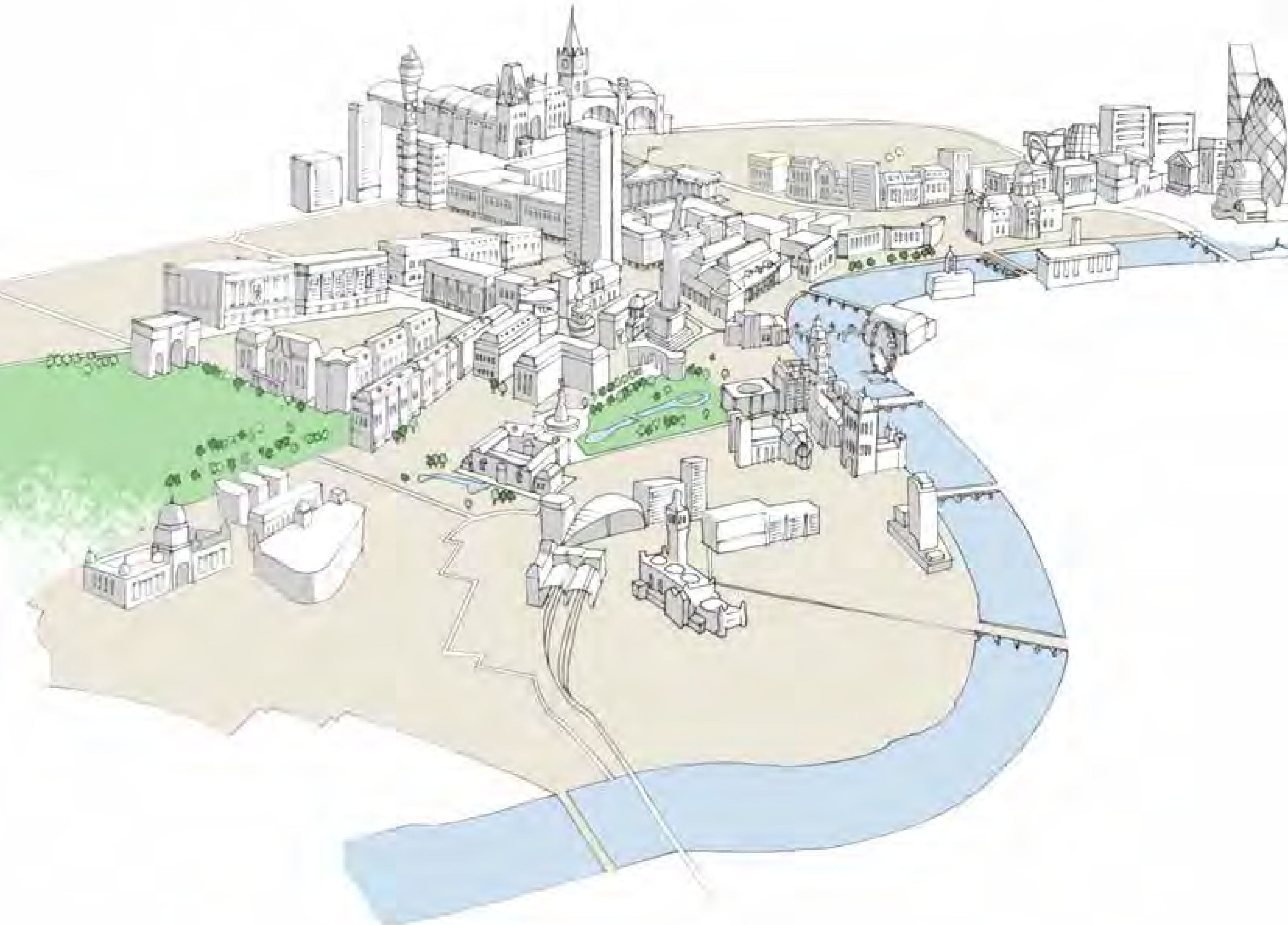
LONDON MARKETS

Analysis of the London office market
Summer 2017



International Property Consultants

GERALDEVE

Q2 2017 Take-up
2.6
MILLION SQ FT

West End Prime Rent (per sq ft)
£110

Midtown Prime Rent (per sq ft)
£65

City Prime Rent (per sq ft)
£68.50

Q2 2017 Availability
10.4
MILLION SQ FT

Grade A Availability
35%

Availability Rate
5.3%

Tenant Space
21.9%

Q2 2017 key deals

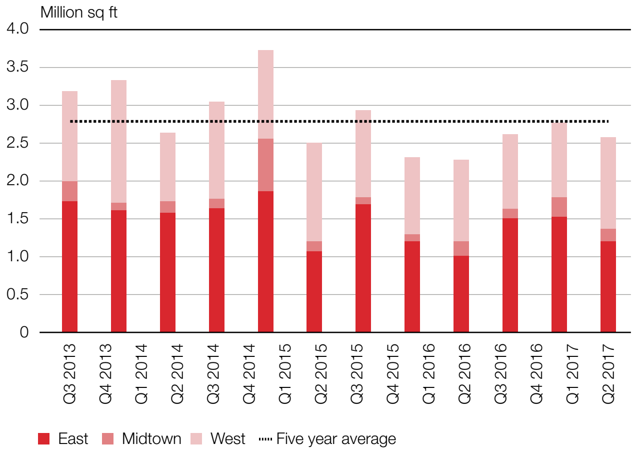
wework	**WeWork** **140,000 sq ft** Covent Garden
NEX	**NEX Group** **112,000 sq ft** City
	Framestore **94,000 sq ft** Midtown
HEARST magazines UK	**Hearst UK** **83,000 sq ft** Soho
Bupa	**Bupa** **55,000 sq ft** City

Key schemes under construction

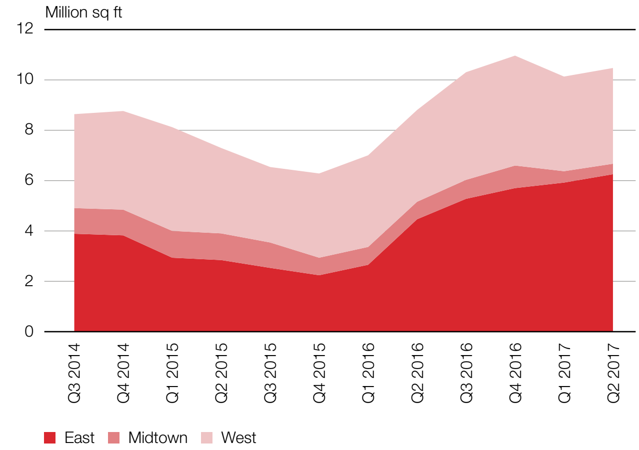
22 Bishopsgate **1,275,000 sq ft** AXA IM Real Assets/Lipton Rogers Developments
100 Bishopsgate **907,000 sq ft** Brookfield
70 Farringdon Street **825,000 sq ft** Goldman Sachs/Tishman Speyer
Bloomberg Place **669,000 sq ft** Bloomberg/Stanhope
10 Fenchurch Avenue **398,000 sq ft** Generali Real Estate/Greycoat/CORE

EXECUTIVE SUMMARY

Quarterly take-up by region
Source: Gerald Eve



Availability by region
Source: Gerald Eve



