RESEARCH

Knight Frank

CENTRAL LONDON

QUARTERLY – OFFICES **Q4 2018**

CENTRAL LONDON TAKE-UP HIGHEST SINCE 2014

INVESTMENT TURNOVER 15% HIGHER THAN LONG-TERM AVERAGE

CENTRAL LONDON PRIME YIELDS REMAIN STABLE

EDITORIAL

In 2018, 52% of deals over 20,000 sq ft contained an element of expansion, cementing London's robustness in a time of political uncertainty.

Take-up reached 14.80 m sq ft in 2018, outperforming expectations and the highest annual total since 2014. Take-up was buoyed by 19 transactions over 100,000 sq ft, which is the highest annual total of this size band on record, compared to a long-term average of 12.

TMT was the most dominant sector for the eighth consecutive year, albeit, when broken down into subcategories. It was tech take-up that accounted for 67% of TMT deals in 2018. Take-up from the finance sector accounted for 19% of transactions, followed by flexible offices with 16%. The start of 2018 showed a slowing in flexible office take-up; however, a strong final quarter saw year-end totals reaching 1.96 m sq ft, which means flexible offices now account for 5.4% of London's office stock. The continued growth in flexible office space is a sign of London's dynamism and the vitality of the creative economy.

Last year, we witnessed an increasing number of acquisitions from the pharmaceutical and life sciences sectors, in particular in areas such as White City. We believe London is set to become a centre for scientific R&D and will draw capital from new investors unknown to the market previously. London's potential continues to grow with new submarkets emerging in Nine Elms, Stratford and White City.

Central London supply has been decreasing steadily since the end of 2017. In Q4 2018, supply fell to 14.16 m sq ft, which is 13% below the long-term average and equates to a vacancy rate of 6.2%.

There is approximately 17 months of supply across Central London, based on long-term average levels of take-up. While availability across all markets has reduced year-on-year, supply in the City is particularly tight, with levels currently 27% below the long-term average. In addition, the level of new and refurbished space available across London is currently at its lowest level since Q3 2015.

A total of 4.44 m sq ft across 28 schemes completed in 2018, down 25% year-on-year. There is currently 11.08 m sq ft under construction across Central London; however, 49% of this has already secured a pre-let, highlighting the depth of underlying demand. There is 5.61 m sq ft due to complete this year, of which 2.49 m sq ft is available speculatively.

Prime headline rents across the majority of submarkets remained stable over the final quarter of 2018, with the exception of Soho and Fitzrovia, which increased to £87.50 per sq ft. Prime West End and City rents have remained stable at £105.00 per sq ft and £70.00 per sq ft, respectively.

Although 2019 presents ongoing political uncertainty around Brexit, international investors were undeterred and London remains by far the biggest global destination for foreign investment in real estate. Last year, Central London office investment attracted more global capital than Manhattan, Paris and Hong Kong.

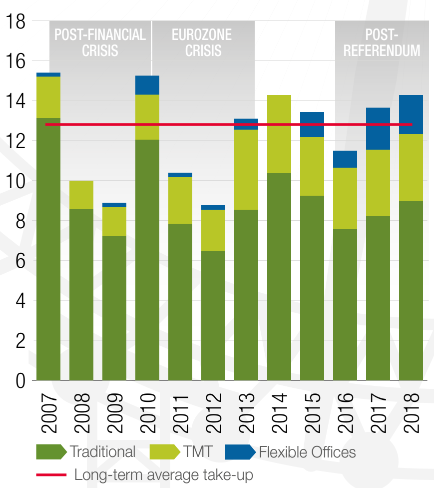
Investment turnover in 2018 reached £16.30 bn, which although marginally down on 2017, is still 15% ahead of the long-term average. Overseas investors accounted for 83% of turnover, on par with 2017. Greater China was the largest investor by turnover in 2018, accounting for 21% of all transactions (£3.48 bn); however, their share has halved year-on-year, from 43% of turnover (£7.12 bn) in 2017.

Where Greater China has stepped back, other Asian investors, such as South Korea who accounted for 16% of annual turnover and Singapore (9%) have stepped forward. We expect this trend to continue in 2019, as London remains a more attractive destination for South Korean investment than Europe or the United States. This year we expect to see growing interest in London assets from Japan. We expect London real estate to remain highly attractive to international capital, as the value of the pound and London's fundamental strengths as a place to do business continue to pull investors in.

"London is set to become a centre for scientific R&D and will draw capital from new investors unknown to the market previously. London's potential continues to grow with new submarkets emerging in Nine Elms, Stratford and White City."

