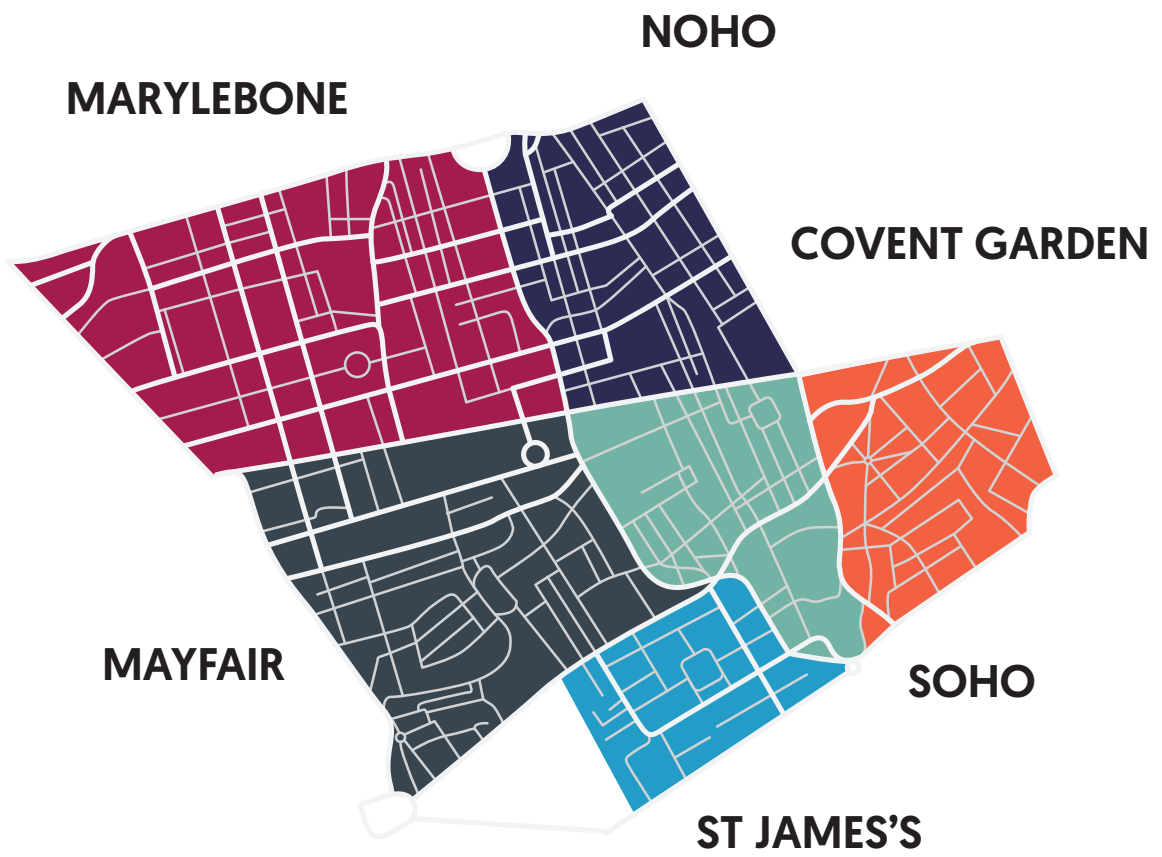


WEST END OFFICES SUB MARKETS RESEARCH



7 Cork Street, Mayfair, London W1

Q4 2017 & Q1 2018



CONTENTS

West End Market	4-5	
Mayfair	6-7	
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Marylebone	10-11	
Noho	12-13	
Soho	14-15	
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WEST END OFFICE MARKET

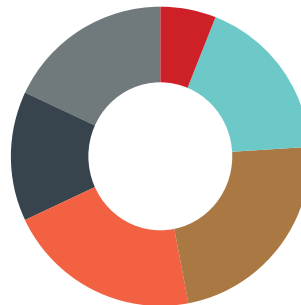
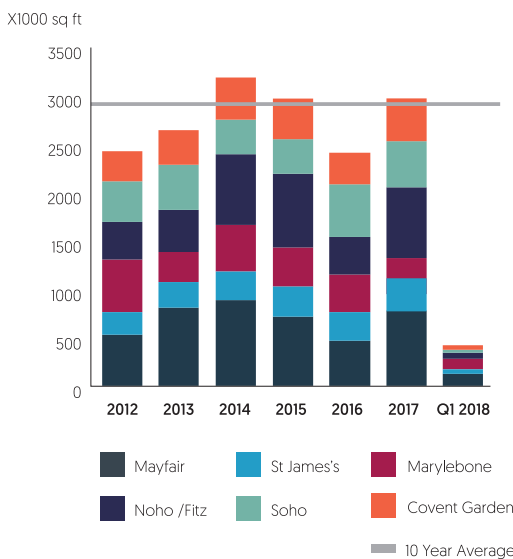


COMMENTARY

- ▶ Take up for 2017 in the 'core' West End markets was 3m sq ft, only 4.6% above the 10 year average, boosted by increased activity in Noho, St James's, Soho and Covent Garden. Both Mayfair and Marylebone saw activity levels fall below trend levels of take up as supply remained tight.
- ▶ The current year has started slowly, with only 473,300 sq ft of activity recorded in Q1 2018, the largest letting in the quarter being the 32,000 sq ft letting at 60-62 St Martins Lane where Regus continued the trend of serviced office providers increasing their portfolio's in the West End.
- ▶ Supply has tightened over the past six months, falling by 18% to 2.8m sq ft, with the most significant reduction in availability coming in Covent Garden and Noho. The overall 'core' West End availability rate has fallen to 5.7% from 6.9% in Q3 2017.
- ▶ Prime rents across most sub markets in the West End have remained stable or edged downwards over the past six months as occupiers have targeted refurbished or secondary space. Whilst average prime rents are down by 1.7% over the six months to Q1 2018, rents on refurbished space are up by 2.2% whilst secondary rents have risen by 5.3%.

TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE (Q4 2017 — Q1 2018)

<1,000 sq ft	6%
1,001-2,500 sq ft	17%
2,501-5,000 sq ft	22%
5,001-10,000 sq ft	22%
10,001-20,000 sq ft	14%
>20,001 sq ft	19%

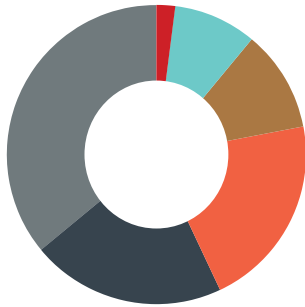
Q4 2017 — Q1 2018 Take up 1.1m sq ft

TAKE UP BY OCCUPIER TYPE (6 months to March 2018)

Financial Services	18%
Real Estate	12%
DAMIT	10%
Other	12%
Bus & Prof Services	41%
Retailers	3%
Man/Eng & Mining	4%

SUPPLY

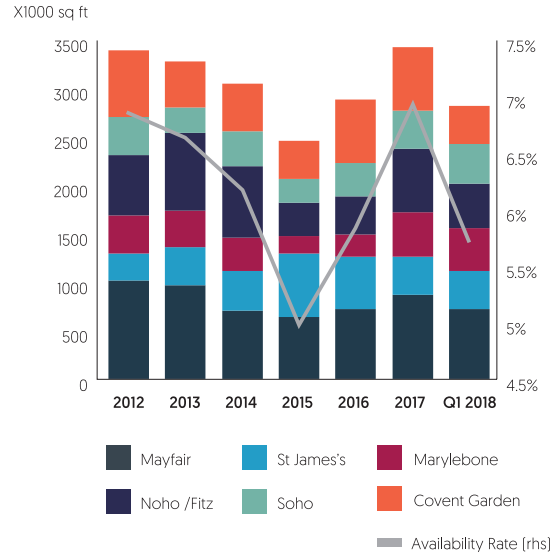
AVAILABILITY BY SIZE BAND (as at March 2018)



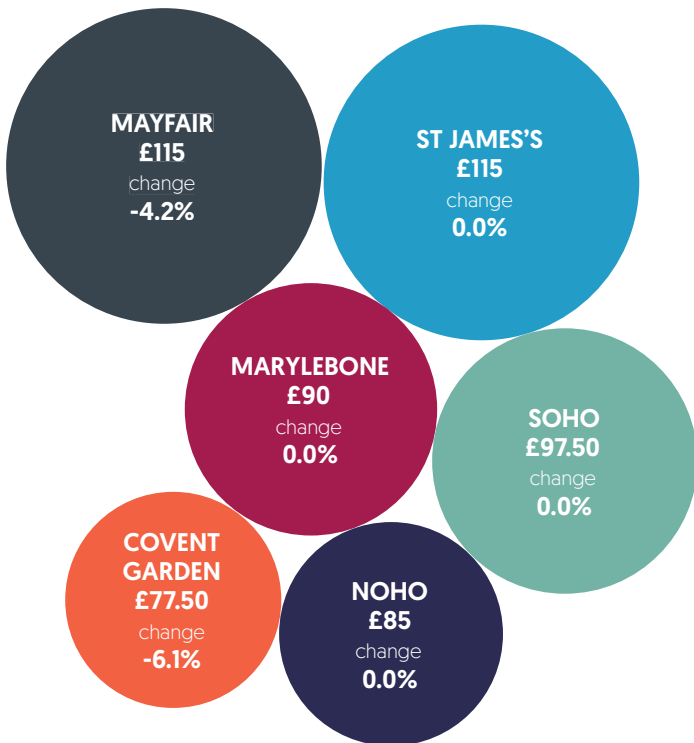
- <1,000 sq ft 2%
- 1,001-2,500 sq ft 9%
- 2,501-5,000 sq ft 11%
- 5,001-10,000 sq ft 21%
- 10,001-20,000 sq ft 21%
- >20,001 sq ft 36%

Q1 2018 Availability 2.8m sq ft

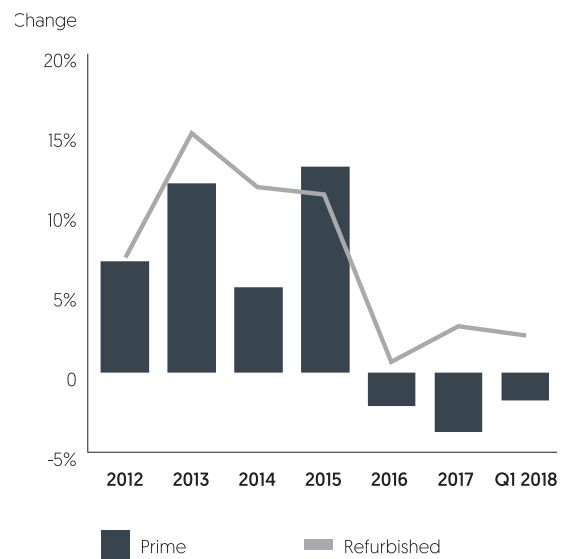
TOTAL AVAILABILITY



RENTAL VALUES



PRIME & SECONDARY RENTAL GROWTH



MAYFAIR OFFICE MARKET

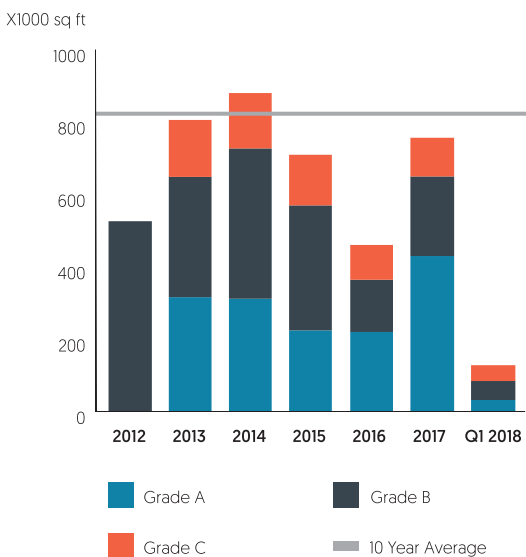


COMMENTARY

- ▶ Take up in the Mayfair market in 2017 totalled 759,650 sq ft, 63% higher than the previous year's activity levels but still 8% below the long run trend. Activity was focused on Grade A space, which accounted for 57% of the years activity.
- ▶ The first three months of 2018 has got off to a slow start, with only 142,950 sq ft of spaced leased. Activity has been focused on smaller transactions, with only two lettings above 10,000 sq ft. The largest transaction was the 12,700 sq ft letting to serviced office provider The Boutique Workplace Company at 25 Green Street, whilst an undisclosed tenant took 11,550 sq ft at 5 Stratton Street.
- ▶ Supply adjusted down in the period to Q1 2018 after two years of increases. Total availability was down to 731,500 sq ft due entirely to a reduction in Grade A space on the market. Ready to occupy Grade A availability is down by 25% to 303,700 sq ft and this is expected to reduce further over the coming months with several larger transactions due to complete.
- ▶ Prime rents have continued to edge downwards, moving to £115 per sq ft in the period to Q1 2018, although rents on both refurbished and secondary space have increased to £90 per sq ft and £65 per sq ft respectively as occupiers have targeted better value stock.

