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West End occupier market

- During Q1 2012, 785,658 sq ft was let, 23% down on the previous quarter but still 9.9% up on the five-year quarterly average.
- Three of the four largest deals during the quarter were pre-lets. Burberry took the entire 125,000 sq ft at Derwent's 1 Page Street (SW1) at a rent of £45 per sq ft on the middle floors, whilst Jimmy Choo took 37,000 sq ft at Land Securities' Ashdown House (SW1) at £52.00 per sq ft. In Pimlico, the Crown Prosecution Service took 52,000 sq ft of former ONS space at 1 Drummond Gate (SW1) at £25.00 per sq ft. At 33 Margaret Street, Savills announced that they would take the remaining 31,700 sq ft at the GPE scheme, having taken a pre-let of 64,000 sq ft in December.
- The vacancy rate has increased slightly from 4.4% to 4.6% over the quarter with 3.7 million sq ft now available across the West End.
- Two speculative buildings at King's Cross Central (NW1) went under construction this month: 2 Pancras Square (58,400 sq ft) and 4 Pancras Square (133,200 sq ft). There is currently 2.7 million sq ft under construction. The most notable completion of the quarter was 46,000 sq ft at 5 Hanover Square (W1).
- Prime rents in Mayfair have increased to £92.50 per sq ft due to the continued lack of supply in the market. Super-prime rents are at £106 per sq ft. Rent-free periods are at 17 months on a ten year lease.
- Prime rents across the West End sub-areas rose 2.3% during the quarter and are 16.7% up annually.



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City occupier market

- Take up for Q1 2012 totalled 792,918 sq ft, down 33.9% on the five-year quarterly average and 20.8% down on the previous quarter.
- The largest deal of the quarter was United Business Media taking a 103,000 sq ft pre-let at Great Ropemaker Partnership's 240 Blackfriars Road (SE1) at £47.00 per sq ft. The biggest deal in the City Core was Mace Group's acquisition of 66,000 sq ft at Moorgate Hall (EC2).
- 6.4 million sq ft is currently under construction across the City. During the quarter, construction started on 1.6 million sq ft of space including 700,000 sq ft at 5 Broadgate (EC2), 240,000 sq ft at Sea Containers House (SE1) and 221,000 sq ft at 240 Blackfriars Road (SE1). The only completion of the quarter was 49,000 sq ft at 24 Britton Street (EC1).
- The vacancy rate has decreased to 7.1% of total stock from 7.2% with 6.5 million sq ft available across the City.
- Prime rents in the City core remain at £55 per sq ft with 24 months rent-free on a ten year lease.
- Prime rents across all City sub-areas increased 3.5% during the quarter due to rental growth in the City Eastern fringe and the Southbank, with rents up 3.6% on the same time last year.



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Docklands occupier market

- Take up for the first quarter of the year totalled 92,359 sq ft, 60.1% down on last quarter and 72.6% down on the five-year quarterly average.
- The largest deal of the quarter was LOCOG taking 26,000 sq ft at 10 Upper Bank Street (E14). The largest deal outside Canary Wharf was The Serviced Office Group taking 19,000 sq ft at 5 Harbour Exchange (E14).
- The Docklands vacancy rate is now 6.8% with 1.3 million sq ft available.
- 542,000 sq ft at 25 Churchill Place (E14) went under construction this quarter, the only development activity in Docklands. It is due to complete in 2014, with Deutsche Bank having selected the building as its preferred option for its 150,000 sq ft relocation from 6-8 Bishopsgate (EC2). EMA took a 250,000 sq ft pre-let during Q3 2011.
- Prime rents remain at £38.50 per sq ft with 24 months rent free on a typical ten year lease and at £27.50 per sq ft in the fringe.



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Central London investment market

- Investment transactions in central London for Q1 2012 totalled £3.2 billion, 79% up on the £1.8 billion in Q4 2011 and 36% up on the five-year quarterly average. Indeed this was the highest quarterly total since Q3 2007.
- The majority of activity was from overseas investors who accounted for 66% of all transactions by value across central London. In the City, this figure was higher at 79% although in the West End overseas investors made up only 38%, with UK Property Companies making up 53% of investment.
- Of the ten largest deals during the quarter, nine were to overseas investors. The largest deal was PNB's £410 million purchase of One Exchange Square (EC2) at a yield of 5.25% from KanAm. In Docklands, Qatari Holdings purchased 1 Cabot Square (E14) for £336 million at a yield of 5.4%, whilst in the West End, Tishman Speyer purchased Eland House (SW1) for £171 million at a yield of 6.8%. Across central London, there were 17 deals in excess of £50 million.
- Investor demand is diverse and, with the exception of a small handful of larger opportunities, supply of investments remains limited, especially in the smaller lot sizes.
- Prime yields in the City remain at 5.25%, where they have been for over a year. In the West End prime yields are at 4.25% having seen little movement in the last seven quarters.

