



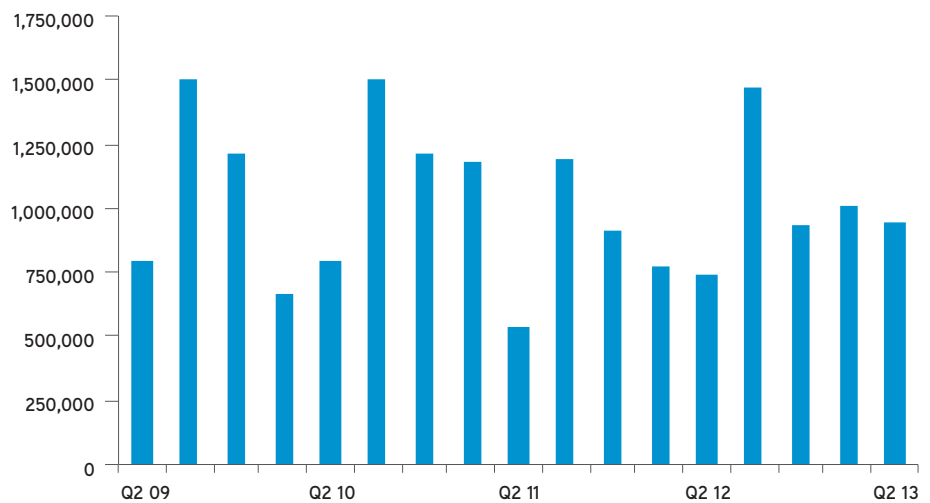
Market Highlights

- Q2 M25 take-up failed to match the levels seen in the first three months of 2013 with the exception of the South M25 market. While total M25 take-up is circa 29% above the equivalent period in 2012, Thames Valley take-up at 379,000 sq ft was significantly down (-52%) on the ten year quarterly average.
- Shortage of larger deals held down take-up in the core M4 locations. The Thames Valley deals above 10,000 sq ft totalled 178,000 sq ft compared to 433,000 sq ft in Q1 2013 and average deal size fell sharply from 7,333 sq ft in Q1 to 4,417 sq ft in Q2.
- Regardless of moderating demand, vacancy fell modestly across Northern and Southern M25 and Thames Valley markets. Overall M25 vacancy fell to its lowest level since September 2009 but still remains above the ten year quarterly average.
- Average rental uplift remains largely confined to the Thames Valley but we are increasingly seeing evidence of uplift in other locations such as Croydon where availability of Grade A product is helping to push the envelope in terms of prime rents. The focus of growth remains in West London though, with Hammersmith, aided by the 'Chiswick Park effect' and rising rents in West End fringe locations, seeing record nominal headline rents and rental uplift.

THAMES VALLEY

AVAILABILITY	↓
TAKE-UP	↓
RENTS	↑
NORTH M25	
AVAILABILITY	↓
TAKE-UP	↓
RENTS	→
SOUTH M25	
AVAILABILITY	↓
TAKE-UP	↑
RENTS	↑

FIG 1: SOUTH EAST TAKE-UP



Source: Colliers International

**SOUTH EAST PRIME RENTS*
JULY 2013 (PSF)**

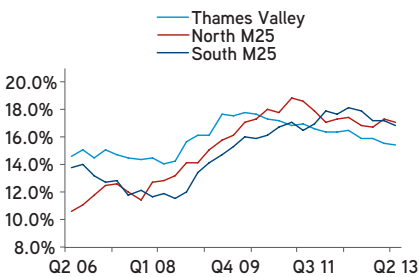
		ANNUAL GROWTH
BRACKNELL	£19.00	2.8%
CAMBRIDGE	£34.00	13.3%
CHISWICK	£47.00	2.2%
CRAWLEY	£20.00	0.0%
CROYDON	£22.00	10.0%
GUILDFORD	£27.00	0.0%
HAMMERSMITH	£46.00	33.3%
HEATHROW (STOCKLEY)	£29.00	16.0%
HEMEL HEMPSTEAD	£17.50	0.0%
HIGH WYCOMBE	£18.00	0.0%
MAIDENHEAD	£31.00	6.9%
MILTON KEYNES	£21.00	0.0%
READING	£30.00	0.0%
READING OOT	£27.50	0.0%
RICHMOND	£37.50	7.1%
SLOUGH	£19.50	-9.3%
ST ALBANS	£21.50	0.0%
STAINES	£31.00	10.7%
UXBRIDGE	£28.50	3.6%
WATFORD	£20.00	0.0%
WIMBLEDON	£33.00	13.8%
WINDSOR	£32.50	6.7%
WOKING	£22.00	0.0%