VICTORIA SHREEVES
Central London Research

FIGURE 1
Central London take-up by sector
(million sq ft)

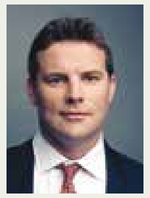


Source: Knight Frank Research

CENTRAL LONDON VIEW

WILLIAM BEARDMORE-GRAY, **HEAD OF CENTRAL LONDON OFFICES**

"Despite the political turmoil surrounding the outcome of Brexit, London has remained the world's leading commercial office investment destination, drawing in £16.3 bn of global capital in 2018, more than Paris, Manhattan and Hong Kong. The fundamentals in the market remain strong with vacancy rates remaining at, or close to, historic lows. Pre-lets continue to tick upward, with best in class space being rapidly snapped up, underscoring the depth of underlying demand."

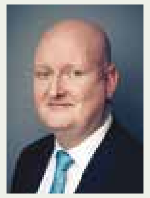


DAN GAUNT, **HEAD OF CITY AGENCY**

"2018 finished strongly in the City with impressive levels of take-up from an increasingly broad range of occupiers who are displaying few signs of any Brexit paralysis, and all against a backdrop of falling supply. The need to provide their staff with a best in class and forward looking work environment, seems to be the principal driver for business not delaying a move decision."

NICK BRAYBROOK, **HEAD OF CITY CAPITAL MARKETS**

"Investment volumes into the City in 2018 touched £10.50 bn, mirroring levels recorded in 2017 and was in line with our expectations. 2018 was the fourth strongest year for City office investment, with only a slowing of activity in the last quarter preventing an all-time record. The increased uncertainty, some rushed marketing launches late in 2018 and increased buyer caution, is likely to impact on pricing in Q1 2019."



IAN MCCARTER, **HEAD OF WEST END AGENCY**

"Strong leasing activity has eroded West End availability since the beginning of the year, and we expect to finish the year with nearly 20% less supply than we started with. The development pipeline for the next two years in restricted, placing supply under further pressure, however, we believe this will fuel demand for pre-lets."

ANTHONY BARNARD, **HEAD OF WEST END CAPITAL MARKETS**

"The weight of international capital chasing London office assets remains tremendous. The discount available to many overseas buyers through Sterling's weakness is certainly aiding demand. Investment volumes into the West End hit a three year high in 2018, totalling £5.59 bn, underpinned by European institutions who have leapt to the top of the investment league table, overtaking those from the UK and Greater China, signalling perhaps some pre-Brexit opportunistic investments."

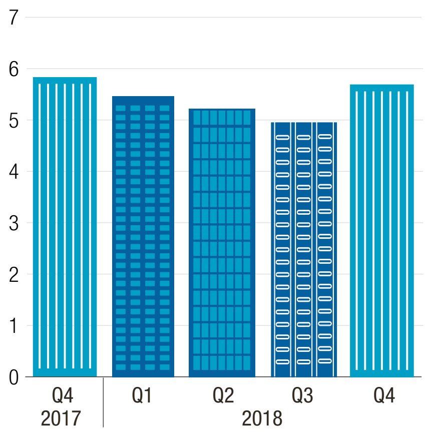
RICHARD PROCTOR, **HEAD OF CENTRAL LONDON TENANT REPRESENTATION**

"Brexit may have made business planning extremely difficult for office occupiers; however, it has also applied a break on the London market. In previous cycles the current backdrop of above average take-up and diminishing demand would have resulted in strong rental growth but the political turmoil and uncertainty around Brexit has prevented this. Choice may be reducing but at least for now, occupiers are not facing the double whammy of spiralling rents."

"The TMT sector was the most active during the year, reflecting a 35% market share in 2018, followed by flexible offices with 21%."

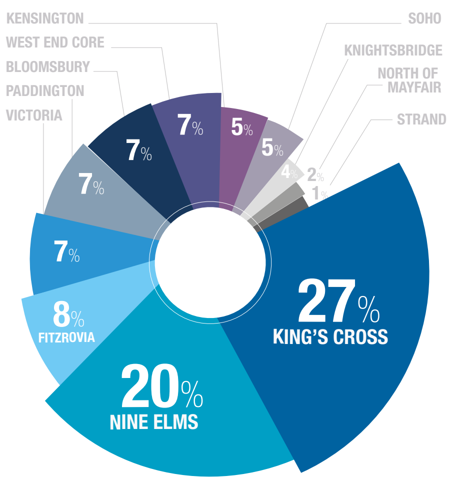
HAYLEY BLACKWELL
Central London Research

FIGURE 2
West End availability
(million sq ft)



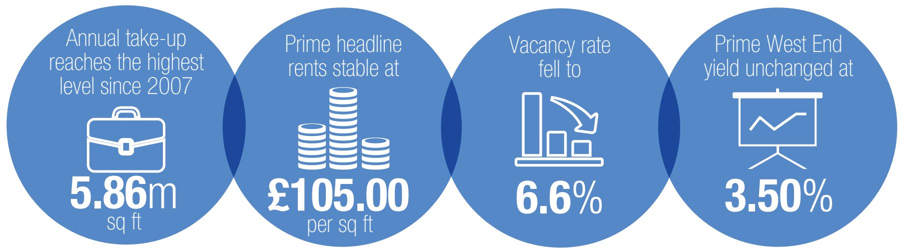
Source: Knight Frank Research

FIGURE 3
West End under construction by submarket
Q4 2018



Source: Knight Frank Research

WEST END



Take-up

Take-up in the West End reached 1.72 m sq ft in Q4 2018, the strongest level of take-up since Q2 2016 and 45% above the long-term average. There was one deal over 100,000 sq ft; WeWork's acquisition of circa 159,000 sq ft at 5 Merchant Square, W2. The majority of take-up was made up of smaller units; with 82% of deals transacting below 10,000 sq ft.