	West End		City		Docklands	
Take up, quarter 1 2012	(sq ft)	Change on last quarter	(sq ft)	Change on last quarter	(sq ft)	Change on last quarter
Entire	785,658	down	792,918	down	92,359	down
New Build/Refurb (pre-construction)	15,400	down	-	down	-	down
New Build/Refurb (under construction)	265,103	up	103,452	down	-	down
New Build/Refurb (existing)	32,316	down	154,271	up	-	down
Second Hand Grade A	305,833	up	388,810	down	77,162	down
Second Hand Grade B	167,006	down	146,385	down	15,197	down
100,000 sq ft+	125,162	down	103,452	down	-	-
50,000-99,999 sq ft	51,097	down	66,020	down	-	down
10,000-49,999 sq ft	408,120	up	489,024	down	77,162	up
5,000-9,999 sq ft	201,279	down	134,422	down	15,197	down
Supply, quarter 1 2012	West End		City		Docklands	
Total available space	3,742,024	up	6,524,260	down	1,330,038	up
Vacancy rate (%)	4.6%	up	7.1%	down	6.8%	up
Core	905,209	up	3,235,087	up	990,780	up
Fringe	2,836,815	up	3,289,173	down	339,258	down
Future supply	West End		City		Docklands	
Under construction	2,702,570	up	6,380,091	up	542,000	up

Principal office occupier transactions, quarter 1 2012			
Address	Size (sq ft)	Tenant	Rent (£ psf)
1 Page Street, SW1	125,162	Burberry Limited	£45.00
240 Blackfriars Road, SE1	103,452	United Business Media plc	£47.00
Moorgate Hall, EC2	66,020	Mace Group Limited	£38.50
1 Drummond Gate, SW1	51,097	Crown Prosecution Service	£25.00
26-28 Glasshouse Yard, EC1	47,319	Push Button Limited	£36.50

Prime rents, quarter 1 2012		
Sub area	Headline rent (£ psf)	Rent free
West End		
Covent Garden	£65.00	18 months
Fitzrovia	£57.50	18 months
Bloomsbury	£60.00	18 months
Mayfair	£92.50	17 months
Mayfair Super-Prime	£106.00	17 months
North of Oxford St	£72.50	18 months
Paddington	£57.50	20 months
Soho	£75.00	18 months
St James's	£92.50	17 months
Victoria	£65.00	20 months
City		
Central City Core	£55.00	24 months
Chancery Lane / Midtown	£55.00	21 months
City Eastern Fringe	£32.50	24 months
City Northern Fringe	£47.50	24 months
Insurance Sector	£55.00	24 months
West City	£55.00	24 months
Waterloo/Bankside	£47.00	24 months
London Bridge/More London	£45.00	24 months
Docklands		
Canary Wharf	£38.50	24 months
Other Docklands	£27.50	24 months

Prime yields, quarter 1 2012	
Sub area	Yield (%)
Mayfair / St James's	4.25%
Victoria	5.50%
North Oxford Street / Fitzrovia	5.25%
Soho / Covent Garden	5.50%
Paddington	5.75%
City Core	5.25%
City Eastern Fringe	6.25%
City Northern Fringe	5.75%
Southwark	5.75%
Holborn	5.25%

Principal office investment transactions, quarter 1 2012			
Address	Price (£ million)	Yield (%)	Purchaser
One Exchange Square, EC2	£410	5.25%	Permodalan Nasional Bhd
1 Cabot Square, E14	£336	5.40%	Qatar Holdings LLC
Eland House, SW1	£171	5.50%	Tishman Speyer
Arundel Great Court, WC2	£234	-	Waterway PCP Properties
1 Bunhill Row, EC1	£180	5.50%	St Martins Property Corp

Investment transactions, quarter 1 2012 (£ million)	
West End	£1,166
City	£1,590
Docklands	£447
Central London	£3,203

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