

London Offices market analysis

Out of the shadows

A flurry of insurers are targeting prime locations in the capital, writes Sandra Jones

There is a new wave of occupier demand breaking in London and, no, it's not TMT. While attention has been focused on activity in the TMT sector (and inactivity in the financial sector) insurance may have begun a quiet revolution.

"It looks as though a new market building may be emerging at 20 Fenchurch Street," says Chris Sutcliffe of Newton Perkins. Market is taking 55,000 sq ft, Kiln is under offer on 80,000 sq ft, and, according to Sutcliffe, there is "lots of further interest closing rapidly".

JLL names six insurance occupiers as being in negotiations or under offer on space in the City: JLT, Amlin, Kiln, Royal and Sun Alliance, Prudential, and Gallagher Heath. JLT is taking 281,000 sq ft in Minerva's St Botolph's Building, EC3. It says that 14% of active demand in the City is emanating from the insurance sector.

There is a long-established insurance cluster centred on the Lloyd's triangle, but in the past, brokers gravitated to secondary stock on the eastern City fringe. That is changing, as companies such as Willis and, most recently, Aon take space in prime buildings, in truly prime locations, at prime rents. The received wisdom seems to be that this new generation of buildings is so occupationally efficient that total costs look reasonable.

The ultimate shift must be AJ Gallagher's proposed move from Alie Street, E1, to The Walbrook – a stone's throw from the Bank of England and with an EC2 postcode. Sutcliffe is surprised: "I cannot think of any major broker who has gone that far west before. It is pioneering."

Newton Perkins reckons that, within the insurance sector, there are 2m sq ft of lease expiries or options to break between 2014 and 2016. Some 400,000 sq ft has been satisfied, leaving 1.6m sq ft of

potential demand.

The significance is not lost on Digby Flower, head of London markets at Cushman & Wakefield. "The fact that WR Berkeley is planning to build its own tower in the City demonstrates the increasing commitment of international insurers to London. Active demand from insurance has more than doubled since the start of 2012."

City planning officer Peter Rees puts it in context, reminding us that: "Insurance has been here all along, but ever since the Big Bang, it has been completely overshadowed by the banking sector." Swiss Re marked a change when it commissioned the Gherkin. "London was number one in insurance before that, but with the Gherkin, they came out of the shadows," says Rees. He sees the latest flurry of activity as all part of the "rebalancing" of the City economy.

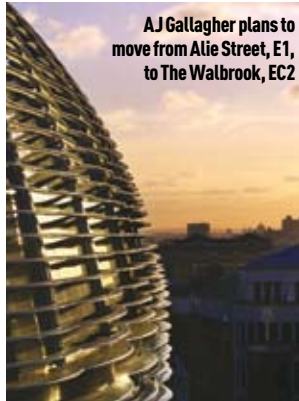
With the latest scandal to hit the banking sector, tighter regulation seems ever more inevitable. But, for now at least, it has had a positive impact on demand as the Prudential Regulation Authority took 150,000 sq ft in Moorgate – the biggest letting in the City core this quarter – helping the financial sector to a 34% share of Q2 take-up in the City core.

Bloomberg is building 400,000 sq ft for its own occupation in the centre of the City, Bloomberg is interesting because it is generally classified in the TMT sector but is inextricably tied into the financial sector. In the opinion of Bloomberg chief executive Dan Doctoroff, the number of Bloomberg subscribers is one of the strongest indicators of the strength of a financial centre, and London is second only to New York on this measure.

Rees sees Bloomberg as the modern manifestation of the newspapers in Fleet Street. But he too underlines its close relationship with the financial sector: "City industries have always relied on information flows, the gossip that is exchanged in the bars, cafes, alleyways," he says. "Bloomberg wants its people eavesdropping in pubs – that's why it has chosen to be at the epicentre."

So, even in a technologically advanced business, geographical proximity matters as much as ever.

Monitise is another example of a cross-over business – it provides digital technology to the financial sector. So, TMT maybe, but it too is part of the City's financial ecosystem.



AJ Gallagher plans to move from Alie Street, E1, to The Walbrook, EC2

The start-up cluster on the northern fringe is another feature of the City market that has been around for a long time, according to Rees, and small IT businesses have long been a part of that. The Tech City report from Centre for London found that, as these micro businesses grow, they are more likely to move to Midtown or further west, rather than to the east.

Informa Group

illustrates the point. It has been located in Shoreditch but took 25,000 sq ft in Tottenham Court Road. TMT accounted for 58% of Midtown take-up in Q2 – largely because of lettings in Waterhouse Square to Skype and Weber Shandwick. Julian Hind of Farebrother sees Midtown's diverse building stock as working to its advantage. But he has doubts about the precise definition of TMT, saying: "If you've got a Mac, you're in TMT."

Availability has dropped in Midtown and there is little in the pipeline to plug the gaps – just 410,000 sq ft under construction, mostly refurbishments. There is 60,000 sq ft set for completion in 2013 and nothing in 2014. In some ways, it is a strength: "If a building doesn't score well in the BCO box-ticking exercise, TMT will take a view," says Hind.

He is also of the view that Midtown is capturing occupiers displaced from the West End, adding: "Occupational costs are beginning to bite in the West End."

It has been a quiet quarter in the West End. Only 460,000 sq ft let – half the average rate of activity. But supply remains an issue and rents are high for a scarce commodity.

However, nothing seems to temper the appetite for investment. Funds are still pouring into London from overseas. Of almost £3.5bn spent in the second quarter, according to Drivers Jonas Deloitte, 80% was overseas money. JLL puts yields at 5.25% in the City and below 4.5% in the West End, with smaller lot sizes (below £10m) at 4%. "London is the least worst place in the world to invest," says Rees.

"As planners, we can only prepare the stage," Rees adds, citing Odgers Berndtson's move from the West End to 18-20 Cannon Street as an endorsement of the City's investment in improved public realm and expanding mix of shops, bars and clubs. "The City has always had a diverse business community. Banking was never the only game in town – and nor, by the way, is insurance."

WHAT LONDON OFFICES MONITORS**Markets**

City core EC1A, EC2M, EC2N, EC2R, EC2Y, EC2V, EC2A (only Finsbury Pavement, Finsbury Square, Appold Street and Chiswell Street), EC3, EC4 (excluding EC4A and EC4Y)

City fringe EC1M, EC1N (excluding postcode sector 2), EC1R, EC1V, EC1Y, EC2A (excluding Finsbury Pavement, Finsbury Square, Appold Street and Chiswell Street), E1

South Bank SE 1 postcode sectors 0, 1, 2 and 9

Docklands E 14

Midtown EC4A and EC4Y, EC1N (postcode sector 2), WC1, WC2 (excluding Leicester Square)

West End W1, SW1, NW1 sectors 2 (Euston Road only), 3, 5 and 6, Leicester Square (WC2) and W2 sectors 1, 2 and 6

Additional markets

South Central Remainder of SE1 and all of SE11

North Central Remainder of NW1 and N1, N7 and E8

West Central Remainder of W2 and all of W6, W8, W14, SW3, SW5, SW6, SW7 and SW10

Data

Building stock Any office building over 93m² (1,000 sq ft) in City Core, West End, Midtown, Docklands, City Fringe and South Bank and over 465m² (5,000 sq ft) in North Central, West Central and South Central

Availability Any unit above 93m² (1,000 sq ft) in buildings subject to the above stock thresholds

Take up Any unit above 232m² (2,500 sq ft) subject to stock thresholds

Planning Any project over 232m² (2,500 sq ft) subject to stock thresholds

Definitions

Quarters For data collation reasons, our quarters run from the 1st of the month to the last day of the 3rd month: ie, 1 January to 31 March; 1 April to 30 June; 1 July to 30 September and 1 October to 31 December. Some data in this report is given in half-years for space reasons.

Agency league tables The total space disposed by each agent adds up to more than total take-up. This is because space in joint agency deals has been attributed to all agents involved. The market share is each agent's share of take-up, not the total of all agents. The tables include all completed deals over 93m² (1,000 sq ft) within our boundaries including prelets and excluding space under offer, lease renewals, restructures, management agreements or investment sales.

Availability rates Total building stock figures divided by vacant space which is actively being marketed. Neither figure includes space under construction or yet to commence construction.

Availability and take-up New/refurb (existing) is a combined total of newly constructed and refurbished space; Premarketing is any space marketed which is yet to commence construction; Secondhand is any space which has previously been occupied; Under Construction is a combined total of refurbishment and redevelopment projects currently under construction. Space under offer is included. Investment properties are not included.

Average asking prices An average of asking prices by grade of space by market. Only space available on new leases with a quoting rent is collated. Space under offer has been included. Please note that Secondhand Grade A space is previously occupied units with air-conditioning and one or more of raised floors, underfloor trunking or perimeter trunking.

