AVISON YOUNG

RESEARCH

Central London office analysis

Q1 2019

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OCCUPATIONAL MARKET

Central London take-up totalled 2.7 million sq ft for Q1 2019, in line with the 5-year quarterly average.

INVESTMENT MARKET

Investment transaction volumes were down in Q1 2019 with £2.8 billion recorded, however this was only 11% below the same period last year.

48 Pall Mall, St James's SW1: Avison Young are currently instructed as joint letting agents on behalf of Real Estate Management (UK) Limited.

PATRICK O'KEEFFE
Principal

> **The market will continue to be supply-led rather than demand driven and the lack of supply will help to underpin many of the lettings this year**

Occupier market – in brief

With London in the midst of uncertainty surrounding Brexit and the now revised October deadline, Q1 2019 was quieter than normal as occupiers and investors who were able to, held off their decisions until after the now redundant 29th March Brexit date. Greater certainty on the impact of Brexit on occupation was brought by the recent ruling that the European Medicines Agency (EMA) at Churchill Place are unable to exit their lease on the grounds of 'frustration' over EU departure.

Nevertheless, last year was a record breaker and should not be downplayed by negative headlines in the past three months. Take-up in 2018 was 30% up on the 10-year average making 2018 the best performing year by take-up in a decade.

Indeed, London's success is no longer in response to cyclical conditions but instead is the product of London's ability to respond to changing technology and provision of the right spaces and places that allow companies to attract the best talent to grow and sustain their businesses.

Despite subdued overall transaction volumes, occupier demand continues unabated for the best market supply, of which transport connectivity is an essential component. With the development pipeline still constrained, larger occupiers have few options available, especially those with space requirements over 100,000 sq ft. With reduced development availability and improved transport connectivity, occupier requirements are changing with increasing numbers of tenants willing to consider several locations within Central London, providing the appropriate amenities.

This quarter has seen continued good preletting activity, further eating into the already limited level of development supply. 74% of preletting activity for Q1 2019 was made up from lettings in close proximity to future Crossrail stations. These included lettings at The Cabot, E14, 100 Liverpool Street, EC2, 18-19 Hanover Square, W1 and The Brunel Building, W2. Evidently, the Crossrail delay announcements are not deterring occupiers from seeing future potential in these submarkets.

An uncertain market has forced some occupiers to increase the efficiency of their business occupation with staff packed more densely into offices. This further drives up demand for the best quality space, but also makes the market more competitive. The 'space as a service' agenda allows landlords to differentiate their offering, and they are often successful in achieving the best occupancy rates and the highest rents.

With an increasingly distinct separation between demand for the best and poorer quality second hand space, investors are waking up to the opportunity of refurbishments but with significant caution around pricing.

Underpinning the changing market is the growing serviced office sector which is providing an alternative to tenants without the perceived commitment, cost and associated time constraints of 'conventional offices'. This creates a greater separation between demand for the best quality unit sizes, and for second hand space that increasingly sees lower demand due to the impact of the sector. The growth in this sector is exacerbated as serviced office providers take larger amounts of space. This further limits the level of supply for the best quality space on the market, although the space will remain available but under a different guise.

Central London

TAKE-UP

Central London take-up totalled 2.7 million sq ft in Q1 2019, 33% below Q4 2018 but up 7% on the 10-year quarterly average, providing evidence the market continues to weather uncertainty and surpassing expectations for the start of the year.

Q1 has seen a lack of larger deals transact in Central London. With the exception of the deal to Sony at S1 Handyside, N1 totalling 133,000 sq ft, no other deals were recorded over 100,000 sq ft. Nevertheless, demand for larger floor plates in developed buildings continues to remain high with a number of key developments receiving further prelets in the quarter, including The Cabot, E14, The Brunel Building, W2, 100 Liverpool Street, EC2, and 18-19 Hanover Square, W1.

The top four sectors accounted for around 70% of all take-up for Q1 2019. Financial Services was top at 20%, followed by serviced offices at 20%, TMT & Creative at 15% and Government and Services at 13%. The return of Financial Services as top performer, despite overriding economic challenges, demonstrates the changing nature of tech demand and the Fintech sector. The top Financial Services acquisitions for Q1 were FIS Global's acquisition of 56,000 sq ft at 25 Canada Square, E14 and Mastercard's acquisition of 53,000 sq ft at Watermark Place, EC4, both of which classify themselves as tech companies but which operate within the Financial Services sector.

Serviced office take-up continued to be robust with Q1 take-up accounting for 27% of the 2018 total at quarter end. The largest serviced office deal was to Spaces (IWG) at 25 Wilton Road, SW1 totalling 83,000 sq ft which was the second largest overall deal of the quarter. With an additional 71,000 sq ft taken at The Cabot, E14 and 70,000 sq ft at 127 Kensington High Street, W8, Spaces (IWG) was the largest acquirer of space during Q1 2019.

AVAILABILITY AND DEVELOPMENT

Availability rose in Q1 2019, reflecting a fall in take-up to 12.4 million sq ft. Current availability is therefore 14% up on Q4 2018 and 5% up on the 10-year average. The development pipeline comprises 18.0 million sq ft, a 15% rise on Q4 2018 construction levels.

Developments that commenced construction during the quarter included 6-8 Bishopsgate, EC3, Ropemaker Place, EC2 and 1 Portsoken Street, E1, all of which are within the City. As a proportion of the pipeline therefore, the amount of prelet space has fallen to 46%. Developments over 100,000 sq ft that previously saw severe availability shortages are now just 51% prelet overall, however there is currently significant variation in available development supply between submarkets.

