

LONDON OFFICES SPOTLIGHT Q1 2020

LONDON OVERVIEW

2.0m
sq ft

Total Office Take-up
Q1 2020



9.2m
sq ft

Named Active
Demand



5.7%

Office
Vacancy Rate



13.2m
sq ft

Total Office
Availability
Q1 2020



£2.6bn

Total Investment
Turnover Q1 2020



11.3m
sq ft

Total Under
Construction
(45% committed)



KEY THEMES

1

Rent holiday requests rise,
but headline rents holding

2

Delays to
development inevitable

3

Investment
deals slowing

SUBMARKET PRIME HEADLINE RENTS

SUBMARKETS	VACANCY RATE	PRIME HEADLINE RENT (PSF)	CHANGE 3M	RENT FREE PERIODS*
West End Core	7.1%	£115.00	↕	21-24
Marylebone	4.6%	£97.50	↕	21-24
Fitzrovia	5.5%	£92.00	↕	21-24
Soho	3.1%	£92.00	↕	21-24
Knightsbridge/Chelsea	5.1%	£90.00	↕	21-24
King's Cross/Euston	3.1%	£85.00	↕	21
Victoria	2.0%	£80.00	↕	21-24
Covent Garden	4.7%	£80.00	↕	21-24
Bloomsbury	5.8%	£80.00	↕	21-24
Clerkenwell/Farringdon	5.7%	£79.50	↕	18
Paddington	3.6%	£77.00	↕	21-24
Midtown	3.3%	£72.50	↕	21
City Core	7.4%	£72.50	↕	24
Southbank	3.0%	£72.00	↕	18-21
Aldgate/Whitechapel	5.9%	£62.50	↕	21-24
Battersea/Vauxhall	3.6%	£57.50	↕	21-24
White City	8.7%	£55.00	↕	21-24
Canary Wharf	8.9%	£52.50	↕	27
Stratford	13.1%	£44.00	↕	n/a

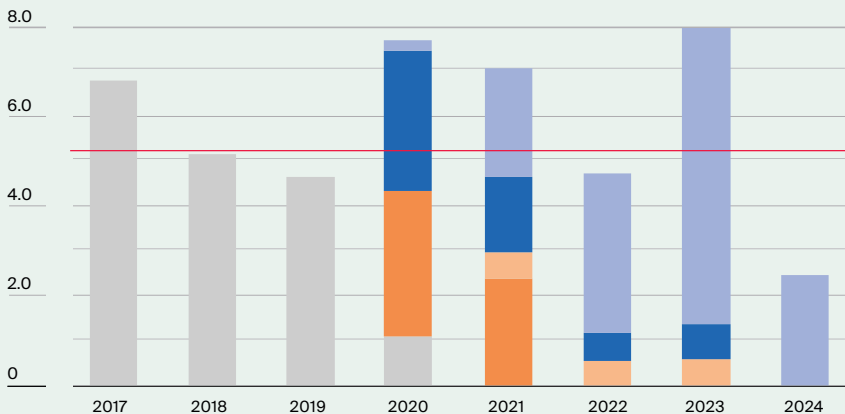
*Rent free period on a 10 year lease

London development pipeline

sq ft millions

■ U/C Pre-let
 ■ Pipeline Pre-let
 ■ U/C Speculative
 ■ Pipeline Speculative
 ■ Completed

— Long-term annual average take-up of new and refurbished space



Source: Knight Frank

WEST END OVERVIEW

LEASING MARKET

SQ FT	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Take-up	1.26 m	1.05 m	1.03 m	1.53 m	0.63 m	-59%	-50%	1.22 m
Availability	4.94 m	4.47 m	4.59 m	4.35 m	3.75 m	-14%	-24%	5.14 m
Vacancy Rate	5.8%	5.2%	5.3%	5.0%	4.4%	-12%	-24%	5.8%
Active Requirements	2.55 m	2.22 m	2.22 m	2.10 m	2.15 m	2%	-16%	2.09 m

KEY LEASING DEALS

BUILDING	SQ FT	OCCUPIER	RENT (PSF)
Euston Tower, 286 Euston Road, NW1	115,128	Google	Confidential
Nightingale House, 65 Curzon Street, W1	40,249	Business Cube	£31.75
The Point, 37 North Wharf Road, W2	23,181	Dun & Bradstreet	£60.00
1 Curzon Street, W1	21,745	Gulf Investment Corporation	£115.00
116 Brompton Road, SW3	18,934	St. James's Place Wealth Management Group	£81.00

INVESTMENT MARKET

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Turnover	£2.75 bn	£0.87 bn	£0.62 bn	£1.46 bn	£1.08 bn	-26%	-61%	£1.38 bn
Availability	£0.42 bn	£1.46 bn	£0.85 bn	£1.69 bn	£1.85 bn	9%	340%	£1.24 bn
Under Offer	£0.61 bn	£0.82 bn	£1.18 bn	£0.96 bn	£0.59 bn	-39%	-3%	£0.67 bn