Investment sales Subject to stock thresholds, a total of space sold as freehold, long leasehold or virtual freehold, both for investment and for owner occupation.

Construction starts with prelets A total of space commencing refurbishment or redevelopment by quarter with a total of that space prelet. This includes space not on the market.

Completed space actively marketed Simply a total of completed refurbishments and redevelopments being actively marketed by quarter. Includes space let but never occupied.

Completions with space available A total of all office space currently under construction by completion date with how much is still available. This includes space not on the market.

CENTRAL LONDON LETTING AGENTS LEAGUE TABLE - Q2 2012

Only 26,000 sq ft separated the top three agents this quarter. Jones Lang LaSalle took first place with 22% of the market, in just under 484,000 sq ft, in 40 transactions. CBRE was second, having acted on 21% of the space let in 35 deals, and DTZ was third with 20% in 27 deals. Once again, these three agents dominated central London letting activity, with almost twice the square footage let by fourth-placed Cushman & Wakefield. CBRE, DTZ and JLL have occupied the top three positions in this table for eight of the past 10 quarters. The only other two agents to have been in the top three during that time were Cushman & Wakefield and Knight Frank.

In Q2 2012, Cushman & Wakefield, Savills and Knight Frank were clustered in fourth, fifth and sixth positions respectively, with similar volumes of activity, and there was a wide gulf between them and the next band, led by Drivers Jonas Deloitte in seventh place.

JLL was instrumental in securing the largest transaction this quarter at 20 Moorgate, EC2, (152,000 sq ft), together with DTZ and Cushman & Wakefield. On this occasion, JLL was not one of the joint marketing agents but its role in securing approval from freeholder IVG, in this tripartite deal, was acknowledged by the team as integral to the letting process. The next largest transaction was in Friars House, Blackfriars Road, SE1, where DTZ let 93,400 sq ft to the Practical Law Company.

The top 10 this quarter was dominated by the large agents, with the exception of Edward Charles & Partners, which came in at 10 and has been in the list for six of the past 10 quarters, consistently acting on 3% or more of the space let.

Rank	Agent	Sum of size (sq ft)	No of deals	Market share
1	Jones Lang LaSalle	483,933	40	22%
2	CBRE	472,249	35	21%
3	DTZ	457,666	27	20%
4	Cushman & Wakefield	235,594	24	10%
5	Savills	214,628	27	10%
6	Knight Frank	202,875	30	9%
7	Drivers Jonas Deloitte	83,504	16	4%
8	BNP Paribas Real Estate	77,189	9	3%
9	GVA	76,563	16	3%
10	Edward Charles & Partners	74,100	17	3%
11	EA Shaw	73,926	21	3%
12	Hall Kemp	70,421	8	3%
13	Newton Perkins	66,653	14	3%
14	Farebrother	64,041	16	3%
15	Anton Page	63,850	24	3%
16	Ingleby Trice	54,093	8	2%
17	Gerald Eve	51,061	4	2%
18	Strutt & Parker	51,027	12	2%
19	Hatton Real Estate	43,828	17	2%
20	Montagu Evans	43,433	4	2%
21	Thompson Yates	42,499	8	2%
22	Dron & Wright	41,161	7	2%
23	H2SO	39,204	9	2%
24	Monmouth Dean	37,509	13	2%
25	Allsop	35,397	12	2%

Source: EGI London Offices



Friars House, Blackfriars Road, SE1: 93,400 sq ft let to Practical Law Company

DISPOSALS - OFFICE BREAKDOWN Q2 2012

JONES LANG LASALLE

30%
WEST END

70%
CITY

CBRE

29%
WEST END

71%
CITY

KNIGHT FRANK

70%
WEST END

30%
CITY

SAVILLS

26%
WEST END

74%
CITY

DTZ

85%
WEST END

15%
CITY

AGENTS' SHARE BY NUMBER OF DISPOSALS - Q2 2012

Jones Lang LaSalle also topped the central London league table when measured by the number of disposals. With 40 deals, it led by a comfortable margin over second-placed CBRE, which completed 35. Both agents did the majority of their deals from the City office. Third place in the table was taken by Knight Frank with 30 transactions, the majority of which were done from the West End office. The hold of the three top agents over this table has been even stronger than the square footage ranking. JLL has been at the top for four of the past 10 quarters, CBRE the same, while DTZ led the remaining two.

The most highly ranked niche practice was Anton Page with 24 transactions to its name, which earned it sixth place, joint with Cushman & Wakefield and far higher than the 15th place it achieves when square footage is the key measure. Anton Page operates from a City office and this number of transactions would put it in third place in a league table of disposals in the City, behind JLL and CBRE. It has been in the top 10 for four of the past five quarters. Another small firm making regular appearances in this table is Hatton Real Estate, which has been in the top 10 in three of the past four quarters.

Eight of the top 10 completed more deals from the City than the West End office in this quarter, the only exceptions being Edward Charles, which does not have a City office, and Knight Frank.

Rank	Agent	City	West End	No of disposals
1	Jones Lang LaSalle	40	28	12
2	CBRE	35	25	10
3	Knight Frank	30	9	21
4=	Savills	27	20	7
4=	DTZ	27	23	4
6=	Anton Page	24	24	
6=	Cushman & Wakefield	24	13	11
8	EA Shaw	21	21	
9=	Edward Charles & Partners	17		17
9=	Hatton Real Estate	17	17	
11=	Drivers Jonas Deloitte	16	8	8
11=	GVA	16	11	5
13	Newton Perkins	14	14	
14	Monmouth Dean	13		13
15=	Strutt & Parker	12	4	8
15=	Allsop	12	12	
17	Frost Meadowcroft	11		11
18	BNP Paribas Real Estate	10	6	4
19	H2SO	9		9
20=	Colliers International	8	3	5
20=	Crossland Otter Hunt	8		8
20=	Thompson Yates	8	8	
20=	Hall Kemp	8	8	
20=	Ingleby Trice	8	8	
25=	Dron & Wright	7	6	1
25=	Tuckerman	7		7
25=	BDG Sparkes Porter	7		7