RENTAL GROWTH

Prime rents grew by 0.78% on a rolling annual basis in Q1 2019, yet were largely stable on a quarterly basis as the supply-led market held rents steady.

Prime City and West End rents are currently stable at £67.50 per sq ft and £115.00 per sq ft respectively. Rent free periods are stable at 24 months.

KEY DEALS - Q1 2019

Address	Occupier	Sq Ft
S1 Handyside, N1	Sony	133,000
25 Wilton Road, SW1	Spaces	83,000
155 Bishopsgate, EC2	Bulb	76,000
The Cabot, E14	Spaces	71,000
127 Kensington High Street, W8	Spaces	70,000

TOP TENANT SECTORS

Financial services
20%

Serviced offices
20%

KEY STATS THIS QUARTER

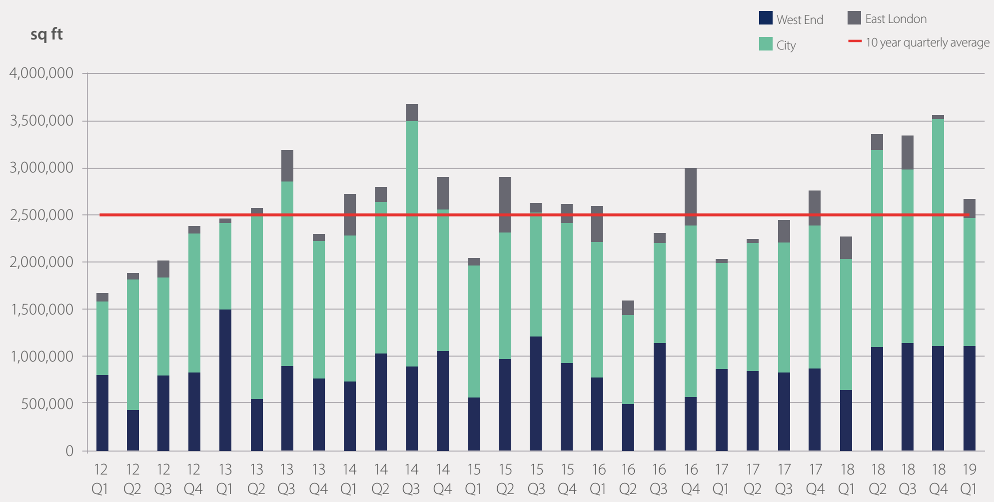
TOTAL TAKE-UP FOR Q1
2.7 million sq ft

▲ **7%**
UP ON THE 10-YEAR QUARTERLY AVERAGE

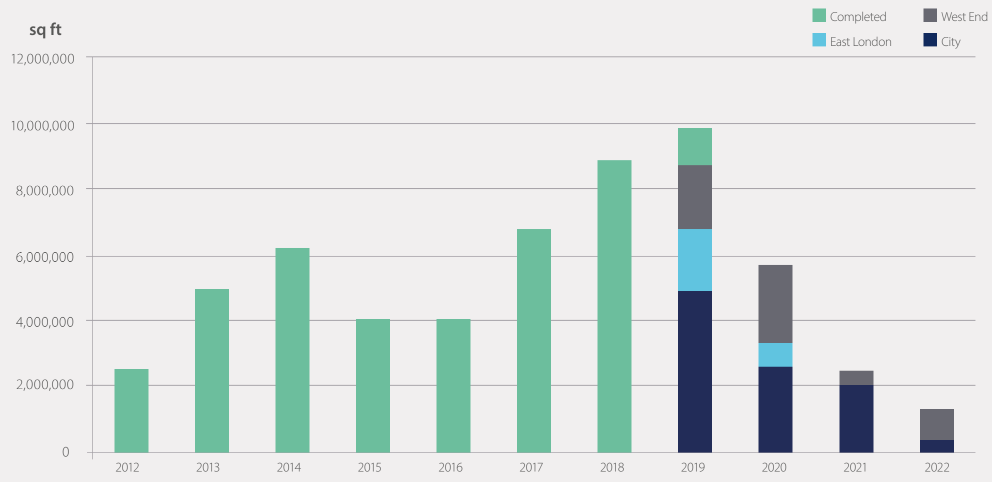
6.4%
VACANCY RATE

UNDER CONSTRUCTION
18 million sq ft
46%
prelet

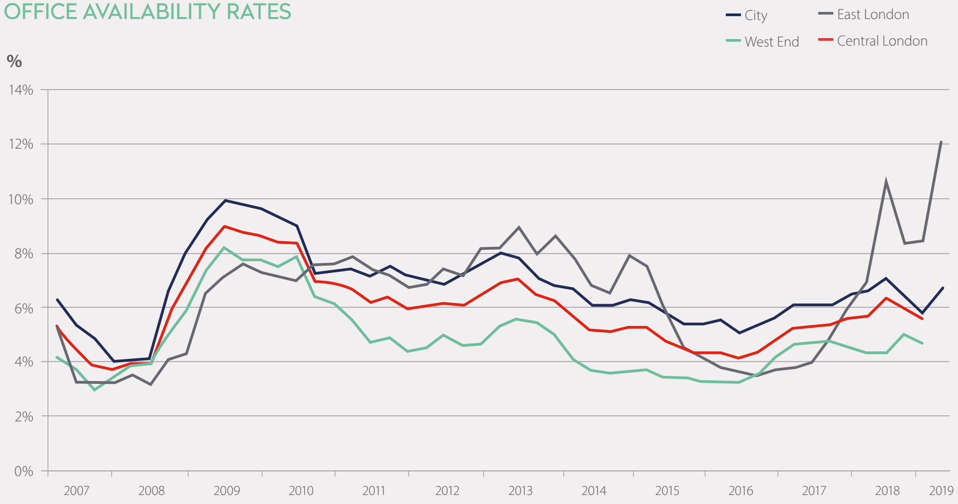
CENTRAL LONDON TAKE-UP



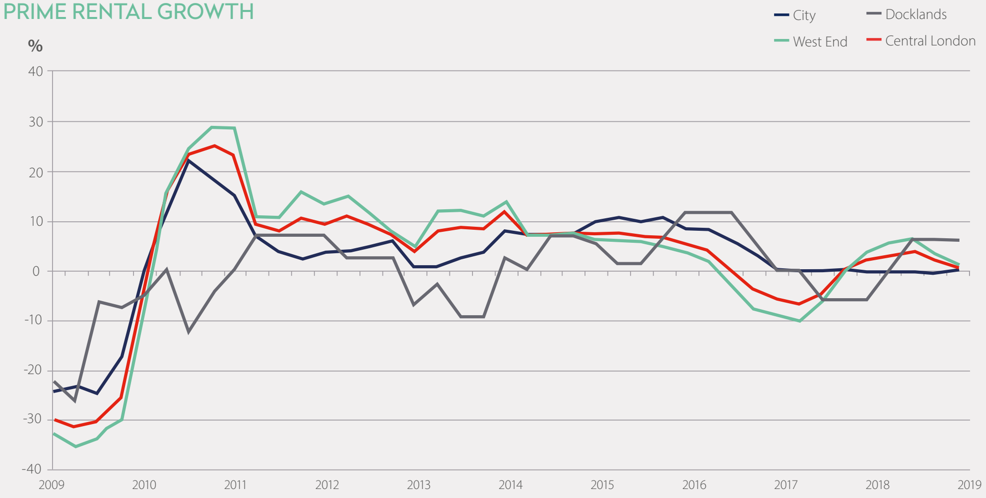
UNDER CONSTRUCTION



OFFICE AVAILABILITY RATES



PRIME RENTAL GROWTH



West End

TAKE-UP

Take-up totalled 1.1 million sq ft in Q1 2019, in line with Q4 2018 and up on the 10-year average by 33%. The largest West End deal of the quarter was to Sony at S1 Handyside, N1 who acquired 133,000 sq ft. The second and third largest deals of the quarter were both to Spaces at 25 Wilton Road, SW1 and 127 Kensington High Street, W8.

The Serviced Office sector accounted for the largest proportion of take-up for Q1 2019 at 23%. The TMT & Creative sector accounted for a similar 22% of take-up, largely due to Sony's acquisition at King's Cross which alone accounted for 12% of West End take-up.

By submarket, King's Cross saw the most activity recording 172,000 sq ft of take-up across six deals. The Mayfair and St James's combined submarket had a good quarter recording 175,000 sq ft of take-up, 86% above the 10-year average. The figure was boosted by two significant deals over 50,000 sq ft, to Glencore and 18-19 Hanover Square, W1 and to Cinven Partners at 21 St James's Square, SW1.