Take-up in 2018 totalled 5.86 m sq ft, the highest level since 2007, and 23% above the long-term average. There were six transactions over 100,000 sq ft during the year; exceeding the five recorded in 2017. Take-up of new and refurbished stock remained stable year-on-year at 2.43 m sq ft.

Unsurprisingly, the TMT sector was the most active during the year, reflecting a 35% market share in 2018, followed by flexible offices with 21%, and corporates with 14%.

Active requirements

Total active requirements totalled 2.79 m sq ft in Q4 2018, up 21% on the quarter and 39% above the long-term average.

The corporate sector is now the most active in our demand profile, accounting for 30%, followed by the TMT sector with 21%.

Supply and development

Supply in the West End totalled 5.69 m sq ft in Q4, on par with the long-term average, and down marginally year-on-year. This reflects a vacancy rate of 6.6%. Availability rose in the final quarter of 2018 as circa 500,000 sq ft entered into our supply figures. Despite the increase, there are still only two buildings that can offer an occupier over 100,000 sq ft of new and refurbished space. These are West Works, White City Place, W12, and The Criterion, 1 Jermyn Street, SW1.

A total of 458,000 sq ft completed in 2018, the lowest level since 2011 and 61% below the long-term average of 1.17 m sq ft. There is currently 3.77 m sq ft under construction across the West End, although 63% has already secured a pre-let. There is 840,000 sq ft due to complete this year that has yet to secure a tenant.

Prime rents and incentives

The prime headline rent in the West End Core remained stable at £105.00 per sq ft following a recent increase in Q3 2018. Rent free periods remain between 21-24 months on a typical 10-year lease. We saw pockets of growth in Soho and Fitzrovia.

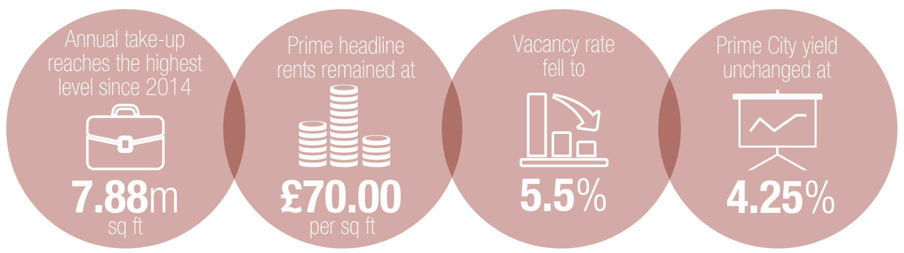
Investment

Investment turnover during the final quarter of the year totalled £1.45 bn, the second highest level of turnover since Q2 2017. Overseas buyers were the most active, accounting for 70% of turnover by value. There were 21 transactions during Q4, four of which were over £100 m. The largest transaction was the sale of Victoria House, 37 Southampton Row, WC1. The asset was purchased by an Israeli investor for £350 m, which reflected a capital value of £1,170 per sq ft.

The annual turnover for the West End in 2018 totalled £5.59 bn, 12% above the level recorded in 2017 and 8% above the long-term average of £5.19 bn. Overseas purchasers accounted for 75% of all transactions by market value.

West End Core prime yields for liquid freehold assets remain at 3.50% although this continues to rise sharply for larger lot sizes and non-prime assets.

CITY



Take-up

Take-up in the City reached 2.24 m sq ft in Q4 2018, the second highest level recorded since Q3 2014 and 26% above the long-term average. Total take-up for 2018 reached 7.88 m sq ft, the highest annual level of take-up since 2014 and 11% above the long-term average. The number of deals over 50,000 sq ft increased by 24% year-on-year.

The TMT sector was the most active, accounting for 24%, followed by the financial sector with 21%. The level of space acquired by the flexible office sector in 2018 accounted for 13% of total take-up, considerably less than the 26% recorded in 2017.

Active requirements

Due to the high level of transactions in Q4 2018, total active demand in the City fell by 7% quarter-on-quarter. Active requirements totalled 4.15 m sq ft, marginally above the long-term average. The level of larger requirements remained strong, with over 20 active searches over 50,000 sq ft and nearly 40 requirements between 20,000-50,000 sq ft across the City market.

