RESEARCH

CENTRAL LONDON

QUARTERLY – OFFICES **Q3 2017**

LEASING ACTIVITY AT HEALTHY LEVELS

VACANCY RATES FALL IN ALL MARKETS

CENTRAL LONDON YIELDS REMAIN STABLE

EDITORIAL

Brexit still dominates the headlines and a lack of certainty remains, yet businesses continue to acquire office space at levels above those we saw pre-referendum. So what exactly is going on?

Reading the business pages over the last quarter would have been unlikely to give even the most optimistic commentator much reassurance. There has been little positive news about the likely outcome of Brexit negotiations, the weakness of the pound continued to make doing business overseas expensive, and overall business confidence remained relatively low. The latest PMI survey showed the UK's services sector fall to an 11-month low of 53.2 in August, although the score still suggests growth in activity. At the same time, Lloyds Bank's Business Barometer showed business confidence at its lowest level since immediately after the referendum, rising slightly in September.

Against this backdrop, we would expect to see occupiers placing real estate decisions on hold, resulting in significantly depressed levels of leasing activity across the capital over the summer.

In reality, we experienced the opposite. In the West End, take-up reached its highest level since before the Global Financial Crisis, boosted by three transactions in excess of 100,000 sq ft. In the City, overall take-up fell to below-average levels although the 1.6 m sq ft that was recorded was certainly well above the corresponding quarter last year, which saw just 1.2 m sq ft of space leased.

So how do we explain occupier demand levels?

A good place to start would be the Central London supply pipeline. In the City, speculative construction activity is 43% above average levels, although one-third of this space will not be delivered until 2020. For larger occupiers seeking accommodation for occupation in 2018 and 2019, the options are limited; average annual take-up of new and refurbished space is 2.8 m sq ft, almost the same as the total speculative space currently under construction for delivery in 2018-2019.

In the West End, the large occupier looking to move over the next two years will have even fewer options. Given average annual take-up of new and refurbished space is 1.5 m sq ft, it seems unlikely that the 830,000 sq ft being delivered between now and the end of 2019 will keep pace with demand.

We explore the lack of large-unit options for Central London occupiers in more detail later in this report. However, the limited pipeline is driving occupiers, particularly in the West End, to activate searches well in advance of lease events to ensure that they leave themselves the widest choice possible. This certainly goes some way to explain the solid levels of occupier activity.

There has been considerable attention given to the possibility of businesses moving overseas as a result of Brexit; a recent survey of UK decision makers by the Bank of England found that almost 80% of companies predict that there is zero probability of moving UK operations abroad as a result of Brexit. Larger firms or those with international exposure were more likely to consider a move abroad. However, actions speak louder than words, as demonstrated by Deutsche Bank's decision to pre-let almost 550,000 sq ft at Land Securities' 21 Moorfields scheme, although the deal remains subject to planning.

Analysis of our data suggests that leasing activity will remain stable at least until the end of the year. At the end of the third quarter, we were tracking almost 3.8m sq ft of space under offer in Central London; should this all transact in the final quarter, it would represent the strongest finish to a year since 2014.

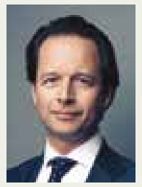
I would suggest that these figures indicate strong business confidence in London's long-term future, even if surveys suggest confidence with today's situation is weak. Despite the uncertainty surrounding our exit from the EU, London's businesses continue to commit to leases. In fact, over the last 12 months London businesses have acquired 14% more office space than in the year prior to the referendum.

The future may be uncertain, but London clearly remains the place to be for global businesses.

"Despite Brexit uncertainty, London's businesses have acquired 14% more space in the last 12 months than the year prior to the referendum."

PATRICK SCANLON
Head of Central London Research

CENTRAL LONDON VIEW

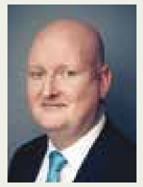


STEPHEN CLIFTON
HEAD OF CENTRAL LONDON OFFICES

"London remains the destination of choice for overseas capital as the currency advantage and the capital's safe-haven status continues to draw investors. The solid performance of the leasing market during 2017 has strengthened our outlook for the market's performance the coming year."

DAN GAUNT
HEAD OF CITY AGENCY

"Supply in the City fell significantly during the third quarter as take-up started to outpace the delivery of new space to the market. The delivery of speculative space over the next two years will be well below average, which will limit options for larger occupiers."



IAN MCCARTER
HEAD OF WEST END AGENCY

"Despite witnessing near-record levels of take-up driven by large pre-lets in the third quarter, landlords' focus remains on minimising leasing voids in existing stock. The lack of supply coming to the market will help buoy prime rental levels, but there are still concerns over the depth of occupier demand, particularly in the Core market."

NICK BRAYBROOK
HEAD OF CITY CAPITAL MARKETS

"The City has seen supply increase to near-record levels in response to the ongoing strength of demand and pricing achieved from overseas purchasers for large, prime assets. There seems to be no sign of prime yields softening, but this surge in supply will undoubtedly test the prime end of the market."