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AVAILABILITY AND DEVELOPMENT

Supply rose marginally to 3.9 million sq ft, which equates to a vacancy rate of 4.7% and is just above the 10-year quarterly average of 4.0 million sq ft. Despite continued strong demand, there is a lack of larger development supply on the market.

The wider pipeline is limited with 74% of space in developments over 100,000 sq ft prelet. In comparison, developments below 100,000 sq ft are currently just 13% prelet. Q1 2019 saw occupational deals further eat into the availability of good supply with six prelets, contributing 310,000 sq ft of take-up, or 28%. This is an increase from the 2018 figure in which prelets totalled 1.1 million sq ft. The smaller unit sizes and second hand space increasingly sees poorer letting activity, despite rising levels of tenant space on the market.

Hammersmith currently has the highest level of availability accounting for 15% of the market. This can be attributed mostly to Bechtel House and The Ark. The two buildings account for 35% of all availability over 100,000 sq ft in the West End. King's Cross and Paddington have two of the lowest vacancy rates in Central London following strong letting activity, particularly for the development stock.

RENTAL GROWTH

Prime rents grew by 1% on a rolling annual basis but on a quarterly basis were largely stable, with the exceptions of Soho and Hammersmith where rents fell slightly to £95.00 per sq ft and £52.50 per sq ft respectively.

It is constrained supply and robust demand has kept rents largely stable, and rent free periods are also stable at 24 months across the majority of West End submarkets.