Source: EGI London Offices

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SUMMARY STATISTICS

	City core			City fringe			Docklands			Midtown			South Bank			West End			Overall		
	2011	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2012
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
Take-up (m sq ft) annual or quarter total																					
New/Refurb/existing	0.68	0.27	0.14	0.25	0.04	0.02	0.00	0.00	0.00	0.54	0.20	0.18	0.03	0.02	0.00	0.48	0.12	0.07	1.97	0.65	0.42
Premarketing	0.00	0.00	0.00	0.02	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.02	0.00	0.37	0.02	0.00	
Secondhand	2.04	1.00	0.61	1.04	0.33	0.16	0.39	0.18	0.08	0.88	0.39	0.13	0.44	0.13	0.06	1.99	0.87	0.36	6.79	2.90	1.40
Under Construction	0.23	0.09	0.09	0.00	0.04	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.24	0.24	0.03	0.47	0.37	0.16	
Total	2.95	1.36	0.85	1.31	0.41	0.22	0.64	0.18	0.08	1.42	0.59	0.32	0.47	0.15	0.06	2.81	1.24	0.46	9.61	3.93	1.98
Availability (m sq ft) annual quarterly average or quarter end																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
New/Refurb/existing	2.32	2.21	2.14	0.23	0.12	0.10	0.42	0.21	0.21	0.31	0.30	0.23	0.04	0.01	0.01	0.57	0.53	0.54	3.90	3.39	3.24
Premarketing	5.04	4.89	4.78	1.77	1.81	1.86	4.96	3.60	3.60	0.83	0.98	0.98	0.56	0.41	0.41	0.94	1.01	1.34	14.10	12.69	12.98
Secondhand	4.50	4.64	4.42	1.68	1.47	1.34	1.20	1.24	1.28	2.50	2.16	2.04	0.81	0.57	0.56	3.58	3.01	2.93	14.26	13.09	12.57
Under Construction	3.17	3.69	3.71	0.47	0.36	0.53	0.31	0.34	0.29	0.38	0.43	0.36	0.94	1.22	1.33	0.99	0.94	1.05	6.26	6.97	7.28
Total	15.02	15.43	15.06	4.15	3.75	3.83	6.88	5.39	5.38	4.02	3.86	3.61	2.36	2.21	2.32	6.09	5.49	5.87	38.52	36.14	36.07
Availability rate % annual average or quarter																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
%	11.6%	12.0%	11.5%	8.7%	7.2%	6.6%	7.5%	7.8%	8.0%	8.8%	8.1%	7.5%	7.4%	5.4%	5.3%	6.6%	5.6%	5.5%	8.4%	7.7%	7.4%
Under offer and withdrawn (m sq ft) quarter or quarterly average																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
Under offer	0.46	0.66	0.97	0.24	0.18	0.23	0.03	0.01	0.02	0.24	0.26	0.35	0.11	0.05	0.06	0.31	0.23	0.27	1.39	1.39	1.89
Withdrawn	0.19	0.38	0.48	0.07	0.06	0.11	0.03	0.01	0.01	0.13	0.20	0.31	0.02	0.02	0.01	0.13	0.17	0.14	0.56	0.84	1.06
Average asking prices (£ per sq ft) quarter or quarterly average																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
*New leases only																					
New Build/Existing	£49.89	£47.29	£47.68	£27.50	£0.00	£0.00	£39.21	£35.02	£35.00	£47.66	£49.61	£45.88	£0.00	£0.00	£0.00	£70.79	£77.85	£75.72	£39.17	£34.96	£34.05
Second-hand/Grade A	£33.54	£36.42	£36.54	£22.58	£23.23	£21.21	£33.07	£32.14	£31.45	£34.47	£39.21	£39.15	£24.43	£40.51	£38.13	£47.94	£54.81	£56.11	£32.67	£37.72	£37.10
Investment sales (m sq ft) annual or quarter total																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
Totalsqft	4.79	3.26	2.22	1.36	0.93	0.55	0.01	0.62	0.00	2.33	0.81	0.47	0.06	0.00	0.00	2.14	0.84	0.29	10.69	6.29	3.38
No Transactions	56	26	12	36	17	8	1	2	0	48	19	11	4	0	0	73	32	19	218	104	58
Construction starts (m sq ft) annual or quarter total																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
Total started	1.84	1.32	0.33	0.26	0.18	0.00	0.00	0.58	0.00	0.20	0.00	0.00	0.51	0.24	0.00	0.73	0.75	0.27	3.54	3.07	0.60
Prelet	0.28	0.70	0.00	0.05	0.01	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.21	0.03	0.00	0.55	0.99	0.00
Speculative	1.56	0.62	0.33	0.21	0.17	0.00	0.00	0.33	0.00	0.20	0.00	0.00	0.50	0.24	0.00	0.52	0.72	0.27	2.99	2.08	0.60
Completed space still available (m sq ft) (completion by full year or part of year)																					
	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2	Q1+2	Q2	Q2
Total completed	1.01	0.07	0.07	0.05	0.12	0.02	0.01	0.00	0.00	0.16	0.02	0.00	0.00	0.02	0.02	0.44	0.14	0.10	1.67	0.37	0.20
Still available	0.70	0.07	0.07	0.02	0.02	0.00	0.00	0.00	0.00	0.08	0.04	0.03	0.00	0.01	0.01	0.15	0.11	0.09	0.95	0.26	0.20
Future completions (m sq ft) for full year or part of year																					
Delivery date	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Total to complete	0.51	0.65	2.07	0.30	0.22	0.00	0.00	0.00	0.58	0.35	0.06	0.00	0.63	0.67	0.00	0.64	1.22	0.09	2.42	2.83	2.73
Amount still available	0.47	0.65	1.12	0.28	0.22	0.00	0.00	0.00	0.32	0.35	0.06	0.00	0.63	0.67	0.00	0.59	1.02	0.09	2.32	2.62	1.53
% still available	93%	100%	54%	95%	100%	0%	0%	0%	56%	100%	100%	0%	100%	100%	0%	92%	83%	100%	96%	93%	56%

KEY TRANSACTIONS – ALL MARKETS

Market	Address	Tenant	Size (sq ft)	Agent
City Core	20 Moorgate, EC2	Prudential Regulation Authority	151,902	Cushman & Wakefield / DTZ / Jones Lang LaSalle
Midtown	Waterhouse Square, 2 Waterhouse Square, EC1	Skype	88,801	CBRE / DTZ
Midtown	Waterhouse Square, 2 Waterhouse Square, EC1	Weber Shandwick	63,773	CBRE / DTZ
City Core	The Walkie Talkie, 20 Fenchurch Street, EC3	Market International Insurance Company	51,498	CBRE / Knight Frank
City Core	33 Lombard Street, EC3	Integrated Financial Arrangements	48,594	Hall Kemp / Jones Lang LaSalle
Docklands	18-20 Cabot Square, E14	The Economist Group	45,000	CBRE
City Core	Princes House, 93-95 Gresham Street, EC2	Monitise	42,886	Gerald Eve / Jones Lang LaSalle
City Core	18-20 Cannon Street, EC4	Oggers Berndtson	37,052	Jones Lang LaSalle / Montagu Evans
City Fringe	International House, 1 St Katharine's Way, E1	QA Learning Services	30,100	Ingleby Trice / Savills
West End	10 Brock Street (North East Quadrant), NW1	Debenhams	29,500	CBRE / Knight Frank
West End	Paddington Central, 2 Kingdom Street, W2	Statoil Hydro	26,163	CBRE / Savills
West End	Maple House, 149 Tottenham Court Road, W1	Informa Group	24,998	Dron & Wright / Edward Charles & Partners
City Core	160-162 Queen Victoria Street, EC4	Nice Systems	22,504	BNP Paribas Real Estate / DTZ
City Core	One New Change, 1 New Change, EC4	bwin.com	20,000	DTZ / Savills
Midtown	Nexus Place, 22-25 Farringdon Street, EC4	HTC Europe	14,580	BNP Paribas Real Estate / Jones Lang LaSalle

For any data queries, please contact theresa.keogh@egi.com or call 020 7911 1878

AGENTS' MARKET SHARE BY SUB-MARKET – Q2 2012

City core

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Jones Lang LaSalle	370,701	20	41%
2	DTZ	267,836	16	30%
3	Cushman & Wakefield	186,115	8	21%
4	CBRE	134,297	12	15%
5	Savills	115,887	13	13%

JLL secured a commanding lead in the City core this quarter, having been involved in the letting of 38% more space than DTZ in second place. JLL's part in the 152,000 sq ft letting of 20 Moorgate, EC2 made up 41% of its total. The same deal put DTZ in second place and Cushman & Wakefield in third. CBRE acted on only one substantial letting in the City core this quarter, in 20 Fenchurch Street, EC3, (51,500 sq ft), but still managed to take fourth place in the table.

Midtown

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	DTZ	167,746	5	47%
2	CBRE	166,736	4	47%
3	Farebrother	53,948	14	15%
4	Jones Lang LaSalle	40,564	6	11%
5	BNP Paribas Real Estate	24,983	2	7%

DTZ took first position with a tiny margin over CBRE. These two agents acted on the disposal of Waterhouse Square, where 152,500 was let in two units of 89,000 sq ft (Skype) and 64,000 sq ft (Weber Shandwick), accounting in both cases for the majority of their 47% market share. Farebrother, in third place, completed almost three times as many deals as DTZ yet had a market share of 15%.

Docklands

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	CBRE	71,086	5	85%
2	Cherryman	18,945	6	23%
3	Jones Lang LaSalle	12,980	1	16%
4	Knight Frank	4,045	1	5%
5	Cushman & Wakefield	4,045	1	5%

CBRE dominated this table with 85% of the market, albeit in a quarter with a very low volume of activity. There was one substantial transaction, in 18-20 Cabot Square, E14, where 45,000 sq ft was let to The Economist with CBRE as the letting agent.

KEY NEW INSTRUCTIONS – ALL MARKETS

Market	Address	Grade	Size (sq ft)	Agent
West End	Victoria Circle, Terminus Place, Wilton Road, SW1	Premarketing	565,347	DTZ / Knight Frank
Southern Fringe	Sea Containers House, 20 Upper Ground, SE1	Premarketing	240,016	Drivers Jonas Deloitte / Jones Lang LaSalle
City Core	33 King William Street, EC4	Premarketing	230,834	Jones Lang LaSalle
West End	Paddington Basin Phase 2, The Point, North Wharf Road, W2	Secondhand	82,129	DTZ / Strutt & Parker
City Fringe	Old Trumans Brewery, C Block, 91-95 Brick Lane, E1	Premarketing	79,943	Thompson Yates
Midtown	Tudor Court, 6-8 Bouverie Street, EC4	Secondhand	48,342	EA Shaw
West End	100 Piccadilly, W1	Secondhand	45,828	Drivers Jonas Deloitte / Jones Lang LaSalle
City Core	150 Leadenhall Street, EC3	Secondhand	42,903	Cushman & Wakefield
City Core	Ropemaker, 25 Ropemaker Street, EC2	Secondhand	39,000	DTZ
West End	60 Buckingham Palace Road, SW1	Secondhand	33,833	Drivers Jonas Deloitte / Jones Lang LaSalle
West End	24 Nutford Place, W1	Secondhand	29,601	Glinsman Weller Limited / James Needs & Associates
Docklands	One Canada Square, E14	Secondhand	27,405	Jones Lang LaSalle
Midtown	124 Chancery Lane, EC4	New/refurb existing	25,626	Knight Frank
Docklands	One Canada Square, E14	Secondhand	25,325	Jones Lang LaSalle
City Fringe	100 Leman Street, E1	Secondhand	24,639	CBRE
City Core	Nomura House, 1 St Martin's-le-grand, EC1	Secondhand	55,884	Drivers Jonas Deloitte



2 Kingdom Street, W2: 26,000 sq ft let to Staitoil



20 Moorgate, EC2: let to Prudential's Regulation Authority

City fringe

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Anton Page	54,189	17	20%
2	Hatton Real Estate	38,680	13	14%
3	Ingleby Trice	38,151	2	14%
4	Savills	38,151	2	14%
5	Thompson Yates	22,462	4	8%

Anton Page achieved the top spot on the City fringe with a 20% share of the market, in 17 transactions, none of which was larger than 11,000 sq ft. Hatton Real Estate completed 13 lettings, again all small, but earning a 14% market share and second place in the table. The largest unit let was 30,100 sq ft in International House, St Katharine's Way, E1, where the agents were Ingleby Trice and Savills, putting them into the top five in a period when the overall transaction volume was low.

