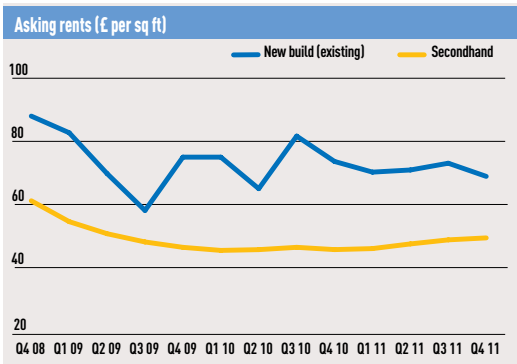
There are four buildings on the market with more than 100,000 sq ft under construction in the West End and these add up to 633,000 sq ft. The largest is Ashdown House in Victoria Street, SW1, which will bring 198,200 sq ft to the market and Park House, W1, which will be 190,200 sq ft.

AVAILABILITY RATE



The availability rate dropped further in Q4, from 6.2% to 5.9%, compared with 8.3% at the end of 2010 and 10.1% in the middle of that year. With a steady decline in availability of built stock and only a modest development pipeline, the West End market looks set to remain supply-constrained, which underwrites its rental values and promotes growth in the core locations.

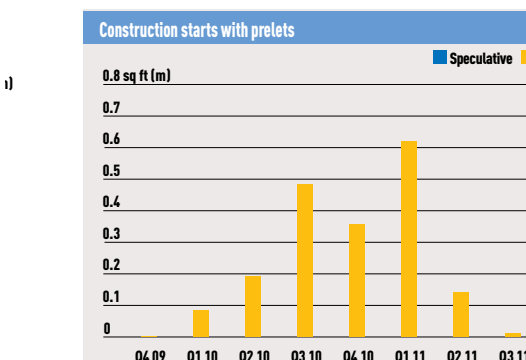
ASKING RENTS



The average asking rent for newly-built space currently on the market in the West End, was £69 per sq ft in Q4, down from £73 per sq ft in Q3 and 7% lower than at the end of 2010. The highest asking rent remains £97.50 per sq ft, being sought at 23 Saville Row, W1, for 33,700 sq ft and at 1-11 Hay Hill, W1, for 20,800 sq ft in the heart of Mayfair. Most agents agree, however, that top rents are over £100 per sq ft for the very best prime space. The asking rent at 44-48 Dover Street, W1, is £90 per sq ft. The space in Merchant Square, Paddington, W2, is available at a substantial discount to core West End rents, at £52.50 per sq ft.

For grade-A secondhand space, the average asking rent was £49.50 per sq ft, which has continued to rise gradually, probably reflecting the improving quality of stock in the sample rather than upward pressure on secondhand rents, albeit grade-A secondhand. This figure is based on a much wider range of values than the newly-built stock because it is often offered as a sublet from an occupier. Secondhand grade-A space can command rents comparable with brand new buildings. For instance, One Vine Street, W1, has an asking rent of £89.50 per sq ft for 31,300 sq ft.

CONSTRUCTION STARTS



Virtually no new construction was started in Q3 or Q4 in the West End. The only exceptions were small units of less than 5,000 sq ft. There is however, 1.63m sq ft still under construction, of which 1.46m sq ft is speculative and, of that, around half is scheduled to complete in 2012 and half in 2013. Most of the space due for completion in 2013 is not yet being actively

WEST END



One Vine Street, W1: to let at £89.50 per sq ft



23 Savile Row, W1: to let at £97.50 per sq ft

marketed and does not therefore appear in the supply figures in the table above.

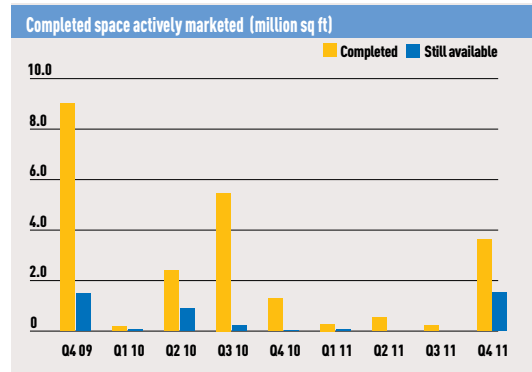
The largest building under construction is Selborne House, 54-60 Victoria Street, SW1, where Land Securities is developing 326,800 sq ft due for completion in 2013. It is not yet being actively marketed. Also due in 2013 is British Land's North East Quadrant on Euston Road, NW1, which is 195,000 sq ft; at 2-16 Baker Street, W1, there is a 125,000 sq ft redevelopment under construction, also due in 2013 and nearby in 79 Wigmore Street, W1, Great Portland Estates and Scottish Widows are developing 85,000 sq ft, which is on the market.