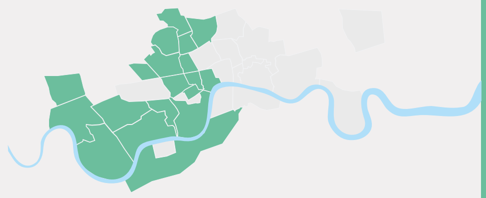
KEY DEALS - Q1 2019

Address	Occupier	Sq Ft
S1 Handyside, N1	Sony	133,000
25 Wilton Road, SW1	Spaces	83,000
127 Kensington High Street, W8	Spaces	70,000
18-19 Hanover Square, W1	Glencore UK Ltd	53,000
21 Dartmouth Street, SW1	House of Commons	52,000

TOP TENANT SECTORS

Serviced offices **20%**

TMT & creative **22%**



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1

1.1 million sq ft

▲ **33%**

UP ON THE 10-YEAR QUARTERLY AVERAGE

4.7%

VACANCY RATE

UNDER CONSTRUCTION

5.7 million sq ft

62%
prelet

£115 per sq ft

PRIME RENT

City

TAKE-UP

City take-up totalled 1.4 million sq ft in Q1 2019, in line with Q1 last year and only 6% below the 10-year average. Q1 2019 recorded 97 deals which was only slightly down on Q4 2018's figure of 107 (despite year end volumes reaching 2.4 million sq ft) and up from the 71 deals recorded in Q1 2018.

The average deal size for the quarter was just 13,621 sq ft, its lowest since 2012. This was due to a lack of larger transactions with no deals recorded over 100,000 sq ft. The largest transaction in Q1 was Bulb's acquisition of 76,000 sq ft at 155 Bishopsgate, EC2, at £47.50 per sq ft.

Financial Services was the most active sector accounting for 20% of all take-up. A lack of larger deals this quarter meant that the dominance of one particular sector was not the result of a single deal. Serviced offices followed behind accounting for 15% of take-up of which the largest deal was to WeWork acquiring 50,000 sq ft at 2 Minster Court, EC3.

Demand continues to be strong for the best stock in the best locations with a two tier market increasingly evident. 100 Liverpool Street has seen deals of 63,000 sq ft to Millbank and 40,000 sq ft to Peel Hunt, achieving higher than average rents for the area. Clerkenwell continues to perform well recording 130,000 sq ft of take-up in Q1, equivalent to 10% of all City take-up and up from just 2% in Q1 2018. The largest Clerkenwell acquisition was by The Open Society at Herbal House taking 29,000 sq ft on a 15-year lease.

AVAILABILITY AND DEVELOPMENT

City availability rose to 6.2 million sq ft for Q1 2019, 15% up on Q4 2018 but still 4% below the 10-year average. The vacancy rate stands at 6.7%, up from 5.8% at the end of last year.

Overall, the development pipeline is still relatively constrained with only 9.9 million sq ft under construction of which 36% is prelet. However, this is a marked increase in under construction levels since the end of last year.

At year end, there was just 2.6 million sq ft in developments over 100,000 sq ft due for delivery post 2020 (9 schemes), of which 45% was prelet. The figure has risen to 4.8 million sq ft in Q1 (16 schemes), of which 27% is prelet.

During Q1, construction started on 6-8 Bishopsgate (710,000 sq ft), Ropemaker Place (480,000 sq ft) and 1 Portsoken Street (190,000 sq ft). The addition of these developments has increased the volume of post 2020 completions to 5.0 million sq ft, of which 25% is prelet.

RENTAL GROWTH

Prime rents grew by 0.3% on a rolling annual basis. Quarterly rental levels were stable across all core submarkets with marginal rental growth in the West City and Holborn submarkets. These areas continue to receive high demand with low supply, benefiting from high occupier demand in neighbouring Clerkenwell. Rent free periods are stable at 24 months.

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KEY DEALS - Q1 2019

Address	Occupier	Sq Ft
155 Bishopsgate, EC2	Bulb	76,000
100 Liverpool Street, EC2	Millbank	68,000
Watermark Place, 1 Angel Lane, EC4	Mastercard	53,000
2 Minster Court, EC3	WeWork	50,000
1 New Change, EC4	Phillip Morris	49,000

TOP TENANT SECTORS

Financial services **20%**

Serviced offices **15%**

KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1

1.4 million sq ft

▼ **6%**
DOWN ON THE 10-YEAR QUARTERLY AVERAGE

6.7%
VACANCY RATE

UNDER CONSTRUCTION

9.9 million sq ft
36%
prelet

£67.50 per sq ft
PRIME RENT

East London

TAKE-UP

Q1 2019 saw 210,000 sq ft of take-up, with no one deal accounting for the majority of the total. The largest East London deal was to Spaces at The Cabot, E14 where the serviced office operator acquired 71,000 sq ft. The building is now fully let following a separate deal to the Office of Rail and Road comprising 22,000 sq ft.

The majority of take-up for the quarter was recorded in the Canary Wharf submarket, which accounted for 180,000 sq ft of take-up. The market has recently benefited from increased tenant space, providing more Grade A options for tenants in a historically under-supplied market. The market also particularly benefits from larger floor plates that are increasingly limited in other submarkets and are available at a discounted rent.

On a quarterly basis, Financial Services and Serviced Offices accounted for 36% and 34% of take-up respectively. Despite East London's recent high level of government take-up, there was just one government sector deal to the Nursing and Midwifery Council at S5 International Quarter, E20, totalling 22,000 sq ft.

AVAILABILITY AND DEVELOPMENT

East London availability rose to 2.3 million sq ft in Q1 2019, a substantial 45% rise on Q4 2018 and well above the 10-year average by 75%. The 430,000 sq ft due to be completed in Q3 2019 at 5 Bank Street, E14 contributed the most to the supply increase, albeit it is currently under offer to EBRD.