ANTHONY BARNARD
HEAD OF WEST END CAPITAL MARKETS

"Turnover was particularly muted in the third quarter, down 41% to £0.67bn when compared to the same quarter last year. This was primarily as a result of a paucity of supply with the two largest transactions accounting for almost half of all sales. Demand remains strong, with substantial competition for Core assets maintaining premium values."

RICHARD PROCTOR
HEAD OF CENTRAL LONDON TENANT REPRESENTATION

"Occupiers have forged ahead with relocation plans despite the backdrop of Brexit uncertainty, representing a positive endorsement of the capital as a long-term destination for global business. For larger tenants, the number of options are reducing which has led to requirements being activated far earlier than would normally be seen. Deutsche Bank's pre-let underscores these trends."

"Take-up in Q3 reached 1.65 m sq ft, 43% above the long-term average and the highest level of activity recorded since Q2 2006."

FIGURE 2
West End availability
(million sq ft)

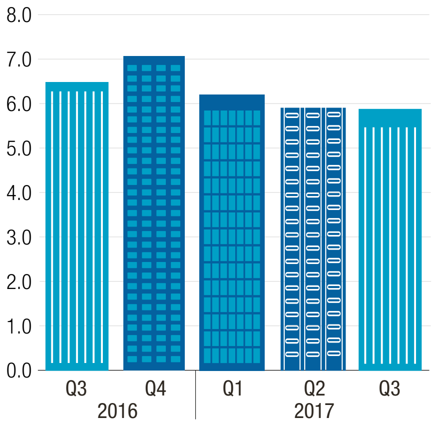
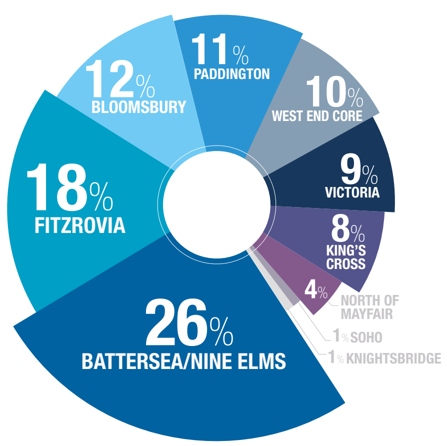
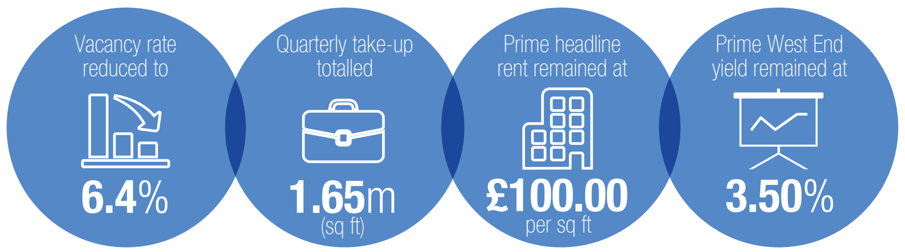


FIGURE 3
West End under construction by submarket
Q3 2017



WEST END



Take-up

Take-up in the West End during the third quarter increased 33% from 1.24 m sq ft in Q2 to 1.65 m sq ft in Q3. This is the highest level of activity recorded since Q2 2006, 43% above the long-term average. Take-up of new and refurbished stock saw a significant increase during the quarter, more than double the level recorded in Q2 and accounting for 53% of total take-up.

The largest deal was Dentsu Aegis's acquisition of circa 310,000 sq ft at Triton Square, NW1. The TMT sector was by far the most active sector during Q3, accounting for 42% (33% in Q2), followed by the corporate sector with 23% and the professional sector with 14%. The flexible office sector continues to strengthen across all markets, acquiring 350,000 sq ft in the West End this year.

Active requirements

Total active requirements increased 5% quarter-on-quarter to 2.3 m sq ft in Q3, 21% above the long-term average of 1.9 m sq ft. The TMT sector saw a significant increase (22%) in the West End, followed by the financial (12%) and professional sectors. The TMT sector accounts for nearly half of all active demand in the West End.

Supply & development

Availability across the West End fell for the third consecutive quarter from 5.9 m sq ft in Q2 to 5.5 m sq ft in Q3, the lowest level recorded since Q2 2016 and marginally below the long-term average of 5.6 m sq ft. There are just four buildings that could offer an occupier over 100,000 sq ft, three of which are located at White City Place, W12. Occupiers seeking larger lot sizes will need to look at new and emerging markets to fulfil their requirement. The vacancy rate in the West End is now 6.4%.

There is currently 2.1 m sq ft under construction in the West End, just 60,000 sq ft is still to complete this year. Over half (54%) of all space under construction has already secured a pre-let. There are just two buildings under construction over 100,000 sq ft, which are due to complete next year; The Post Building, WC1 and the refurbishment of Westminster City Hall, SW1.