The largest developments scheduled to be completed in 2012 are SLF3's Park House W1; 1 Howick Street, SW1, which is being developed by Doughty Hanson & Co Real Estate and Terrace Hill Group; and the refurbishment of Ashdown House in Victoria Street, SW1.

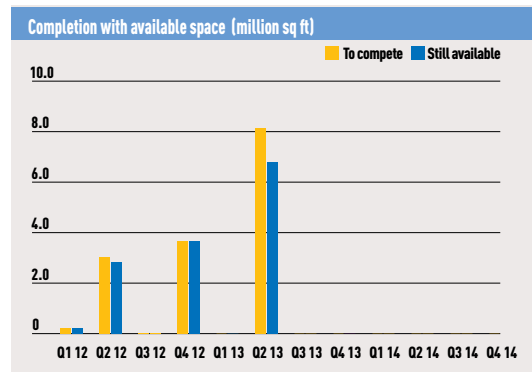
INVESTMENT

Just eight investment transactions were recorded in the West End in Q4, amounting to 80,000 sq ft, contributing very little to the annual total of £2.14m and 73 sales in 2011. It has been widely reported that there is a shortage of stock for sale in the West End as investors are reluctant to sell properties at a time when demand is high from overseas buyers to put money into this market.

COMPLETED SPACE ACTIVELY MARKETED



FUTURE COMPLETIONS



£97.50

ASKING RENT AT
23 SAVILE ROW

TAKE-UP

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	102,525	-19.05	-46.53	56.37
Premarketing	-	n/a	n/a	n/a
Secondhand	218,251	-27.20	-34.81	-24.74
Under construction	-	n/a	n/a	n/a
Total	320,776	-24.77	-39.08	-9.79

Take-up of 321,000 sq ft in Q4 in Midtown was made up of 102,000 sq ft of newly-built space and 219,000 sq ft of secondhand. There were no prelettings. Together, they took the annual total to 1.42m sq ft for this submarket. Q4 take-up was 10% down on the previous quarter but fell 40% short of the volume recorded in Q4 2010. The difference is less marked, however, when the two whole years are compared – 2011 take-up was 18% down on 2010.

Of the newly-built or refurbished space let in Q4, the largest single unit was 35,200 sq ft in 11 Strand, WC2, where Punter Southall & Co have agreed to pay £62.50 per sq ft on a 10-year lease. John Laing took 24,900 sq ft in 1 Kingsway, WC2, and Farrer & Co took 20,000 sq ft in 20 Lincoln's Inn Fields, WC2, at a rent of £36.95 for a lease expiring in 2021.

SUPPLY

Supply (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	253,213	-47.44	-49.46	-23.87
Premarketing	879,890	8.39	11.14	8.97
Secondhand	2,437,338	0.41	-12.21	-4.35
Under construction	410,822	-38.61	154.17	33.08
Total	3,981,263	-9.31	-5.90	-0.39

There is 3.98m sq ft available in Q4, virtually unchanged over the quarter. Within that, however, there has been a 24% fall in newly built or refurbished space and just 253,200 sq ft remains on the market now. The amount of space under construction and on the market has risen to 410,800 sq ft, an increase of 33% and space being actively premarketed is up by 9%. The majority of space available is secondhand with 61% of the total which has fallen by 4% over the quarter.

The largest unit of newly-built space available in Q4 was 54,700 sq ft in part of Crown House, 1 Kingsway, WC2, which has a retained façade and was completed in the autumn by UK and European Investments.

There are, however, five secondhand buildings of grade-A quality with more than 100,000 sq ft on the market: Holborn Place, 33 Holborn, EC1, with 323,300 sq ft; 2 Waterhouse Square, EC1, with 160,000 sq ft; St George's Court on New Oxford Street, WC1, (141,000 sq ft); and 101,400 sq ft in Carmelite on Victoria Embankment, EC4. St Bridget's and Conway House in Dorset Rise, EC4, which is currently listed as available with 103,000 sq ft, may be withdrawn from the market if it is converted to hotel use.