Occupiers remain cautious over economic uncertainty

Against the backdrop of both political and economic uncertainty; with a snap election, and two years of Brexit negotiations underway, the London office market continued to be subdued with occupiers acting cautiously over their real estate decisions. As a result, in Q2 take-up volumes totalled 2.6 million sq ft, a 6% decline on Q1 and 8% below the five year average.

Whilst this makes it five consecutive quarters of below average letting activity for the capital, when broken down by region, it's only in the East where take-up is down, with both the West and Midtown exceeding their five year average. Media and technology companies were the most active sector with significant deals signed by NEX Group, Framestore and the Disney Corporation, continuing to demonstrate the diversity of occupier within the capital.

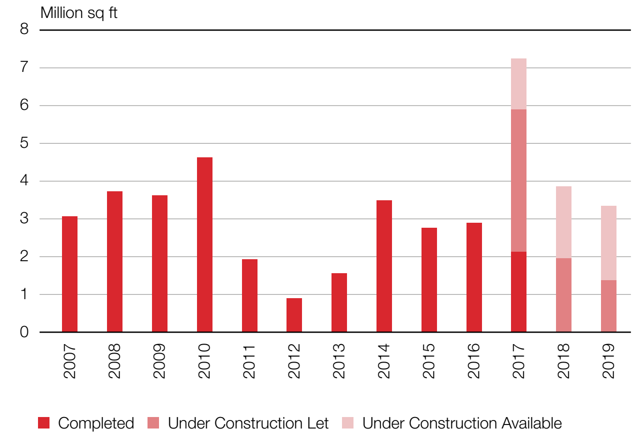
Availability continues to rise

A number of significant development completions across central London have led to an increase in overall availability. However, despite the delivery of a further 5.1 million sq ft by the end of the year, the majority of this space has already been let, which will limit the impact on availability in H2.