The East London development pipeline comprises 2.6 million sq ft, of which 46% is prelet. The majority of supply in the pipeline is due for delivery by year end 2019 totalling 1.9 million sq ft, of which 57% is prelet. Of the 720,000 sq ft under construction due for completion post 2020 however, just 25% is prelet. These include Wood Wharf, E14 where 400,000 sq ft is due for delivery in 2020, and 25 North Colonnade, E14 which will provide 330,000 sq ft of refurbished space, located adjacent to the Canary Wharf Elizabeth Line station.

RENTAL GROWTH

East London rents grew by 6.25% on a rolling annual basis due to growth in Canary Wharf rental figures from £40.00 per sq ft to £42.50 per sq ft in H1 2018. On a quarterly basis, rents remained stable across Canary Wharf and Stratford. Rent frees were unchanged at 24 months.

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KEY DEALS - Q1 2019

Address	Occupier	Sq Ft
The Cabot, 25 Cabot Square, E14	Spaces	71,000
25 Canada Square, E14	FIS Global	56,000
S5 International Quarter, E20	Nursing and Midwifery Council	22,000
The Cabot, 25 Cabot Square, E14	The Office of Rail & Road	22,000
25 Canada Square, E14	Amec	20,000

TOP TENANT SECTORS

TMT & creative
28%

Government & services
22%

KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1

210,000 sq ft

▼ **9%**

DOWN ON THE 10-YEAR QUARTERLY AVERAGE

12.1%

VACANCY RATE

UNDER CONSTRUCTION

2.6 million sq ft

46%

prelet

£42.50 per sq ft

PRIME RENT

Midtown

TAKE-UP

Midtown take-up totalled 330,000 sq ft for Q1 2019, down 52% on Q4 2018, but only 9% below the 5-year quarterly average. The largest deal of the quarter was at Herbal House, 10 Back Hill, EC1 where The Open Society acquired 29,000 sq ft on a 15 year lease. Q1 saw a scarcity of larger deals; by comparison Q4 2018 recorded three over 50,000 sq ft. There were 28 deals transacted overall, resulting in an average deal size of just 12,000 sq ft.

The TMT & Creative sector accounted for the majority of take-up in Q1 2019 at 28%. This was largely due to the impact of the burgeoning creative district in Clerkenwell where 57% of the sector's take-up was based. The Government and Services sector followed next, accounting for 22% of take-up.

AVAILABILITY AND DEVELOPMENT

Midtown availability fell to 960,000 sq ft for Q1 2019, down from 1.1 million sq ft at the end of last year. The vacancy rate now stands at a very low 2% together with a limited development pipeline going forward.

The under construction development pipeline currently comprises 410,000 sq ft overall, of which 36% is prelet. Developments over 50,000 sq ft currently total 200,000 sq ft, of which 55% is prelet. There are currently no developments over 100,000 sq ft in the market; the largest available development is Farringdon East which will provide 90,000 sq ft due for delivery in Q4 2019.

RENTAL GROWTH

Holborn prime rents saw marginal growth for Q1 2019, increasing to £66.50 per sq ft. This is up from £65.00 per sq ft at the end of last year and could be attributed to the falling supply in the submarket, placing upwards pressure on rents. Bloomsbury rents remained at £80.00 per sq ft, unchanged since Q1 2018. Similarly, rent free periods stayed stable in line with wider trends at 24 months.

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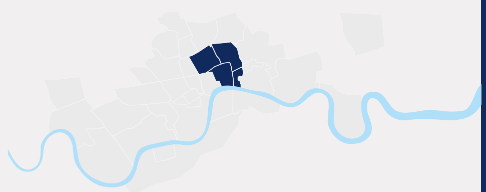
KEY DEALS - Q1 2019

Address	Occupier	Sq Ft
Herbal House, 10 Back Hill, EC1	The Open Society	29,000
Farringdon Place, 20 Farringdon Rood, EC1		26,000
6 New Street Square, EC4	Alix Partners	24,000
One Bartholomew Close, EC1A	Trade desk (The)	20,000
1 Fleet Place, EC4	Langham Hall Ltd	18,000

TOP TENANT SECTORS

Financial services **37%**

Business services **34%**



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1

330,000 sq ft

▼ **9%**
DOWN ON THE 5-YEAR QUARTERLY AVERAGE

2.0%
VACANCY RATE

UNDER CONSTRUCTION

410,000 sq ft
36%
prelet

£66.50 per sq ft
PRIME RENT

CHRIS GORE
Principal

> **Investment volumes totalled £2.8 billion in Q1, a sharp decline from Q4 last year, but despite the uncertainty in the market investment volumes were largely in line with Q1 from previous years**

Investment market – in brief

STEADY INVESTMENT VOLUMES

Investment volumes totalled £2.8 billion in Q1, a sharp decline from Q4 last year, but despite the uncertainty in the market investment volumes were largely in line with Q1 from previous years.

There were 38 deals recorded in Q1, the lowest level in 10 years with an average deal size of just £72.6 million. One transaction over £1 billion was recorded in Q1; Citi Group's acquisition of 25 Canada Square, E14 for £1.1 billion, 4.23% NIY. Without its inclusion, volumes would be 86% down on Q1 2018.