West End

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Knight Frank	99,739	18	18%
2	CBRE	96,833	10	17%
3	Edward Charles & Ptnrs	65,088	10	12%
4	Strutt & Parker	41,928	7	7%
5	Jones Lang LaSalle	40,252	8	7%

Knight Frank acted on more space than any other agent in Q2 2012, topping the table with an 18% share of the total let in 18 transactions. The largest of these was 29,500 sq ft taken by Debenhams at 10 Brock Street, North East Quadrant, NW1. Second-placed CBRE had 17% of the market from 10 individual transactions. It was also involved in the Debenhams letting as well as 26,200 sq ft in Kingdom Street Paddington, W2, let to Staitoil.

South Bank

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	EA Shaw	43,345	8	63%
2	Farebrother	10,094	1	15%
3	DTZ	10,094	1	15%
4	Savills	9,309	2	13%
5	Cushman & Wakefield	8,138	2	12%

EA Shaw took first place for the second consecutive quarter with a substantial 63% market share and with four times as much as second-placed Farebrother. There were no large deals in this quarter and a very low volume of activity overall.

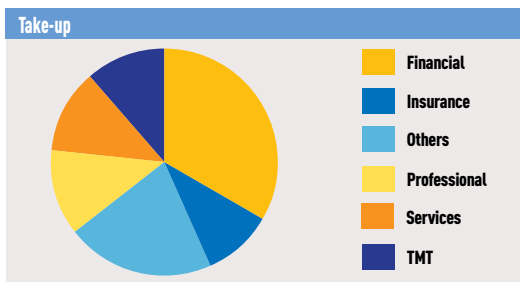
TAKE-UP

Take-up (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	144,326	-6	34	14
Premarketing	-	n/a	n/a	n/a
Secondhand	613,510	19	36	58
Under Construction	88,550	n/a	n/a	n/a
Total	846,386	27	52	64

At 850,000 sq ft, take-up was an impressive 64% higher than Q1 2012. However, a similar level was achieved in both Q1 and Q4 2011 and then dipped in the intervening periods, so this improvement should only be regarded as a reasonable quarter in a generally still quiet market. Nevertheless, this volume equates to an annual take up of 3.4 million sq ft compared with the average annual average since 2005 of 3.8 million sq ft for this market.

It is perhaps fitting, given the focus on regulation in the financial services sector and the flaring of the LIBOR scandal, that the largest letting in the City Core should be to the Prudential Regulation Authority. It took the whole of 20 Moorgate, EC2, on a sublease from Cazenove amounting to 152,000 sq ft. The second largest transaction was 51,500 sq ft, let to insurer Market International on the 26th and 27th floors of 20 Fenchurch Street, EC3, where construction will be completed in 2014. This was one of two prelettings in the City Core this quarter, the other was 37,000 sq ft taken by recruitment consultant Odgers Berndtson at 18-20 Cannon Street, EC4, which is being refurbished by Allied London, for a rent of £57 per sq ft on a 15-year lease.

The financial sector accounted for 34% of take-up in Q2, back in a dominant position, partly because of the letting to the Prudential Regulation Authority, but there were also sizeable lettings to Integrated Financial Arrangements, a portfolio management provider, (48,600 sq ft in 33 Lombard Street, EC3) and Monitise, (43,000 sq ft in 93-95 Gresham Street, EC2), which provides digital technology to the financial sector.



Prospects for take-up in the next quarter look reasonably encouraging, with advanced negotiations on 20 Fenchurch Street and substantial units of space reportedly under offer in The Walbrook, EC2, and 1 Threadneedle Street, EC2.

The majority of space let was secondhand and its share of take-up has been steadily increasing, presumably as the supply of suitable new stock declines.

CITY CORE



18-20 Cannon Street, EC4:
37,000 sq ft let to Odgers Berndtson



20 Fenchurch Street, EC3:
51,500 sq ft taken by Market

SUPPLY

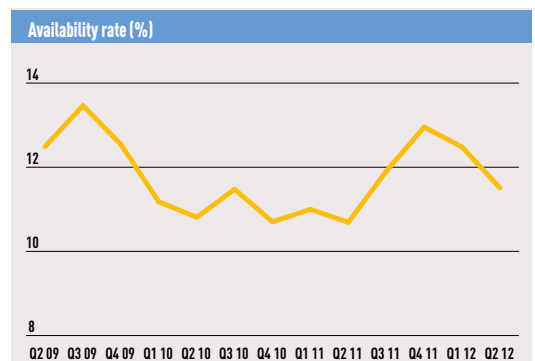
Supply (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	2,144,113	11	-1	-6
Premarketing	4,782,864	0	-2	-4
Secondhand	4,422,281	5	7	-9
Under Construction	3,714,331	34	19	1
Total	15,063,589	10	5	-5

There was a 5% fall in availability in Q2 2012 from 15.8 to 15.1 million sq ft. There was a decline in space being premarketed and a corresponding, albeit small, increase in space under construction. The most substantial reduction came in the secondhand stock, which fell from 4.9 million sq ft to 4.4 million sq ft. This is unlikely to be caused by net absorption since there was only 613,500 sq ft of secondhand space let in the quarter, which suggests that the cause was space withdrawn from the market or put under offer.

The amount of new or refurbished space on the market now stands at 2.1 million sq ft and there is very little new stock due for completion in 2012. This has been identified as a potential supply squeeze in the City Core and now that part of The Walbrook is under offer, the options for single-occupation, large-floorplate buildings have narrowed. That said, there are opportunities in the development pipeline and, as Bloomberg has shown, occupiers are often able to plan ahead to secure the most suitable property.

There are 10 buildings on the market and ready to occupy that can offer over 100,000 sq ft and, while that might seem generous in current market conditions, it remains very restricted in the context of the City occupier history. According to EGi historic data, there are 85 businesses in the City occupying single units of more than 100,000 sq ft, amounting to 17.2 million sq ft between them. That means that the average size of unit for that part of the market is 202,000 sq ft.

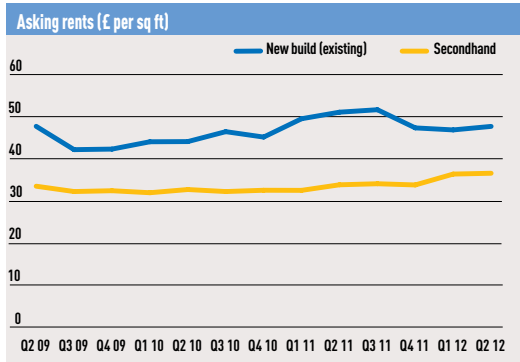
AVAILABILITY RATE



The availability rate dropped to 11.5% this quarter from 12.5% at the end of Q1. It remains, however, significantly higher than any other sub-market and is at a level that would not normally drive rental growth. Two-thirds of it is secondhand stock. Prospects for rental growth lie in selective shortage in parts of the market.

34%
FINANCIAL SECTOR
SHARE OF TAKE-UP

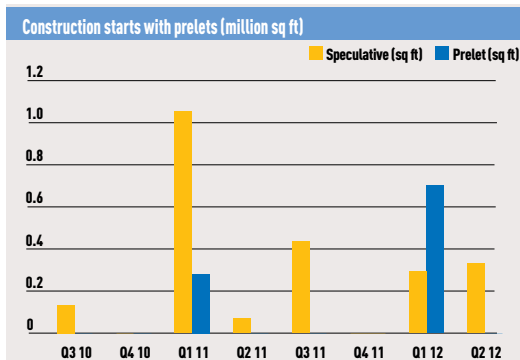
ASKING RENTS



The average asking rent for newly built space in the City core was £47.68 per sq ft at the end of Q2, up from £46.75 in Q1, and for secondhand space it moved from £36.25 in Q1 to £36.54 per sq ft by the end of Q2.

