



Patrick O'Keefe
020 7911 2768
pok@gva.co.uk

West End occupier market

- During a quiet Q2 2012, only 419,441 sq ft was let. This figure is 62% down on the previous quarter, but still 40% down on the five-year quarterly average. We believe that Q3 2012 will be busier due to the large amount of deals currently under offer.
- The largest deals during the quarter were Debenhams agreeing to take an additional pre-let of 29,500 sq ft at British Lands' Triton Building, Regent's Place (NW1), due to complete in 2013, and Statoil taking an additional 26,000 sq ft at Two Kingdom Street (W2). This deal sees Statoil increase its presence in the building to over 100,000 sq ft.
- The vacancy rate has increased slightly from 4.6% to 5.0% over the quarter with 4.1 million sq ft now available across the West End.
- Four buildings went under construction in the West End during the quarter, including Rio Tinto's 152,000 sq ft 5-6 St James's Square (W1) and The Portman Estate/British Land's 87,000 sq ft Marble Arch House (W1). Both are due to complete in 2013.
- Prime rents in Mayfair have increased to £95.00 per sq ft with 17 months rent free due to the continued lack of supply in the market. Super-prime rents are at £106 per sq ft, with 15 months rent free.
- Prime rents across the West End sub-areas rose 1.1% during the quarter and are 14.6% up annually.



Tony Joyce
020 7911 2861
tony.joyce@gva.co.uk

City occupier market

- Take up for Q2 2012 totalled 1.4 million sq ft, up 18.4% on the five-year quarterly average and 75% up on the previous quarter. This is the highest quarterly take up since Q3 2010.
- The largest deals of the quarter were Prudential Regulation Authority taking 152,000 sq ft at 10 Moorgate (EC2) and London School of Business and Finance acquiring 110,000 sq ft at New Court (WC2). At 2 Waterhouse Square (EC1), Prudential secured over 150,000 sq ft of lettings to Skype (89,000 sq ft) and Weber Shandwick (64,000 sq ft).
- 6.7 million sq ft is currently under construction across the City. During the quarter, construction started on 400,000 sq ft, including 152,000 sq ft at 3-10 Finsbury Square (EC2) and 74,000 sq ft at Monument Place (EC3).
- The vacancy rate has decreased to 6.9% of total stock, from 7.1%, with 6.3 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 0.9% during the quarter, with rents up 4.1% on the same time last year.



Rod Parker
020 7911 2875
rod.parker@gva.co.uk

Docklands occupier market

- Take up for the second quarter of the year totalled 66,031 sq ft, 28.5% down on last quarter and 78.3% down on the five-year quarterly average.
- 88% of sq ft let during the quarter can be attributed to two lettings in Canary Wharf where The Economist Group took 45,000 sq ft at 18-20 Cabot Square (E14) and Metlife Investments took 13,000 sq ft at One Canada Square (E14).
- The Docklands vacancy rate is now 6.9% with 1.4 million sq ft available.
- The only space currently under construction is the 542,000 sq ft at 25 Churchill Place (E14) which went under construction during Q1, with the development due to complete in 2014.
- Prime rents in Canary Wharf fell to £35.00 per sq ft, with rent free periods pushed out to 30 months.



Richard Garside
020 7911 2076
richard.garside@gva.co.uk

Central London investment market

- Investment transactions in central London for Q2 2012 totalled £3.9 billion, a 21% increase on £3.2 billion in Q1 2012 and 71% up on the five-year quarterly average.
- Q2 saw the highest quarterly total since Q3 2007 and investment for the first half of 2012 is only 1.9% down on the whole of 2011.
- This quarter saw the usual high level of activity from overseas investors accounting for 80% of investment by value. In the City, overseas investors accounted for an even higher 87%.
- The largest deal during the quarter was in the City with Moise Y Safra's £470 million purchase of Plantation Place (EC3) at a yield of 5.66%. In King's Cross, WestInvest InterSelect bought Guardian HQ, 90 York Way (N1) for £235 million at a yield of 5.6%, whilst in Mayfair, 5 Stratton Street (W1) was sold by WELPUT to Sirosa Liberty for £166 million at a yield of 4.2%. During the quarter, there were 12 deals done over £100 million in Central London.
- Investor demand remains diverse and weighted towards overseas investors.
- Prime yields remain at 5.25% in the City and 4.25% in the West End with possible downwards pressure on both.