Of the available space, 22% is available from an existing tenant rather than a new lease direct from the landlord. Finance and banking occupiers are the most active in releasing space back to the market, with most of this sub-letting activity taking place in the East.

At the end of Q2, the availability rate had increased to 5.3%. The majority of this space is of good quality, with 63% either new or recently refurbished.

Central London development pipeline
Source: Gerald Eve



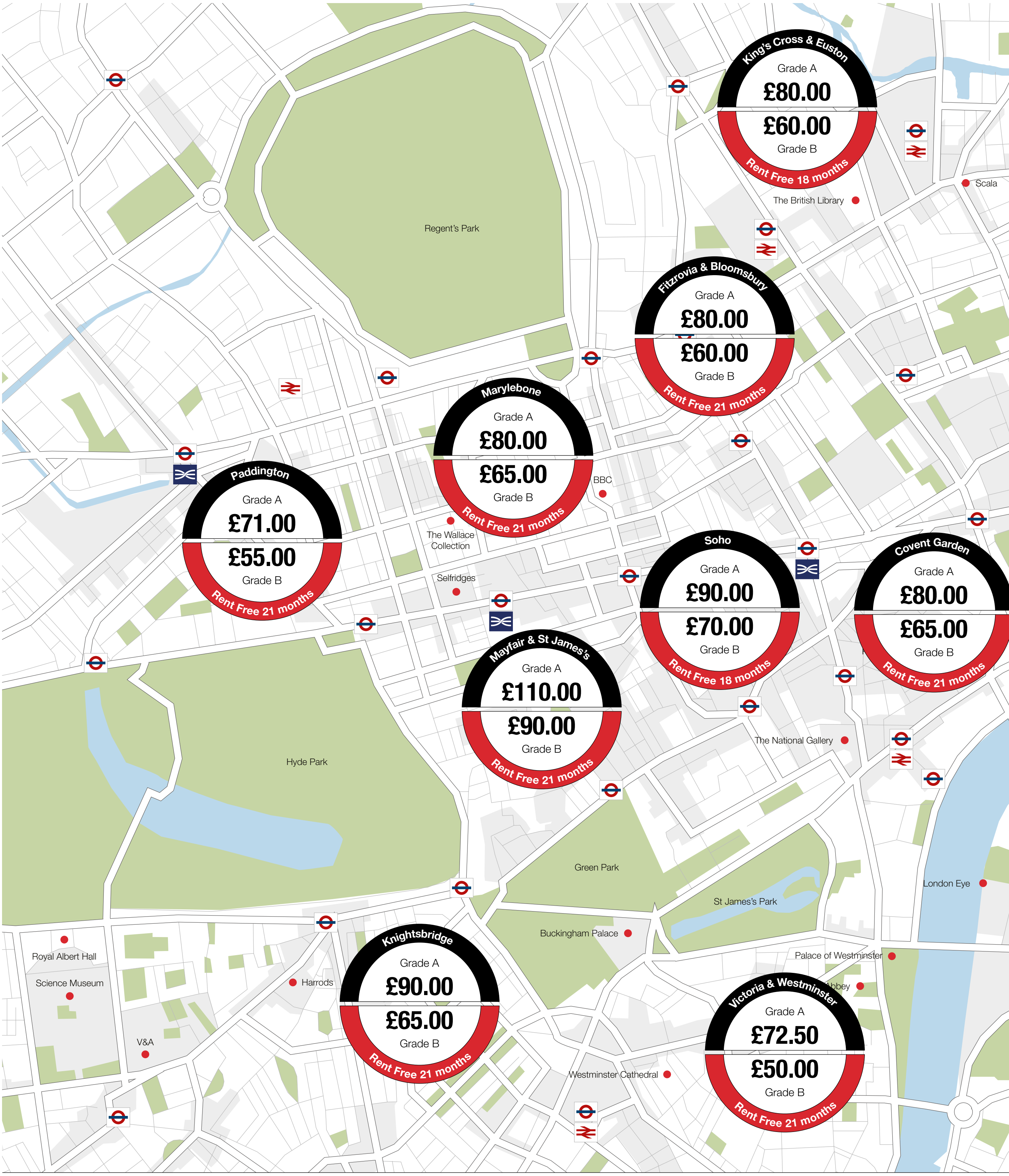
Development completions reach 2 million sq ft

