2.95 million sq ft

Q2 2017 Central London take-up volume
SUMMARY & OUTLOOK

Summary

The recent snap general election has done little to provide the intended political or economic stability. The UK economy is starting to show signs of weakening in some areas while other indicators confound expectations. There are indications of a slowing sentiment in the service sector while employment, factory output and retail spending are on the up.

The London economy continues to outperform and employment levels are robust. Against this background, the leasing market remains remarkably positive. Take-up increased quarter on quarter, and above average take-up was recorded for the second quarter since the referendum. A total of 2.95 million sq ft was leased across Central London, which brings the YTD total to 5.14 million sq ft.

The office as a service sector accounted for the largest proportion of space let during the quarter for the first time, at 28% of quarterly leasing volumes. This reflects both the changing needs of occupiers but also the maturing of the sector. It is also worthwhile to note that most other business sectors saw an upturn in leasing volumes over the quarter.

Despite the robust leasing volumes, supply increased across the capital for the second consecutive quarter, primarily driven by more second hand space coming onto the market. The Central London vacancy rate rose to 5.44% at the end of June, yet supply still remains 2.5% below the 10-year average level.

A mixed picture emerged in terms of rents, with both rental growth and falls at submarket level. Paddington saw rental growth from £62.50 per sq ft to £65.00 per sq ft while prime rents in Mayfair & St James’s fell to £115.00 per sq ft and City Core rents remained stable at £68.50 per sq ft.

The momentum seen in the investment market continued apace into the second quarter of 2017. H1 2017 volumes were on par with H1 2016 at £8.1 billion. This activity was driven by large transactions such as the sale of The Leadenhall Building, and there were 13 transactions above £100 million in Q2, bring the H1 total to number 24.

Whilst the perception might be that Asian investors are dominating the investment market, in reality Q2 has demonstrated a diverse base of capital flows. Asian investors accounted for over a third of all capital deployed, however European investors have re-entered the market as well, with German investors leading the influx.

Prime West End yields remained stable at 3.25% but the sheer weight of money has seen City yields fall from 4.25% to 4.00% over the quarter.

Outlook

There is a somewhat unexpected upbeat nature in the leasing market, with anticipated 2017 total take-up projected to be ahead of 2016. Record levels of space under offer support this forecast. It would appear that, thus far, there has been a limited impact from Brexit and, rather than any material slowdown, the market is now trending towards average levels of activity.

Looking forward we anticipate leasing volumes to hover around this 10 million sq ft level for the next few years before bouncing back in line with economic growth.

Demand is being supported by positive office-based employment prospects but Brexit-related uncertainty could see office-based job growth inhibited in the short to medium term, as firms could delay expansion and investment, while some companies may start to struggle to attract and retain EU workers.

A more diverse occupier base is likely to fuel office demand. We expect media & tech occupiers to continue their growth, with a number of large active requirements currently focused on Central London and positive employment growth predicted. The continued success of attracting new and growing businesses from this sector of course relies upon securing a positive deal on immigration. Despite expectations of declining employment within the banking & financial services sector as banks seek to migrate jobs to within the EU, the sector will remain a key taker of space. This is motivated by a diversification of functions, particularly into the fintech and digital side of the business, as well as continued consolidations and cost-saving exercises.

Occupiers will continue to push for greater flexibility; in terms of both the physical space and in lease terms. This draws parallels with the continued growth of the office as a service sector. Further expansion is anticipated, albeit some rationalisation at the smaller end of the spectrum may be seen, and we predict greater numbers of established corporates to acquire flexible space in the future.

C&W forecasts a further softening of prime rents in core submarkets by the end of the year, with rents in Mayfair & St James’s set to fall to £110.00 per sq ft by year end. City rents are also anticipated to drop to £65.00 per sq ft. Looking further ahead, there may be some further moderation in headline rents over the next three years whilst the ramifications of the Brexit negotiations are finalised. Nevertheless, based on current economic forecasts, an uptick in rents is anticipated in 2020 and beyond.
### KEY LEASING HIGHLIGHTS

#### CENTRAL LONDON

- **Q2 2017 take-up stood at 2.95 msf**
- **Number of transactions signed over 50,000 sq ft in Q2 2017**
- **6.84 million sq ft Speculatively under construction**