*Figures are estimates of achievable open market headline rents (NIA per sq ft)

Occupational Market

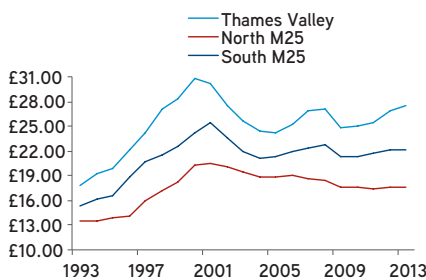
- The resurgence of take-up in the Southern M25 market, which outperformed the Thames Valley for the first time since Q1 2012, has been a key feature of the last three months. South M25 accounted for 47% of transactions while Thames Valley centres came in at 40%, compared to 52% in Q1 2013. Steady transactional activity in centres such as Camberley, Croydon, Farnborough and Kingston upon Thames, helped lift South M25 take-up by 67% quarter on quarter. The South M25 recorded 13 deals over 10,000 sq ft compared to just five in Q1 2013 and 12 in Q3-Q4 2012. That said, the new Thames Valley product is generating occupier interest. Nexen Petroleum UK is under offer on 82,500 sq ft at Stanza in Uxbridge. The deal is rumoured to be at £32 psf on a 12 year lease with two years rent-free.
- While the Thames Valley market endured a subdued Q2 2013, locations such as Hammersmith, Maidenhead and Staines are seeing a healthy improvement in market conditions. Net absorption of office space, the increase in occupied space, has been strongly positive in Hammersmith (+59,950 sq ft) and Staines (+51,517 sq ft) in 2013 to date. Pernod Ricard is believed to be under offer on 40,000 sq ft at Development Securities first phase of its Hammersmith Grove scheme, at a rumoured £46 psf. In Staines, a healthy supply pipeline, in sharp contrast to surrounding locations, looks set to help bolster headline rents as product is delivered during 2013 and 2014. Maidenhead has seen two quarters of above average take-up including a 13,070 sq ft letting at Quantum to pharmaceutical company Abbvie. Maidenhead currently has a further 51,000 sq ft under offer, much of that Grade A.
- Rental growth remains confined to locations which have reached a tipping point in terms of supply and demand, where competition for Grade A product is becoming the norm. Locations such as Hammersmith, which is set to see rents rising by 33% year on year, Stockley Park (+16%), Wimbledon (+14%) and Staines (+11%) are all benefitting. Encouragingly, Croydon has seen 10% rental uplift in the past 12 months evidenced by the first letting (39,400 sq ft) at Abstract's Renaissance scheme to the Pension Protection Fund.