MIDTOWN

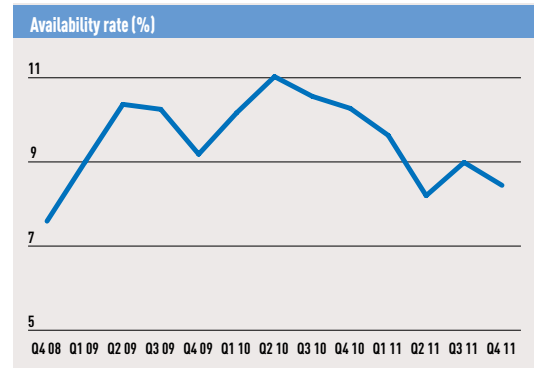


11 Strand, WC2: 35,200 sq ft let to Punter Southall & Co



1 Kingsway, WC2: 24,900 sq ft let to John Laing

AVAILABILITY RATE



The availability rate at the end of Q4 dipped slightly to 8.4% from 9% in Q3 and continued its downward trend from the peak in Q2 2010. It dropped by two percentage points in 2011, with the most marked change in newly-built stock, which halved. There are, however, several units under construction, most notably the refurbishment of Africa House on Kingsway, WC2, which will bring 146,900 sq ft to the market.

ASKING RENTS

For newly-built stock, the average asking rent was £46.50 per sq ft in Q4, while the equivalent figure for grade-A secondhand space was £33 per sq ft. The highest asking rent was £60 per sq ft for a 40,000 sq ft unit in Shell Mex House, WC2, while the asking rent for the 323,300 sq ft at 33 Holborn, WC1, was £54 per sq ft. It should be noted, however, that £67.50 per sq ft was achieved in Q3, at Crown House on Aldwych, WC2.

CONSTRUCTION

Only 158,000 sq ft of new construction or refurbishment was completed in 2011 in this submarket – the lowest rate of completions for at least seven years and substantially down on 2010, when more than 900,000 sq ft was completed. 244,000 sq ft of new development was started in 2011 and by the end of Q4 there was around 480,000 sq ft under construction, most of which will complete in 2012.

Work started during the quarter on the refurbishment of Wellington House, 125 The Strand, WC2, by freeholder The Duchy of Lancaster, which will bring 36,500 sq ft to the market.

INVESTMENT

There were nine investment sales completed in Q4, adding up to 290,000 sq ft, and taking the annual total to 2.33m sq ft in 48 transactions, the majority of which changed hands in the first half of the year. The largest investment transaction in Q4 related to the 103,000 sq ft Centre Point, New Oxford Street, WC1, where Frogmore formed a joint venture with an Almacantar vehicle to take a 25% stake for an undisclosed sum through Frogmore's second fund, FREP II.

25%

STAKE IN CENTRE POINT SOLD

TAKE-UP

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	-	n/a	-100.00	n/a
Premarketing	-	n/a	n/a	-100.00
Secondhand	238,404	-11.01	-80.50	100.58
Under construction	-	n/a	n/a	n/a
Total	238,404	-11.01	-82.02	-34.93

240,000 sq ft was let in Q4 in Docklands and, while that was significantly lower than Q3, it is nevertheless a healthy level of take-up in this sector of the market, particularly as it does not include any new-build space – all of this take-up was in the secondhand market. The total for the whole of 2011 is low at 640,000 sq ft, but 95% of that total occurred in the second half of the year.

The largest single transaction was 74,700 sq ft in Independent House, 191 Marsh Wall, where the occupier name and the terms of the transaction remain undisclosed but the asking rent was £15 per sq ft. It has been on the market since International News and Media vacated the building in 2009. In a second substantial deal, Telectric Redbus acquired 67,750 sq ft in 6 Harbour Exchange Square from Land Securities at a rent of £20 per sq ft until December 2014. Spanish Banking Group BBVA has taken 29,200 sq ft in One Canada Square.

There were two further deals of just under 20,000 sq ft which were 19,500 sq ft to Serviced Office Group in 5 Harbour Exchange Square and 19,100 sq ft in 40 Bank Street taken by security services company, G4S.