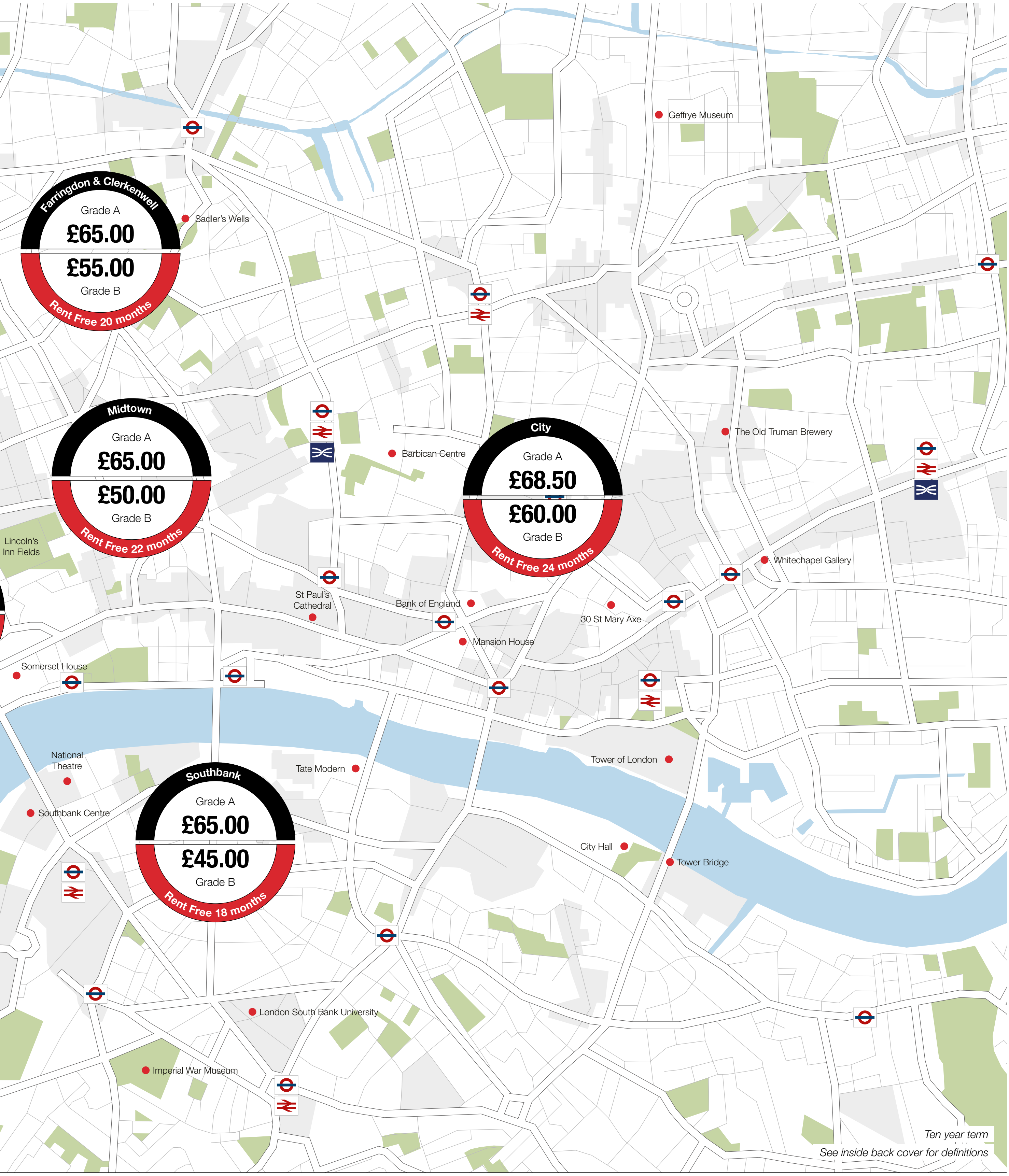
In 2017, seven million sq ft of new office space will be delivered in central London across 77 schemes. This volume of new space is significantly higher than in previous years and will continue to increase the capital's availability.

The majority is still under construction and will be delivered in H2 2017, notably The Scalpel (386,000 sq ft), One London Wall Place (309,000 sq ft) and 3 Minster Court (275,000 sq ft). There will also be the delivery of Bloomberg Place (669,000 sq ft), although this building is entirely let to Bloomberg.

