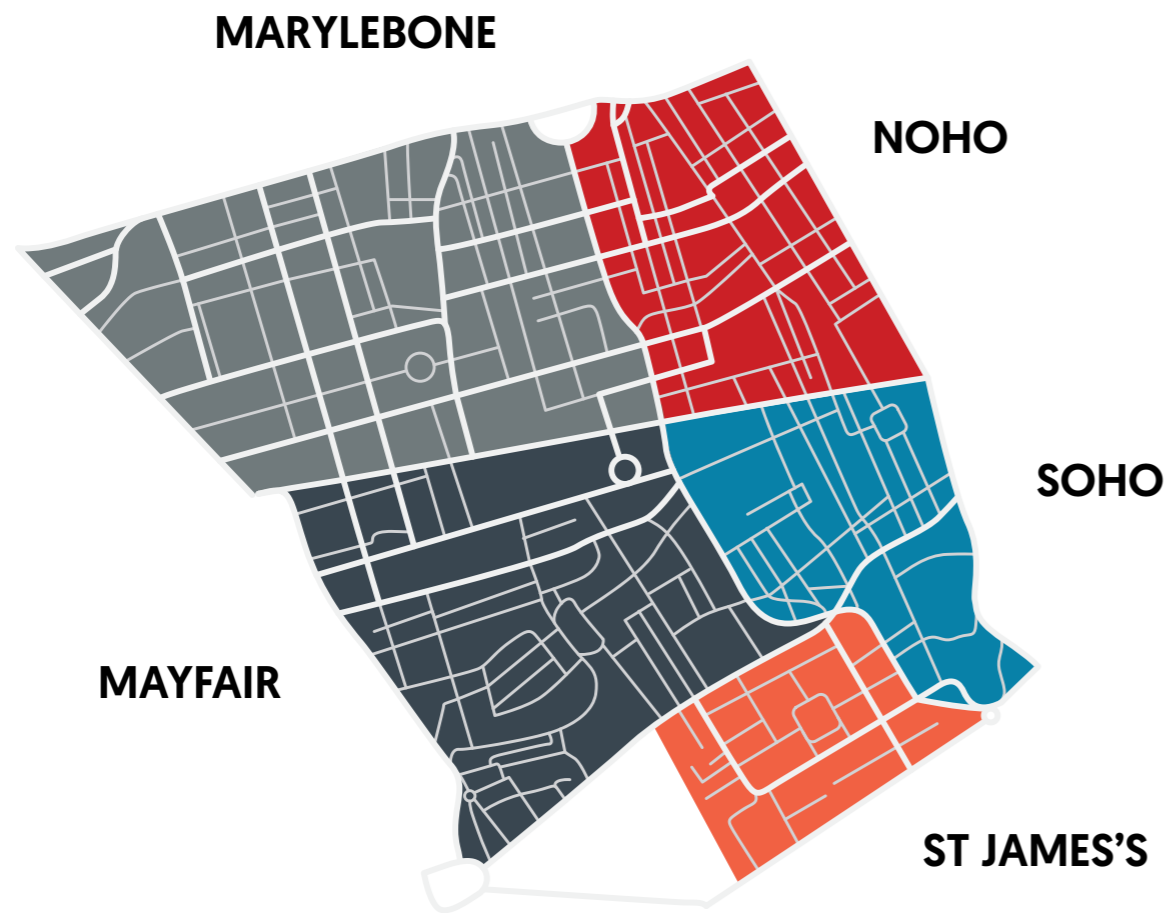




WEST END OFFICES SUB MARKETS RESEARCH





CONTENTS

West End Market	4-5	
Mayfair	6-7	
St James's	8-9	
Marylebone	10-11	
Noho	12-13	
Soho	14-15	

WEST END OFFICE MARKET

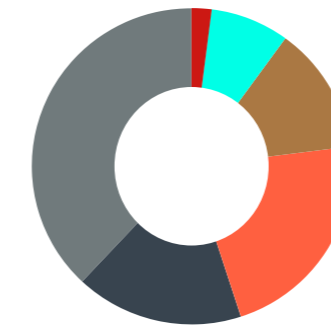


COMMENTARY

- ▶ Take up in the core West End markets fell below the 10 year average (2.5m sq ft per annum) for the first time in three years in 2016, with activity levels down to 2.1m sq ft.
- ▶ The slowing in activity has continued into Q1 2017, with just under 562,185 sq ft of lettings completing, although occupiers have continued to target better quality space, with 68% of the first quarters activity in grade A space.
- ▶ Average prime rents across the West End have continued to slip in the first three months of this year, with Mayfair, St James's and Marylebone all seeing values continue to edge down. Average prime rents across the West End have fallen by 5.1% over the past nine months, although headline deals are still being agreed at record levels.
- ▶ Supply has risen by 29% since the end of 2015, with the availability rate standing at 6.3% at the end of Q1 2017.

SUPPLY

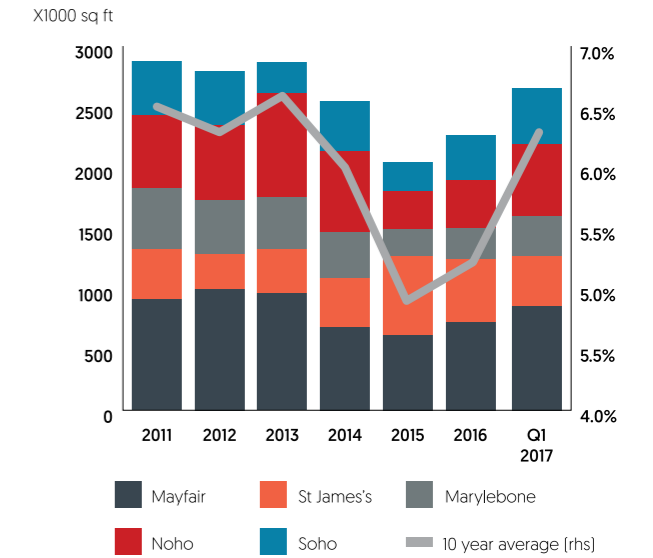
AVAILABILITY BY SIZE BAND
(as of March 2017)