Supply and development

Supply levels in the City during the final quarter fell for the second consecutive quarter, to the lowest level since Q1 2016 and 27% below the long-term average. Availability totalled 6.69 m sq ft, considerably below the 8.64 m sq ft recorded in Q4 2017. The vacancy rate in the City is now 5.5%. Furthermore, there is a total of 1.70 m sq ft under offer in the City.

The supply of new and refurbished stock has continued to fall and now totals 1.97 m sq ft, the lowest level since Q3 2015. There are just five new and refurbished buildings that could offer an occupier over 100,000 sq ft, albeit a proportion of this is already under offer.

Looking at future pipeline, 3.98 m sq ft completed in 2018, on par with the level recorded in 2017 but significantly higher than the long-term average of circa 2.37 m sq ft. The total level of space under construction continued to fall from 5.83 m sq ft to 5.68 m sq ft. This is the lowest level of stock under construction since Q1 2015 and, what is more, 47% has already been pre-let.

Prime rents and incentives

The prime City Core rent remained stable at £70.00 per sq ft, unchanged since Q4 2015. Rent free periods have remained at 24 months on a typical 10-year term certain.

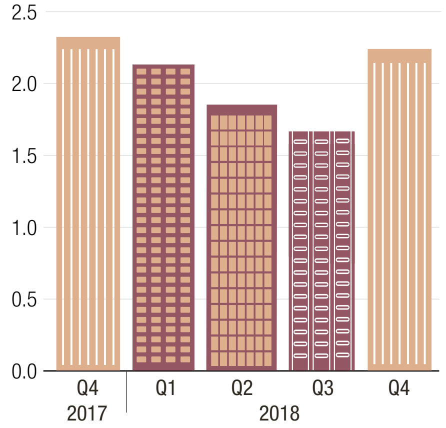
Investment

City investment totalled £2.82 bn in Q4, 38% ahead of the long-term average. There were 38 transactions during the final quarter up from 29 transactions in Q3, including eight which were over £100 m. The largest transaction of the quarter was the acquisition of 30 Gresham Street, EC2, purchased by a Hong Kong investor for £411.5 m, which reflected a NIY of 4.38%.

Total turnover in 2018 in the City market totalled £10.49 bn, marginally below the £10.70 bn recorded in 2017, however, well above the long-term average of £8.16 bn. Overseas buyers continued to dominate the market accounting for 88% of all purchases by value. The prime yield in the City Core remained at 4.25%. There are signs that the increased political uncertainty may affect those deals aiming to complete in Q1 2019.

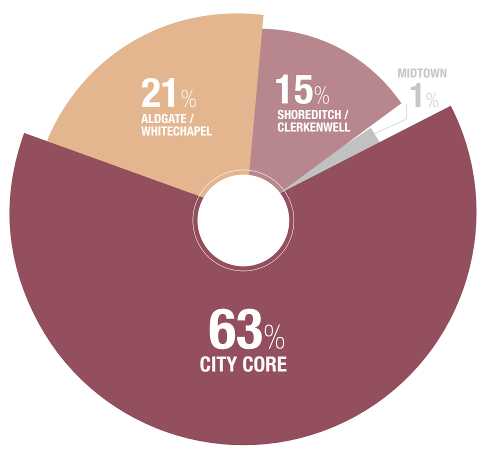
"Total take-up for 2018 reached 7.88 m sq ft, the highest annual level of take-up since 2014."

FIGURE 4
City take-up
(million sq ft)



Source: Knight Frank Research

FIGURE 5
City under construction by submarket
Q4 2018



Source: Knight Frank Research

LONDON OFFICES RETAIN GLOBAL APPEAL

As the government scrambles to find an amicable EU exit solution before the 29 March deadline, UK commercial property investment volumes have remained resilient, with Central London offices ending 2018 with a total of £16.30 bn worth of deals.

This mirrors the volume of transactions registered in 2017 and is above the long-term average of £14.23 bn.

The steadfast investment volumes reflect our view that much of the Brexit risk has already been priced into the market, which has remained resilient in light of both the shock 2016 Brexit referendum result and the political turmoil that has ensued since.

While some investor groups are taking a wait and see approach, there are others who are capitalising on sterling's weakness. The source of investment funds continues to remain diverse, with investors from the Far East (£4.19 bn) and Greater China (£3.48 bn) topping the league table.

Interestingly, European investors were the fourth biggest investors in Central London offices last year, investing £2.55 bn, apparently unphased by the Brexit crunch talks, perhaps signalling an opportunity to secure a 'good deal' prior to the expected UK departure from the EU in a few weeks' time. Secure long term income generating assets, with inflation linked rent increases remain highly sought by this group.

TOP REGIONAL SOURCES OF LONDON OFFICE INVESTMENTS IN 2018

Source: Knight Frank Research

"Overall investment volumes into Central London offices are stable, but the source of funds is ever shifting. European institutions appear to be capitalising on the weakness of sterling. 2018 saw £2.55 bn committed; the third highest level from Europe ever recorded. Brexit appears to be a non-issue and they also seem to be sensing a pre-Brexit deal advantage".