The increase in availability, both from tenant space and development, is likely to prevent any rental growth in the second half of the year. Already prime rents in the City have fallen 2% to £68.50 per sq ft as a result of the increased choice on offer to occupiers.

LONDON OFFICE RENTS




Farringdon & Clerkenwell
Grade A
£65.00
£55.00
Grade B
Rent Free 20 months
Midtown
Grade A
£65.00
£50.00
Grade B
Rent Free 22 months
City
Grade A
£68.50
£60.00
Grade B
Rent Free 24 months
Southbank
Grade A
£65.00
£45.00
Grade B
Rent Free 18 months
Geffrye Museum
Sadler's Wells
Barbican Centre
The Old Truman Brewery
Lincoln's Inn Fields
Whitechapel Gallery
St Paul's Cathedral
Bank of England
30 St Mary Axe
Mansion House
Somerset House
National Theatre
Tate Modern
Tower of London
Southbank Centre
City Hall
Tower Bridge
London South Bank University
Imperial War Museum
Ten year term
See inside back cover for definitions

PADDINGTON

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£71.00 Prime Rents	**64%** Media and Technology take-up	**3** Underground Stations
7.6% Availability Rate	**372,000 sq ft** Under Construction	**0** Michelin Star Restaurants
5.4% Tenant Space	**75,600 sq ft** Under Offer	**42** Pubs

After a slow start to the year, take-up volumes in Paddington reached 67,000 sq ft in Q2, its highest since Q1 2016 and exceeding the five year average.

The most significant deal occurred when media and technology company Finastra, agreed to take three floors at 4 Kingdom Street. The building, which provides 147,000 sq ft across nine floors, is the first building to be developed by British Land at Paddington Central and is now 89% let or under offer.

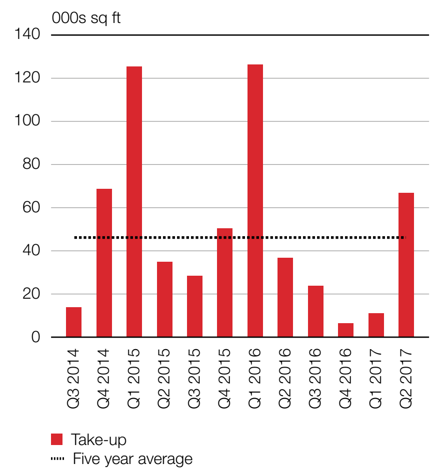
Elsewhere, Mitsubishi Hitachi Power Systems Europe has taken 11,500 sq ft at the recently refurbished Point, as the company has chosen to relocate from Mayfair for better value offices.

Despite recent letting activity, Paddington's availability rate remains the highest of all the submarkets at 7.6%, with overall availability at 215,000 sq ft, the majority of which is either new or recently refurbished.

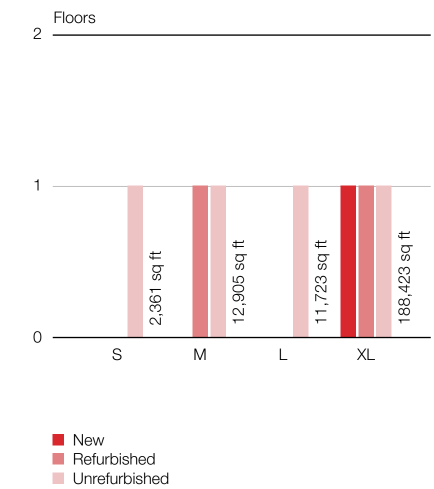
There is more new space on the way with 240,000 sq ft currently under construction, including Derwent London's Brunel Building, 55-65 North Wharf Road which will complete at the beginning of 2019. There is also the potential for another 800,000 sq ft over five schemes. The most significant being British Land's 5 Kingdom Street (210,000 sq ft) and TFL's Crossrail expansion at Paddington station (290,000 sq ft).

The recent surge in activity has seen prime rents increase to a new market high of £71 per sq ft with 18-21 months' rent free on a ten year term.