Prime rents and incentives

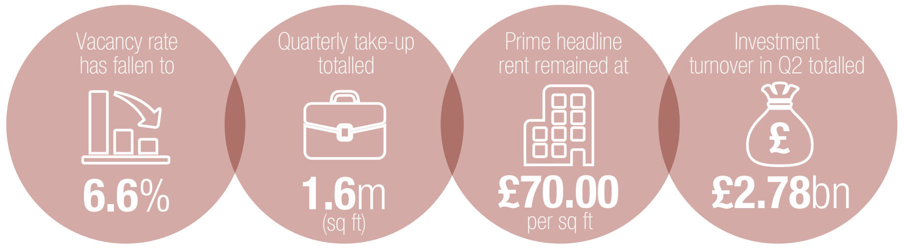
In the West End, the prime rent remained at £100.00 per sq ft for the second consecutive quarter. Rent free periods remained at 21-24 months on a typical 10-year lease.

Investment

West End turnover in Q3 2017 totalled £674 m, significantly below the £1.2 bn recorded in Q2 and 46% below the long-term average. However, there were 19 transactions during the quarter, up from 14 recorded in Q2, although just two transactions over £100 m. Supply is limited for all lot sizes, with just £1.5 bn currently on the market.

The largest transaction of the third quarter was the sale of 100 New Oxford Street, WC1, purchased by AEW Europe LLP and Thor Equities. The asset was sold for £180 m, reflecting a NIY of 3.6% and a capital value of just over £1,097 per sq ft. International buyers continue to account for the majority of market activity in the West End, reflecting 86% of the market share by value. Nearly half of all transactions during the quarter were by private investors, although focussed on smaller lots sizes of less than £50 m. The prime yield in the West End remained at 3.50%.

CITY



Take-up

Take-up for the third quarter of 2017 totalled 1.6 m sq ft, down 16% from the previous quarter, but, 33% up on the same quarter last year. There was healthy growth (37%) in the Core, totalling 860,000 sq ft, the highest level since Q4 2016. Although not yet reflected in our current figures, the pre-letting of 21 Moorfields, EC2, totalling circa 550,000 sq ft, will have a positive impact on take-up, and on the City market.

The largest transaction in the City during the quarter was the letting of 89,000 sq ft to Fotografiska at The White Chapel Building, E1. It is the first time in over a year that we have seen no deals over 100,000 sq ft in the City. The TMT sector was the most active in Q3 accounting for 29% of known acquisitions, followed by the business-to-business sector with 18%.

Active requirements

Active demand totalled just over 4.0 m sq ft during the third quarter of 2017, down from 4.6 m sq ft in Q2. The financial sector accounted for 30% of total active demand followed by the TMT sector with 24%.

Supply & development

Supply in the City market fell for the first time this year from 8.8 m sq ft to just under 8.0 m sq ft, a fall of 10% quarter-on-quarter. Current levels of availability are now 15% below the long-term average of 9.4 m sq ft. The vacancy rate is now 6.6%, the lowest level since Q4 2016. The supply of new and refurbished space fell to 3.0 m sq ft, 14% below the long-term average.

There is currently 8.8 m sq ft under construction in the City; 3.2 m sq ft of this is already committed. There has been 3.4 m sq ft complete so far this year, with a further 900,000 sq ft due to complete by the end of the year; the largest scheme totalling circa 276,000 sq ft is the refurbishment of 3 Minster Court, EC3. There are just two other schemes that could offer an occupier over 100,000 sq ft that are due to complete this year; 8 Salisbury Square, EC4 and One Poultry, EC2, the latter under offer to WeWork.

Prime rents and incentives

The prime rent remained stable at £70.00 per sq ft for the eighth consecutive quarter. Rent free periods have remained at 24 months on a typical 10-year term certain.

Investment

Investment turnover totalled £2.8 bn during the third quarter across 31 deals, an increase of 18% quarter-on-quarter and 56% above the long-term average of £1.8 bn. Overseas purchasers accounted for 94% of all transactions by value although domestic purchasers remained reasonably active within the smaller lot size range, accounting for over a third of all deals by number.

There were five transactions over £100 m, all of which involved Middle Eastern or Hong Kong capital. Far Eastern investors were the most active accounting for close to £2 bn reflecting 70% of turnover by volume. The largest deal of the quarter was the sale of 20 Fenchurch Street, EC3, purchased by LKK Health Products Group for nearly £1.3 bn, which reflected a NIY of 3.46% and a capital value of £1,799 per sq ft.

Availability was up 20% on Q1 at £4.95 bn, with £1.99 bn (40%) of this figure being under offer. 80% of all availability is attributable to 11 substantial properties of over £100 m which were either available or under offer at the quarter end. The prime City yield remained at 4.25% (non tower).

"Investment turnover totalled £2.8bn during Q3, an increase of 56% above the long-term average."