TAKE UP & DEMAND

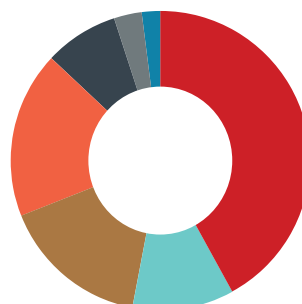
TAKE UP



TAKE UP BY SIZE (Q4 2017 — Q1 2018)

- <1,000 sq ft 6%
- 1,001-2,500 sq ft 19%
- 2,501-5,000 sq ft 30%
- 5,001-10,000 sq ft 27%
- 10,001-20,000 sq ft 18%

Q4 2017 — Q1 2018 Take up 287,500 sq ft

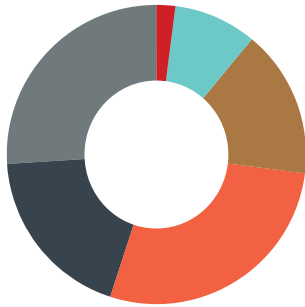


TAKE UP BY OCCUPIER TYPE (6 months to March 2018)

- Financial Services 42%
- Other 11%
- Bus & Prof Services 16%
- Real Estate 18%
- DAMIT 8%
- Man/Eng & Mining 3%
- Retailers 2%

SUPPLY

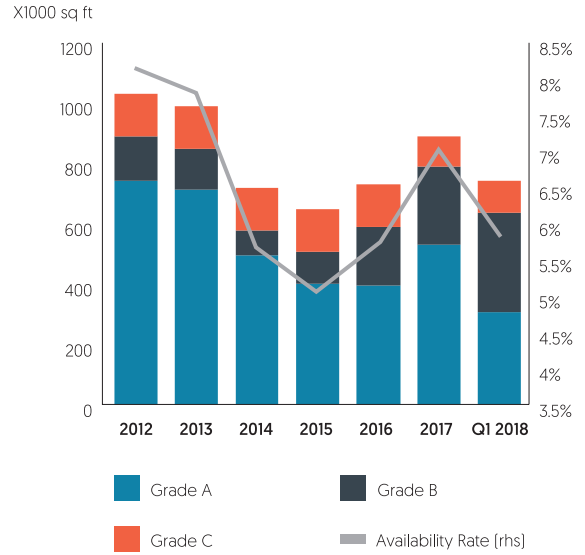
AVAILABILITY BY FLOOR AREA (as of March 2018)



- <1,000 sq ft 2%
- 1,001-2,500 sq ft 9%
- 2,501-5,000 sq ft 16%
- 5,001-10,000 sq ft 28%
- 10,001-20,000 sq ft 19%
- >20,001 sq ft 26%

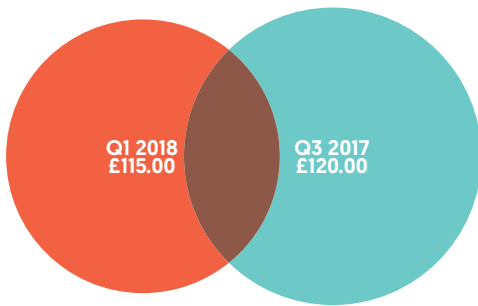
Q1 2018 Availability 731,480 sq ft

TOTAL AVAILABILITY



RENTAL VALUES

GRADE A



-4.2% CHANGE

REFURBISHED



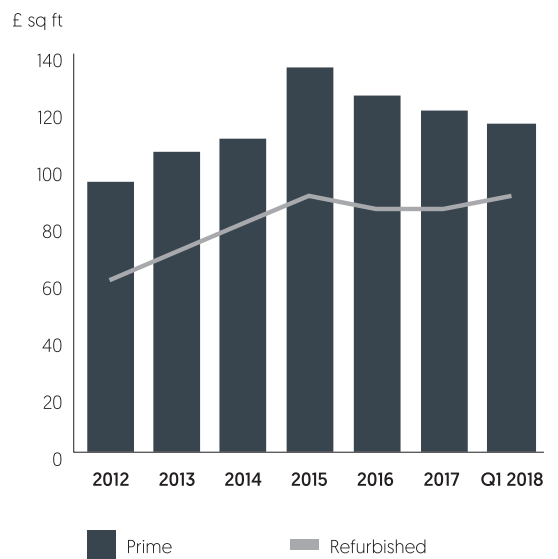
5.9% CHANGE

UNREFURBISHED



4.0% CHANGE

PRIME & SECONDARY RENTS



ST JAMES'S OFFICE MARKET

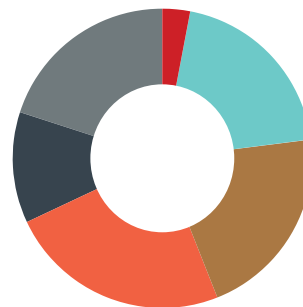
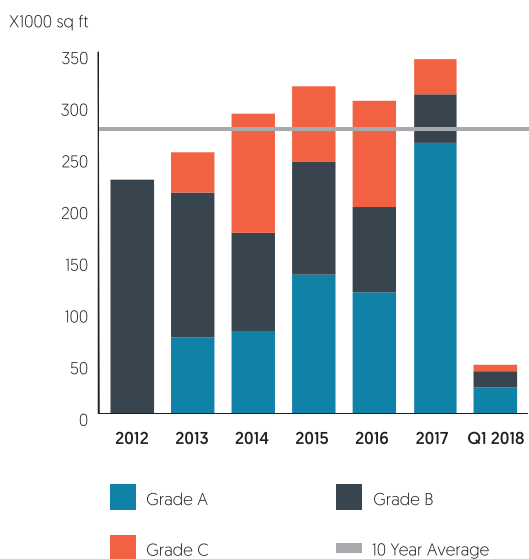


COMMENTARY

- ▶ Take up in St James's remained above trend levels for the fourth successive year in 2017, with activity of 341,600 sq ft. The majority of take up was focused on Grade A space, which accounted for 76% of the year's total, with the largest transaction being the 20,820 sq ft letting to Formula One at 2 St James's Market in the first quarter of the year.
- ▶ As with the majority of other 'core' West End markets, the start to 2018 has been slow, with only 46,530 sq ft of space acquired. The largest transaction in Q1 2018 was the 20,330 sq ft letting to an undisclosed tenant also at 2 St James's Market.
- ▶ Supply has levelled off over the past six months, following two years of sharp declines. Total stock on the market at the end of Q1 2018 was 392,200 sq ft, with 62% of space being Grade A accommodation.
- ▶ Prime rents remained stable at £115 per sq ft, 14.8% below the peak levels recorded in 2015 but as with most other West End markets, rents on refurbished and secondary space continued to adjust upwards. Refurbished rents have increased by 3.0% over the past six months to £85 per sq ft, with secondary rents up by 8.3% to £65 per sq ft.