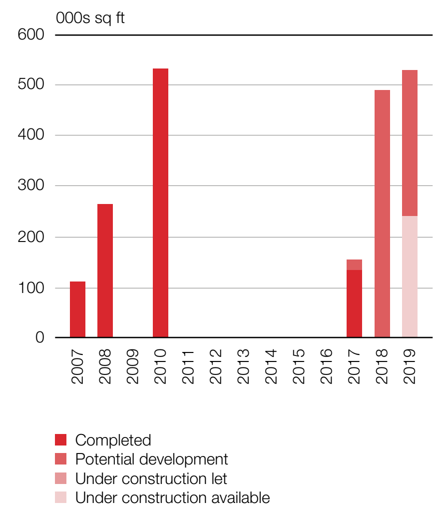
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

MARYLEBONE

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£80.00 Prime Rents	**52%** Corporate take-up	**5** Underground Stations
2.4% Availability Rate	**75,000 sq ft** Under Construction	**0** Michelin Star Restaurants
29.4% Tenant Space	**79,415 sq ft** Under Offer	**57** Pubs

Take-up volumes in Marylebone fell for the third consecutive quarter. In Q2 2017 only 26,000 sq ft of office space was leased, which is 76% below the five year average.

The market was populated with smaller deals with only one over 5,000 sq ft; namely Klarna UK Limited which took 6,600 sq ft at 33 Cavendish Square. More encouragingly, there is currently 80,000 sq ft of office space under offer which demonstrates that occupier demand for new space within this submarket remains.

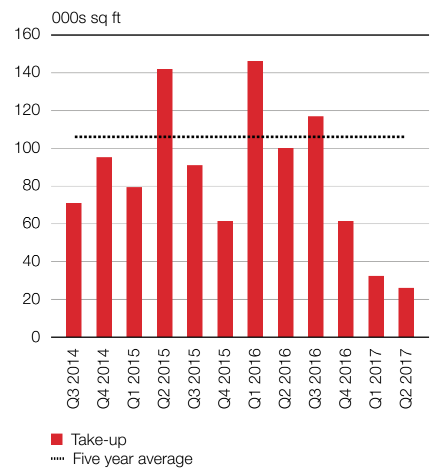
A lack of available office space continues to be an issue for the market and at the end of Q2, the availability rate was recorded at 2.4%, with only King's Cross & Euston lower. At current levels of take-up, we forecast that there is only six months of available space remaining.

Of the available space, almost a third is available via sub-let or assignment, the highest proportion of any submarket. The majority of this space is being subleased by professional service firms, although media and technology companies are also active in reducing their occupied space.

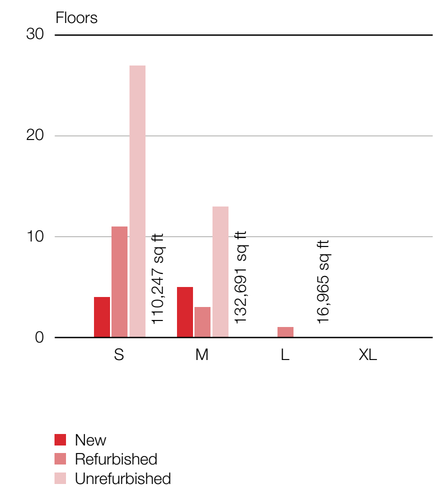
To ease the supply strain, there are two development schemes currently under construction which will add an additional 75,000 sq ft to the market. Howard de Walden Estates' 47-51 Queen Anne Street (20,000 sq ft) should complete before the end of the year; and Portman Estates' 1-9 Seymour Street (55,000 sq ft) will be delivered in early 2018.

As take-up has dropped off, we've seen a reduction in headline rents from £90 per sq ft to £80 per sq ft since the beginning of 2016. Incentives have moved to around 21 month's rent free on a ten year term.

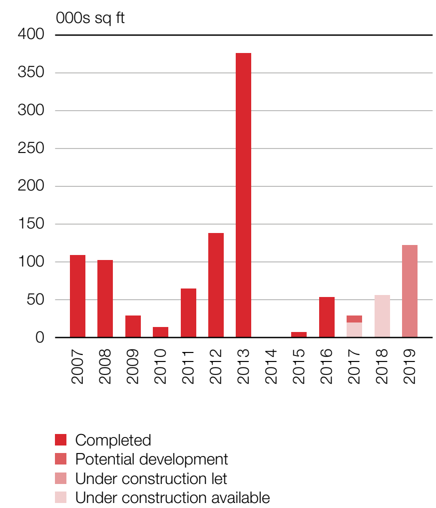
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