- <1,000 sq ft — 2%
- 1,001-2,500 sq ft — 8%
- 2,501-5,000 sq ft — 13%
- 5,001-10,000 sq ft — 22%
- 10,001-20,000 sq ft — 17%
- >20,001 sq ft — 38%

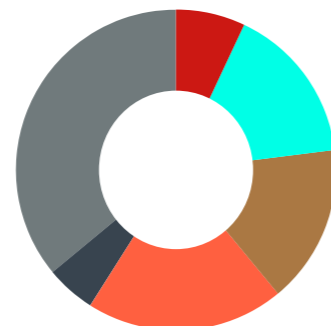
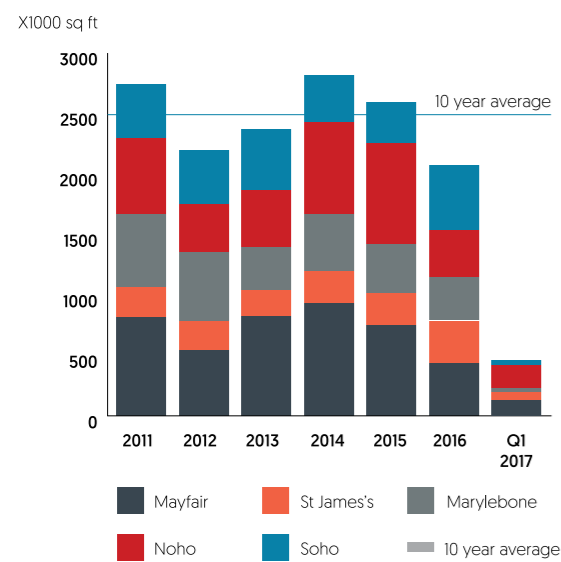
Q1 2017 Availability 2.7m sq ft

TOTAL AVAILABILITY



TAKE UP & DEMAND

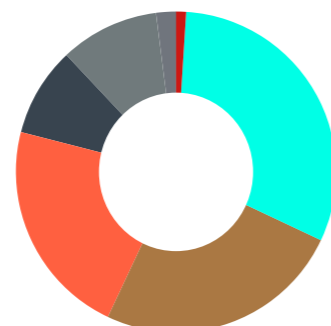
TAKE UP



TAKE UP BY SIZE
(Q1 2017)

- <1,000 sq ft — 7%
- 1,001-2,500 sq ft — 16%
- 2,501-5,000 sq ft — 16%
- 5,001-10,000 sq ft — 20%
- 10,001-20,000 sq ft — 5%
- >20,001 sq ft — 36%

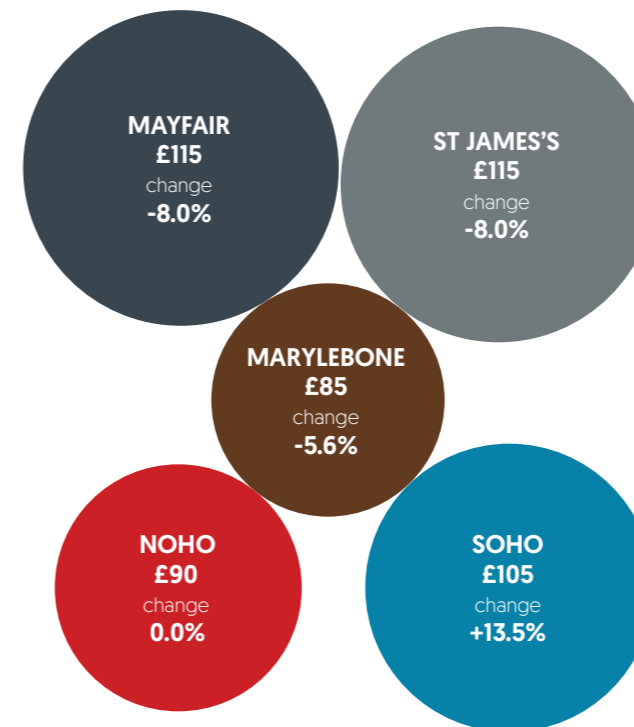
Q1 2017 Take up 562,185 sq ft



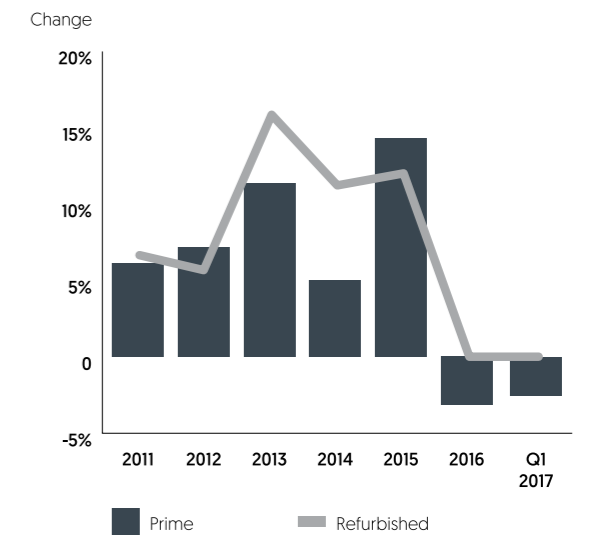
TAKE UP BY OCCUPIER TYPE
(6 months to March 2017)

- Man/Eng & Mining — 1%
- Financial Services — 31%
- Real Estate — 25%
- DAMIT — 22%
- Other — 9%
- Bus & Prof Services — 10%
- Retailers — 2%