FIG 2: SOUTH EAST VACANCY RATES



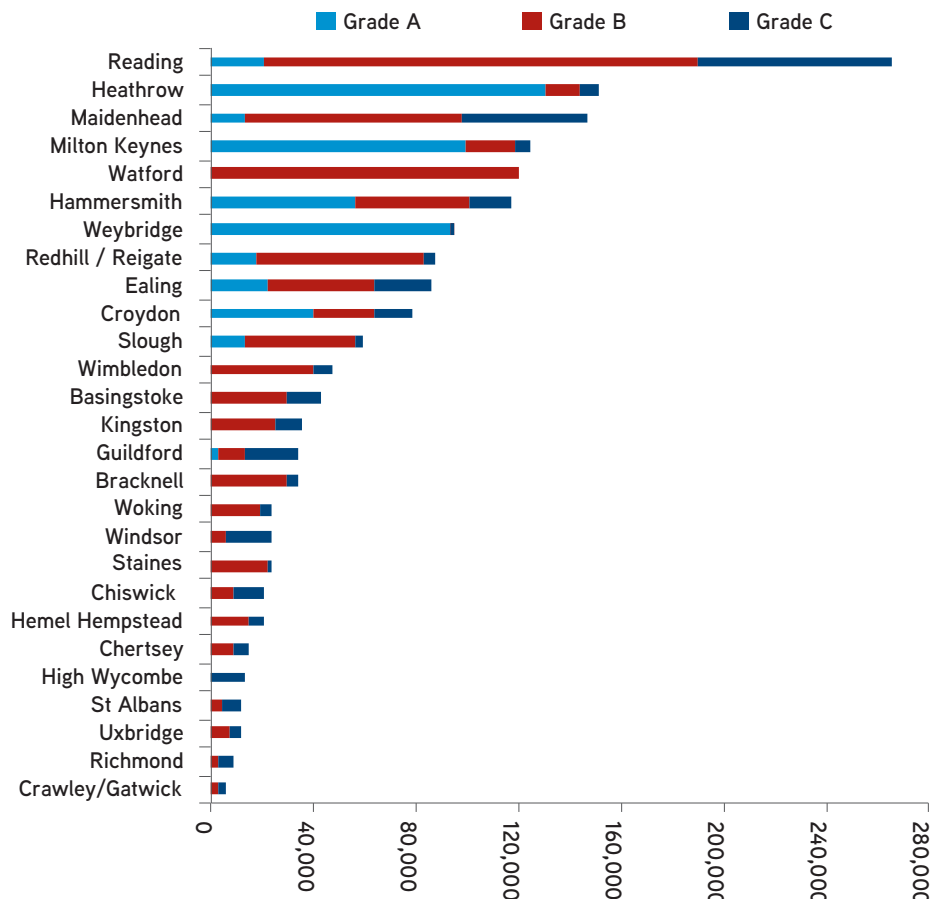
Source: Colliers International

FIG 3: SOUTH EAST AVERAGE PRIME RENTS



Source: Colliers International

FIG 4: KEY CENTRES OFFICE MARKET TAKE-UP 2013 TO DATE



Source: Colliers International

Investment Market

- The M25 office market goes from strength to strength as investors seek value outside of Central London. As 2013 progresses, every month sees an increase in investment activity with turnover up significantly from 2012. Although stock levels remain short in comparison to demand levels, there are signs that vendors are increasingly looking to take advantage of the weight of money in the market. This investor appetite is apparent across the investment spectrum from defensive well let stock, to value add and opportunistic deals.

THERE ARE A NUMBER OF SIGNIFICANT DEALS TO NOTE OVER QUARTER 2, 2013:

- King's & Conquest House, Kingston – A 97,000 sq ft refurbished building let to Saipem until a break in 10.6 years. Acquired by Aberdeen from Rockspring for £31.5m reflecting a net initial yield of 6.78%.
- Abbott's House, Vanwall Business Park, Maidenhead – AXA acquired the property with 12.75 years to Abbott's Laboratories for £29.90m (6.64% net initial yield) from Aviva.
- Watchmoor Park, Camberley – Tamar/Oaktree have recently purchased this 7 building business park for £12.10m reflecting a net initial yield of 14.20%. The properties had an average weighted unexpired lease term of 2.87 years and approximately 39% vacant.

SOUTH EAST OFFICES AVAILABILITY JULY 2013

THAMES VALLEY			
Size range	Units	% of total sq ft	Quarterly % growth
<5,000 sq ft	582	13.0%	-0.6%
5,001 – 10,000 sq ft	149	12.0%	0.0%
10,001 – 20,000 sq ft	105	17.0%	-6.6%
20,001 – 50,000 sq ft	95	32.1%	1.6%
50,001 – 100,000 sq ft	25	19.1%	-1.3%
100,001 sq ft plus	5	6.8%	0.0%

SOUTH M25			
Size range	Units	% of total sq ft	Quarterly % growth
<5,000 sq ft	725	17.5%	-7.7%
5,001 – 10,000 sq ft	121	12.1%	-7.4%
10,001 – 20,000 sq ft	81	15.3%	-0.2%
20,001 – 50,000 sq ft	61	27.0%	5.9%
50,001 – 100,000 sq ft	24	21.8%	5.7%
100,001 sq ft plus	4	6.3%	-22.2%

NORTH M25			
Size range	Units	% of total sq ft	Quarterly % growth
<5,000 sq ft	498	19.8%	-3.2%
5,001 – 10,000 sq ft	88	13.3%	-11.5%
10,001 – 20,000 sq ft	71	22.2%	2.4%
20,001 – 50,000 sq ft	44	29.9%	12.9%
50,001 – 100,000 sq ft	8	12.2%	-18.6%
100,001 sq ft plus	1	2.6%	0.0%

480+ offices in
62 countries on
6 continents

United States: 140
Canada: 42
Latin America: 20
Asia Pacific: 195
EMEA: 85

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