#### Key occupier transactions Q2 2017

<table>
<thead>
<tr>
<th>Building</th>
<th>Floor Area (sq ft)</th>
<th>Location</th>
<th>Use</th>
<th>Lease Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Southbank Place, SE1</td>
<td>283,450</td>
<td>Southbank</td>
<td>Prelet</td>
<td></td>
</tr>
<tr>
<td>125 Shaftesbury Avenue, WC2</td>
<td>140,000</td>
<td>Covent Garden</td>
<td>Prelet</td>
<td></td>
</tr>
<tr>
<td>London Fruit &amp; Wool Exchange, E1</td>
<td>115,680</td>
<td>Shoreditch</td>
<td>Sublease</td>
<td></td>
</tr>
<tr>
<td>28 Chancery Lane, WC2</td>
<td>93,882</td>
<td>Midtown</td>
<td>New lease</td>
<td></td>
</tr>
</tbody>
</table>

#### Take-up by sector H1 2017

<table>
<thead>
<tr>
<th>Sector</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media &amp; tech</td>
<td>27%</td>
</tr>
<tr>
<td>Office as a Service</td>
<td>22%</td>
</tr>
<tr>
<td>Professional services</td>
<td>18%</td>
</tr>
<tr>
<td>Banking &amp; financial</td>
<td>14%</td>
</tr>
</tbody>
</table>
LEASING MARKET
CENTRAL LONDON

Take-Up
The Central London leasing market has seen a relatively positive performance since the EU referendum. A total of 2.95 million sq ft was let across Central London in Q2 2017, which was above the 5-year quarterly average of 2.5 million sq ft, and brings the H1 total volume to 5.14 million sq ft. Robust levels of activity were seen in the City and West End – the latter recording take-up 9% above average - while East London remains sluggish.

Office as a Service (OaS) providers accounted for the largest share of space leased in Central London for the first time ever, at 28%. Activity was boosted by WeWork’s acquisitions at Two Southbank Place and 125 Shaftesbury Avenue. These were the largest transactions across Central London in the quarter. Over 1.1 million sq ft was let to the sector in 2017 to date, which suggests that this will be a record year for lettings to OaS providers. 2014 was the previous peak, when 1.3 million sq ft let.

Levels of space under offer continued to trend upwards to reach 3.2 million sq ft. This is the highest level since Q3 2014 and should support leasing activity in the latter part of the year.

Supply
Central London supply stood at 14.23 million sq ft at the end of June, which equated to a vacancy rate of 5.4%. Supply rose over the quarter, but the pace of increase was lower than in Q1 and the volume of available space remained just below the ten-year average of 14.6 million sq ft.

This uplift was largely due to an increase in second hand grade A space over the quarter, rather than development completions. Second hand space has been on an upward trend for the last four quarters and now stands at the highest level since 2010, with 6.5 million sq ft of second hand space available at the end of June. It remains some 20% above the long run average, while in contrast new space is just 5% higher. Of this second hand space, C&W estimate that 3.5 million sq ft is sublease space, which increased for the sixth successive quarter. This uplift was of particular note in East London which was reflected in a sharp upturn in vacancy levels.

There is 6.8 million sq ft of speculative space under construction, due for completion between 2018 to 2020. This was down marginally from the previous quarter, when 7.0 million sq ft was being built. Precommitted space accounts for 45% of space under construction, which should keep vacancy rates in check.
Prime rents across Central London Q2 2017

Prime rents in Central London generally remained stable over the quarter

West End rents declined by -1.7% in the year to June 2017

Average annual growth of 0.3% was recorded in the City

East London rents were stable year on year

Biggest annual rental change was recorded in
- Southbank (+4.0%)
- Paddington (+4.0%)
- City Core (-2.1%)
- North of Oxford Street (-2.6%)
- Victoria (-3.0%)
- Mayfair & St James’s (-8.0%)
KEY INVESTMENT HIGHLIGHTS

CENTRAL LONDON

2017 H1 investment volumes were **£8.1 billion**
Volumes on a par with 2016 H1

City Prime yields revert back to pre-referendum level, whilst West End remain stable
4.00% City
3.25% West End

Key investment transactions Q2 2017

- **£485 M**
  - **Cannon Place, EC4**
  - **Purchaser: Deka**
  - **Vendor: Hines**

- **£310 M**
  - **2 & 3 Bankside, SE1**
  - **Purchaser: Deutsche AM**
  - **Vendor: M&G Real Estate**

- **£310 M**
  - **20 Gresham Street, EC2**
  - **Purchaser: CR Land**
  - **Vendor: AXA Real Estate**

- **£207 M**
  - **33 Horseferry Road, SW1**
  - **Purchaser: Sinarmas Land**
  - **Vendor: Brockton Capital**

Central London net investment 2017 H1

Source: RCA

Purchaser origin H1 2017

- **Asia Pacific**: 35%
- **Europe**: 32%
- **UK**: 15%
- **North America**: 10%
- **Other**: 8%
Momentum in volumes maintained

At £8.1 billion, H1 2017 Central London investment volumes were on a par with H1 2016. Large deals made a significant contribution to the total, in particular in the City which was dominated by the sale of The Leadenhall Building. In fact there were thirteen completed transactions in excess of £100 million in the three months to June, which brings the year to date total to 24.