TAKE UP & DEMAND

TAKE UP

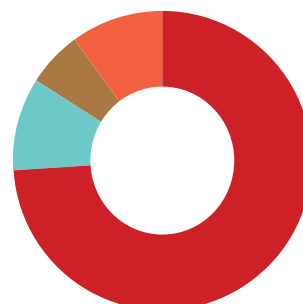


TAKE UP BY SIZE (Q4 2017 — Q1 2018)

- <1,000 sq ft 3%
- 1,001-2,500 sq ft 17%
- 2,501-5,000 sq ft 20%
- 5,001-10,000 sq ft 29%
- 10,001-20,000 sq ft 12%
- >20,000 sq ft 19%

Q4 2017 — Q1 2018 Take up 108,800 sq ft

TAKE UP BY OCCUPIER TYPE (6 months to March 2018)



- Financial Services 74%
- Other 10%
- Bus & Prof Services 6%
- Real Estate 10%

SUPPLY

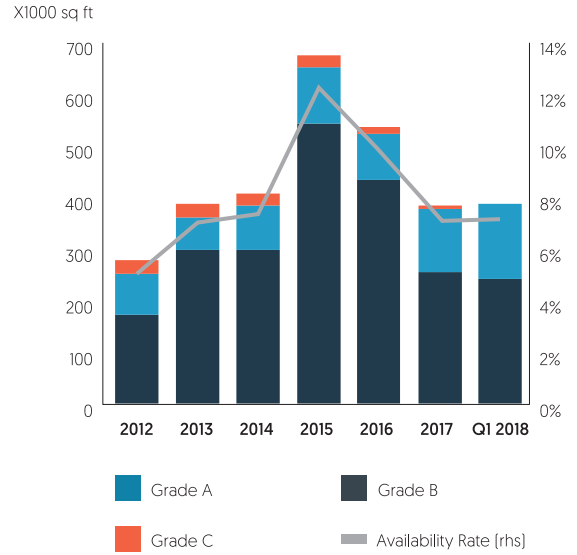
AVAILABILITY BY FLOOR AREA (as of March 2018)



- <1,000 sq ft 0%
- 1,001-2,500 sq ft 7%
- 2,501-5,000 sq ft 6%
- 5,001-10,000 sq ft 20%
- 10,001-20,000 sq ft 18%
- >20,001 sq ft 49%

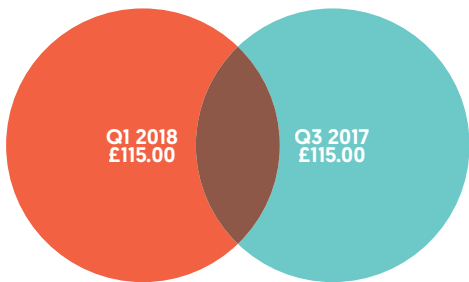
Q1 2018 Availability 392,200 sq ft

TOTAL AVAILABILITY



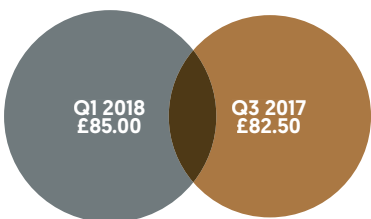
RENTAL VALUES

GRADE A



0.0% CHANGE

REFURBISHED



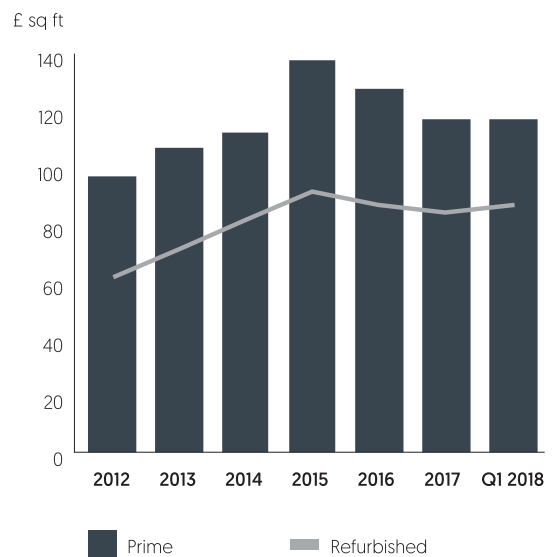
3.0% CHANGE

UNREFURBISHED



8.3% CHANGE

PRIME AND SECONDARY RATES



MARYLEBONE OFFICE MARKET

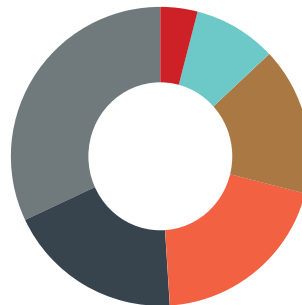
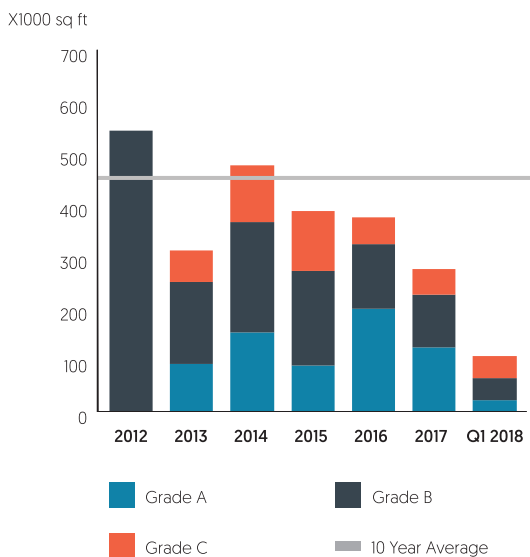