The EGi Consensus rent was £55.50 per sq ft with a 24-month rent-free period.

CONSTRUCTION



330,000 sq ft was put under construction in Q2 2012, adding to the one million sq ft initiated in Q1 and exceeding our expectations. All of this quarter's new construction is speculative and it includes two new builds and three refurbishments. Pembroke Real Estate has started on site at 3-10 Finsbury Square, EC2, where it will build 152,000 sq ft, and work has also begun at 24 Monument Street, EC3, where Rockspring and Charterfield are developing 74,150 sq ft.

There is 3.3 million sq ft under construction in the City Core, of which 980,000 sq ft is prelet, including 700,000 sq ft for UBS at 5 Broadgate, EC2, and 190,000 sq ft at 122 Leadenhall Street, EC3. The total under construction has fallen substantially since work stalled on The Pinnacle at 24 Bishopsgate, EC2.

CITY CORE



33 Lombard Street, EC3: 48,500 sq ft let to Integrated Financial Arrangements



Princes House, 93-95 Gresham Street, EC2: 43,000 sq ft let to Monitise

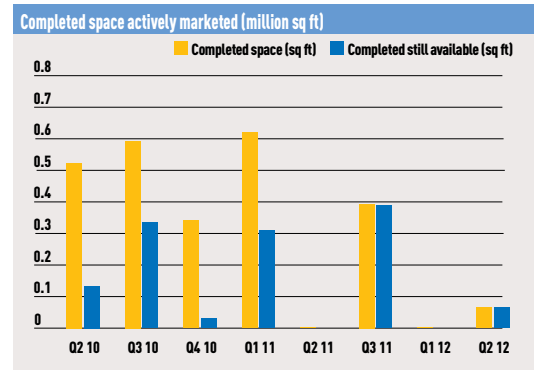
INVESTMENT

2.22 million sq ft of City Core building stock changed hands in Q2 2012 in 12 transactions.

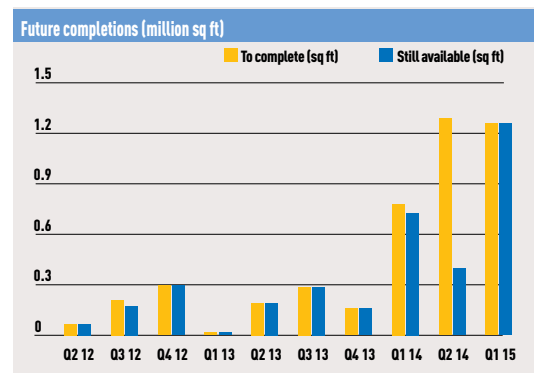
The largest building sold was the 330,300 sq ft 99 Bishopsgate, EC2, the long leasehold of which was part of a portfolio of six buildings sold by Hammerson to Brookfield Office Properties. The whole portfolio sold for £518m, representing a 5.2% yield. It also included a 50% stake in 235 Old Broad Street, EC2, (318,660 sq ft), 1 Leadenhall Court, EC3, (113,000 sq ft), 1 Puddle Dock, EC4, (107,758 sq ft), and the cleared development site at Principal Place, EC2.

Plantation Place was sold for £470 million to Brazilian investor Moise Safra. 107 Leadenhall Street EC3 (210,000 sq ft), was sold by receivers of CSE subsidiary Woodvale to RBS-backed property company West Register for £37.5 million, reflecting a yield of 7.5%. Prime yields in the City Core are 5.25%, according to JLL.

COMPLETED SPACE ACTIVELY MARKETED



FUTURE COMPLETIONS



£55.50
PER SQ FT
EGi CONSENSUS RENT

EGi CONSENSUS RENT

EGi Consensus rent takes an average of the views of six leading commentators on the market for a 20,000 sq ft grade A unit let for 15 years.
Contributors: CBRE, Cushman & Wakefield, DJDeLoitte, DTZ, Jones Lang LaSalle, Savills.

TAKE-UP

Take-up (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	72,373	-60	-25.19	64
Premarketing	-	n/a	-100.00	-100
Secondhand	355,894	-52	-12.10	-31
Under Construction	29,500	n/a	n/a	-86
Total	457,767	-50	-22.16	-41

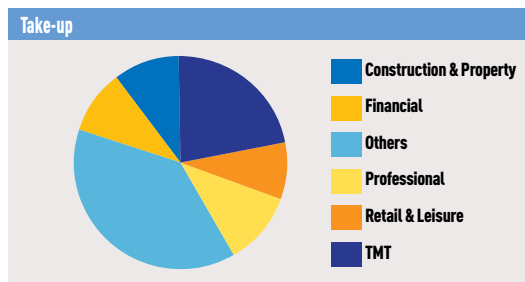
Take-up dipped in Q2 to just 460,000 sq ft, barely more than half the average quarterly total of 800,000 sq ft. There were no large lettings to boost the total and the total number of transactions was down too, at 77 in Q2, compared with 87 in Q1 2012. The difference in units over 10,000 sq ft was most marked; there were 17 in Q1 and only eight in Q2.

The largest unit let in the West End, as defined by EGi, was 29,500 sq ft let to Debenhams at 10 Brock Street, North East Quadrant, NW1. There was 81,400 sq ft prelet to Macmillan Publishers at Regent Quarter, N1, but because Regent Quarter falls outside the EGi definition of West End – it is classified as “north central” – it is not included in the statistics for West End. It is nevertheless part of the wider West End market.

Otherwise, there was 26,200 sq ft let to Statoil in Paddington Central, 2 Kingdom Street, W2, and 25,000 sq ft in Maple House, Tottenham Court Road, WC1, let to Informa Group. In fact, all these deals lie outside the core West End market and demonstrate the way that new locations on the periphery, which are part of multi-building developments with public realm, have become accepted alternatives to more traditional locations where, for many occupiers, rental levels are now prohibitive.

Most of the space let this quarter was secondhand – 360,000 sq ft of the 460,000 sq ft let. But that too ran well below the five-yearly average of 500,000 sq ft.

Occupiers in the TMT sector accounted for 22% of take-up in this quarter. The size of the “other” category is a reflection of the diversity of business types that populate this market, especially when the profile has not been influenced by a small number of disproportionately large transactions. Retail/leisure and financial, both of which have, at times, dominated take-up in the West End, accounted for around 10% each in this quarter.



WEST END



Maple House, 149 Tottenham Court Road, W1: 25,000 sq ft let to Informa Group



23 Savile Row, W1: 8,900 sq ft let to Sapinda UK at £110 per sq ft

SUPPLY

Supply (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	538,820	-50	-2	3
Premarketing	1,344,562	12	22	100
Secondhand	2,929,084	-45	-20	-5
Under Construction	1,053,762	96	23	27
Total	5,866,228	-28	-5	15

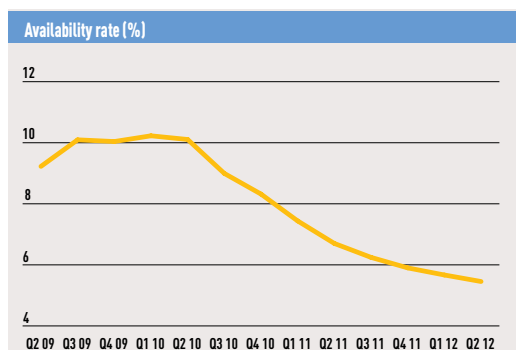
Supply increased by 15% in Q2, taking the total available to 5.87 million sq ft. That included a big increase in space being marketed before construction has begun, which doubled over the quarter from 650,000 sq ft in Q1 to 1.3 million sq ft. Most of the increase is explained by the 565,000 sq ft development site at Victoria Circle, Terminus Place, Wilton Road, SW1.

The amount of space being marketed while under construction has also risen in this quarter, from 830,000 sq ft, to more than one million sq ft. There are five buildings with more than 100,000 sq ft on the market and still under construction: Triton Building, North East Quadrant (165,500 sq ft still available); Park House, Park Street, W1, (163,000 sq ft); Ashdown House, 123 Victoria Street, SW1, (162,000 sq ft); 1 Howick Place (139,000 sq ft) and 2-16 Baker Street, W1, (123,250 sq ft).

The largest existing but newly built space available in this market is still 5 Merchant Square, W2, in Paddington, where there is 97,300 sq ft to let and 80,000 sq ft remains available in AirW1. After that, the largest ready-to-occupy unit of new build space is the remaining 50,000 sq ft in 2 Kingdom Street, Paddington Central, W2.