FIGURE 4
City take-up
(million sq ft)

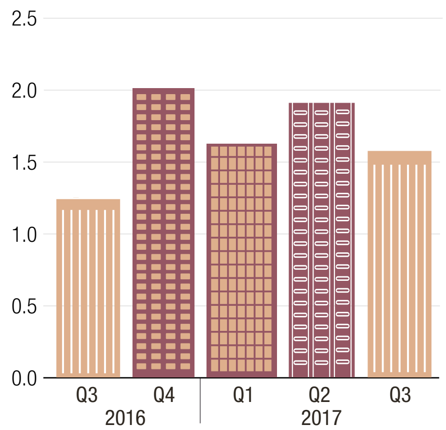
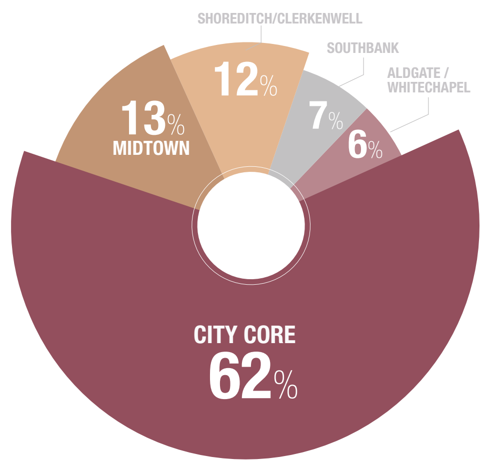


FIGURE 5
City under construction by submarket
Q3 2017



CENTRAL LONDON: SUPPLY REVIEW

Since the announcement that Britain decided to leave the EU in June last year, it was anticipated that we might see the number of occupier requirements fall away. This has not been the case.

- UNPRECEDENTED NUMBER OF OCCUPIER REQUIREMENTS ACROSS CENTRAL LONDON OVER 50,000 SQ FT
- STEADY DEMAND FOR NEW AND REFURBISHED STOCK PUTTING PRESSURE ON THE SUPPLY OF LARGER UNITS IN MANY CENTRAL LONDON SUB-MARKETS
- OCCUPIERS MUST ACTIVATE SEARCHES WELL IN ADVANCE, AS NEARLY HALF OF ALL DEALS OVER 50,000 SQ FT TRANSACT PRE OR DURING CONSTRUCTION

At the end of Q3 2017 active demand was 7% above the long-term average of 7.9 m sq ft.

Occupiers are still committing to London, and continuing to pursue large office units to satisfy their requirements. There is particular pressure on the availability of units above 50,000 sq ft, with options for occupiers becoming increasingly limited.

Knight Frank is currently tracking over 50 active requirements in excess of 50,000 sq ft across the Central London market. Over the last 10 years, the average number of active requirements above 50,000 sq ft at year-end has never peaked above 44.

Over the last 10 years across Central London, there has been an average of 17 transactions over 50,000 sq ft complete in a 12-month period, with 20 transactions completing in 2016. As at the time of writing, there have already been 17 units of this size transact so far this year.

Since 2007, nearly 63% of deals over 50,000 sq ft have been of new and refurbished stock, maintaining the pressure we have seen recently being placed on the development pipeline. Furthermore, it is also important to note that 42% of these sizeable deals have transacted either before or during construction.

As the size of the requirement increases above 50,000 sq ft, the number of options begins to quickly decline. This is certainly the case in the West End, with particular sub-markets simply unable to offer any sizeable units to larger occupiers. The majority of larger units are currently located in the City Core and new and developing markets such as Stratford, White City and Battersea.

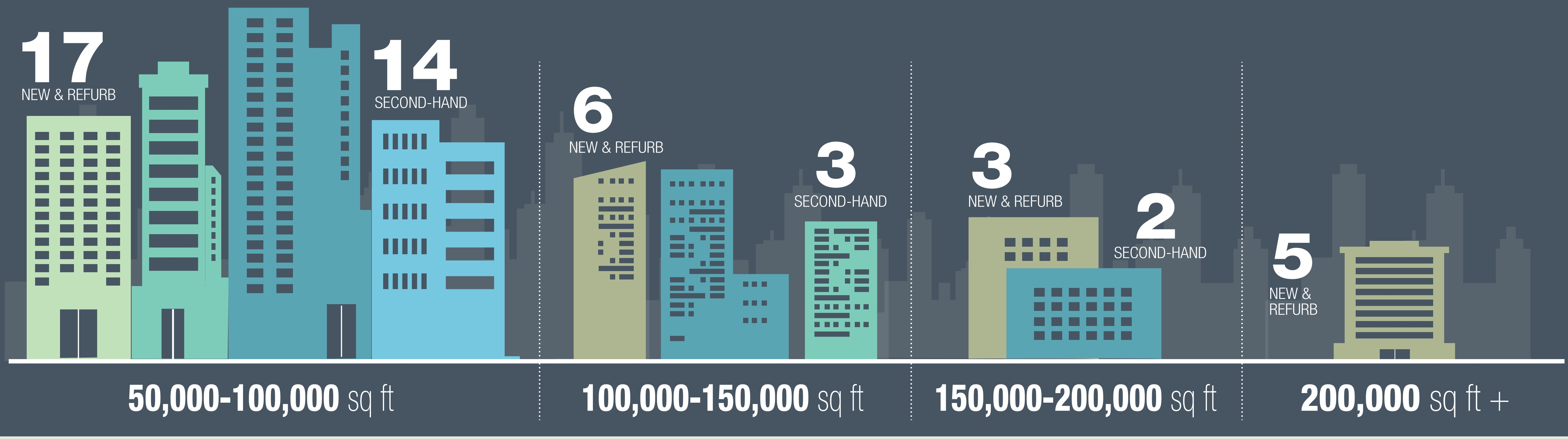
There are currently 24 unique requirements for units in excess of 100,000 sq ft across Central London; 13 of these are focussed on options in the City market. At the end of Q3, there were 19 buildings capable of satisfying such a requirement.