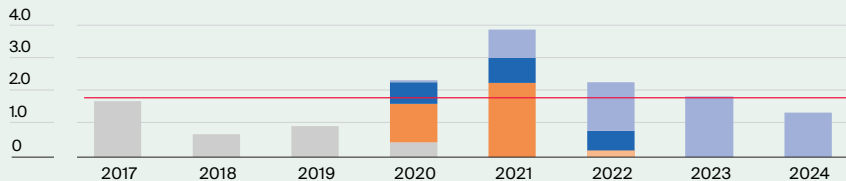
KEY INVESTMENT DEALS

BUILDING	PRICE	CAPITAL		PURCHASER
		VALUE (PSF)	YIELD	
Sanctuary Buildings, 14-16 Great Smith Street, SW1	£300.0 m	£1,330	3.97%	Legal & General
80 New Bond Street & 325 Oxford Street, W1	£135.2 m	£3,614	n/a	Hines
Grain House, Drury Lane, WC2	£59.5 m	£661	n/a	Hines
25 Maddox Street, W1	£56.0 m	£1,764	n/a	Global Gate Capital
7-10 Waterloo Place, SW1	£72.0 m	£2,035	4.00%	Cara Investments GmbH

West End development pipeline

sq ft millions

■ U/C Pre-let
 ■ Pipeline Pre-let
 ■ U/C Speculative
 ■ Pipeline Speculative
 ■ Completed
 — Long-term annual average take-up of new and refurbished space



Source: Knight Frank

CITY & SOUTHBANK OVERVIEW

LEASING MARKET

SQ FT	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Take-up	1.40 m	1.62 m	1.97 m	1.62 m	1.28 m	-21%	-9%	1.77 m
Availability	6.53 m	6.08 m	6.14 m	6.43 m	7.16 m	11%	10%	8.41 m
Vacancy Rate	5.3%	4.9%	4.8%	5.2%	5.7%	10%	8%	7.1%
Active Requirements	4.23 m	5.05 m	5.58 m	5.17 m	4.44 m	-14%	5%	4.24 m

KEY LEASING DEALS

BUILDING	SQ FT	OCCUPIER	RENT (PSF)
20 Ropemaker Street, EC2	298,560	Linklaters LLP	Confidential
The Bailey, 16 Old Bailey, EC4	85,000	IPG Media	£66.50
EightyFen, 80 Fenchurch Street, EC3	67,245	Convene	Confidential
Department W, Mile End Road, E1	55,000	Queen Mary University of London	£47.40
1 Appold Street, EC2	28,931	Tide	£54.50

INVESTMENT MARKET

	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	% CHANGE		LONG-TERM AVERAGE
						3M	12M	
Turnover	£1.15 bn	£0.82 bn	£1.77 bn	£3.07 bn	£1.48 bn	-52%	29%	£2.17 bn
Availability	£2.04 bn	£2.18 bn	£2.04 bn	£0.57 bn	£0.69 bn	21%	-66%	£1.95 bn
Under Offer	£0.48 bn	£0.94 bn	£1.24 bn	£1.12 bn	£2.28 bn	104%	375%	£1.41 bn

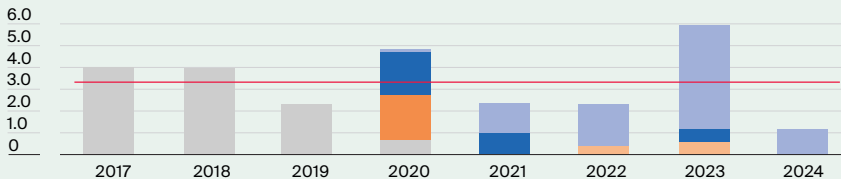
KEY INVESTMENT DEALS

BUILDING	PRICE	CAPITAL VALUE (PSF)	YIELD	PURCHASER
Watermark Place, 90 Upper Thames Street, EC4	£263 m	£968	4.57%	Union Investment
Thames Court, 66-67 Upper Thames Street, EC4	£190 m	£834	5.13%	Private Greek Investor
Ludgate London, 55 Ludgate Hill, EC4	£140 m	£1,330	4.50%	Union Investment
130 Wood Street, EC2	£55 m	£961	4.26%	NTT
37 Wood Street, EC2	£40 m	£707	n/a	Magnificent Hotel Investments

City & Southbank development pipeline

sq ft millions

■ U/C Pre-let
 ■ Pipeline Pre-let
 ■ U/C Speculative
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 — Long-term annual average take-up of new and refurbished space



Source: Knight Frank

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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 London office teams 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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