SUPPLY

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	426,107	-22.80	1.92	1.74
Premarketing	4,905,709	-3.34	-9.07	0.00
Secondhand	1,035,707	-41.88	-12.99	-16.37
Under construction	-	-100.00	-100.00	n/a
Total	6,367,523	-18.20	-16.39	-2.98

The supply of space to let has remained virtually unchanged in Q4 at 6.37m sq ft, just 3% lower than Q3. Most of it (4.9m sq ft) is being premarketed, with only just over 1m sq ft built and ready to occupy, and this figure has declined by 16% over the quarter.

Compared with Q4 2010, there has been a 16% fall in overall supply. The declines occurred in each category of supply although the change in new build was small whereas the other three – premarketed, secondhand and under-construction each fell by around 500,000 sq ft. There was 550,000 sq ft of space under construction a year ago and now there is none.

The largest units of newly-built space on the market are 205,000 sq ft at 30 North Colonnade and 157,580 sq ft at 5 Churchill Place. A further 91,400 sq ft of secondhand space is available in 25 Canada Square.

The most substantial development proposals being actively premarketed are North Quay – a cleared site just to the north of Canary Wharf, where 2.4m sq ft could be built; 1 Bank Street which has potential for 1.2m sq ft and 1 Park Place, which could also deliver over 1m sq ft.

DOCKLANDS

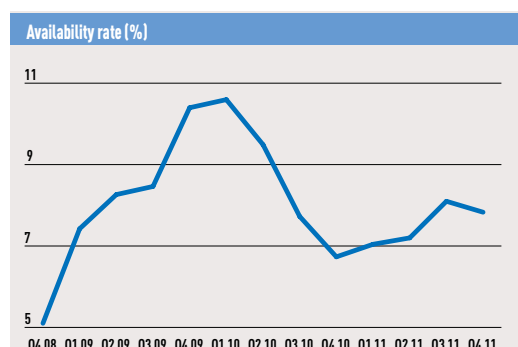


One Canada Square: 29,200 sq ft let to BBVA



Independent House, 191 Marsh Wall: 74,700 sq ft let

AVAILABILITY RATE



The availability rate at Docklands dipped from 8.1% to 7.8% in Q4 as a result of the take-up of several sizeable secondhand units. This would generally be considered a sustainable and relatively healthy level of vacancy, although the historic tendency towards large units of supply and demand in Docklands means it is generally a volatile market. The range of secondhand lettings in this quarter, however, suggests a growing maturity.

ASKING RENTS

The average asking rent for new-build space is unchanged in Q4 at £39.25 per sq ft. And for grade A secondhand space it is £33.75 per sq ft. The narrow range of average asking rents arises from the fact that there are large, high-quality secondhand units on the market in buildings such as 1 and 25 Canada Square.

CONSTRUCTION

No new development was initiated in Q4, nor in fact, in the whole of 2011. We had expected to see activity at 25 Canada Square by the year end, following the prelet to EMEA in Q3 but that has yet to happen.

INVESTMENT

There were no investment transactions in Docklands in Q4, nor any in Q2 or Q3. In fact, only one small property of 10,000 sq ft changed hands in the whole of 2011. This is in stark contrast to 2010, when 1.72m sq ft was sold in six separate transactions.

95%

OF 2011 TAKE UP
IN H2

TAKE-UP

Take-up(sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	14,919	-70.78	107.24	-85.46
Premarketing	17,670	n/a	n/a	n/a
Secondhand	282,472	6.68	-11.52	-20.87
Under Construction	-	-100.00	-100.00	n/a
Total	315,061	-3.54	-4.49	-31.45

Take-up fell by 31% in the final quarter, to 315,000 sq ft, taking the year-end total to 1.31m sq ft, which is slightly ahead of the five-year average (1.28m sq ft) and broadly in line with the 2010 total of 1.3m sq ft. A small component of the Q4 take up was prelet – this was in Moreland Buildings on Old Street, EC1, which is workspace being refurbished by Derwent London.

Unlike Q3, there were no large single lettings in the final quarter of the year. The largest letting on the City fringe was 22,300 sq ft on the third floor of the Johnson Building in Hatton Garden, EC1. It was let to Lastminute.com at a rent of £42.50 per sq ft, on a 10-year lease with a tenant break clause and rent review at year five, once again reinforcing the association with technology and social media in this area of London. With the exception of Moreland Buildings, almost all the space let was secondhand in this part of the market.