Options are limited outside the City Core for large occupiers but Central London's traditional boundaries are expanding. Commercial occupiers are increasingly footloose with many more relocating to a different submarket compared with five years ago, with the focus now much more on the delivered product and price. With the right product available, Central London has become open to all industry sectors as well as offering opportunities to new and emerging sectors. The restricted pipeline will continue to push occupiers and developers to look at the expanding Central London market.

We are yet to see the full implications of Brexit, but with consistent levels of demand, coupled with downward pressure on future stock, we believe supply has most likely peaked. Occupiers looking for sizeable units, especially of new and refurbished stock, should be open to considering other parameters outside of pricing, including location, product and lease type.

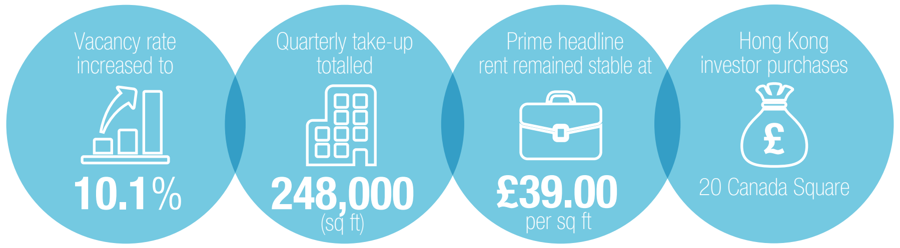
Options for large occupiers are diminishing in Central London, firms must look to launch their office search well in advance of future lease events to maximise their chances of securing suitable accommodation.

CURRENT AVAILABILITY OF 50,000 SQ FT OPTIONS Q3 17



DOCKLANDS

"The Docklands market has attracted significant occupier interest, and there are still three active requirements over 100,000 sq ft."



Demand

Take-up in the Docklands market during Q3 totalled just under 248,000 sq ft, albeit the majority of activity was in Stratford, accounting for 95% of take-up during the quarter. The largest deal of the quarter was the letting of nearly 130,000 sq ft at S9, Stratford, E20, to Cancer Research UK. The British Council also acquired a sizeable unit in the same building totalling just under 75,000 sq ft.

There has been 330,000 sq ft of take-up so far this year, with a further 163,000 sq ft currently under offer.

Active requirements

Despite the low levels of take-up in this submarket, total active requirements in Docklands increased for the third consecutive quarter to 729,000 sq ft, 9% above the level recorded in Q1 and nearly double the long-term average. The largest source of demand came from the public sector totalling 465,000 sq ft.

The Docklands market has attracted significant occupier interest, and despite the completion of the deals to Cancer Research and British Council, there are still a number of active requirements over 100,000 sq ft. These include HMRC, Competition & Market Authorities, BGC Partners and WeWork.

Supply & development

Supply in Docklands has continued to rise during the year and Q3 saw levels increase 20% from 1.5 m sq ft in Q2 to 1.8 m sq ft in the third quarter. This majority of this increase can be attributed to the inclusion of the new supply stock in Stratford. The current vacancy rate in Docklands is 10.1%.

The vast majority of availability of office space in Canary Wharf continues to comprise second-hand stock, with no new or refurbished supply on the market since Q1 2016. Levels of supply in Canary Wharf, pushed over 1.0 m sq ft for the first time since Q3 2014.

The commercial pipeline remains particularly tight with 900,000 sq ft under construction and due for completion by the end of 2019; 280,000 sq ft is already pre-let to Société Générale. There are a number of other development sites capable of being delivered in 2019, but are likely to remain on hold until a pre-let is secured.

Rental profile

The prime headline rent remained stable at £39.00 per sq ft for the eighth consecutive quarter.

Investment

There was one investment transaction that completed during the third quarter; 20 Canada Square was purchased by a Hong Kong investor for £410 m, which reflected a NIY of 5.35% and a capital value of £705 per sq ft.

The lack of stock in this market will continue to influence the investment figures; however, we have seen 1 Westferry, E14, come to the market at a quoting price of £122.5 m and more recently the sale and leaseback of 15 Canada Square from KPMG, quoting £400 m.