During Q2 there was a resurgence in activity from, predominantly European institutions, outspending both funds and private money for the first time since 2008. However the underlying trend continues to show that publically quoted and private money is driving the investment market. These two investment groups continued to be net investors into the London market during the year to date, while institutions and funds were net sellers of assets.

Major deals in Q2 included the acquisitions of 20 Gresham Street by China Resources Land, and the acquisition of 67 Lombard Street by Singapore’s Ho Bee Land, as well as Cannon Place by Deka and 2 & 3 Bankside to Deutsche AM.

European money enters the market

Asia Pacific investors dominated the London market in the first half of this year and are set to continue with strong ongoing interest in assets right across the risk spectrum.

RCA data shows that the region accounted for more than a third of investment volumes. Their dominance was moderated to a certain extent by the return of European investors to the Central London market, with German investors leading the influx. European money represented just under a third of volumes.

Of the ten deals valued at more than £200 million in Central London, five of these were acquisitions by European investors, of which three were German. Asian investors were responsible for four of the remaining £200 million transactions, with Hong Kong investors investing in three of these to the tune of £1.7 billion.

Central London investment H1 volumes 2012-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>City</th>
<th>East London</th>
<th>West End</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 H1</td>
<td>6,000</td>
<td>2,000</td>
<td>200</td>
</tr>
<tr>
<td>2013 H1</td>
<td>8,000</td>
<td>4,000</td>
<td>400</td>
</tr>
<tr>
<td>2014 H1</td>
<td>12,000</td>
<td>6,000</td>
<td>800</td>
</tr>
<tr>
<td>2015 H1</td>
<td>16,000</td>
<td>8,000</td>
<td>1,200</td>
</tr>
<tr>
<td>2016 H1</td>
<td>10,000</td>
<td>5,000</td>
<td>500</td>
</tr>
<tr>
<td>2017 H1</td>
<td>14,000</td>
<td>7,000</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Central London investment by purchaser type H1 2017

- Fund: 34%
- Institution: 20%
- Other: 16%
- Private: 26%
- Public: 2%
- Sovereign Wealth Fund: 2%
140,000 sq ft

Space pre-let by WeWork at 125 Shaftesbury Avenue, WC2

Largest West End transaction in Q2 2017
LEASING MARKET
WEST END

Take-Up

The West End leasing market saw a strong performance in the first half of the year. Q2 take-up volumes totalled 1.02 million sq ft, the fourth consecutive quarter of above-average take-up, bringing H1 volumes to 1.94m sq ft. This was 9.6% above the five-year H1 average and 37% above the same point in 2016.

Occupiers remained focused on good quality space, with 79% of space transacted in newly built or refurbished space. This was supported by nine transactions larger than 30,000 sq ft.

The largest deal was WeWork leasing 140,000 sq ft at 125 Shaftesbury Avenue in Covent Garden, which was the only transaction greater than 100,000 sq ft in the West End during Q2. This was followed by Hearst at LSQ, who took 70,915 sq ft. The average transaction size was 17,300 sq ft across a total of 59 deals above 5,000 sq ft.

The momentum in the leasing market should be sustained in the short to medium term, with a total of 1.2 million sq ft under offer which was more than double the 5-year quarterly average volume and the highest level since 2007.

Supply

In line with the wider market, West End supply rose quarter on quarter, but the pace of increase slowed. Total supply reached 5.35 million sq ft at the end June, which equated to a vacancy rate of 5.13%.

The recent uptick in available space was primarily due to an increase in new built stock particularly in the emerging submarkets, but more recently there has been an uplift in tenant led space. The two largest units being marketed are the WestWorks Building (270,000 sq ft remaining) and MediaWorks (142,000 sq ft) both in White City.

Completions look set to remain stable in the short term, with 651,000 sq ft set to deliver speculatively in the first half of 2018 across the West End. This should reduce the threat of oversupply, and provide some support for rental values.