MAYFAIR & ST JAMES'S

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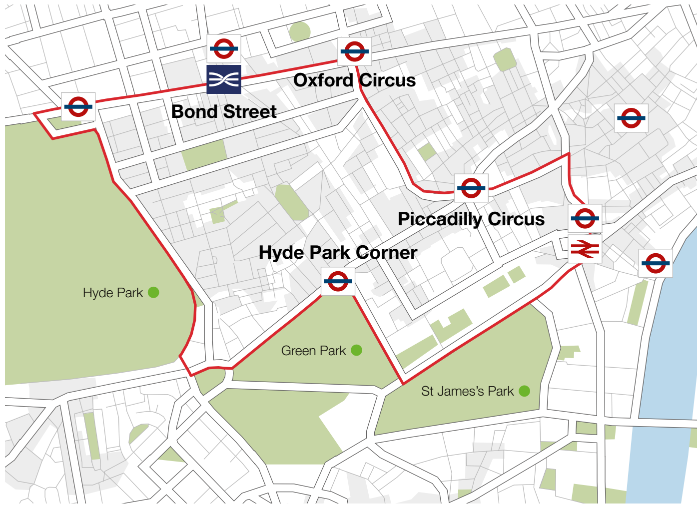


£110.00 Prime Rents	**35%** Finance and Banking take-up	**6** Underground Stations
4.8% Availability Rate	**311,000 sq ft** Under Construction	**21** Michelin Star Restaurants
18.4% Tenant Space	**262,884 sq ft** Under Offer	**41** Pubs

Somewhat to our surprise, occupier sentiment remains relatively positive in the Mayfair and St James's submarkets as take-up volumes exceeded the five year average for the second consecutive quarter.

240,000 sq ft was let in Q2 2017. The largest deal came when Global Holdings Management Group, advised by Gerald Eve, let 32,000 sq ft at 20 North Audley Street to serviced office provider LEO. This further increases LEO's presence in the West End and takes their total portfolio to 820,000 sq ft over 35 assets.

High leasing activity looks set to continue in the second half of the year, with confirmation that HSBC has signed a 36,500 sq ft pre-let at The Pollen Estate's new scheme on Cork Street. The bank will take a ten year lease at £110 per sq ft.

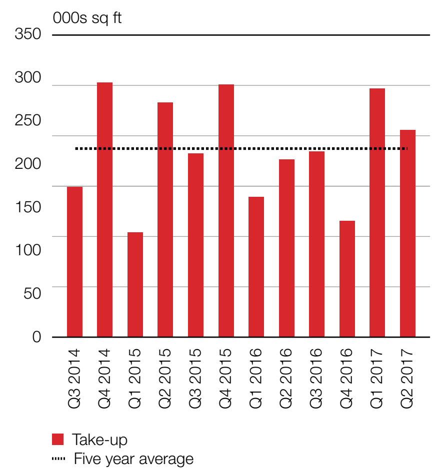
Take-up has eroded existing supply levels and as a result availability has fallen for the third consecutive quarter. At the end of Q2, an availability rate of 4.8% was recorded with the majority of this space either new or recently refurbished.

Of the available space, 18% is available through a sub-let or assignment with the majority of this space coming from the finance and banking sector. Professional services are also active in divesting office space.

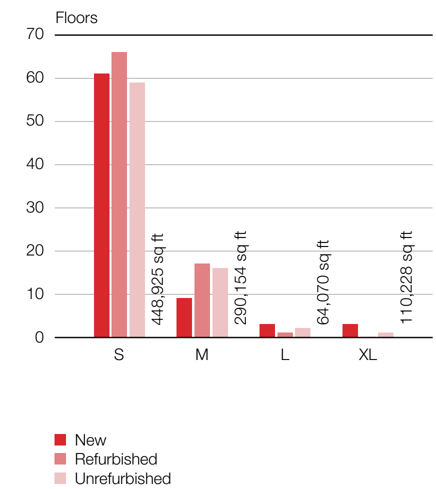
Mayfair & St James's has 311,000 sq ft currently under construction across eight schemes with the majority of this (224,000 sq ft) to complete by the end of this year. 2018 will see the dramatic revitalisation of the iconic Economist Tower by Tishman Speyer, plus the delivery of new space at 20 St James's Street opposite.

Demand from occupiers to locate to the submarket has maintained a pressure on headline rents.