FIGURE 6
Docklands availability
(million sq ft)

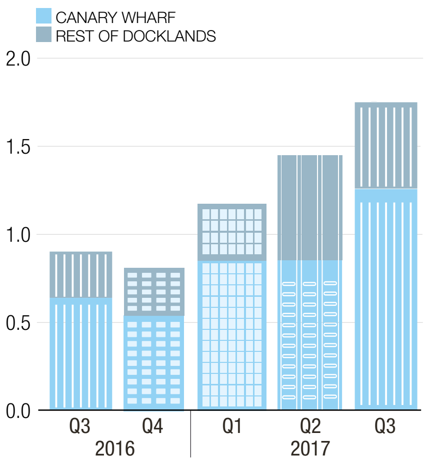
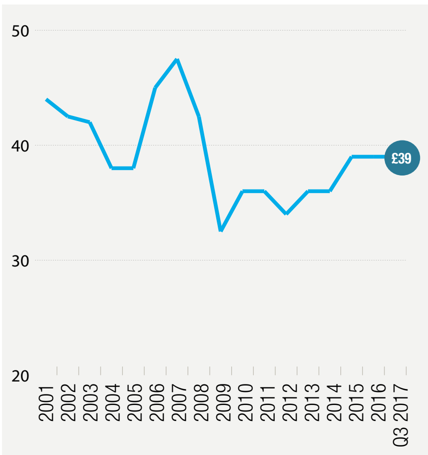


FIGURE 7
Canary Wharf prime headline rents
£ per sq ft



CENTRAL LONDON

Summertime is always the best of what might be – Charles Bowden

There is an accepted wisdom that the Central London market tends to slow down during the summer months, accelerating again in the final quarter of the year as deals are pushed over the line before Christmas. In reality, this is rarely the case; in fact in the last 10 years, there have only been two occasions when the third quarter take-up has been lower than the second quarter.

This latest quarter followed trend, recording the highest level of leasing activity so far in 2017. Take-up for the quarter totalled 3.5 m sq ft, 12% above the long-term average and 27% higher than the same quarter last year.

Unusually, leasing volumes were boosted by large deals in the West End, which saw three transactions in excess of 100,000 sq ft and accounted for almost half of all London take-up. For the first time in over a year, the City failed to record any transactions greater than 100,000 sq ft, although there are a number of large units under offer which will boost volumes as we head towards the year-end.

Turning to supply, vacancy rates fell across all markets as the relatively weak development pipeline began to take effect. The Central London vacancy rate is now 6.8%, down from 7.1% the previous quarter. Interestingly, despite Brexit worries the Central London vacancy rate hasn't been above the long-term average level of 7.2% since 2013.

There is little chance of the downward trend in availability changing direction in the short to medium-term. The development pipeline for 2018 and 2019 is particularly thin; there is 4.4 m sq ft under construction speculatively and due for delivery in 2018 and 2019. This is roughly equivalent to a single year's take-up of new and refurbished space at average levels and way below the 5.6 m sq ft which has been leased in the last 12 months. In addition, there is little reason to anticipate any significant release of second-hand space to the market from distressed tenants.

Despite this, the tone in the market remains cautious. Landlords remain focused on minimising voids, and larger tenants, aware of the impending supply restrictions, are acting early to maximise choice. For now, this has stabilised prime headline rents, although in the West End, the Core market is expected to see contraction towards the year-end; demand for non-trophy prime space remains subdued, although outside the Core demand is healthy.

In the investment market, prime yields remained stable in both the City and West End as demand remained strong. Overseas investors continued to dominate, accounting for 92% of all purchases by volume at a Central London level.

Availability rose significantly as vendors sought to capitalise on the weight of money chasing London assets, and the lower yields set by trophy acquisitions earlier in the year. In the West End, availability rose to £1.7bn, almost four times higher than at the same point last year, while in the City levels are double the average.

Despite Brexit, the London investment market remains a safe-haven for overseas capital, with diversification from the dollar and the currency advantage offered by the weak pound increasing the city's attractiveness. Despite the well-publicised capital outflow restrictions imposed by the Chinese government, the region accounts for the majority of overseas investment with Hong Kong purchasers most active. This is unlikely to change in immediate future.

As we head towards the year-end, the fundamentals of the London commercial real estate market remain sound. However, the effects of developments in the wider economy, particularly Brexit, cannot be under-estimated and will continue to weigh on sentiment.

"As we head towards the year-end, the fundamentals of the London commercial real estate market remain sound."