5.13%
West End vacancy rate

Source: Cushman & Wakefield
Future Supply

The West End pipeline showed signs of stabilising. Total space under construction stood at 2.5 million sq ft, of which 38% was prelet.

2017 is anticipated to see a year on year decrease in speculative completions, with a total of 966,000 sq ft due online compared to 1.6 million sq ft in 2016. Completion levels are set to have peaked, with estimated speculative completions in 2018/19 significantly down on the last two years. C&W estimate that there is around 651,000 sq ft set to complete in 2018, which is likely to exert a downward pressure on vacancy rates over the next 12 months.

The largest speculative schemes due for completion in 2018 are 2 Television Centre, W12 scheduled to deliver 275,000 sq ft in Q1 2018 and the remaining space in The Post Building, W1 (156,000 sq ft). Key schemes for completion in 2019 include Derwent London’s Brunel Building, W2 which will provide 240,000 sq ft in Paddington and the remaining space at 187,000 sq ft at 80 Charlotte Street, W1.

There is a further 2.6 million sq ft of space with planning permission or currently at the application stage. The practicalities of starting on site means that the majority would not be delivered to the market before mid-2020 at the earliest.

1.4 m sq ft
Speculative space under construction

<table>
<thead>
<tr>
<th>Key upcoming schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Address</strong></td>
</tr>
<tr>
<td>The Post Building, WC1</td>
</tr>
<tr>
<td>The Brunel Building, W2</td>
</tr>
<tr>
<td>80 Charlotte Street, W1</td>
</tr>
<tr>
<td>Marble Arch Place, W1</td>
</tr>
<tr>
<td>Astoria, 1 Oxford Street, W1</td>
</tr>
</tbody>
</table>

Source: Cushman & Wakefield

*included in supply figures
INVESTMENT MARKET

WEST END

There was a slight quarter on quarter moderation in investment volumes in Q2 2017, with £1.65 billion completed. This brings the year to date total to just under £3.5 billion, which compares favourably to H1 volumes over the last five years, with the exception on 2015 which was a record year.

Despite a fall in volumes, the £100 million plus lot size held up with seven acquisitions over this threshold in Q2. These deals supported total volumes, accounting for spending of just over £1 billion.

This focus on larger lot sizes so far this year is reflected in an average lot size of around £75 million which is at a historical high.

The largest transaction this quarter was the sale of 33 Horseferry Road in Victoria to Sinarmas Land for £207 million. Other significant deals include Joseph Lau Luen Hong’s acquisition of 11-12 St James’s Square for £175 million and Union Investment’s acquisition of the Copyright Building at 30 Berners Street in Fitzrovia for £165 million.

Asian investors dominated purchases during H1, accounting for 31% of volumes, with money primarily coming from Hong Kong investors who are seeking to diversify their portfolios geographically. European investors made up a further 28% and UK investors acquired 18% of stock. All the stock sold in Q2 2017 was placed by domestic investors and as such UK investors disinvested almost £1.22 billion.

Private money continued to target West End property, accounting for 44% of volume in Q2, whilst funds were the main vendors.

There has been no change in pricing to date and prime office yields remained stable at 3.25%. C&W predict that yields are likely to remain stable in the short to medium term.

West End prime yield

3.25%
2 & 3 Bankside, SE1

Purchased by Deutsche Asset Management
£310 million
Sold by Cushman & Wakefield
LEASING MARKET

CITY

Take-Up

Take-up for Q2 reached 1.9 million sq ft, which marked a 54% increase from the 1.2 million sq ft transacted during Q1 and was in fact the largest quarterly take-up since Q3 2015. This bought the H1 2017 total leasing volumes to 3.1 million sq ft. This was 27% ahead of the same period last year, and an 11% increase on the five-year H1 average.

There were mixed performances across the City, with Southbank and Clerkenwell & Shoreditch recording take-up levels above the five-year H1 average, whilst the City Core and Midtown submarkets were both down.

The largest deal in the City, and across Central London, saw WeWork pre-let 283,000 sq ft at Two Southbank Place, SE1. Other notable transactions include NEX Group subletting 116,000 sq ft at London Fruit & Wool Exchange from Ashurst and 28 Chancery Lane, WC2, where Framestore agreed to lease 94,000 sq ft.

The office as a service sector was the most active sector in Q2 accounting for around a third of quarterly leasing volumes, largely boosted by the aforementioned WeWork pre-let. This is unprecedented and reflects the shift in nature of occupier base demands. Media & technology sector occupiers continued to lease space in the City during Q2 with 22% of total take-up.

