



London, Spring 2016

# OFFICE MARKET BULLETIN

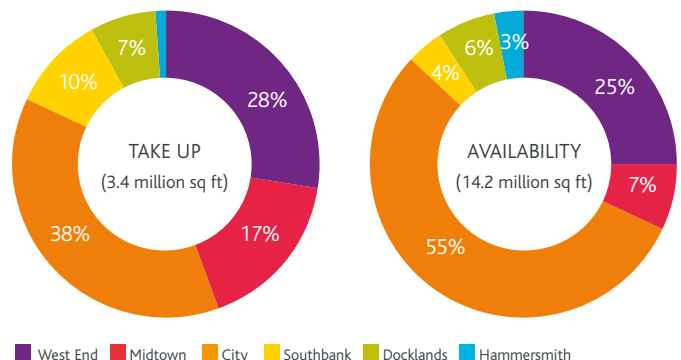
- Demand for office space across prime Central London remains strong, with 3.4m sq ft of lettings recorded in Q4 2015.
- Even with continued high demand, however, prime rents have started to flatten. Rent rises were witnessed in only six of our 18 submarkets. Areas such as Victoria, Westminster, Knightsbridge & Belgravia have seen rents edge upwards (6.5% q/q) due to the emergence of a number of new, high quality schemes that are demanding a premium and are attracting an increasing amount of high quality occupiers. Land Securities' Zig Zag building, for example, completed during Q4 and development of their Nova scheme continues.
- Canary Wharf also witnessed a rental hike of 5.6% during Q4, underpinned by occupiers who are willing to move further away from the core, particularly for large floorplates, to areas perceived to offer good value. In contrast, the City Core, which already has a high amount of good quality space, appears to be struggling to absorb the large increase of supply coming through, causing rents to stabilise.
- Towards the end of 2015 further pieces of the City puzzle were announced which, if completed, could lead to a supply glut. Almost 6m sq ft is under construction in the City, with a further 6.8m sq ft proposed for the City Core alone. Notably, plans for 1 Undershaft were released, which at almost 1m sq ft will be the City's tallest skyscraper. Across our markets, the top floors in the best schemes are attracting an increasing rent premium of 5-10%.

## Key deals (Q4 2015)

|   |               |
|---|---------------|
| <b>33 Grosvenor Place (Perella Weinberg Partners)</b><br>Cleveland Clinic       | 192,000 sq ft |
| <b>338 Euston Road (British Land)</b><br>Facebook                               | 66,019 sq ft  |
| <b>One New Change (Land Securities)</b><br>Turner & Townsend                    | 48,691 sq ft  |
| <b>Verde, Bressenden Place (Tishman Speyer)</b><br>Pret a Manger                | 30,677 sq ft  |
| <b>8 Fenchurch Place, Gartmore House (PMB; Ares)</b><br>The Alzheimer's Society | 22,926 sq ft  |