Take up, quarter 2 2012	West End		City		Docklands	
	(sq ft)	Change on last quarter	(sq ft)	Change on last quarter	(sq ft)	Change on last quarter
Entire	419,441	down	1,387,937	up	66,031	down
New Build/Refurb (under construction)	49,200	up	225,063	up	-	-
New Build/Refurb (existing)	64,687	down	336,093	up	-	-
Second Hand Grade A	211,722	down	473,993	up	66,031	down
Second Hand Grade B	93,832	down	352,788	up	-	down
100,000 sq ft+	0	down	262,181	up	0	-
50,000-99,999 sq ft	0	down	297,450	up	0	-
10,000-49,999 sq ft	214,921	down	503,284	up	57,980	down
5,000-9,999 sq ft	204,520	up	325,022	up	8,051	down
Supply, quarter 2 2012	West End		City		Docklands	
Total available space	4,072,526	up	6,338,136	down	1,440,338	up
Vacancy rate	5.0%	up	6.9%	down	7.4%	up
Core	988,057	up	3,250,278	up	879,701	down
Fringe	3,084,469	up	3,087,858	down	560,637	up
Future supply	West End		City		Docklands	
Under construction	2,912,452	up	6,710,428	up	542,000	-

Principal office occupier transactions, quarter 2 2012			
Address	Size (sq ft)	Tenant	Rent (£ psf)
20 Moorgate, EC2	151,902	Prudential Regulation Authority	£55.00
New Court, WC2	110,279	London School of Business & Finance (UK) Limited	-
Friars House, SE1	93,378	Practical Law Company	£35.00
2 Waterhouse Square, EC1	88,801	Skype	£47.50
2 Waterhouse Square, EC1	63,773	Weber Shandwick UK Limited	£42.50

Prime rents, quarter 2 2012		
Sub area	Headline rent (£ psf)	Rent free
West End		
Covent Garden	£65.00	18 months
Fitzrovia	£57.50	18 months
Holborn WC1	£55.00	20 months
Mayfair	£95.00	17 months
Mayfair Super-Prime	£106.00	15 months
North of Oxford St	£72.50	18 months
Paddington	£57.50	20 months
Soho	£77.50	18 months
St James's	£95.00	17 months
Victoria	£65.00	20 months
City		
Central City Core	£55.00	24 months
Chancery Lane / Midtown	£55.00	24 months
City Eastern Fringe	£35.00	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	£35.00	30 months
Other Docklands	£27.50	30 months

Prime yields, quarter 2 2012	
Sub area	Yield (%)
Mayfair / St James's	5.25
Victoria	6.25
North Oxford Street / Fitzrovia	5.75
Soho / Covent Garden	5.75
Paddington	5.25
City	
City Core	4.25
City Eastern Fringe	5.50
City Northern Fringe	5.25
Southwark	5.50
Holborn	5.75

Principal office investment transactions, quarter 2 2012			
Address	Price (£ million)	Yield (%)	Purchaser
Plantation Place, EC3	£470	5.66	Moise Y Safra (Brazil)
Devonshire Square, EC2	£340	6.85	Blackstone Real Estate
99 Bishopsgate, EC2	£329	5.20	Brookfield Europe
12 Throgmorton Avenue, EC2	£286	5.00	Gingko Capital (China)
90 York Way, N1	£235	5.60	WestInvest InterSelect

Investment transactions, quarter 2 2012 (£ million)	
West End	£1,269
City	£2,467
Docklands	£150
Central London	£3,885

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