The motive for the acquisition comes in response to the introduction of IFRS 16 and changes to how commercial leases are treated on a company's balance sheet. This is the fifth transaction in excess of £1bn to have completed in London over the last two years, which, although headline grabbing, masks the reality of this being a fairly slow moving market. Market sentiment for best in class assets remains strong, with prime yields stable across the capital, primarily due to the weight of international capital chasing central London investments.

We expect investment volumes to remain steady throughout 2019 given there are a number of high value properties currently under offer. Since the start of April, investment has picked up. However with the date when the UK will leave the EU being pushed back for the second time to October 2019, we still expect to see some investors exercising caution with new acquisitions.

TRANSACTION LEVELS DOWN IN THE WEST END

Overall the first quarter saw around £416 million across 10 transactions in the West End, which represents the quietest first quarter for ten years.

The market saw just a single transaction in January when Arax purchased Euston House, NW1 for £95.0m, 4.64% NIY. Investment activity then picked up through February and March with domestic investors particularly active. Motcomb Estates continued their acquisition spree with the off market purchase of 100 Pall Mall, SW1 for £90.0m and on the same street Lazari Investments purchased 50 Pall Mall, SW1 for £59.16m, 4.25% NIY.

UK FUNDS ONCE AGAIN NET SELLERS

UK funds continue to be net sellers across central London. The open ended funds have recently seen over £1bn of investor redemptions. Consequently the market anticipated a number of sales of their most liquid assets, Central London offices.

Completed transactions from Q1 include Aviva's disposal of 4 Matthew Parker Street, SW1 for £51.50m, 4.47% NIY to Charles Street Buildings, Nuveen selling Steward Building, E1 for £97.0m, 4.00% NIY to Al Rasheed Group, ASI's off market sale of 85-89 Southwark Street, SE1 for £37.50m, 4.12% NIY to RLAM and their subsequent sale of 60 Charlotte Street, W1, £80.25m, 4.40% NIY to Westbrook Partners.

DEVELOPMENT STOCK TRADING WELL

Development stock continues to trade well with many REITs and Property Companies looking to acquire new sites. Recent deals include GPE putting the former London HQ of BT at 81 Newgate Street, EC2 under offer and Stanhope and The Baupost Group being selected as the preferred development partners for the Royal Street site in Waterloo. Furthermore, we have seen competitive bidding, followed by interviews, on Colechurch Street, SE1 and 87 Newington Causeway SE1 as well as strong interest in Blackfriars Crown Court, SE1 and 247 Tottenham Court Road, W1 before M&G withdrew the sale.

KEY STATS THIS QUARTER

TRANSACTION VOLUMES

£2.8 billion

▼ **31%**

DOWN ON THE 10-YEAR AVERAGE

VOLUMES BY CITY

CITY	WEST END	EAST LONDON
£1.1 billion	**£420 million**	**£1.2 billion**

VOLUMES BY INVESTOR TYPE

OWNER OCCUPIER	OVERSEAS INVESTORS	UK PROPERTY COMPANIES
£1.1 billion	**£850 million**	**£250 million**

3.50%
WEST END PRIME YIELD

4.25%
CITY PRIME YIELD

Investment commentary

Q1 investment volumes fell to £2.8 billion for Q1 2019, a 31% decline on the 10-year average but only 11% down on Q1 2018. There were 38 deals recorded for the quarter, one of the lowest levels on record and 37% down on this time last year.

There was a lack of larger transactions in the market in Q1 with just four transactions over £100 million, equating to a total of £1.5 billion. By comparison, Q1 2018 recorded nine transactions with total volumes of £2.0 billion.

The figures were boosted by Citigroup's purchase of their own offices at 25 Canada Square, E14 for £1.1 billion, 4.23% NIY. On a submarket basis therefore, East London outperformed recording the second highest investment total on record, 258% above the 10-year average. There were only two deals recorded in the market in Q1 2019 but they were the two largest deals overall.

Conversely, the City and West End markets saw investment volumes fall dramatically. City investment volumes totalled £1.1 billion in Q1 2019, down 75% on the 10-year average and 52% down on Q1 2018. The largest deal to transact in the market in Q1 was Dukelease Properties' acquisition of 42-47 Minories, E1 for £121.25m. By number of deals, City investment activity remained largely stable with 26 deals recorded, slightly below the 10-year average of 29, but in line with Q1 2018.

The majority of purchaser activity in the City market in Q1 2019 was from overseas investors who accounted for 49% of the total. Although overseas investors still accounted for the majority of acquisitions, overseas investment also saw the largest fall by total volumes, dropping 160% on the 10-year average. As a result, UK Property Companies accounted for a higher overall percentage of 29%, although volumes remained in line with previous quarters.

The West End saw investment volumes fall to £420 million for Q1 2018, down over 200% on the 10-year average and Q1 2018. There were no deals recorded over £100m, the largest transaction was Arax's acquisition of 24 Eversholt Street, NW1 for £95m, 4.83% NIY. By number of deals, Q1 2019 recorded just 10, the lowest level on record and considerably below this time last year when 26 deals transacted.

There was a spread of activity across most West End submarkets for Q1 2019, although Victoria saw the most investment overall with £120m recorded in three deals. This is the second quarter in a row that Victoria has been the best performing submarket. Submarkets surrounding King's Cross also saw strong activity recording £110m in two deals, located in Euston and Camden. There were two deals in Mayfair and St James's for the quarter recording £44m of investment, 26 St James's Square, SW1 bought for £33m, and 11 Curzon Street, W1 bought for £11m.