RENTAL VALUES



PRIME & SECONDARY RENTAL GROWTH



DAMIT = Design, Advertising, Media, IT and Telecoms

MAYFAIR OFFICE MARKET

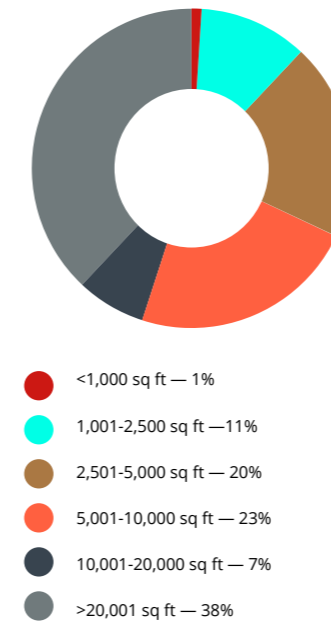


COMMENTARY

- ▶ Take up in Mayfair market was 158,615 sq ft in Q1 2017, still below the trend level of activity but 82% higher than the final quarter of 2016.
- ▶ Two larger transactions helped to boost activity in the first quarter, Capula Investment Management taking 23,690 sq ft across three floors at British Land's 7 Clarges Street and HIG Capital taking 17,590 sq ft at 10 Grosvenor Street. Both lettings attracted rents above £100 per sq ft.
- ▶ There has been a downward trend in take up in Mayfair since 2014, the last year when activity was above the 10 year average (825,000 sq ft).
- ▶ Supply has continued to edge upwards, rising to 831,300 sq ft at the end of Q1 2017, with 60% of availability in grade A space. The largest grade A building currently on the market is at Joint Treasure International's 10 Stratton Street, which provides 42,890 sq ft of accommodation.

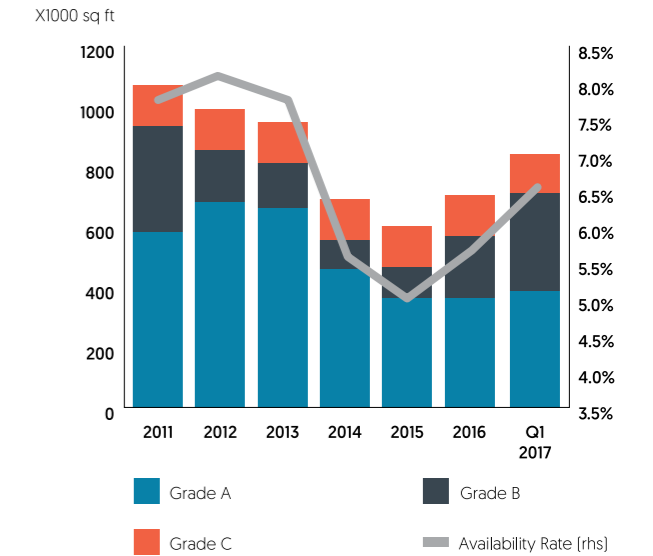
SUPPLY

AVAILABILITY BY FLOOR AREA
(as of March 2017)



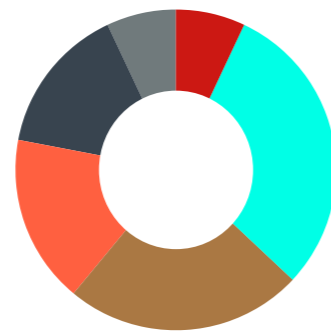
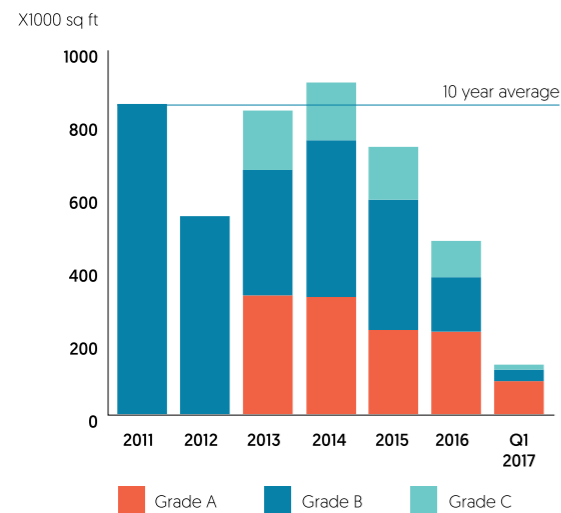
Q1 2017 Availability 831,310 sq ft

TOTAL AVAILABILITY

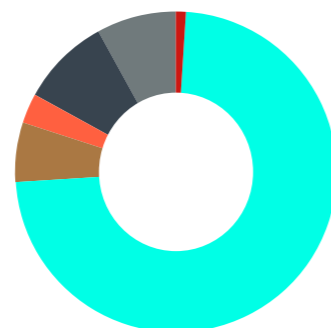


TAKE UP & DEMAND

TAKE UP



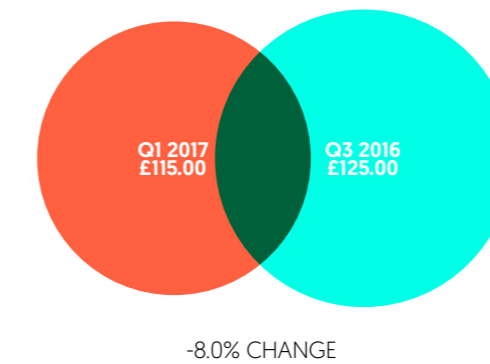
TAKE UP BY SIZE
(Q1 2017)



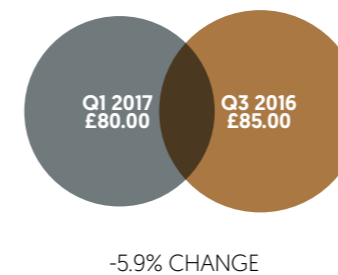
TAKE UP BY OCCUPIER TYPE
(6 months to March 2017)