COMMENTARY

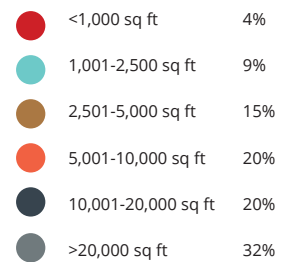
- ▶ Take up in the Marylebone market continued at below trend levels for the third successive year in 2017, with total activity of 276,000 sq ft, 40% below trend.
- ▶ The first three months of 2018 has seen a turn around of fortunes for the Marylebone market, with 108,250 sq ft of take up recorded, 39% of the previous year's total. Several larger transactions have boosted activity, the largest being the 21,000 sq ft letting to serviced office provider i2 Offices at 33 Cavendish Square.
- ▶ Supply has edged up over the past 12 months, rising to 439,540 sq ft at the end of Q1 2018. Supply in the Marylebone market is dominated by secondary space, which accounts for almost 60% of stock on the market. Grade A supply stands at 182,900 sq ft, although this is expected to reduce further with the largest space (26,650 sq ft) at 1-3 Welbeck Street under offer.
- ▶ Whilst prime rents remained stable at £90 per sq ft in the period to Q1 2018, both refurbished and secondary rents continued to rise, moving to £77.50 per sq ft (growth of 3.3% over the past six months) and £60 per sq ft (growth of 9.1%) respectively.

TAKE UP & DEMAND

TAKE UP

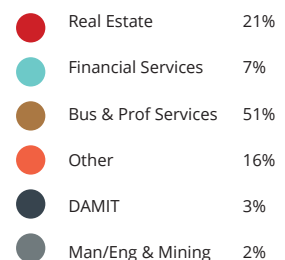


TAKE UP BY SIZE (Q4 2017 — Q1 2018)



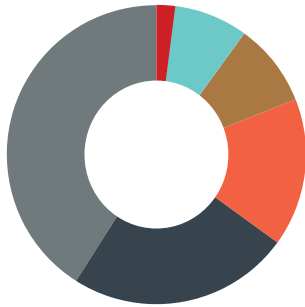
Q4 2017 — Q1 2018 Take up 255,600 sq ft

TAKE UP BY OCCUPIER TYPE (6 months to March 2018)



SUPPLY

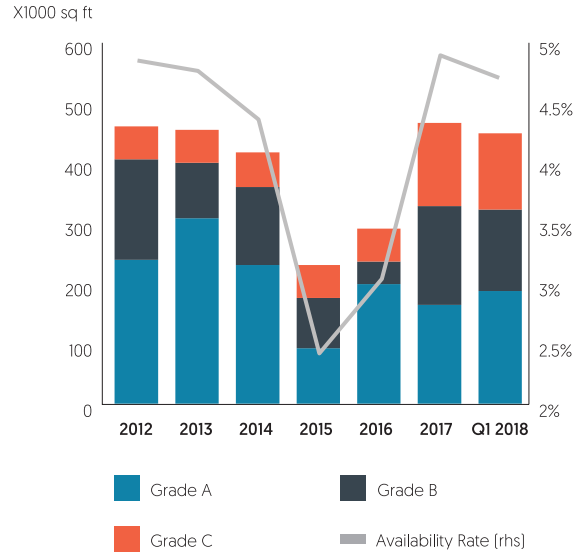
AVAILABILITY BY FLOOR AREA (as of March 2018)



- <1,000 sq ft 2%
- 1,001-2,500 sq ft 8%
- 2,501-5,000 sq ft 9%
- 5,001-10,000 sq ft 16%
- 10,001-20,000 sq ft 24%
- >20,001 sq ft 41%

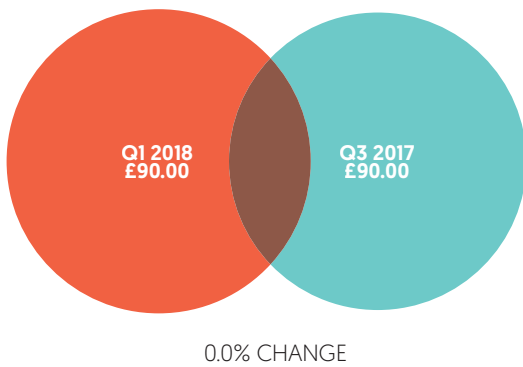
Q1 2018 Availability 439,540 sq ft

TOTAL AVAILABILITY

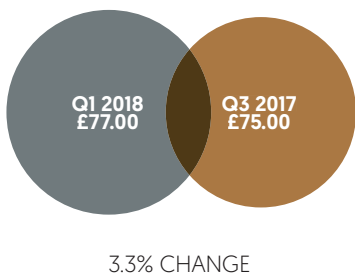


RENTAL VALUES

GRADE A



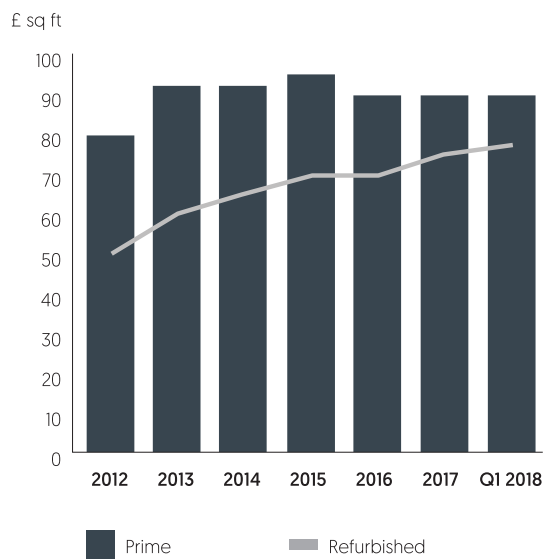
REFURBISHED



UNREFURBISHED



PRIME AND SECONDARY RATES



NOHO OFFICE MARKET

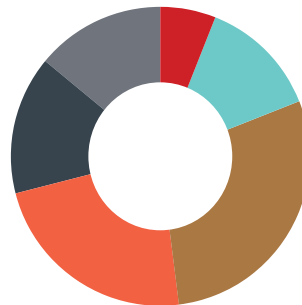
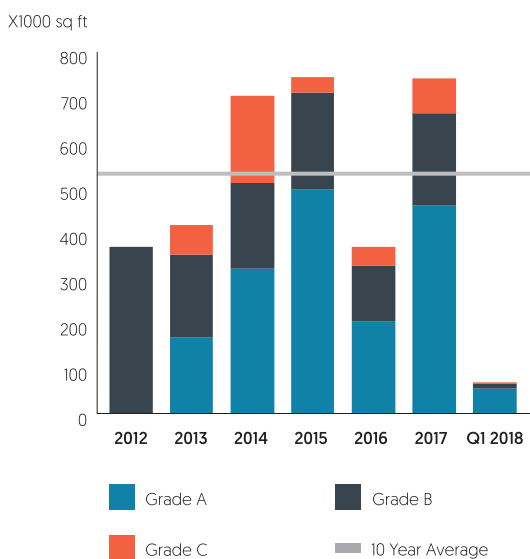