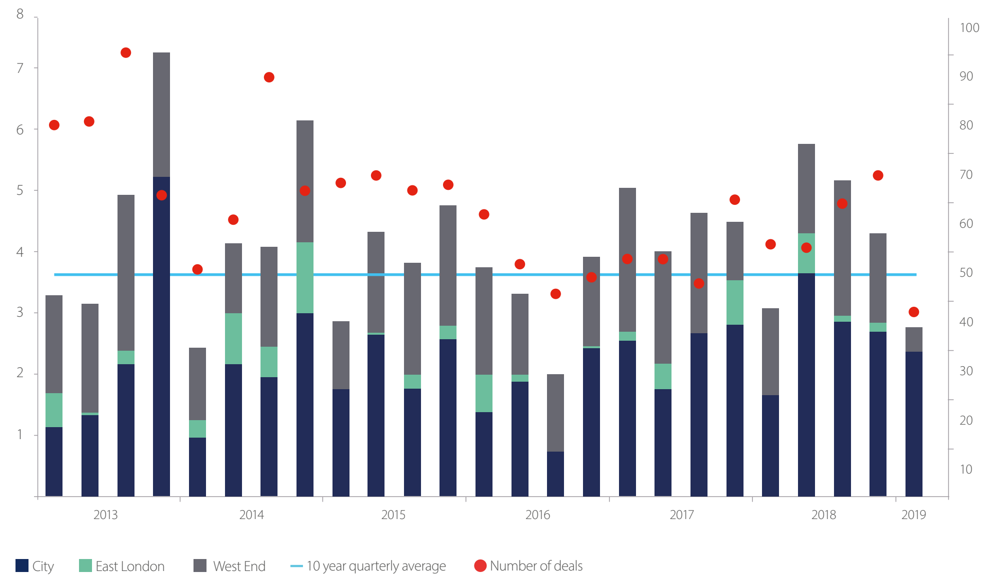
We expect further sales to complete this year and the table overleaf shows a number of buildings that are currently on the market as UK funds look to benefit from continued liquidity across Central London.

YIELDS

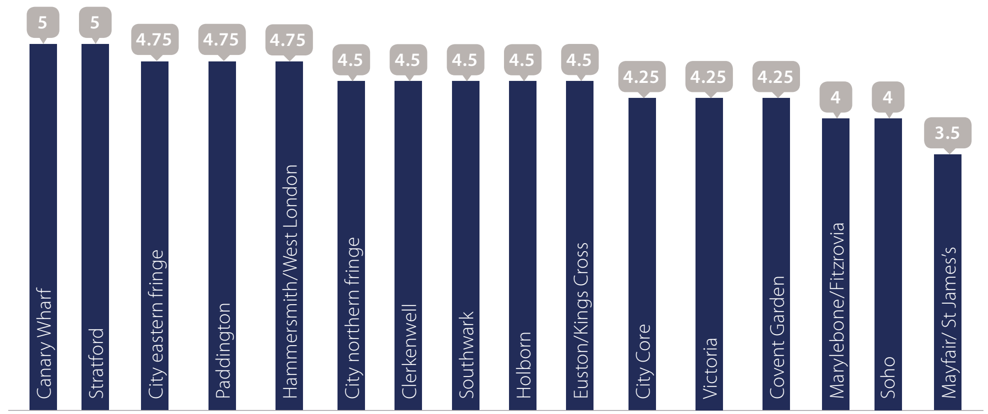
Prime yields were stable in Q1 2019 at 4.25% in the City and 3.50% in the West End.

> **Q1 investment volumes fell to £2.8 billion for Q1 2019, a 31% decline on the 10-year average but only 11% down on Q1 2018**