FAISAL DURRANI, **Central London Research**

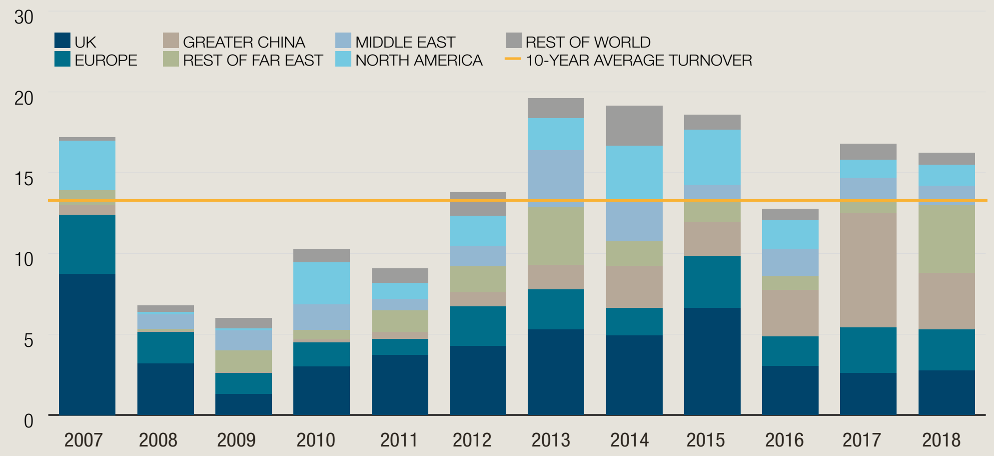
Sterling appeal

Clearly the weakness of sterling since the Brexit referendum has aided the appeal of commercial property investment amongst the international cohort.

In fact, compared to pricing during the last true market peak in Q1 2015, buyers of West End offices from Japan (31.2%), the EU (27.8%) and Thailand (26.2%) will find West End offices to be about a third cheaper compared to three years ago. Conversely of course, for those who purchased offices in the West End in these currencies in Q1 2015, the incentive to sell would be low as in local currency terms, these assets would have depreciated by about a third over the last three years.

Looking back further still to the pre Great Recession peak in Q2 2007, West End office purchasers from China and Singapore are looking at an even larger currency discount of 34.8%, while for Indian buyers, West End offices would be 26% more expensive.

FIGURE 6
Central London investment turnover by nationality
£ billion



Source: Knight Frank Research

TOP TEN ORIGINS OF OVERSEAS INVESTMENT IN LONDON 2018

COUNTRY	INVESTMENT
1. Greater China	£3.48 bn
2. South Korea	£2.56 bn
3. Singapore	£1.46 bn
4. USA	£1.02 bn
5. Germany	£682 m
6. Israel	£655 m
7. Spain	£591 m
8. Norway	£404 m
9. Canada	£273 m
10. India	£242 m

TOP THREE OVERSEAS INVESTORS OVER THE LAST DECADE

1.

GREATER CHINA **£21.31 bn**

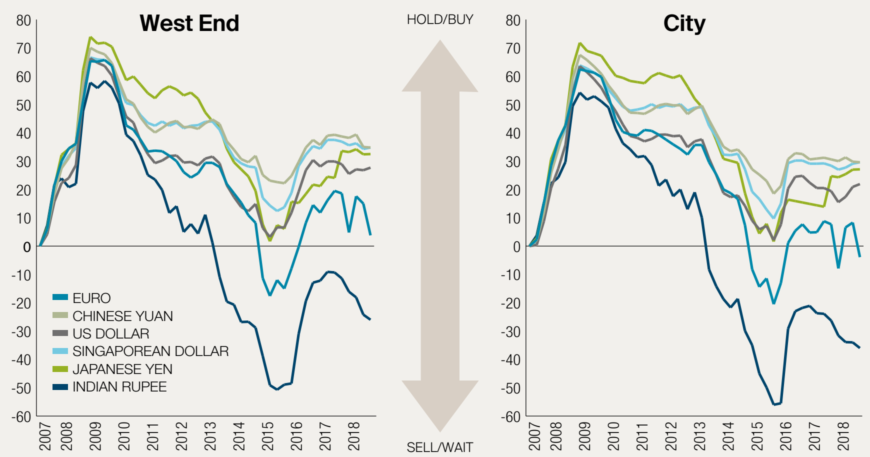
2.

UNITED STATES **£14.45 bn**

3.