COMMENTARY

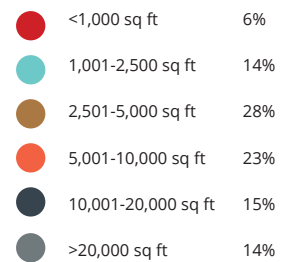
- ▶ Last year (2017) represented a strong year for the Noho market, with take up totalling 740,720 sq ft, the third occasion in four years that activity has exceeded trend levels. Take up over the year was dominated by activity at Derwent London's 80 Charlotte Street, with Arup Group and Boston Consulting taking 133,600 sq ft and 123,500 sq ft respectively.
- ▶ Take up has slowed in Q1 2018, with 68,300 sq ft of activity recorded, the largest transactions have again been at 80 Charlotte Street, where Boston Consultancy and Arup took additional space, acquiring a further 22,775 sq ft and 11,075 sq ft respectively.
- ▶ Supply has adjusted downwards over the past six months, falling to 458,850 sq ft at the end of Q1 2018, with all grades of space seeing availability levels fall. Second hand space continues to account for the largest proportion of supply, representing 58% of stock on the market. The availability rate now stands at 5.3%, its lowest level in 15 months.
- ▶ Prime rents remained at £85.00 per sq ft in the six months to Q1 2018, 5.6% below the peak level achieved in 2016. Rents on refurbished space is the only sector of the market where values have edged upwards, moving up by 3.8% to £67.50 per sq ft.

TAKE UP & DEMAND

TAKE UP

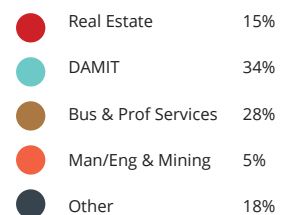
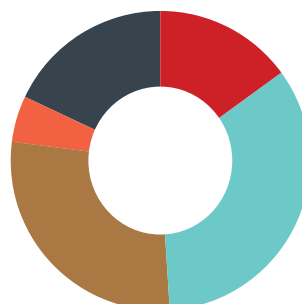


TAKE UP BY SIZE (Q4 2017 — Q1 2018)



Q4 2017 — Q1 2018 Take up 163,800 sq ft

TAKE UP BY OCCUPIER TYPE (6 months to March 2018)



SUPPLY

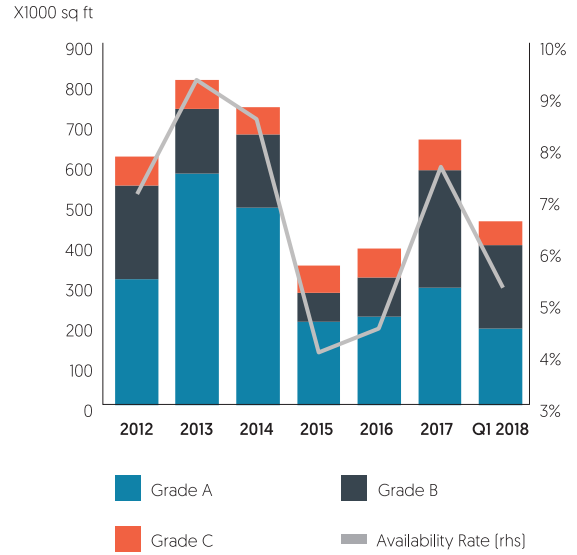
AVAILABILITY BY FLOOR AREA (as of March 2018)



- <1,000 sq ft 3%
- 1,001-2,500 sq ft 12%
- 2,501-5,000 sq ft 15%
- 5,001-10,000 sq ft 15%
- 10,001-20,000 sq ft 18%
- >20,001 sq ft 37%