PATRICK SCANLON
Head of Central London Research

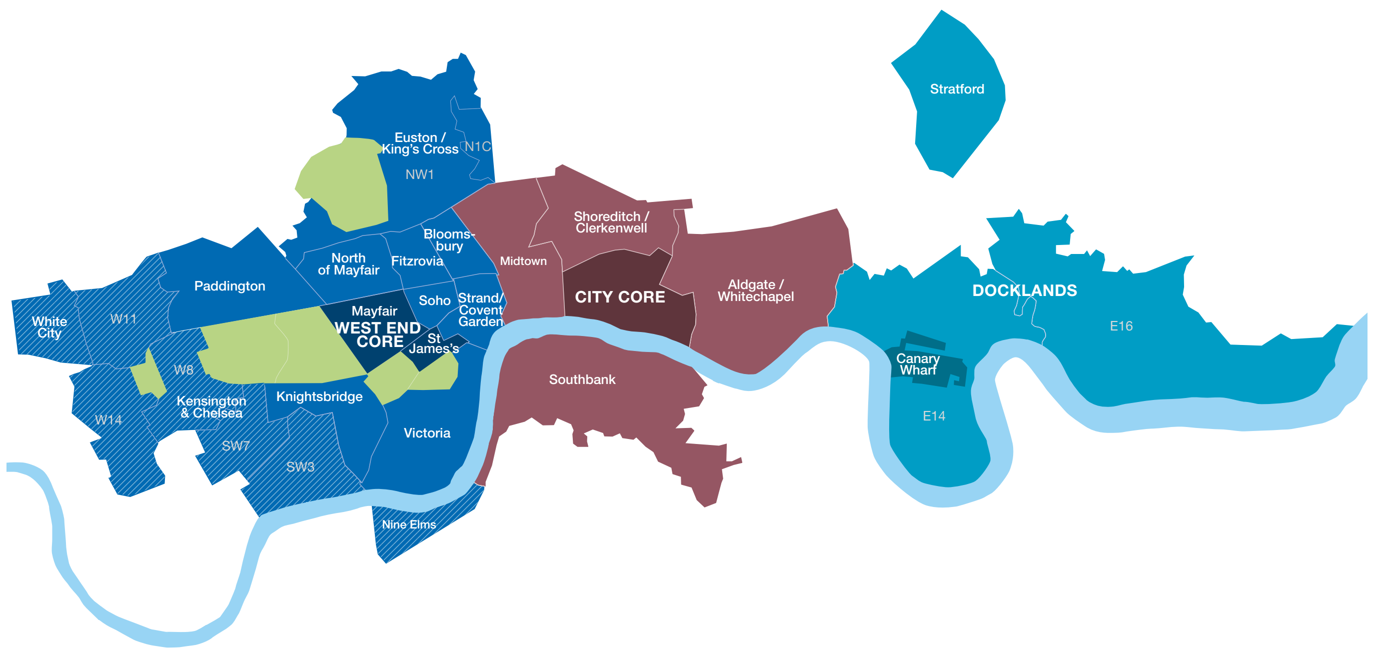
KEY STATISTICS

Central London office market

		Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	% CHANGE 3 mths	% CHANGE 12 mths	Long-term quarterly average
AVAILABILITY (sq ft)	West End	6.52 m	7.04 m	6.19 m	5.88 m	**5.48 m**	-7%	-16%	5.56 m
	City	7.62 m	7.70 m	8.60 m	8.60 m	**7.95 m**	-10%	4%	9.39 m
	Docklands	0.91 m	0.81 m	1.17 m	1.45 m	**1.75 m**	21%	92%	1.44 m
	Central London	15.05 m	15.55 m	15.96 m	16.17 m	**15.18 m**	-6%	1%	16.39 m
VACANCY RATE	West End	7.8%	8.3%	7.2%	6.9%	**6.4%**	n/a	n/a	6.2%
	City	6.6%	6.4%	7.2%	7.3%	**6.6%**	n/a	n/a	8.0%
	Docklands	4.6%	4.1%	6.0%	7.3%	**10.1%**	n/a	n/a	6.9%
	Central London	6.8%	6.9%	7.1%	7.1%	**6.8%**	n/a	n/a	7.2%
TAKE-UP (sq ft)	West End	1.37 m	1.02 m	1.47 m	1.24 m	**1.65 m**	33%	20%	1.15 m
	City	1.24 m	2.01 m	1.62 m	1.91 m	**1.58 m**	-17%	27%	1.69 m
	Docklands	0.12 m	0.62 m	0.03 m	0.05 m	**0.25 m**	400%	108%	0.23 m
	Central London	2.73 m	3.65 m	3.12 m	3.20 m	**3.48 m**	9%	27%	3.09 m
ACTIVE REQUIREMENTS (sq ft)	West End	2.69 m	2.71 m	2.21 m	2.13 m	**2.31 m**	8%	-14%	1.89 m
	City	4.09 m	3.65 m	4.54 m	4.64 m	**4.01 m**	-14%	-2%	4.06 m
	Docklands	1.13 m	0.56 m	0.67 m	0.70 m	**0.73 m**	4%	-35%	0.39 m
	Unspecified	1.62 m	1.65 m	1.17 m	1.15 m	**1.40 m**	22%	-14%	1.56 m
	Central London	9.53 m	8.57 m	8.59 m	8.62 m	**8.45 m**	-2%	-11%	7.90 m
UNDER CONSTRUCTION (sq ft)	West End	3.48 m	2.94 m	3.31 m	3.16 m	**2.10 m**	-34%	-40%	2.53 m
	City	9.39 m	10.30 m	8.30 m	8.43 m	**8.78 m**	4%	-6%	5.98 m
	Docklands	0.70 m	0.70 m	0.70 m	0.70 m	**0.62 m**	-11%	-11%	0.56 m
	Central London	13.57 m	13.94 m	12.31 m	12.29 m	**11.78 m**	-6%	-15%	9.07 m
INVESTMENT	West End	£1.13 bn	£1.50 bn	£2.13 bn	£1.22 bn	**£0.67 bn**	-45%	-41%	£1.20 bn
	City	£1.16 bn	£2.65 bn	£2.59 bn	£2.37 bn	**£2.78 bn**	17%	140%	£1.80 bn
	Docklands	£0 bn	£0.04 bn	£0 bn	£0 bn	**£0.41 bn**	n/a	n/a	£0.44 bn
	Central London	£2.29 bn	£4.19 bn	£4.72 bn	£3.59 bn	**£3.86 bn**	8%	69%	£3.48 bn