Supply

Availability in the City stood at 7.1 million sq ft at the end of June, up from the 6.9 million sq ft recorded at the end of Q1. The pace of increase has slowed over the quarter, increasing by just 4% and reflects a vacancy rate of 5.24%. Supply has increased 30% year on year and is now back to levels seen during the latter part of 2014. Levels still remain 4% below the five-year quarterly average of 7.4 million sq ft.

Second hand space increased for the fifth consecutive quarter to stand at 3.7 million sq ft, or 52% of total available space. However, of this space, tenant controlled space (i.e. sublet space) actually remained stable quarter on quarter, following two quarters of significant uplift, and accounts for around a quarter of total available space. Not surprisingly, the majority of sublease space is located in the City Core.

There were nine buildings capable of accommodating a requirement in excess of 100,000 sq ft at the end of June 2017, compared to five buildings at the same point last year. The largest units available are Creechurch Place, EC3 (272,000 sq ft) and The Minster Building, EC3 (247,000 sq ft).

Rising under offers, which increased by 29% over the quarter to stand at 1.6 million sq ft, indicate that there will be healthy take-up in the second half of the year. Total space under offer is now 8% above the five-year average.
LEASING MARKET

CITY

Future Supply

An estimated 5.8 million sq ft is under construction and expected to deliver in 2018, albeit at this stage 56% or 3.7 sq ft of space has been pre-let or is under offer, leaving just 2.1 million sq ft of speculative space in 2018, which should insulate the impact of future supply increases in the next 12 months.

Overall the total volume of speculative space under construction contracted quarter on quarter to 4.4 million sq ft, from 4.6 million sq ft at the end of Q1 2017.

4.4m sq ft

Speculative space under construction

The largest scheme under construction and due to complete in 2018 is Seventy St Mary Axe, EC3 (341,000 sq ft) and the largest scheme due to complete in 2019 is 22 Bishopsgate, EC2 (1.4 million sq ft).

Looking forward, C&W estimate that a total of 2.6 million sq ft of potential space with planning applications or permissions which could come forward in the next five years. As a result of the recent referendum result, it is anticipated that a number of these schemes may be delayed.

Key transactions Q2 2017

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Address</th>
<th>Size (Sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeWork</td>
<td>Two Southbank Place, SE1</td>
<td>283,450</td>
</tr>
<tr>
<td>NEX Group</td>
<td>London Fruit &amp; Wool Exchange, E1</td>
<td>115,680</td>
</tr>
<tr>
<td>Framestore</td>
<td>28 Chancery Lane, WC2</td>
<td>93,882</td>
</tr>
<tr>
<td>Antares Underwriting</td>
<td>21 Lime Street, EC3</td>
<td>30,290</td>
</tr>
<tr>
<td>London Executive Offices</td>
<td>One King William Street, EC4</td>
<td>29,564</td>
</tr>
<tr>
<td>Box.com</td>
<td>White Collar Factory, EC1</td>
<td>28,549</td>
</tr>
<tr>
<td>Shanghai Pudong Development Bank</td>
<td>Angel Court, EC2</td>
<td>8,760</td>
</tr>
</tbody>
</table>
R1 Republic, E14

Largest building available across East London
192,000 sq ft
LEASING MARKET
EAST LONDON

Take-Up
Following the substantial take-up levels in 2016, momentum slowed in 2017. Just 41,793 sq ft was let during Q2, which brought the H1 total for East London to 76,246 sq ft. This was 84% below the same point in 2016.

Nevertheless, the outlook is more positive with a further 383,000 sq ft of space under offer in East London at the end of June, a 61% increase on the volumes recorded in the previous quarter. This was bolstered by Cancer Research and the British Council under offer on 110,000 sq ft and 85,000 sq ft respectively at Building S9, The International Quarter, E20. As such leasing activity is anticipated to pick up into the latter part of 2017.

In addition, demand for space in East London remains strong with a number of large requirements currently circulating the market, such as further space for WeWork (70,000 sq ft), BGC (100,000 sq ft) and HMRC (300,000 sq ft).

Supply
Availability increased over the quarter to stand at 1.77 million sq ft, reflecting an availability ratio of 8.38%. Total available space exceeded the five-year average of 1.58 million sq ft for the first time since Q1 2015.

There was an increase of second hand space during the quarter, now standing at 952,000 sq ft, which accounts for over half of total space available. This trend was driven by tenant released space in buildings such as 15 Westferry Circus (170,000 sq ft) and 40 Bank Street (57,000 sq ft).