GERMANY **£8.17 bn**

FIGURE 7
Central London offices currency discount
% discount

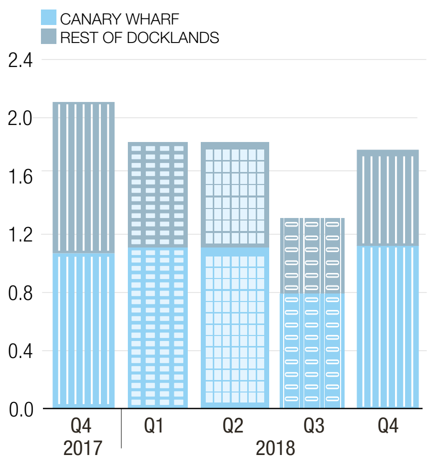


Source: Knight Frank Research/Oanda

*Currency discount calculations based on Q2 2007 market peak, as at the end of Q4 2018

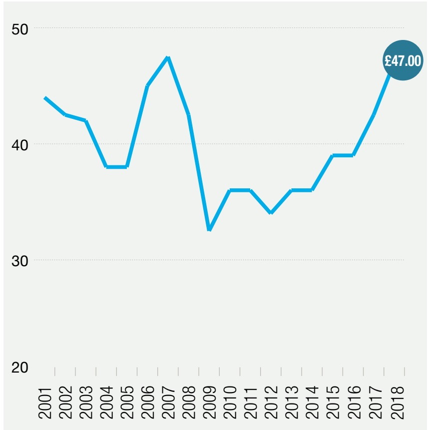
"The level of transactions during 2018 totalled 1.07 m sq ft, 51% above the level recorded in 2017."

FIGURE 8
Docklands availability
(million sq ft)



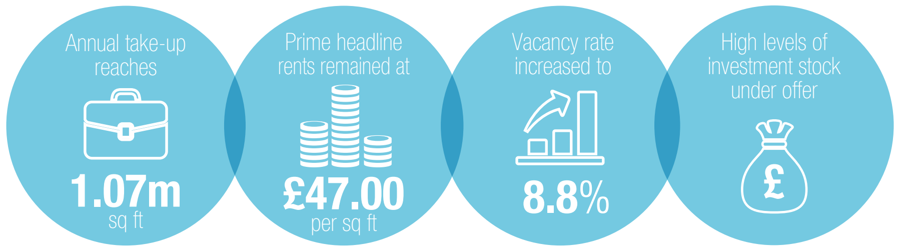
Source: Knight Frank Research

FIGURE 9
Canary Wharf prime headline rents
£ per sq ft



Source: Knight Frank Research

DOCKLANDS & STRATFORD



Take-up

The level of transactions during 2018 totalled 1.07 m sq ft, 51% above the level recorded in 2017 and 11% above the long-term average. The number of deals over 50,000 sq ft increased by 67% year-on-year, including three over 100,000 sq ft; V&A acquiring 148,000 sq ft at Here East, BGC Partners acquiring 130,000 sq ft at 5 Churchill Place and the CMA taking 113,000 sq ft at The Cabot, 25 Cabot Square.

All sectors were active across the Docklands and Stratford market; however, it was the public sector which was the most active during the year accounting for 31% of transactions, followed by corporates with 19%, and finance with 14%. There is already circa 600,000 sq ft under offer in the Docklands and Stratford market, a sign that take-up in Q1 2019 will significantly exceed average levels.

It should also be noted that there are a large number of searches for office space across Central London that will consider Docklands and Stratford options as part of their search.

Active requirements

The level of active requirements increased from 260,000 sq ft to 732,000 sq ft quarter-on-quarter, the highest level recorded since Q3 2016. Current active requirements are considerably (74%) above the long-term average of 421,000 sq ft. It should also be noted that there are a large number of searches across Central London who would consider Docklands and Stratford as part of their wider search.

Supply and development

Supply in Docklands and Stratford increased in the final quarter of the year, partially due to 5 Bank Street, E14, entering the supply figures, increasing from 1.31 m sq ft in Q3 to 1.78 m sq ft in Q4, marginally above the long-term average of 1.56 m sq ft. The current vacancy rate is now 8.8%, down from 10.6% in Q4 2017.

The commercial pipeline remains particularly tight with 1.62 m sq ft under construction due for completion by the end of 2021. However, approximately 55% of this is already either pre-let or under offer. There are two buildings in Canary Wharf which are due for completion in the next six months; The Cabot, 25 Cabot Square, E14, and 5 Bank Street, E14, both of which are already pre-let or under offer.

Rental profile

The prime headline rents in Canary Wharf and Stratford stand at £47.00 per sq ft and £44.00 per sq ft, respectively. It is worth noting that landlords targeting pre-lets in Canary Wharf are seeking in excess of £50.00 per sq ft, while tenant release space can be secured in the late £30's per sq ft.

Investment

There was one investment sale during the final quarter, which was the sale of 11 Westferry Circus, purchased by a Hong Kong buyer for £80.0 m, which reflected a NIY of 5.63%. The annual turnover in 2018 totalled £224.70 m, significantly below the long-term average of circa £884.10 m.

We are likely to see a significant increase quarter-on-quarter this year; there are five key assets on the market in Docklands, four of which are currently under offer totalling £1.77 bn. These include 25 Canada Square, 30 South Colonnade, 1 Cabot Square and Sovereign House, 227 Marsh Wall.