RENTAL VALUES

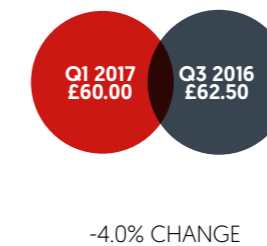
GRADE A



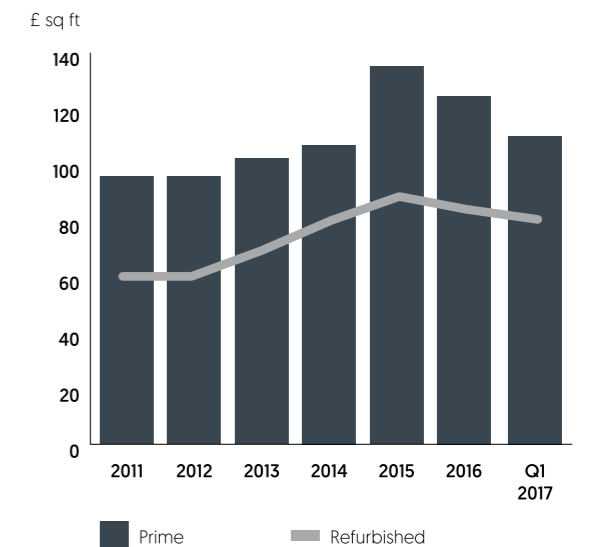
REFURBISHED



SECONDARY



PRIME AND SECONDARY RATES



ST JAMES'S OFFICE MARKET

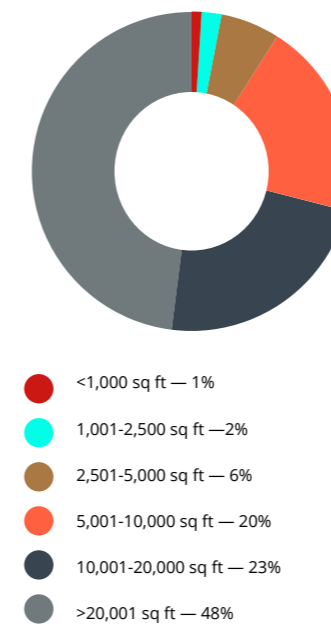


COMMENTARY

- ▶ Take up in St James's has remained above trend since 2013, due largely to the release of several new schemes. The most prominent of these has been The Crown Estates St James's Market, which provides 213,000 sq ft of accommodation with around 70% of the scheme already let.
- ▶ The most recent signing to the scheme is the new Formula 1 team, who took 20,820 sq ft on the 4th and 5th floors 2 St James's Market. This helped take up to 101,750 sq ft in Q1 2017, suggesting that activity will remain ahead of trend for a fourth successive year.
- ▶ Prime rents have eased back to £115.00 per sq ft over the past nine months despite the strong levels of activity in St James's but some deals have been agreed at rents in excess of that figure. The most recent example is the new record rent for the West End at 5 St James's Square, where a tenant signed on 3,400 sq ft of space at £190.00 per sq ft.
- ▶ Supply in St James's has been on a downward trend since 2015, moving contrary to the rest of the core West End sub markets. The availability rate stood at 8.3% at the end of Q1 2017, with more than 87% of supply in grade A space.

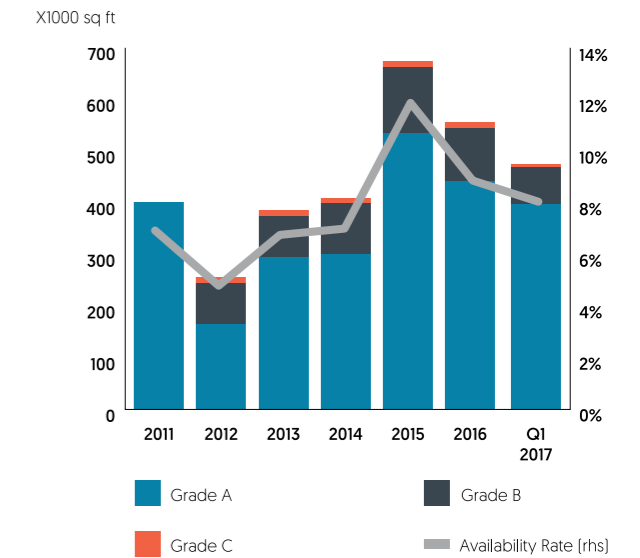
SUPPLY

AVAILABILITY BY FLOOR AREA
(as of March 2017)



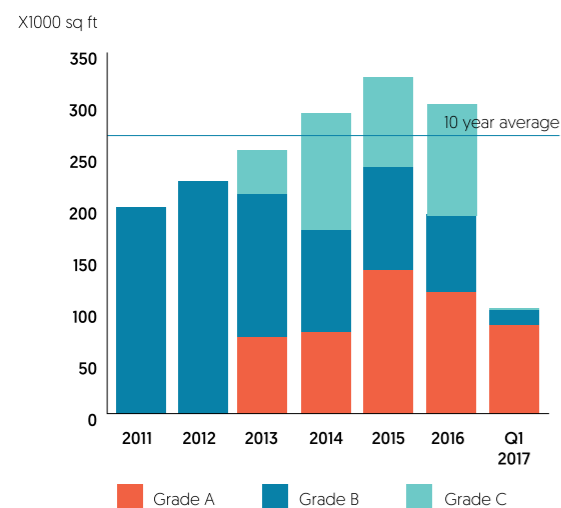
Q1 2017 Availability 457,970 sq ft

TOTAL AVAILABILITY



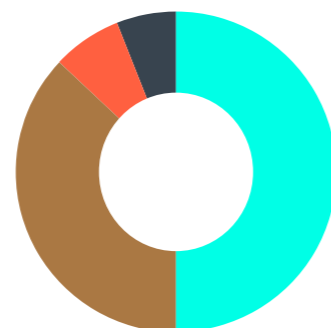
TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE
(Q1 2017)

- < 1,000 sq ft — 0%
- 1,001-2,500 sq ft — 13%
- 2,501-5,000 sq ft — 9%
- 5,001-10,000 sq ft — 46%
- 10,001-20,000 sq ft — 11%
- >20,001 sq ft — 21%