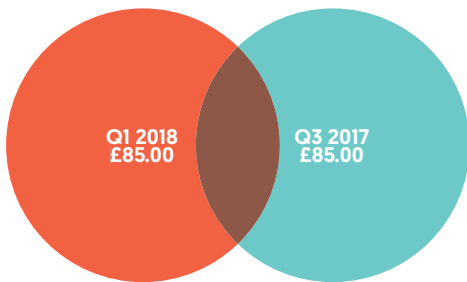
Q1 2018 Availability 458,850 sq ft

TOTAL AVAILABILITY



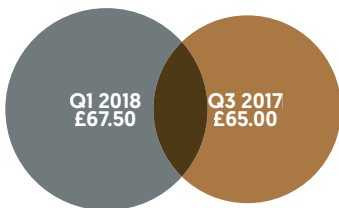
RENTAL VALUES

GRADE A



0.0% CHANGE

REFURBISHED



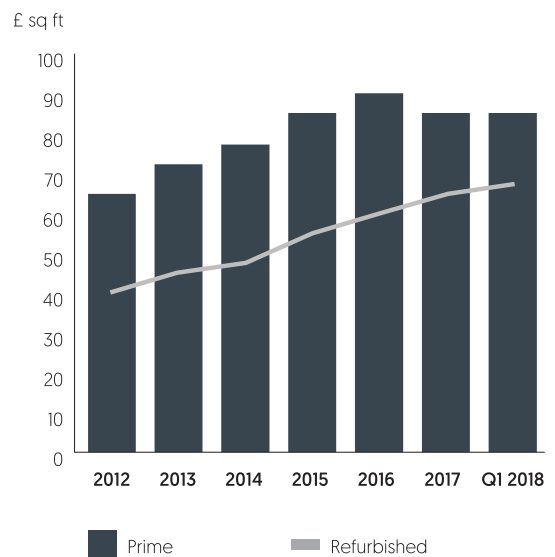
3.8% CHANGE

UNREFURBISHED



0.0% CHANGE

PRIME AND SECONDARY RATES



SOHO OFFICE MARKET

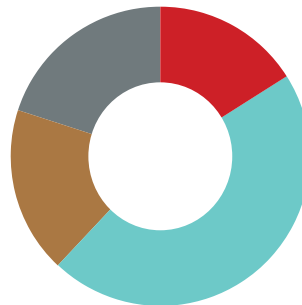
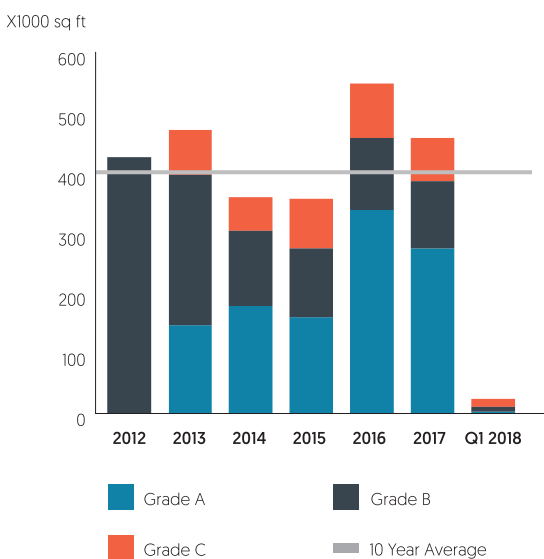


COMMENTARY

- ▶ Take up in the Soho market was 472,700 sq ft in 2017, the second successive year that turnover has exceeded the trend rate. Activity during the year was dominated by two transactions in Q2 2017, the 70,600 sq ft letting to Hearst UK at LSQ Leicester Square and the 57,750 sq ft letting to Palantir Technologies at 20 Soho Square.
- ▶ Activity in the Soho market has tailed off significantly in Q1 2018, with only 27,900 sq ft of lettings recorded. There were no lettings above 3,000 sq ft in the first three months of the year, the largest transaction being the 2,950 sq ft letting to IT consultancy Workshop Technologies at 2-3 Golden Square.
- ▶ Availability continued to edge up in the period to Q1 2018, rising to 419,610 sq ft, due primarily to an increase in second hand space coming to the market. Grade A space represents 41% of space on the market, with the largest available Grade A space at 33 Glasshouse Street (26,530 sq ft).
- ▶ Prime rents remained at £97.50 per sq ft in the six months to Q1 2018, whilst values on refurbished space edged down to £75 per sq ft, a downward adjustment of 3.8% over the past six months. Secondary rents bucked the trend, increasing by 4.8% to £55 per sq ft, as occupiers targeted better value accommodation.

TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE (Q4 2017 — Q1 2018)

- <1,000 sq ft 16%
- 1,001-2,500 sq ft 46%
- 2,501-5,000 sq ft 18%
- 5,001-10,000 sq ft 0%
- 10,001-20,000 sq ft 0%
- >20,000 sq ft 20%

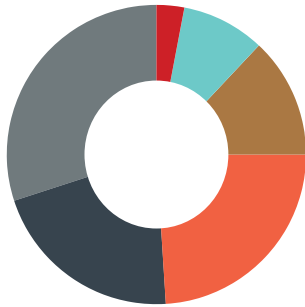
Q4 2017 — Q1 2018 Take up 110,600 sq ft

TAKE UP BY OCCUPIER TYPE (6 months to March 2018)

- DAMIT 29%
- Financial Services 4%
- Bus & Prof Services 47%
- Other 8%
- Retailers 6%
- Real Estate 6%

SUPPLY

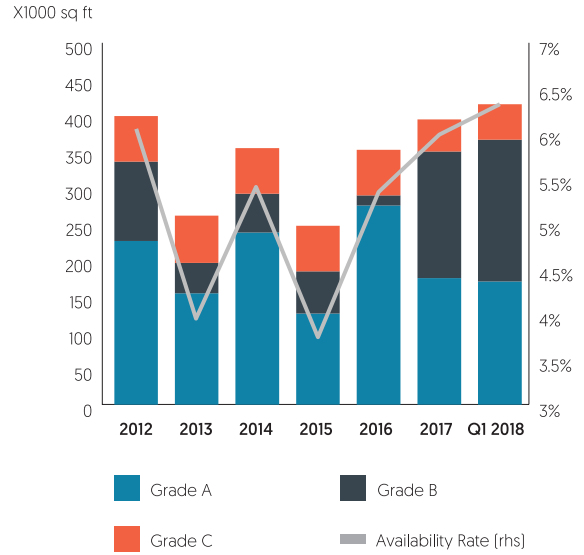
AVAILABILITY BY FLOOR AREA (as of March 2018)



- <1,000 sq ft 3%
- 1,001-2,500 sq ft 9%
- 2,501-5,000 sq ft 13%
- 5,001-10,000 sq ft 24%
- 10,001-20,000 sq ft 21%
- >20,001 sq ft 30%

Q1 2018 Availability 419,610 sq ft

TOTAL AVAILABILITY



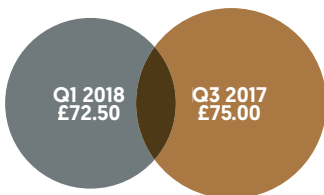
RENTAL VALUES

GRADE A



0.0% CHANGE

REFURBISHED



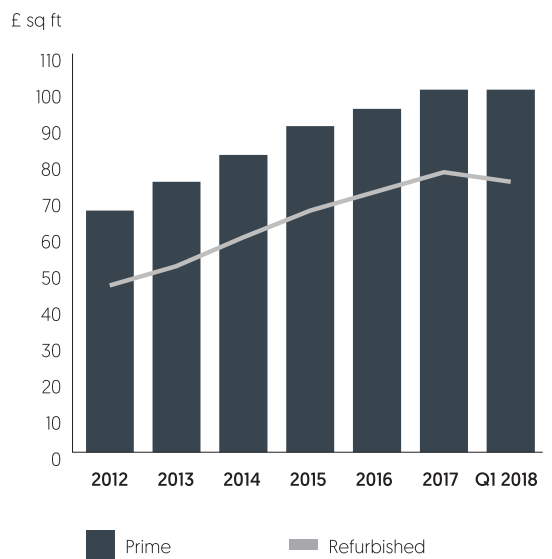
-3.3% CHANGE

UNREFURBISHED



4.8% CHANGE

PRIME AND SECONDARY RATES



COVENT GARDEN MARKET

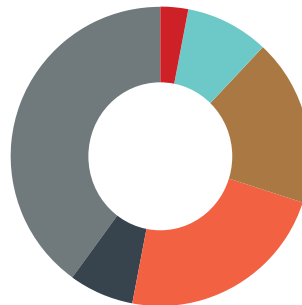
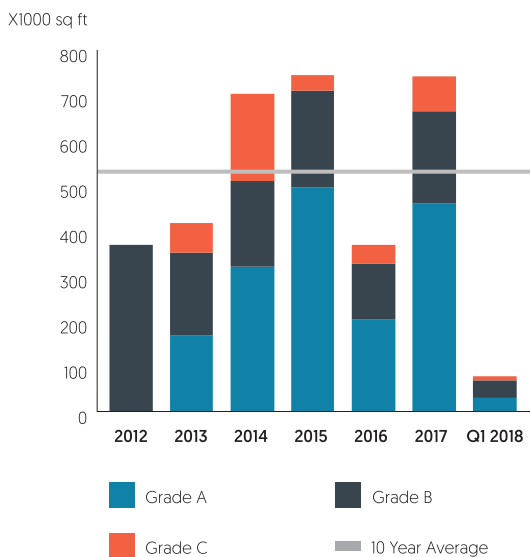