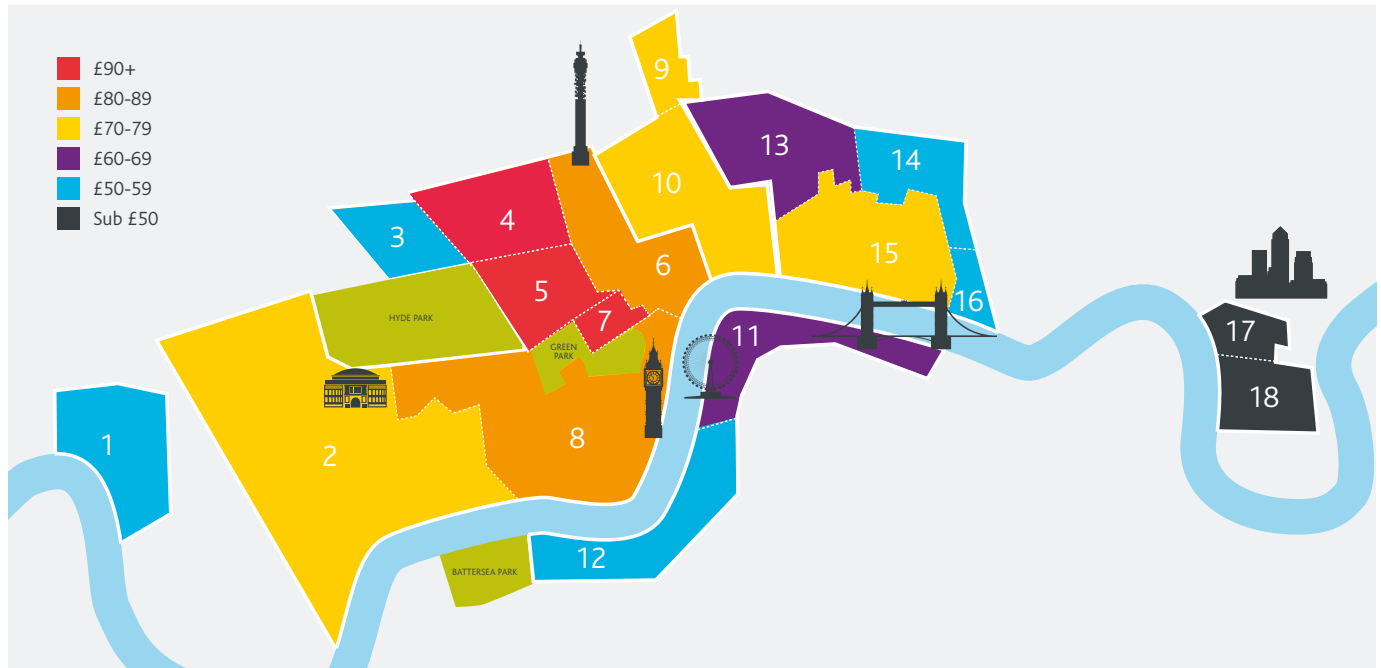
Source: Cluttons, EGI

## Key indicators (Q4 2015)



Source: Cluttons, EGI

Central London office market heat map (Q4 2015)



| Market             | Sub-market  | Prime rent (£ psf) | Q/Q % change | 12 month % change | Prime capital values (£ psf) |
|--------------------|---|--------------------|--------------|-------------------|------------------------------|
| <b>Hammersmith</b> | 1. Hammersmith                                      | 57.5               | 4.5          | 15.0              | 975                          |
| <b>West End</b>    | 2. Kensington & Chelsea                             | 77.5               | 3.3          | 10.7              | 1,400                        |
|                    | 3. Paddington                                       | 55                 | 0.0          | 0.0               | 1,050                        |
|                    | 4. Marylebone                                       | 90                 | 0.0          | 5.9               | 1,750                        |
|                    | 5. Mayfair  | 120                | 0.0          | 0.0               | 2,600                        |
|                    | 6. Noho, Soho & Covent Garden                       | 85                 | 0.0          | 6.3               | 1,650                        |
|                    | 7. St James's                                       | 125                | 0.0          | 4.2               | 2,350                        |
|                    | 8. Victoria, Westminster, Knightsbridge & Belgravia | 82.5               | 6.5          | 13.8              | 1,400                        |
|                    | <b>Midtown</b>                                      | 9. Kings Cross     | 77.5         | 3.3               | 14.8                         |
| 10. Midtown        |   | 70                 | 0.0          | 12.0              | 1,200                        |
| <b>Southbank</b>   | 11. Southbank                                       | 65                 | 0.0          | 13.0              | 875                          |
|                    | 12. Vauxhall & Nine Elms                            | 57.5               | 0.0          | 9.5               | 800                          |
| <b>City</b>        | 13. Clerkenwell & Farringdon                        | 65                 | 0.0          | 8.3               | 1,200                        |
|                    | 14. Old Street & Shoreditch                         | 55                 | 0.0          | 10.0              | 1,100                        |
|                    | 15. City Core                                       | 70                 | 0.0          | 7.7               | 1,300                        |
|                    | 16. Eastern City Fringe                             | 55                 | 4.8          | 22.2              | 900                          |
| <b>Docklands</b>   | 17. Canary Wharf                                    | 47.5               | 5.6          | 26.7              | 850                          |
|                    | 18. South Quay                                      | 35                 | 0.0          | 7.7               | 550                          |

Source: Cluttons

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