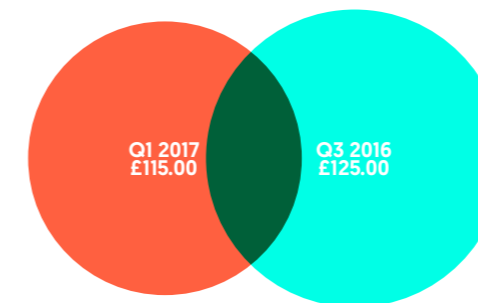


TAKE UP BY OCCUPIER TYPE
(6 months to March 2017)

- Financial Services — 56%
- Real Estate — 5%
- Other — 33%
- Bus & Prof Services — 6%

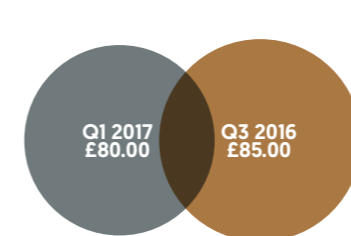
RENTAL VALUES

GRADE A



-8.0% CHANGE

REFURBISHED



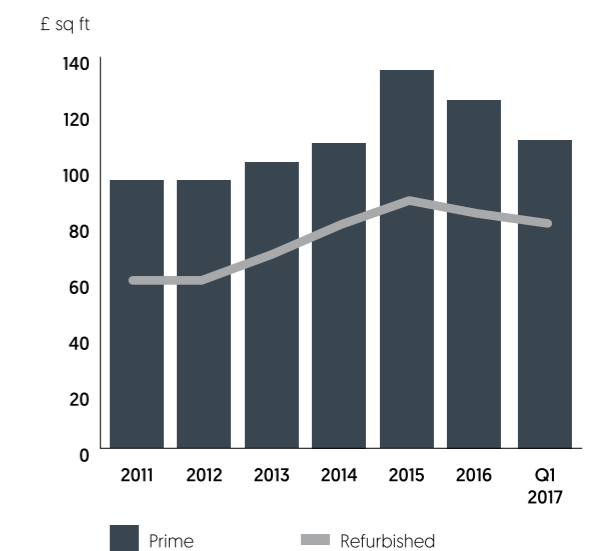
-5.9% CHANGE

SECONDARY



-4.3% CHANGE

PRIME AND SECONDARY RATES



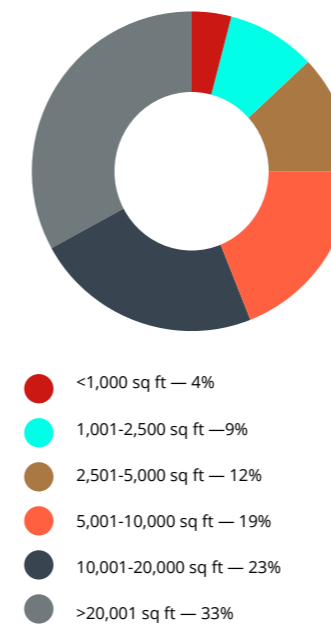
MARYLEBONE OFFICE MARKET

COMMENTARY

- ▶ The supply of space in Marylebone has had restricted activity since mid 2016, with only 139,170 sq ft of space acquired in the nine months to the end of Q1 2017, compared to 277,000 sq ft in the first half of 2016.
- ▶ Whilst there has been a slight increase in overall availability since the low point registered at the end of 2015, the levels of stock on the market represents the lowest amongst the core West End villages, with availability representing only 3.6% of built stock.
- ▶ Grade A space represents 40% of overall stock, with the largest building being Lazari Investments recently refurbished 50,380 sq ft scheme at 1-3 Welbeck Street, although more than 40% of the building is currently under offer.
- ▶ Prime rents have continued to slip in the first three months of 2017, with best space now attracting rents of £85.00 per sq ft, although some smaller lettings at 14-15 Stratford Place have attracted rents in excess of that figure.

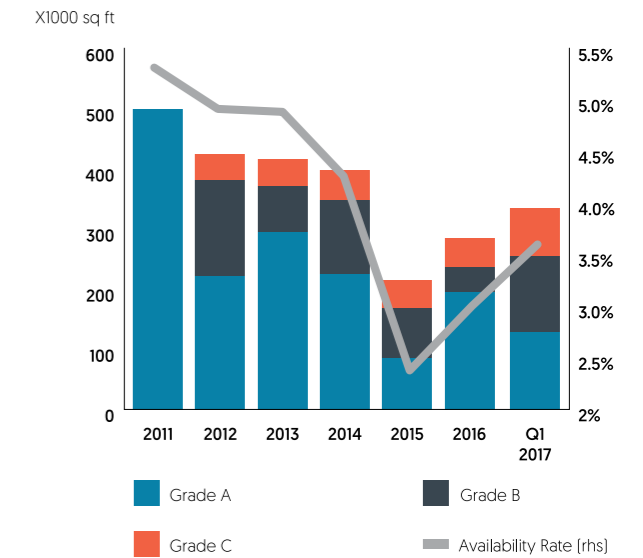
SUPPLY

AVAILABILITY BY FLOOR AREA
(as of March 2017)



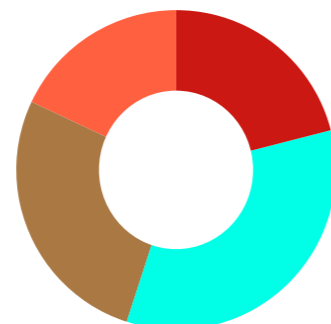
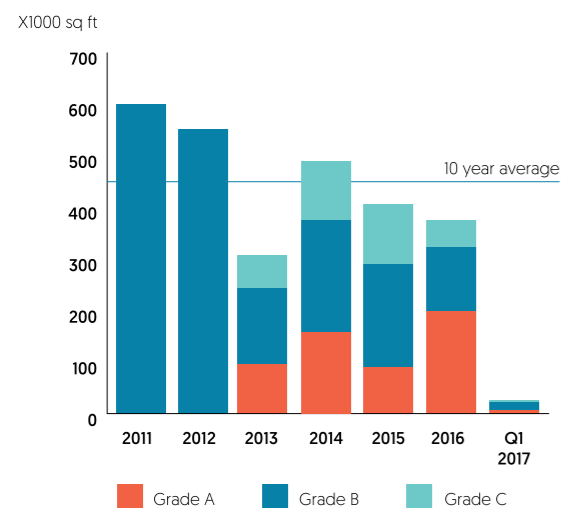
Q1 2017 Availability 337,373 sq ft