During Q2 2012, the availability of secondhand space dipped below three million sq ft. It has been in decline since mid 2010, when it stood at 5.1 million sq ft.

AVAILABILITY RATE

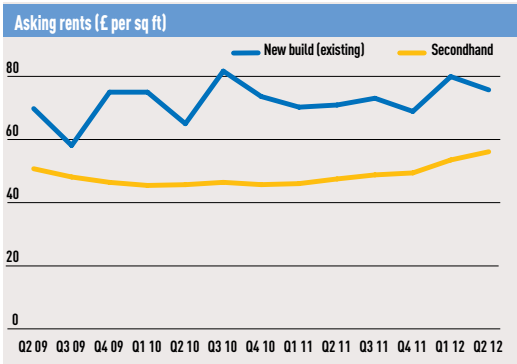


The availability rate in the West End has fallen further this quarter to 5.5% from 5.7% in Q1. This is a level that we would expect to drive rental growth, particularly as parts of the market are more constrained that this figure would suggest. The increase in space being premarketed will go some way to relieve the pressure, and there is increasing evidence of occupiers shifting to less constrained locations.

42%

DECLINE IN TAKE-UP SINCE Q1

ASKING RENTS



The average asking rent for newly built space in the West End was £75.75 per sq ft at the end of Q2 2012. This was lower than Q1 but reflects the nature of the stock on the market rather than a trend in rental value.

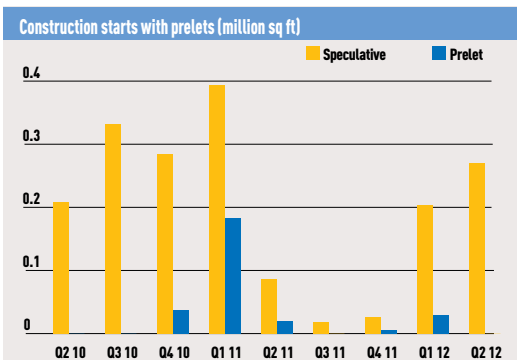
The EGi Consensus rent survey had rents ranging from £56.75 per sq ft in Paddington to £97.50 per sq ft in Mayfair and St James's.

CONSENSUS RENT TABLE

Location point	Rent per sq ft	Rent-free period (months)
Mayfair/St James's	£97.50	17
Victoria	£63.50	21
Soho	£66.00	20
Paddington	£56.75	20

Based on the average of views expressed by: CBRE, Cushman & Wakefield, DJDeLoitte, DTZ, JLL, Savills.

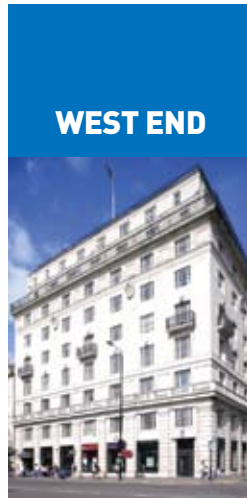
CONSTRUCTION STARTS



There was 270,000 sq ft of new development started in Q2 2012 in the West End. This is broadly in line with historic rates of development. Construction starts have averaged 840,000 sq ft pa between 2005 and 2010.

The largest scheme initiated in Q2 was in 5&6 St James's Square, and 10-11 Babmaes Street, W1, where Exemplar is refurbishing the former Rio Tinto headquarters building to create 130,000 sq ft of office space, as well as 13 residential units and an art gallery. Work will be completed during 2013.

Other developments begun in Q2 included a 30,000 sq ft refurbishment of 8-10 Hanover Street, W1 and 87,500 sq ft at 66-68 Seymour Street, W1.



Stratton House, 3 Stratton Street, W1: sold to a German consortium for £166m



68-74 Wigmore Street, W1: 13,200 sq ft let to Dar Al-Handasah

In total, there was 1.95 million sq ft under construction in the West End, of which 254,000 sq ft had been prelet and 1.7 million sq ft was still available. Some 590,000 sq ft was scheduled for completion in the remainder of 2012 and 1.02 million sq ft in 2013. The largest unit under construction is 340,000 sq ft at Triton Building, North East Quadrant, NW1, where 165,000 sq ft was available.

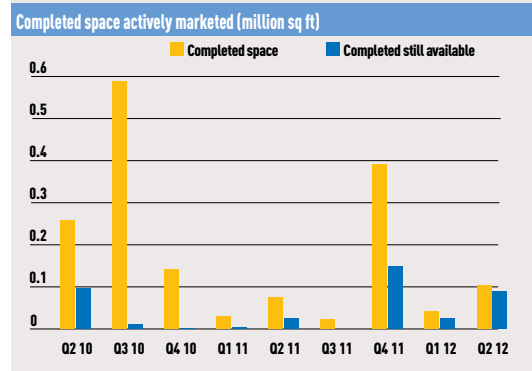
INVESTMENT

Three freehold sales (Stratton House, 3 Stratton Street, W1; Queensberry House, 3-9 Old Burlington Street, W1; and 99 Great Portland Street, W1) accounted for almost 60% of the 292,880 sq ft of office space sold in 18 transactions in Q2. Stratton House was bought by a German consortium for £166m and Queensberry House was sold to an overseas investor for £167m. Howick Place Post Office, 7 Howick Place, with a little under 9,000 sq ft of office space, attracted a price in the region of £55m, boosted by its residential and exhibition space.

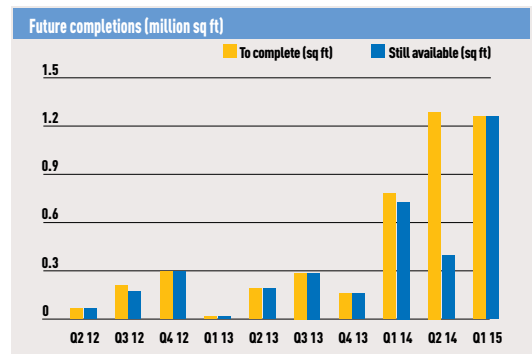
According to JLL, prime yields for sub-£10m lot sizes remained stable at 4%, where they have been for the past two years. For larger lots, JLL reports that yields have been driven down by scarcity and volatility in the eurozone and are now sub-4.5% in the heart of the market. Beyond the core they are around 5%. JLL reports a rise in demand, particularly from investors seeking to diversify out of the euro, but supply is limited.

The highest bid for 23 Savile Row, W1, a 100,000 sq ft office building, is rumoured to be at a yield of 3.7%.

COMPLETED SPACE ACTIVELY MARKETED



FUTURE COMPLETIONS



£97.50
PER SQ FT
EGi CONSENSUS RENTS

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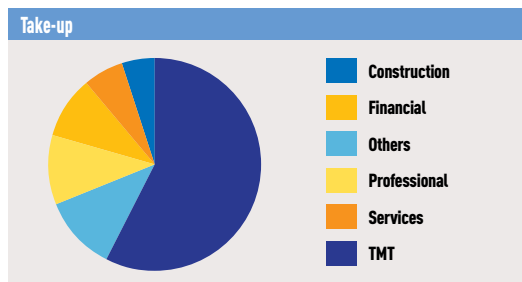
TAKE-UP

Take-up (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	183,063	33	-19	983
Premarketing	-	n/a	n/a	n/a
Secondhand	134,185	-48	-24	-47
Under Construction	-	-100	n/a	n/a
Total	317,248	-22	-21	17

Take-up picked up in Q2 but it remained a relatively quiet quarter. 317,250 sq ft was let – a 17% improvement on Q1 but still below the five-year average for this market, which is 380,000 sq ft.

180,000 sq ft of space let had been recently built or refurbished, further reducing the availability of grade A stock. Two major lettings were completed in 2 Waterhouse Square, EC1. The first, to Skype, was for 89,000 sq ft and the second, to Weber Shandwick, was for 63,750 sq ft. Between them, these two transactions accounted for almost half the space let in the quarter.

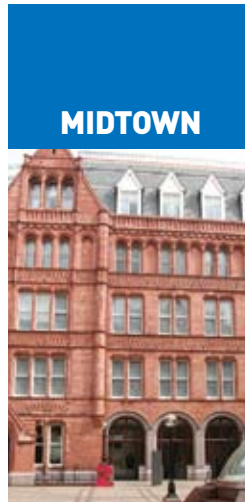
Driven by the two large deals in Waterhouse Square, TMT dominated the breakdown by sector, accounting for 60% of all space taken in the quarter. All other sectors were dwarfed, although professional and financial made up around 10% each.