SUPPLY

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	229,895	-28.53	-40.33	9.83
Premarketing	2,079,324	5.11	5.38	40.75
Secondhand	1,618,272	-30.24	-9.26	4.28
Under construction	209,415	6.79	90.99	-73.48
Total	4,136,906	-14.09	-2.70	2.69

There was 4.14m sq ft available to let in the City fringe at the end of Q4. This represents a marginal 2.7% increase over the quarter and runs counter to the prolonged downward trend that had been established over the previous two years. Nevertheless, it remains 14% lower than it was in mid-2009.

Of the space available today, 209,000 sq ft is still under construction, of which the largest is the refurbishment of Woodbridge House, 30 Aylesbury Street, EC1, at 84,200 sq ft. Central Square, Seward Street, EC1, is the largest new-built at 43,700 sq ft.

There is 2.1m sq ft being premarketed, including Principal Place, Norton Folgate, E1, which could offer 570,000 sq ft, and Tishman Speyer's site at Aldgate Place, E1, where as much as 700,000 sq ft could be delivered.

That leaves 1.85m sq ft of existing, built stock available to let around the City fringe, the vast majority of which (86%) is secondhand, including 206,000 sq ft in The Brewery on Brick Lane, E1, and 103,000 sq ft in 66 Prescott Street, E1. The balance of 229,000 sq ft, which is made up of newly-built or refurbished space, represents just 6% of the total.

CITY FRINGE



Moreland Buildings, Old St, EC1: 17,700 sq ft prelet to Morris

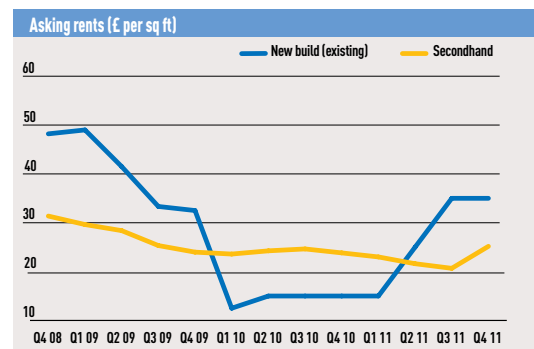


The Johnson Building, Hatton Garden, EC1: 22,300 sq ft let to Lastminute.com

AVAILABILITY RATES

At 8.4%, the availability rate has risen by half a percentage point in Q4 but remains lower than Q4 2010. This interrupts the downward trend that began midway through 2009.

ASKING RENTS



The average asking rent remained the same at £35 per sq ft, after a substantial rise in Q3 largely driven by the asking rent for Aldgate Place, where 750,000 sq ft is being premarketed at £45 per sq ft.

The average asking rent for secondhand space rose in the final quarter to £25 per sq ft. This was influenced by the newly marketed space in Exchange House, Exchange Square, EC2, which has an asking rent of £45 per sq ft.

CONSTRUCTION

There is 260,000 sq ft under construction on the City fringe, of which 48,800 sq ft at 24 Britton Street, EC1, was prelet to Kurt Geiger early in 2011. The rest is speculative. Only 9,950 sq ft was started in Q4 and that was Altitude Aldgate 61-75 Alie Street, E1, a small office block being developed in conjunction with a residential tower. All of the construction, except Altitude Aldgate, is scheduled to be completed during 2012.

INVESTMENT

There were nine investment transactions on the City fringe in Q4, totalling 80,000 sq ft, of which the largest was 18,300 sq ft at 5-7 Clerkenwell Green, EC1, which was sold for £7m. Carthusian Court, Carthusian Street, EC2, was sold by the Chamber of Shipping to Property Trust Group for £11.7m. It was 14,000 sq ft.

1.31m

SQ FT LET IN 2011

TAKE-UP

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	-	-100.00	-100.00	-100.00
Premarketing	-	n/a	n/a	n/a
Secondhand	113,020	351.68	161.02	-40.42
Under construction	-	n/a	n/a	n/a
Total	113,020	120.82	120.32	-42.57

113,000 sq ft was let in Q4, which was 42% down on the previous quarter but still helped this submarket to an annual total of 470,000 sq ft – well ahead of the three years 2008 to 2010. Half of the Q4 take-up resulted from two transactions, both of which were acquisitions by Ernst & Young of units in More London – one of 35,400 sq ft and one of 23,500 sq ft. The other half of take-up was entirely composed of lettings below 10,000 sq ft.