TOTAL AVAILABILITY



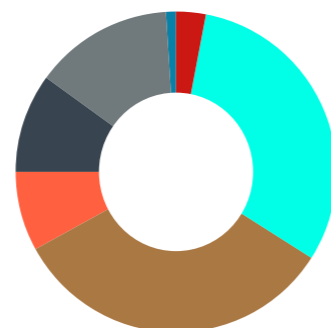
TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE
(Q1 2017)

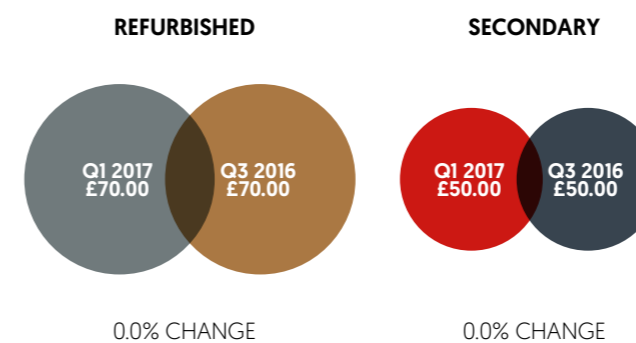
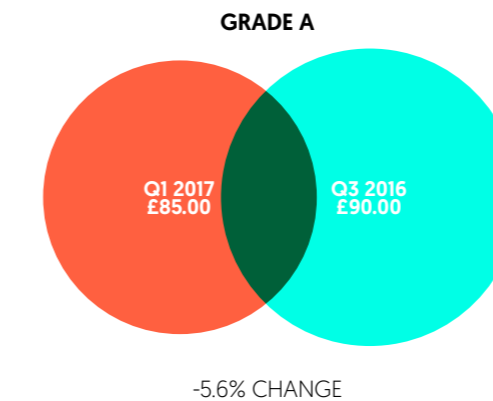
- <1,000 sq ft — 21%
- 1,001-2,500 sq ft — 34%
- 2,501-5,000 sq ft — 27%
- 5,001-10,000 sq ft — 18%



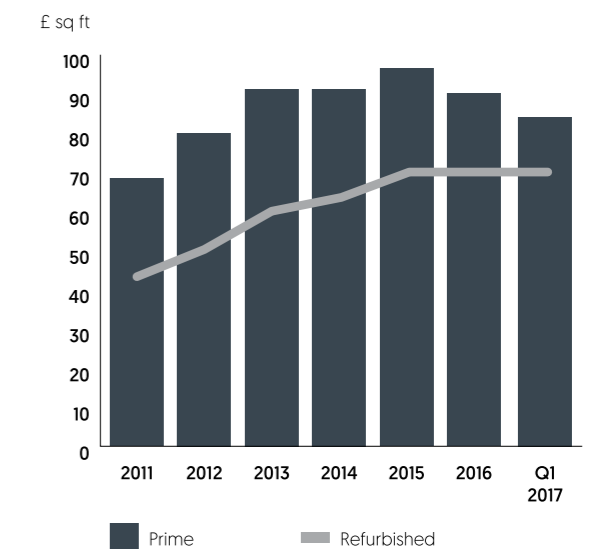
TAKE UP BY OCCUPIER TYPE
(6 months to March 2017)

- Man/Eng & Mining — 3%
- Financial Services — 31%
- Real Estate — 33%
- DAMIT — 8%
- Other — 10%
- Bus & Prof Services — 14%
- Retailers — 1%

RENTAL VALUES



PRIME AND SECONDARY RATES



NOHO OFFICE MARKET

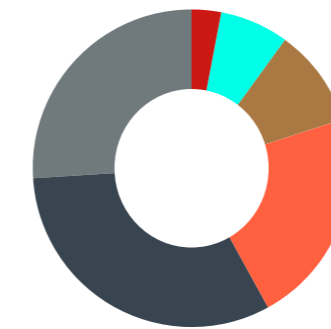


COMMENTARY

- ▶ Take up in the Noho market was boosted by the largest transaction to complete in the West End in Q1 2017, the 133,600 sq ft pre let to building services company Arup Group at Derwent London's new 80 Charlotte Street scheme. More than 187,000 sq ft remains available at the scheme, although Arup have an option to take a further 40,700 sq ft.
- ▶ Supply has continued to edge higher, due primarily to an increase in grade B space coming back to the market. The largest building on the market is WELPUT's 101 New Cavendish Street, which provides 46,173 sq ft of office accommodation.
- ▶ The availability rate in the Noho market stands at 6.7%, slightly above the West End average, which is 6.3%.
- ▶ Prime rents have remained stable at £90.00 per sq ft since the end of 2016, although rents achievable on good quality refurbished space have continued to edge upward to £70.00 per sq ft.

SUPPLY

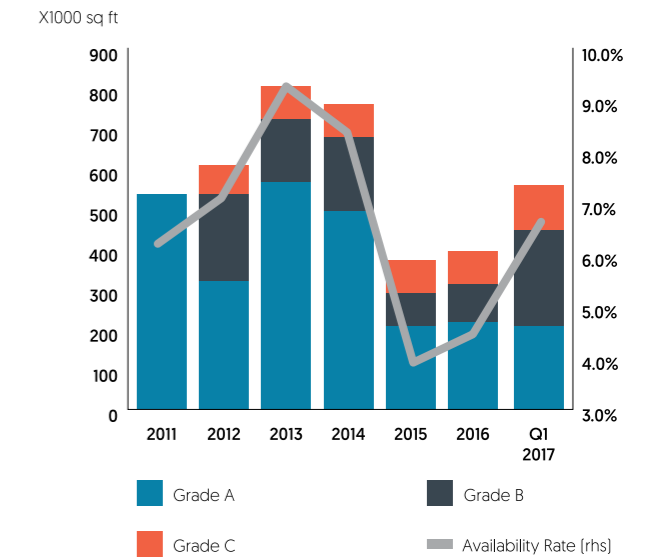
AVAILABILITY BY FLOOR AREA
(as of March 2017)