SUPPLY

Supply (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	231,960	-68	14	-36
Premarketing	981,058	20	22	1
Secondhand	2,035,526	-27	-15	-11
Under Construction	359,379	40	-17	-27
Total	3,607,923	-21	-6	-12

3.6 million sq ft was available at the end of Q2 2012, a decline over the quarter of 12%. The supply of new built or refurbished space fell by more than a third and just 232,000 sq ft remains on the market. The amount under construction also fell, by 27%, leaving 360,000 sq ft on the market. Even secondhand space declined over this quarter, reinforcing the view that is increasingly prominent in this market, that it is supply-constrained. Following the substantial lettings in Waterhouse Square, the largest new, ready-to-occupy building is 1 Kingsway, WC2, where 54,700 sq ft is available.

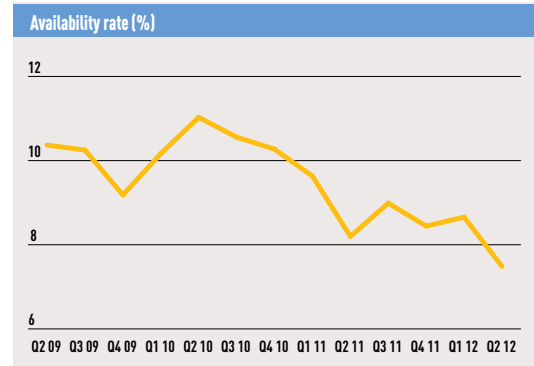


2 Waterhouse Square, EC1:
89,000 sq ft let to Skype and
64,000 sq ft to Weber Shandwick



**Nexus Place, 22-25
Farringdon Street, EC4:**
14,500 sq ft let to HTC Europe

AVAILABILITY RATE



The availability rate was 7.5% at the end of Q2, having fallen from 8.7% in Q1. It remains well above the low point in 2007, when it dropped to 5% and triggered a spike in new development.

ASKING RENTS

The average asking rent has fallen in Midtown since Q1, from £53.25 per sq ft to £49.00 per sq ft. This probably reflects the changing composition of the sample following the letting of a substantial volume of grade A space in Waterhouse Square.

The EGI Consensus rent survey found that the average view of rental value for space around Chancery Lane was £52.50 per sq ft with 24 months rent-free and in Covent Garden it was £62 per sq ft with 12 months rent-free.

CONSTRUCTION

No new construction began in Q2 and, in fact, there have been no developments put under construction in this market in the year to date.

There is 410,000 sq ft under construction and scheduled for completion later in 2012 or in 2013, but, so far, nothing in the pipeline for 2014. Since 2007, when 880,000 sq ft of development was started in Midtown in a single year, the volume of development starts has dropped to around 250,000 sq ft per annum, representing less than 1% of total stock.

Freshwater Group is refurbishing Africa House, 64-78 Kingsway, WC2, which has 147,000 sq ft of office space and it is the largest unit under construction. The largest new building being developed is Hines' Chichester House, 278-282 High Holborn, WC1, (63,200 sq ft).

INVESTMENT

Just under 475,000 sq ft changed hands in Q2. The largest building was Aviation House (St Martin's Court), 125-129 Kingsway, WC2, where the freehold sold for £100m – it is fully let to the Food Standards Agency until 2025.

The 87,000 sq ft 1 Southampton Row was sold in an off-market deal by Grandsoft to Deka Immobilien for £110 m. The long leasehold of 21 Tudor Street was sold by Lanebridge Investment Management to AFIAA for £73m, representing an initial yield of 5.4%.

£62.00
PER SQ FT
EGi CONSENSUS RENTS

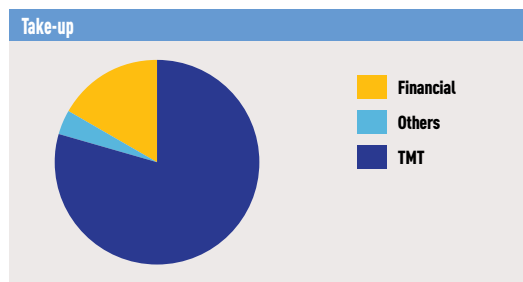
TAKE-UP

Take-up (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	-	-100	n/a	n/a
Premarketing	-	n/a	n/a	n/a
Secondhand	78,235	-69	186	-26
Under Construction	-	n/a	n/a	n/a
Total	78,235	-70	186.29	-26

There was very little market activity in Docklands in Q2. Just 78,250 sq ft was let in seven transactions, all of which were classified as secondhand, although five of the seven were grade A. The largest was 45,000 sq ft let to The Economist Group in 18-20 Cabot Square, E14, in former Barclays Capital space on the fifth floor of the building.

In the only other deal over 10,000 sq ft, Metlife Investments took 13,000 sq ft in One Canada Square, E14, on part of the 34th floor.

On this very small sample, the dominant take-up sector was, inevitably, TMT, since The Economist, as a publishing group, would fall within "media".



SUPPLY

Supply (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	212,843	-62	-49	0
Premarketing	3,600,024	-39	-22	0
Secondhand	1,275,953	-19	2	5
Under Construction	287,743	-53	-53	-26
Total	5,376,563	-38	-22	-1

There was virtually no change in the amount of space available in Docklands between Q1 and Q2. 5.4 million sq ft was being actively marketed in Docklands, of which 3.6 million sq ft was being premarketed. The stock of new, ready-to-occupy space stayed at 213,000 sq ft, but it has been in decline over the past two years and is 60% lower than it was in 2010.

There was 1.2 million sq ft of secondhand space, of which more than one million sq ft is of grade A quality. The largest single grade A secondhand unit was 205,400 sq ft in 30 North Colonnade, and several units remained in 25 Canada Square.

DOCKLANDS

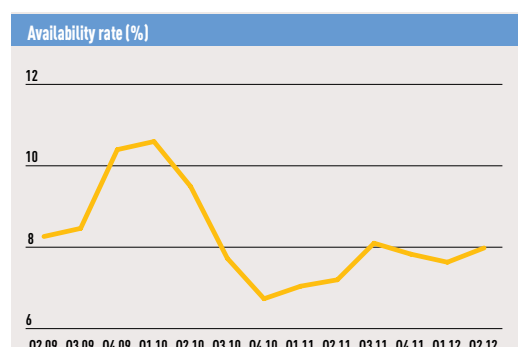


18-20 Cabot Square, E14:
45,000 sq ft let to The
Economist Group



One Canada Square, E14:
13,000 sq ft let to Metlife
Investments

AVAILABILITY RATE



The availability rate in Docklands was 8% at the end of Q2, a level at which we would expect rental growth to be triggered in a mature market, but Docklands is still a special case and supply of office space tends to be a lumpy commodity here.

ASKING RENTS

The average asking rent for newly built space was £35 per sq ft, but the large units available in Canary Wharf were offered at higher prices. The asking rents were £45 per sq ft in One Canada Square, £42.50 per sq ft in 30 North Colonnade and £39.50 per sq ft in 25 Canada Square.

The EGi Consensus rent survey recorded a rent for grade A space in Canary Wharf of £37.50 per sq ft.

CONSTRUCTION

25 Churchill Place accounts for all of the space under construction in Docklands. It is 576,000 sq ft in total and 247,000 sq ft has been prelet to the European Medicines Agency, leaving the balance as speculative development. There is nothing in the pipeline scheduled for completion this year or next and the only space currently planned for completion in 2014 is 25 Churchill Place.

INVESTMENT

There were no investment sales in Docklands in Q2 2012.

£37.50

PER SQ FT
EGi CONSENSUS RENTS

TAKE-UP

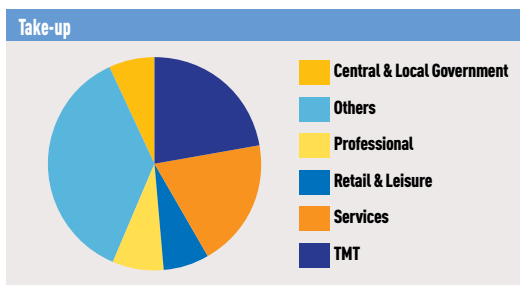
Take-up (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	16,700	-62	-48	-31
Premarketing	-	n/a	n/a	n/a
Secondhand	157,893	-42	5	-7
Under Construction	43,135	n/a	n/a	n/a
Total	217,728	-32	19	13

Take up was low again on the City fringe with just 220,000 sq ft let in Q2, meaning that the half year is well below trend. The five-year average rate of take-up in this market is 1.3 million sq ft and, to date in 2012, there has been just 410,000 sq ft let.

The largest unit let was 30,000 sq ft of refurbished space in International House, St Katherine's Way, E1, which was taken by QA Learning. Another 8,000 sq ft was let in the same building to Sitecore UK. Other space in the building is on the market at a rent of £39.50 per sq ft.