CENTRAL LONDON QUARTERLY VOLUMES VS NUMBER OF DEALS



CENTRAL LONDON YIELDS



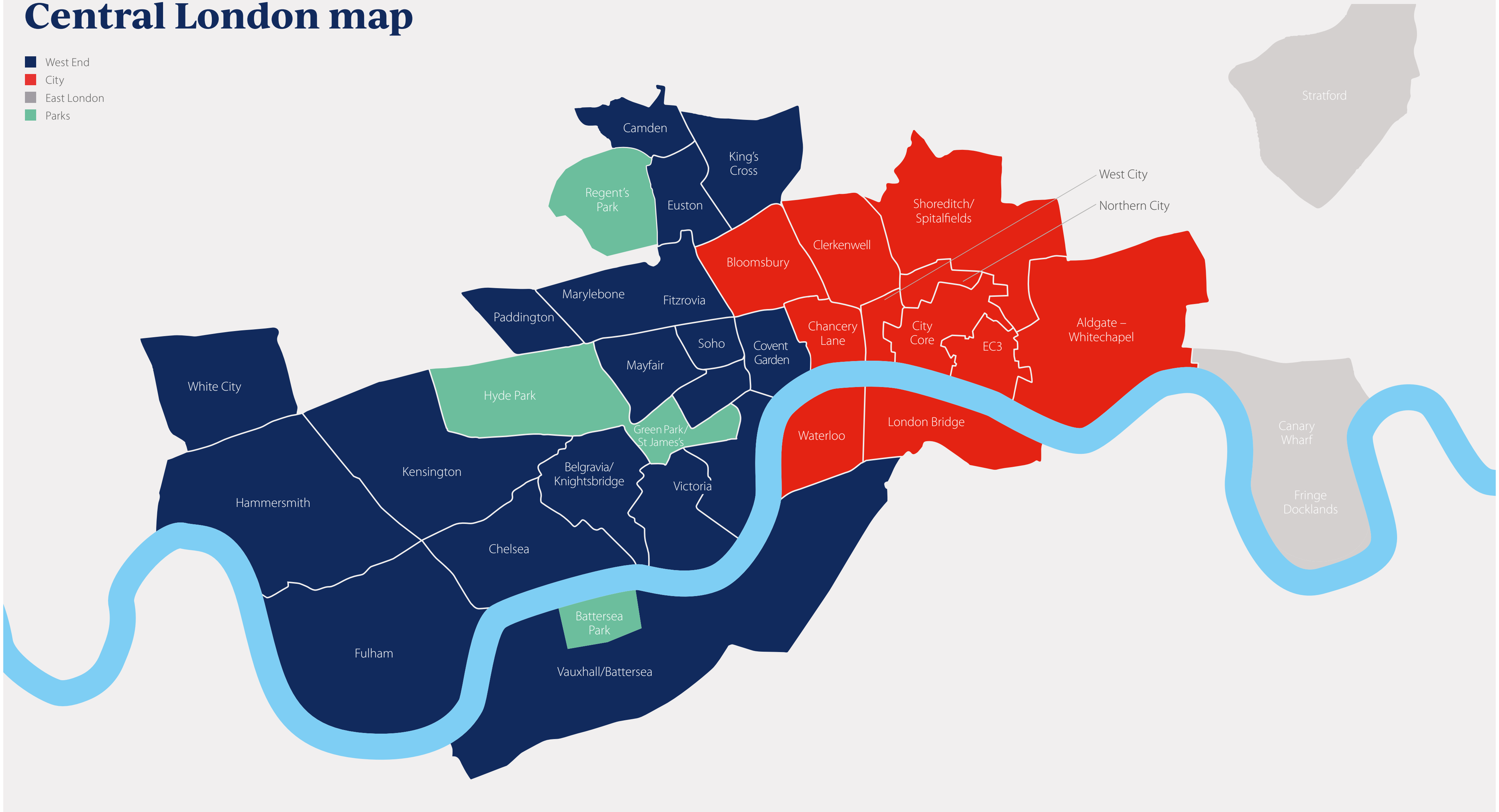
LARGEST INVESTMENT DEALS OF Q1 2019

Address	Price (£m)	Yield (%)	Month	Purchaser
25 Canada Square, E14	1,100	Sub 4.5	Mar-19	Citi Group
30 South Colonnade, E14	130		Mar-19	LS Estates
42-47 Minories, EC3	121	4.95	Feb-19	Dukelease Properties
169 Union Street, SE1	100	4.25	Feb-19	Brockton Capital LLP
12 Steward Street, E1	97	4.00	Jan-19	Al Rashed & Sons Group

AVAILABLE ON MARKET Q1 2019

Address	Vendor	Price (£m)	Yield (%)
20 Churchill Street, E14	M&G	300.0	4.55
15 Bonhill Street, EC2	L&G	110.0	5.23
1 Lyric Square, W6	Schroders	105.5	4.75
25 Soho Square, W1	Aviva	75.0	4.00
4 Chiswell Street, EC1	Schroders	37.0	4.60

Central London map



Central London markets

West End	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Battersea PS	£60.00	24	£15.25	£85.50
Belgravia / Knightsbridge	£92.50	24	£39.50	£142.25
Bloomsbury	£80.00	24	£30.25	£120.50
Camden	£60.00	24	£26.75	£97.00
Chelsea	£95.00	22	£37.00	£142.25
Covent Garden	£85.00	24	£30.00	£125.25
Euston	£75.00	24	£27.75	£113.00
Fitzrovia	£82.50	24	£33.75	£126.50
Fulham	£47.50	24	£20.00	£77.75
Hammersmith	£55.00	24	£21.00	£86.25
Kensington	£72.50	22	£44.00	£126.75
King's Cross	£80.00	24	£31.50	£121.75
Mayfair	£115.00	24	£48.75	£174.00
Mayfair/St James's "super-prime"	£170.00	20	£51.00	£231.25
North of Oxford St	£85.00	24	£39.50	£134.75
Paddington	£75.00	24	£26.75	£112.00
Soho	£97.50	24	£41.50	£149.25
St James's	£115.00	24	£46.50	£171.75
Vauxhall	£58.00	24	£15.25	£83.50
Victoria	£77.50	24	£33.50	£121.25
White City	£55.00	24	£8.50	£73.75

City	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
City Core	£67.50	24	£25.75	£103.50
Holborn	£66.50	24	£27.75	£104.50
Aldgate/Whitechapel	£57.50	24	£20.00	£87.75
Clerkenwell	£70.00	24	£23.25	£103.50
EC3	£67.50	24	£26.50	£104.25
London Bridge	£63.00	24	£26.00	£99.25
Northern City	£65.00	24	£19.75	£95.00
Shoreditch/Spitalfields	£65.00	24	£18.00	£93.25
Waterloo	£67.50	24	£22.75	£100.50
West City	£70.00	24	£25.75	£106.00

East London	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Canary Wharf	£42.50	24	£12.75	£65.50
Other Docklands	£32.50	24	£10.00	£52.75
Stratford	£45.00	24	£8.50	£63.75

Should you wish to discuss any details within this update please get in touch.

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