Source: Knight Frank Research

THE CENTRAL LONDON OFFICE MARKET



WEST END

West End Core – West End Core refers to Mayfair and St James's, the area bounded by Oxford Street, Regent Street and Park Lane in W1 and by Green Park, St James's Park and The Mall in SW1.

North of Mayfair – North of Mayfair refers to the area north of Oxford Street, west of Portland Place.

Fitzrovia – Fitzrovia also known as Noho, refers to the area north of Oxford Street, east of Portland Place.

Soho – Soho refers to W1B, W1F and W1D.

Euston/King's Cross – Euston/King's Cross refers to NW1 and N1C.

Victoria – Victoria refers to SW1 (excluding St James's) and SW1X.

Bloomsbury – Bloomsbury refers to the area of WC1 bounded by Euston Road, Southampton Row, New Oxford Street and Tottenham Court Road.

Strand/Covent Garden – Strand/Covent Garden refers to WC2, west of Kingsway.

Paddington – Paddington refers to W2.

Kensington/Chelsea – Kensington/Chelsea refers to SW3, SW7, W8, W11, W14.

Knightsbridge – Knightsbridge refers to SW7 and SW1X, which includes Belgravia.

White City – White City refers to W12.

Nine Elms – Nine Elms refers to SW8.

CITY

City Core – City Core refers to EC2 (excluding EC2A), EC3, EC4 (excluding EC4A and EC4Y), and EC1A.

Midtown – Midtown refers to EC1N, EC4A, EC4Y, WC1 (excluding Bloomsbury), and WC2 (excluding Strand/Covent Garden).

Shoreditch/Clerkenwell – Shoreditch/Clerkenwell refers to EC1 (excluding EC1A and EC1N), and EC2A.

Aldgate/Whitechapel – Aldgate/Whitechapel refers to E1.

Southbank – Southbank refers to SE1.

DOCKLANDS

Canary Wharf – Canary Wharf refers to the area comprising Canary Riverside, Westferry Circus, Columbus Courtyard, Cabot Square, Canada Square, Blackwall Place and Heron Quays (East).

Rest of Docklands – Rest of Docklands refers to E14 and E16 including the Royal Business Park (excluding Canary Wharf), and Stratford E20.

General Note

This report has been prepared by Knight Frank Research, the research and consultancy division of Knight Frank. Knight Frank Research gratefully acknowledges the assistance given by the West End, City and Docklands Offices in the compilation and presentation of this material. Certain data sourced from LOD. All graph data sourced by Knight Frank.

Technical Note

The following criteria have been adopted in the preparation of this report.

i. All floorspace figures quoted in this report refer to sq ft net.

ii. Take-up figures refer to space let, pre-let, or acquired for occupation during the quarter.

iii. Availability refers to all space available for immediate occupation, plus space still under construction which will be completed within six months and which has not been let.

iv. Availability and take-up are classified into three grades:
New/refurbished: Space under construction which is due for completion within six months or space which is currently on the market and is either new or completely refurbished.
Second-hand A Grade: Previously occupied space with air-conditioning.
Second-hand B Grade: Previously occupied space without air-conditioning.

v. Demand figures quoted in this report refer to named requirements for over 10,000 sq ft.

vi. Under construction figures quoted in this report refer to developments of over 20,000 sq ft which are currently underway. They do not include properties undergoing demolition.

vii. Investment figures quoted in this report refer to accommodation where the majority of income/potential income is from office usage and comprises transactions of £1 m and above.
The data includes standing investments, site purchases and funding transactions.

viii. This report is produced to standard quarters.
Quarter 1: January 1 – March 31,
Quarter 2: April 1 – June 30,
Quarter 3: July 1 – September 30,
Quarter 4: October 1 – December 31

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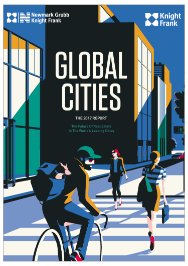

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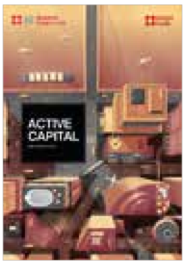

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