COMMENTARY

- ▶ Take up in the Covent Garden market has been boosted by new space coming to the market over 2017, with take up of 442,600 sq ft for the year. This is the third time in four years when take up has exceeded the long run trend level of activity. The largest letting in the year was WeWork's acquisition of 140,000 sq ft at 125 Shaftesbury Avenue.
- ▶ As with most other West End market's, Covent Garden has seen a slowing in activity in Q1 2018, with only 76,000 sq ft of take up recorded, with the largest transaction being the 32,000 sq ft letting to Regus at 60-61 St Martins Lane.
- ▶ Supply has reduced significantly over the past six months, due primarily to a reduction in second hand space on the market. Total availability stands at 386,250 sq ft at the end of Q1 2018, with Grade A space representing 36% of stock on the market. One new development will add to the stock of Grade A stock on completion, with 130,000 sq ft available at the former Post Office site at the Post Building 21-31 New Oxford Street.
- ▶ Prime rents in Covent Garden adjusted down to £77.50 per sq ft in the six months to Q1 2018 and are now 13.9% below their peak level of £90 per sq ft at the end of 2016. Whilst rents on refurbished space remained at £65 per sq ft, the rent on secondary stock bucked the trend, rising by 5.0% to £52.50 per sq ft.

TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE (Q4 2017 — Q1 2018)

<1,000 sq ft	3%
1,001-2,500 sq ft	9%
2,501-5,000 sq ft	18%
5,001-10,000 sq ft	23%
10,001-20,000 sq ft	7%
>20,000 sq ft	40%

Q4 2017 — Q1 2018 Take up 171,100 sq ft

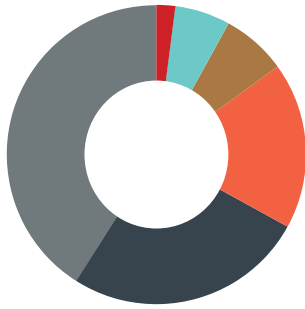
TAKE UP BY OCCUPIER TYPE (6 months to March 2018)



Other	19%
DAMIT	8%
Man/Eng & Mining	40%
Retailers	5%
Bus & Prof Servs	28%

SUPPLY

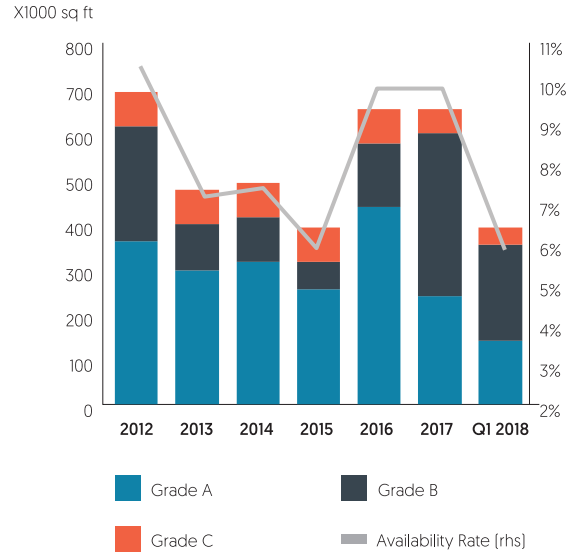
AVAILABILITY BY FLOOR AREA (as of March 2018)



- <1,000 sq ft 2%
- 1,001-2,500 sq ft 6%
- 2,501-5,000 sq ft 7%
- 5,001-10,000 sq ft 18%
- 10,001-20,000 sq ft 26%
- >20,001 sq ft 41%

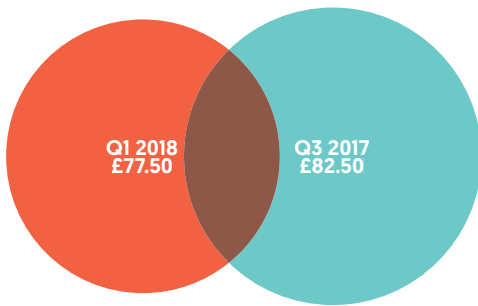
Q1 2018 Availability 386,250 sq ft

TOTAL AVAILABILITY



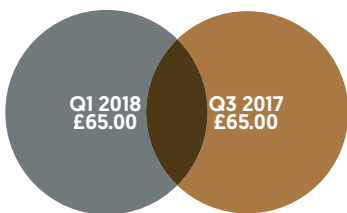
RENTAL VALUES

GRADE A



-6.1% CHANGE

REFURBISHED



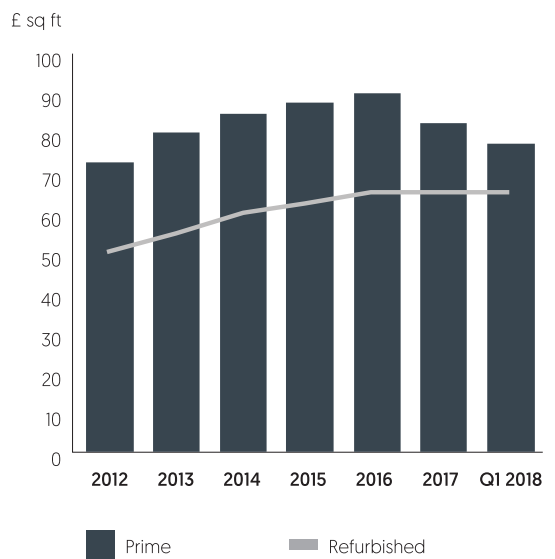
0.0% CHANGE

UNREFURBISHED



5.0% CHANGE

PRIME AND SECONDARY RATES





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