LONDON'S CHANGING WORKFORCE

Far from being taken over by Millennials, London's workforce is getting older and more diverse. The property world will need to adapt accordingly.

Recent years have seen extensive discussion over the impact on the economy and property market of the Millennial generation. However, the latest employment figures paint a different picture of London's workforce, which is actually becoming both older and more diverse. This will have implications for the economy, and its property needs.

According to ONS, in the three years to September 2018, the number of people in work in London rose by 7.8% or 338,000 jobs. Of the increase, 255,000 were jobs taken by people aged over 35, with just 83,000 going to those aged 16 to 34. Those over 35 have seen a 10.0% rise in employment over the last three years, compared to a 4.6% increase for those under 35.

Delaying retirement

Consequently, Millennials as a proportion of London's workforce have declined slightly, from 41.1% in 2015 to 39.9% today. In theory, more baby boomer retirements over the coming decade could tip the balance back towards the Millennials. However, the number delaying retirement is rising faster than the pace at which school and college leavers are joining the workforce. The number of people over 65 in employment rose by 22,000 over the last three years, while 18-24 year olds in work increased by just 8,000.

Also, the generation that has seen the strongest growth in total headcount – up 124,000 over three years – is 35-49 year olds. This demographic is the largest in the London workforce (nearly 1.7 million people and rising), and those in it are decades away from retiring.

Moreover, the share of women in the workforce is increasing, again with the older demographics leading. Employment of women has increased by 9.2% since 2015, with women over 35 seeing a rise of 10.7%. For women aged 35-49 the employment rate has increased from 71.1% in 2015 to nearly 74.0% in 2018.

Even the idea that the young are more entrepreneurial is open to question. ONS figures show over 80.0% of the UK's self-employed are over 35.

Diversifying London

London today has a very tight labour market, with an unemployment rate of just 4.5%; well below the 5.0% mark that many economists describe as full employment. Consequently, necessity will encourage this trend of London's workforce diversifying, as employers search across the demographics to fill roles. The economy, and the property market that supports it, will need to adapt to incorporate and best utilise these workers.

Office design will have to take into account the working habits of different demographics, marking a break from the heavy focus of late on the needs of Millennials. This is not to call an end to the 'funky' offices of recent years, but they could prove to be a stage in design evolution that has nearly run its course. Coming next could be new formats that are comfortable for a workforce that is multi-faceted and sophisticated. A genuine variety of different work areas will be needed – not just lots of break-out space, and a token quiet room that is near permanently occupied.

The Millennial revolution brought about the concept of workspace that completely integrates the employee. The approach will now adapt to the context of an office filled with a wider variety of people.

"Those over 35 have seen a 10.0% rise in employment over the last three years, compared to a 4.6% increase for those under 35."