There are currently seven buildings across East London which can accommodate a requirement in excess of 100,000 sq ft: the largest is R1 Republic, E14 which provides 192,000 sq ft and is due for completion in Q4 2017.

8.38%
East London vacancy rate

East London leasing volumes by quarter 2012-Q2 2017

East London supply by grade Q2 2012-Q2 2017

Source: Cushman & Wakefield
LEASING MARKET
EAST LONDON

Future Supply

At the end of June, there was 1.0 million sq ft of speculative space under construction due to complete between 2018-2020, with a further 1.0 million sq ft of space which was either pre-let or under offer. The proportion of committed space under construction (50%) was higher than the Central London average of 45%. As such any significant uplift in future new supply is not anticipated to be as a result of the pipeline.

There were six schemes speculatively under construction across East London at the end of June: of which the largest is 1 & 5 Bank Street, E14 (359,000 sq ft remaining available) due to complete in 2019.

The New District phase of Canary Wharf is also underway, with two office buildings under construction – 15 Water Street (143,000 sq ft) and 20 Water Street (211,000 sq ft). As most of these new buildings will be added to the stock figures, the impact on vacancy rates will be moderated.

1.0 million
sq ft
Speculative space under construction

<table>
<thead>
<tr>
<th>Address</th>
<th>Speculative Size (Sq ft)</th>
<th>Earliest completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1 Republic, East India Dock Road, E14</td>
<td>192,084</td>
<td>Q4 2017</td>
</tr>
<tr>
<td>Strand East, North East Quarter, E15</td>
<td>97,615</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>25 Cabot Square, E14</td>
<td>199,239</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>1 &amp; 5 Bank Street, E14</td>
<td>358,718</td>
<td>Q2 2019</td>
</tr>
<tr>
<td>15 Water Street, New District, E14</td>
<td>143,000</td>
<td>Q1 2020</td>
</tr>
<tr>
<td>20 Water Street, New District, E14</td>
<td>211,170</td>
<td>Q1 2020</td>
</tr>
</tbody>
</table>
INVESTMENT MARKET
CITY AND EAST LONDON

4.00%
City prime yield

Investment activity in the City held up well during the first half of the year. An estimated £4.65 billion was transacted in H1 2017 compared to just over £4.0 billion in both H1 and H2 2016. East London in comparison has yet to see any transactions and as a result total volumes for the City and East London were below the same point last year.

The demand for large lot sizes continued apace during Q2, with a further six transactions in the £100 million plus lot sizes. This was on a par with the previous quarter. All bar one property of this size was purchased by overseas investors, the exception being Workspace’s acquisition of Salisbury House, 28-31 Finsbury Circus. The average lot size stands at just over £98 million for 2017, up from £50 million for the same period in 2016.

European investors returned to the City investment market in H1 2017, with both Q1 and Q2 recording in excess of £800 million of acquisitions. This was in part due to the purchase of Cannon Place by Deka (£485 million) and 2 & 3 Bankside to Deutsche AM (£310 million) in Q2 following closely on the back of Antirion’s purchase of Principal Place and HB Reavis’s acquisition of Elizabeth House in Q1.

European investors accounted for 35% of investment volumes in H1, fractionally behind Asia who purchased 38% in the year to date. UK investors remain net sellers of c£2.0 billion, albeit influenced by the sale of The Leadenhall Building earlier in the year.

Funds and publically quoted companies were both the main purchasers and vendors in the year to date. Both institutions and private investors have been relatively quiet in comparison.

Prime office yields in the City and Midtown moved in by 25 bp to 4.00% as a result of the sheer weight of money targeting City properties. Looking forward prime yields are anticipated to hold at this level for the short to medium term.
Definitions

All market statistics relate to units/transactions over 5,000 sq ft

Supply is defined as space available for immediate occupation and space under construction that is due to complete within the next 6 months and is not let. It includes space under offer.

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

Under offer relates to units which a potential occupier has agreed in principle to acquire, subject to negotiation.

Prelets include both off plan- i.e. before construction has started on site- and prelets while under construction but prior to practical completion.

Speculative development relates to newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant. It excludes buildings due for completion within 6 months.

Prime rents relate to a consistently achievable headline rental figure that relate to new prime, well located, high specification units of a standard size (10,000 sq ft) commensurate within the predefined market area, assuming there is always existing demand and available supply.

Capital markets data sourced from Real Capital Analytics.
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