The two transactions mean that Ernst & Young will occupy space on the lower ground, ground, first and second floors of this building at a rent reported to be around £45 per sq ft with a lease to 2023. The second-floor space (23,500 sq ft) was taken through an assignment from Aon Hewitt.

SUPPLY

Take-up (sq ft)	Q4 2011	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/refurb existing	17,966	-25.62	-71.91	-60.08
Premarketing	431,116	-49.42	-44.75	-3.23
Secondhand	654,405	-6.74	6.86	-19.21
Under construction	1,082,165	211.56	86.03	1.55
Total	2,185,652	13.51	7.22	-7.63

There is 2.19m sq ft of space on the market to let on the South Bank, which has changed very little in the past year. It is around 7% lower than Q3 and some 7% higher than Q4 2010. There have, however, been sizeable shifts in the composition of that figure. Newly-built stock is 60% lower than Q3 and 72% lower than Q4 2010. Premarketed space has also fallen and construction activity has risen. Half of the supply is now under construction and 430,000 sq ft is being premarketed. Almost all of the built stock on the market is secondhand space.

Sellar Properties' two developments at The Place, 25 London Bridge Street and The Shard are the reason for the high volume of available space under construction, accounting for 430,000 sq ft and 575,000 sq ft respectively. The Shard is scheduled to complete in 2012 and The Place in 2013.

King's Reach Tower accounts for most of the space that is being premarketed. CIT has planning consent for a mixed-use scheme that will include 375,000 sq ft of office space as well as residential units.

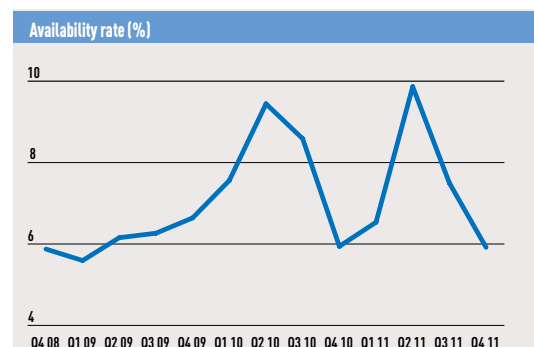
The largest unit of secondhand space on the market is 180,000 sq ft at 1 London Bridge in two linked blocks. There are also several units available in The Cottons Centre, two of which are around 50,000 sq ft each.

SOUTH BANK



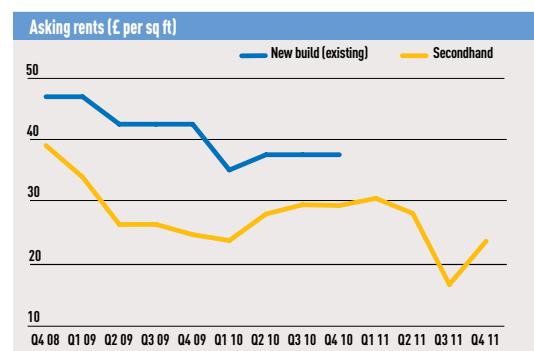
6 More London, SE1: two units let to Ernst & Young

AVAILABILITY RATE



The availability rate on the South Bank fell to 5.9% in Q4 – the same level as it had been 12 months earlier. It peaked in Q2 at just below 10%. This is by far the smallest of the central London submarkets with just 8.8m sq ft of built stock and, as such, its availability rate is highly sensitive to relatively low levels of letting activity. The construction of The Shard and The Place has the potential to greatly expand this rate should any substantial areas of these buildings remain unlet after completion, which seems likely.

ASKING RENTS



Once again, there are no asking rents available for new-build space in South Bank although the developer has expressed the hope that The Shard will have a rental value of £55 per sq ft on completion. The average asking rent for grade-A secondhand space is £23.50 per sq ft, although this is based on a very small sample. However, several grade-B units of over 10,000 sq ft have asking rents of between £25 and £30 per sq ft.

CONSTRUCTION

No new construction has been started in Q4, but development activity is nevertheless high with The Shard and The Place in progress.

INVESTMENT

There were no investment transactions on the South Bank in Q4. Over the year as a whole there were just four transactions totalling 60,000 sq ft.

AVAILABILITY RATE DROPS TO

5.9%