JAMES ROBERTS
Partner, Chief Economist

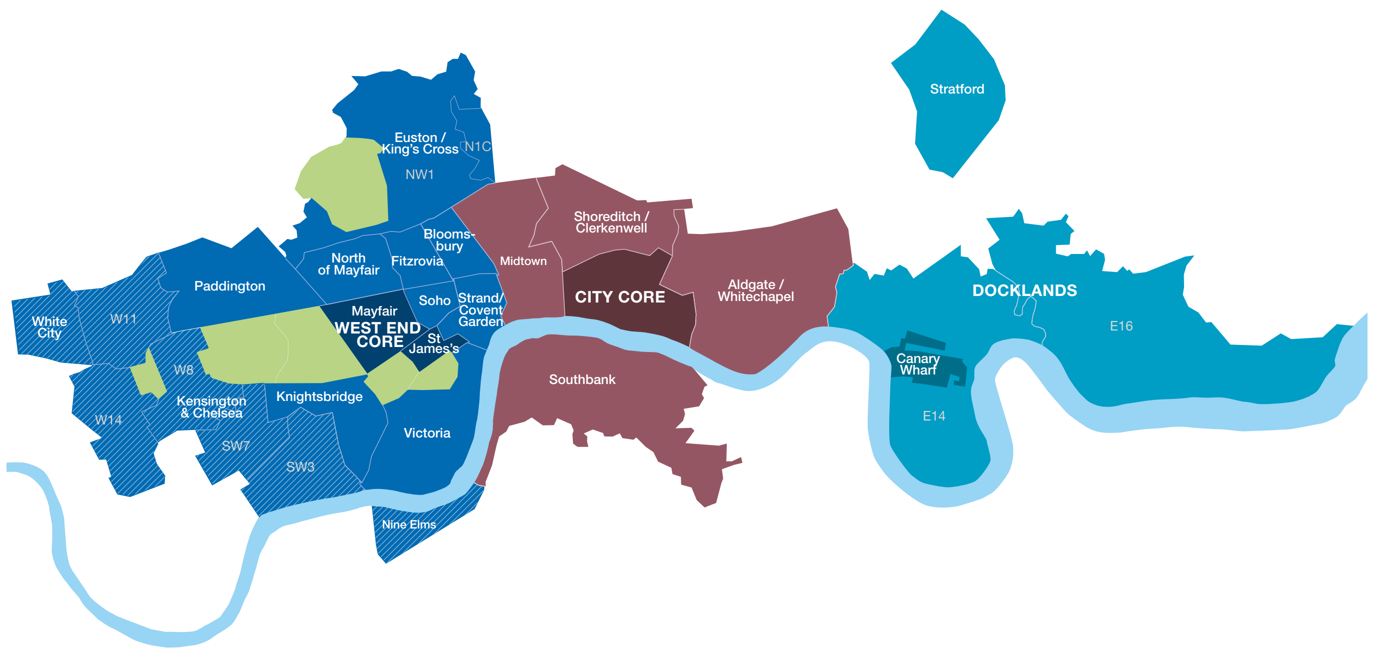
KEY STATISTICS

Central London office market

		Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	% CHANGE 3 mths	% CHANGE 12 mths	10-year quarterly average
AVAILABILITY (sq ft)	West End	5.83 m	5.46 m	5.22 m	4.95 m	**5.69 m**	15%	-2%	5.66 m
	City	8.46 m	8.27 m	8.30 m	7.99 m	**6.69 m**	-16%	-21%	9.14 m
	Docklands	2.10 m	1.83 m	2.12 m	1.31 m	**1.78 m**	36%	-15%	1.56 m
	Central London	16.39 m	15.56 m	15.64 m	14.25 m	**14.16 m**	-1%	-14%	16.36 m
VACANCY RATE	West End	6.8%	6.3%	6.1%	5.8%	**6.6%**	n/a	n/a	6.4%
	City	7.1%	6.9%	6.9%	6.6%	**5.5%**	n/a	n/a	7.8%
	Docklands	10.6%	8.1%	10.4%	6.5%	**8.8%**	n/a	n/a	7.5%
	Central London	7.3%	6.8%	6.9%	6.3%	**6.2%**	n/a	n/a	7.2%
TAKE-UP (sq ft)	West End	1.34 m	1.21 m	1.34 m	1.58 m	**1.72 m**	9%	28%	1.19 m
	City	2.33 m	2.12 m	1.85 m	1.67 m	**2.24 m**	34%	-4%	1.78 m
	Docklands	0.38 m	0.39 m	0.14 m	0.49 m	**0.04 m**	-92%	-89%	0.24 m
	Central London	4.05 m	3.72 m	3.33 m	3.74 m	**4.00 m**	7%	-1%	3.20 m
ACTIVE REQUIREMENTS (sq ft)	West End	2.80 m	3.36 m	2.63 m	2.31 m	**2.79 m**	21%	0%	2.01 m
	City	4.46 m	4.27 m	4.58 m	4.65 m	**4.15 m**	-11%	-7%	4.12 m
	Docklands	0.50 m	0.28 m	0.70 m	0.26 m	**0.73 m**	181%	46%	0.43 m
	Unspecified	2.88 m	3.44 m	3.10 m	3.65 m	**2.99 m**	-18%	4%	1.71 m
	Central London	10.64 m	11.35 m	11.01 m	10.87 m	**10.66 m**	-2%	0%	8.27 m
UNDER CONSTRUCTION (sq ft)	West End	2.35 m	2.14 m	2.10 m	2.32 m	**3.77 m**	63%	60%	2.38 m
	City	8.52 m	7.95 m	7.77 m	5.83 m	**5.68 m**	-3%	-33%	5.99 m
	Docklands	0.96 m	1.29 m	1.71 m	1.53 m	**1.63 m**	7%	70%	0.51 m
	Central London	11.83 m	11.38 m	11.58 m	9.68 m	**11.08 m**	14%	-6%	8.88 m
INVESTMENT	West End	£1.15 bn	£0.76 bn	£1.17 bn	£2.21 bn	**£1.45 bn**	-34%	26%	£1.29 bn
	City	£2.95 bn	£1.43 bn	£3.42 bn	£2.82 bn	**£2.82 bn**	0%	-4%	£1.90 bn
	Docklands	£0.71 bn	£0 bn	£0.11 bn	£0.04 bn	**£0.08 bn**	100%	n/a	£0.35 bn
	Central London	£4.81 bn	£2.19 bn	£4.70 bn	£5.07 bn	**£4.35 bn**	-14%	-10%	£3.68 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/Battersea – 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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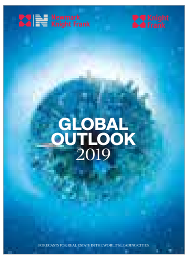

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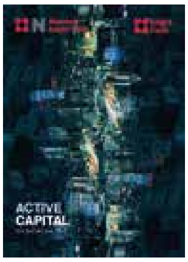

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