Yammer took 13,000 sq ft in 80 Great Eastern Street, EC2, a building at the heart of the Shoreditch market that is aimed at the creative and digital economies. Yammer fits the profile, being an "enterprise social network" business recently acquired by Microsoft. Further west, in Clerkenwell, The Design Council has taken 11,000 sq ft in the Angel Building on St John's Street, EC1.

The sector analysis shows a fairly broad cross section of occupiers in this quarter, with the majority falling into the "other" category. The most dominant single sector was TMT, which accounted for 22% of take-up in this quarter and services for 19%. The technology cluster in Shoreditch and Old Street is dominated by small start-up businesses, many of which employ fewer than five people, as found in the recent Centre for London research on "Tech City". It is interesting that Informa, which was located on the City fringe, has taken 25,000 sq ft in Tottenham Court Road, supporting the theory that technology businesses become more footloose as they grow.



SUPPLY

Supply (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	103,253	-72	-54	-24
Premarketing	1,858,796	-6	24	6
Secondhand	1,340,296	-35	-22	-16
Under Construction	527,926	199	-28	181
Total	3,830,271	-16	-8	4

There is 3.8 million sq ft available to let on the City fringe, of which 1.8 million sq ft is being premarketed and 530,000 sq ft is under construction. Thus ready-

CITY FRINGE



International House, St Katherine's Way, E1: 30,100 sq ft let to QA Learning Services



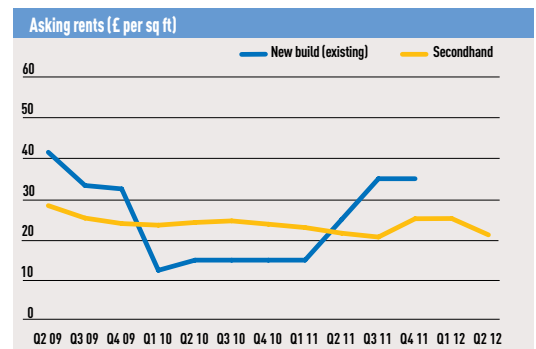
The Angel Building, St John's Street, EC1: 10,800 sq ft let to The Design Council

to-occupy space is far more limited than this total would suggest. There is 100,000 sq ft of newly built space still available, but it is all in small units and there is 1.34 million sq ft of secondhand space, some of which is grade A stock. One example is 66 Prescott Street, E1, where 103,000 sq ft remains available.

AVAILABILITY RATES

The availability rate at the end of Q2 was 6.6%. It has been declining steadily since 2009 and is now lower than at any time since 2005. There was an increase in space under construction in Q1, which has not been repeated in Q2, but the scale of space being premarketed shows the potential for large-scale supply and small refurbishments can be initiated and fulfilled relatively quickly.

ASKING RENTS



The average asking rent for secondhand grade A space is £21.21 per sq ft but there is no evidence for newly built space. However, the best of the grade A secondhand space at Exchange House, Exchange Square, EC2, is being marketed for £45 per sq ft, the same rent as at Aldgate Place, Buckle Street, E1, and 49 Clerkenwell Green, EC1, both of which are currently under construction.

The EGi Consensus rent survey uses Aldgate as its rental point and it was £36.75 per sq ft at the end of Q1 2012.

CONSTRUCTION

No new construction was started in Q2 2012. There is, however, 470,000 sq ft under construction, including some substantial buildings such as: 57,500 sq ft at 67 Wilson Street, EC2; 84,000 sq ft at 49 Clerkenwell Green, EC1; 72,000 sq ft at 1 Commercial Street, EC1; and 68,000 sq ft at 91 Brick Lane, E1.

INVESTMENT

IDT House, 44 Featherstone Street, EC1, (44,200 sq ft) was the only significant investment transaction on the City fringe this quarter. It was sold by IM Properties for £14.6 million, reflecting a yield of 9.4%.

£36.75
PER SQ FT
EGi CONSENSUS RENTS

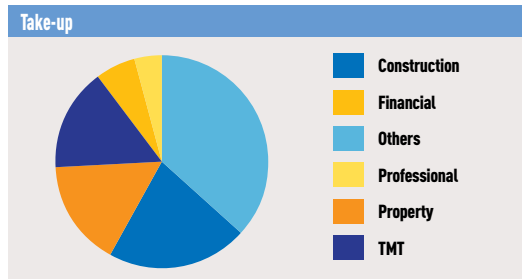
TAKE-UP

Take-up (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	-	-100	-100	-100
Premarketing	-	n/a	n/a	n/a
Secondhand	62,450	80	10	-5
Under Construction	-	n/a	n/a	n/a
Total	62,450	62	-11	-27

There was just 62,500 sq ft let on the South Bank in Q2 2012, taking the total for the year to date to 150,000 sq ft – well down on the five-year annual average of 630,000 sq ft per annum and similar to the level recorded in 2009. But this is a relatively immature office market which effectively operates on two levels – much of the stock is small-scale and grade B or refurbished historic buildings, but the statistics can be transformed by transactions in the zone of large grade A buildings fronting the river.

In this quarter, just 11,000 sq ft of the 62,500 sq ft let was classified as grade A and the balance was grade B. The largest transaction was the freehold sale of the 13,300 sq ft Francis House, 9 King's Head Yard, SE1, which was sold to Trustees of Guys & St Thomas's Charitable Foundation for their own occupation and has potential for extension. REC International took 10,100 sq ft in Dorset House, Stamford Street, SE1,

It is rumoured that Sellar Properties is close to agreeing a deal with Al-Jazeera for 30,000 sq ft in The Shard, SE1.



SUPPLY

Supply (sq ft)	Q2 2012	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	13,350	-83	-70	-11
Premarketing	412,893	-52	-13	0
Secondhand	562,741	-45	-48	-2
Under Construction	1,332,243	289	30	21
Total	2,321,227	1	-12	10

There was 2.3 million sq ft available at the end of Q2 2012 on the South Bank, but most of it was not available to occupy. 1.3 million sq ft was under construction and 413,000 sq ft was being premarketed at King's Reach Tower on Stamford Street, SE1.

560,000 sq ft is secondhand space, including 165,000 sq ft at 1 London Bridge and The Cotton Centre at London Bridge City, which was offered in several separate units.

SOUTH BANK

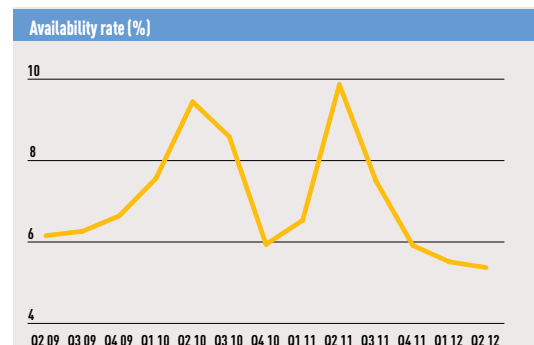


Dorset House, 27-45 Stamford Street, EC1: 10,100 sq ft let to REC International



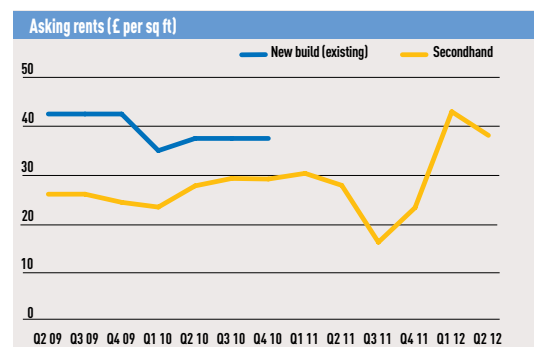
Francis House, 9 King's Head Yard, SE1: 13,300 sq ft let to Trustees of Guys & St Thomas's Charitable Foundation

AVAILABILITY RATE



The availability rate on the South Bank remained low at 5.4%. It will rise steeply as the current batch of developments is completed later in 2012 and in 2014 – assuming that they are not let before completion. The South Bank has functioned with a relatively low vacancy rate since 2005, at between 3.5% and 8%.

ASKING RENTS



There is no average asking rent calculated for this area. The EGi Consensus rent survey produced an average view of rental value for prime space at More London of £45.00 per sq ft with 22 months rent-free.

CONSTRUCTION

There were no new construction starts in Q2, but there is a substantial 1.3 million sq ft already under construction in this area. Apart from The Shard (580,000 sq ft offices) and The Place (430,000 sq ft), this includes: Sea Containers House, Upper Ground, SE1, (240,000 sq ft) and The Harlequin Building, 65 Southwark Street, SE1, (48,500 sq ft). The Shard and The Harlequin should both be completed in 2012, but the others are scheduled for 2013.

INVESTMENT

There were no investment transactions in this part of the market in Q2 2012.

£45.00
PER SQ FT
EGi CONSENSUS RENT