- <1,000 sq ft — 3%
- 1,001-2,500 sq ft — 7%
- 2,501-5,000 sq ft — 10%
- 5,001-10,000 sq ft — 22%
- 10,001-20,000 sq ft — 32%
- >20,001 sq ft — 26%

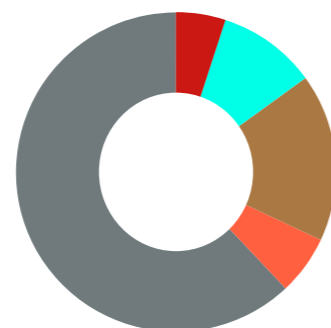
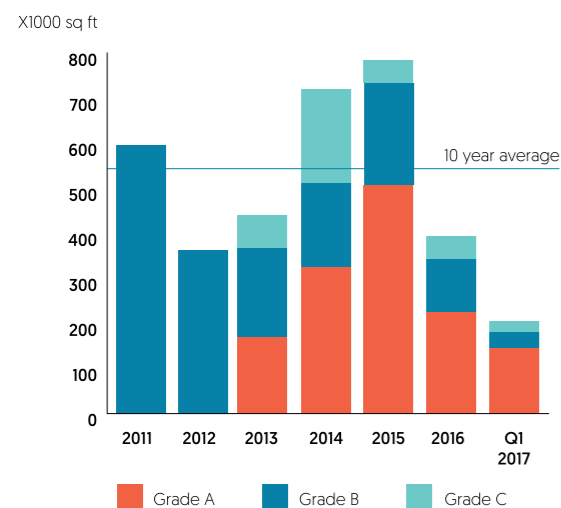
Q1 2017 Availability 582,435 sq ft

TOTAL AVAILABILITY



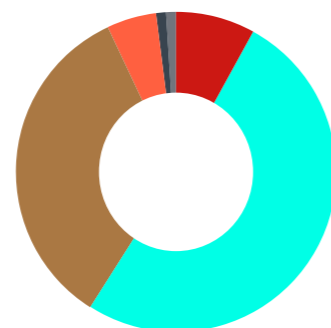
TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE
(Q1 2017)

- <1,000 sq ft — 5%
- 1,001-2,500 sq ft — 10%
- 2,501-5,000 sq ft — 17%
- 5,001-10,000 sq ft — 6%
- 10,001-20,000 sq ft — 0%
- >20,001 sq ft — 62%

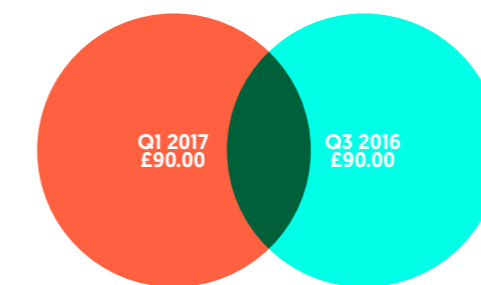


TAKE UP BY OCCUPIER TYPE
(6 months to March 2017)

- Financial Services — 8%
- Real Estate — 51%
- DAMIT — 34%
- Bus & Prof Services — 5%
- Retailers — 1%
- Other — 1%

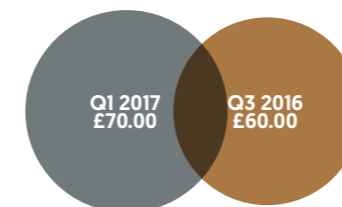
RENTAL VALUES

GRADE A



0.0% CHANGE

REFURBISHED



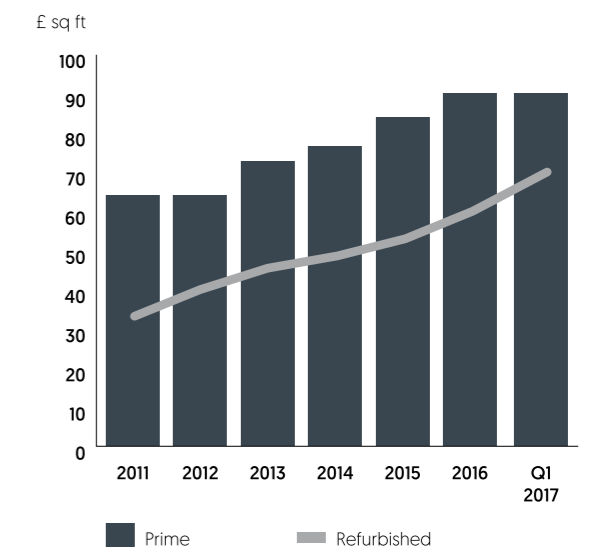
16.7% CHANGE

SECONDARY



5.9% CHANGE

PRIME AND SECONDARY RATES



SOHO OFFICE MARKET

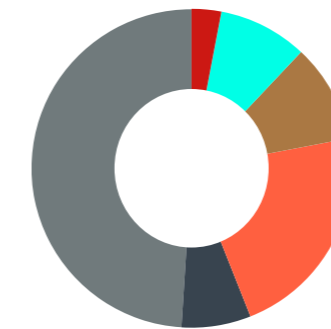


COMMENTARY

- ▶ Activity slowed in the Soho market following a record year in 2016, when lettings totalled 549,000 sq ft. Take up in Q1 2017 was just under 53,000 sq ft, with the largest transaction being Snapchat's acquisition of the 3rd and 4th floors at 77 Shaftesbury Avenue.
- ▶ Supply is dominated by grade A space, which accounts for almost 60% of total stock, with the recently completed LSQ, Leicester Square, providing the largest building at 88,650 sq ft.
- ▶ The availability rate in Soho stands at 6.9%, one of the highest amongst the West End villages, with a number of new schemes having been recently brought forward.
- ▶ Prime rents have continued to edge upwards, standing at £105.00 per sq ft at the end of Q1 2017, although this figure has been exceeded at Great Portland Estate's 30 Broadwick Street, where Exponent Private Equity took the 6th floor paying £110.00 per sq ft.

SUPPLY

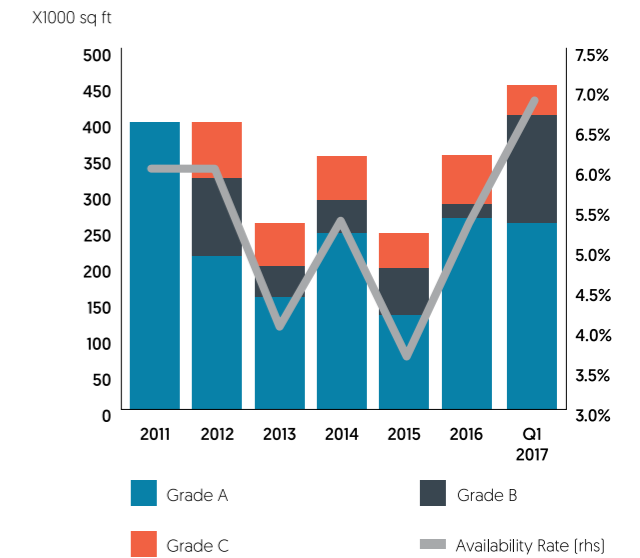
AVAILABILITY BY FLOOR AREA
(as of March 2017)



- <1,000 sq ft — 3%
- 1,001-2,500 sq ft — 9%
- 2,501-5,000 sq ft — 10%
- 5,001-10,000 sq ft — 22%
- 10,001-20,000 sq ft — 7%
- >20,001 sq ft — 49%

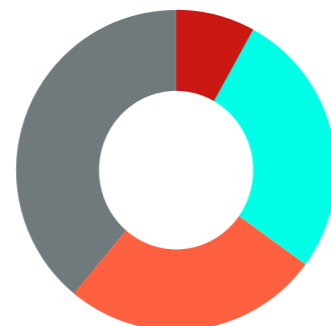
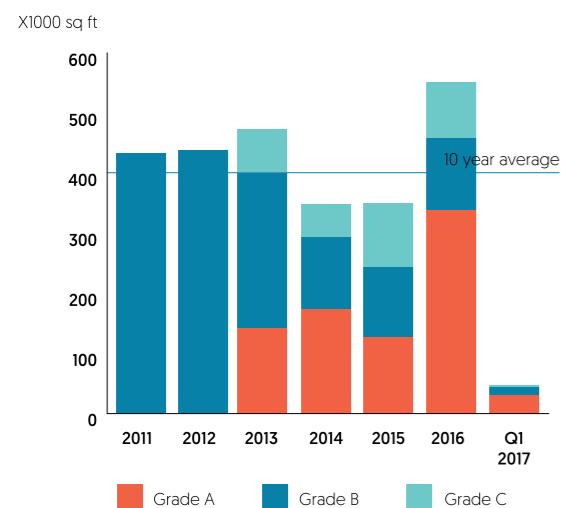
Q1 2017 Availability 456,600 sq ft

TOTAL AVAILABILITY



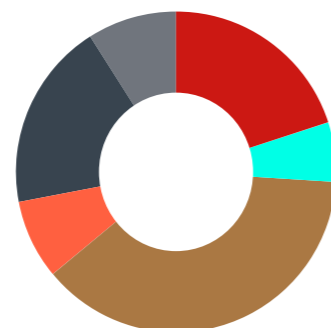
TAKE UP & DEMAND

TAKE UP



TAKE UP BY SIZE
(Q1 2017)

- <1,000 sq ft — 8%
- 1,001-2,500 sq ft — 27%
- 2,501-5,000 sq ft — 0%
- 5,001-10,000 sq ft — 26%
- 10,001-20,000 sq ft — 0%
- >20,001 sq ft — 39%

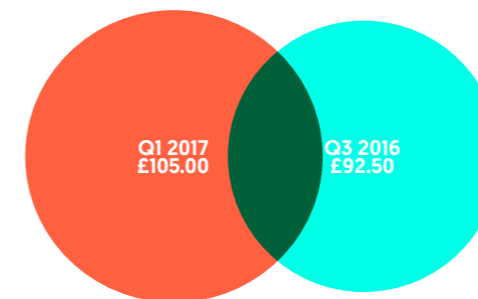


TAKE UP BY OCCUPIER TYPE
(6 months to March 2017)

- Financial Services — 20%
- Real Estate — 6%
- DAMIT — 38%
- Other — 8%
- Bus & Prof Services — 19%
- Retailers — 9%

RENTAL VALUES

GRADE A



13.5% CHANGE

REFURBISHED



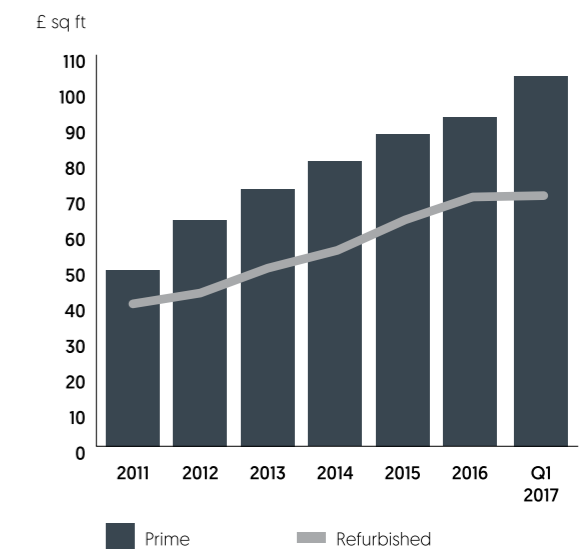
0.0% CHANGE

SECONDARY



5.6% CHANGE

PRIME AND SECONDARY RATES





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