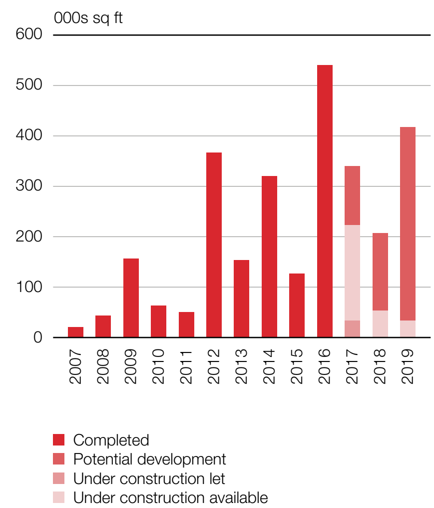
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

KNIGHTSBRIDGE

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£90.00 Prime Rents	**47%** Associations take-up	**2** Underground Stations
2.5% Availability Rate	**28,000 sq ft** Under Construction	**11** Michelin Star Restaurants
15.9% Tenant Space	**— sq ft** Under Offer	**31** Pubs

After a slow start to the year, leasing activity bounced back in Q2 2017 exceeding the five year average with 50,000 sq ft taken across six lettings.

The largest deal of the quarter saw The Royal Borough of Kensington and Chelsea, advised by Gerald Eve, pre-let 22,500 sq ft at 50 Sloane Avenue at a rent of £80.00 per sq ft.

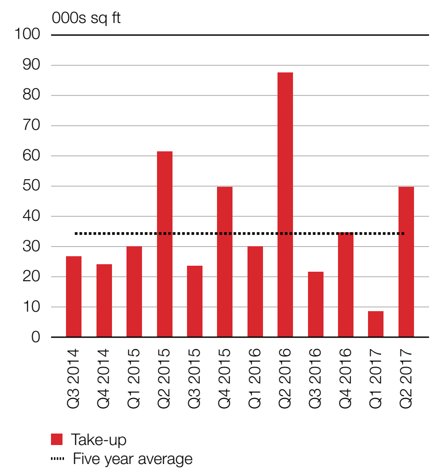
Knightsbridge remains one of the smallest office markets in central London. With an availability rate at 2.5%, there are few options for larger lot sizes.

Availability was recorded at 91,000 sq ft at the end of Q2, the least available space of all the submarkets. At current take-up rates, we forecast that there is only six months of availability.

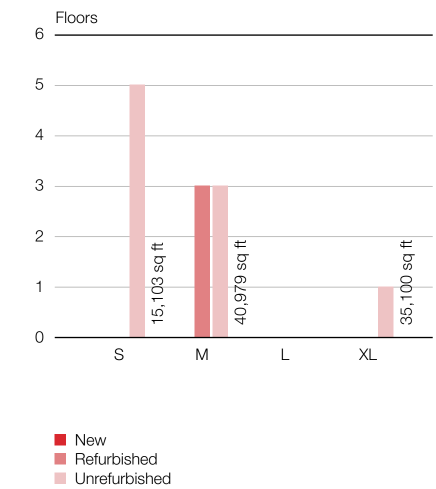
To help ease the supply strain, Motcomb Estates are refurbishing and leasing 40,000 sq ft of high quality offices at their newly purchased 27 Knightsbridge, advised by Gerald Eve.

Prime rents in the market have remained at £90 per sq ft with around 21 months rent free available on a 10 year term.

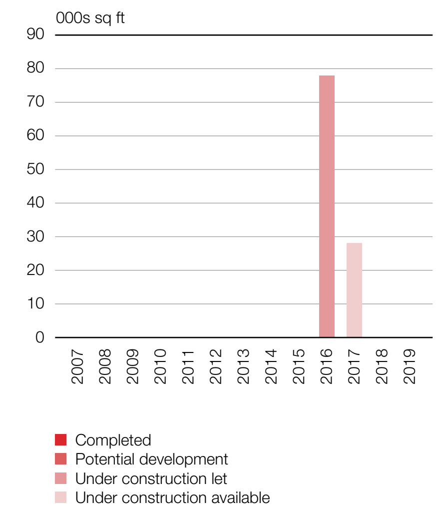
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

VICTORIA & WESTMINSTER

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£72.50 Prime Rents	**75%** Corporate take-up	**5** Underground Stations
6.2% Availability Rate	**143,000 sq ft** Under Construction	**0** Michelin Star Restaurants
16.4% Tenant Space	**121,953 sq ft** Under Offer	**64** Pubs

Q2 was a quiet quarter for the submarket in terms of letting activity, with only 71,000 sq ft transacted and the first time in 12 months that take-up has fallen below the five year average.

The market was populated by lots of smaller deals, with only three occupiers signing for more than 5,000 sq ft. However occupier sentiment remains positive with 122,000 sq ft currently under offer which should lead to a more active H2 2017.

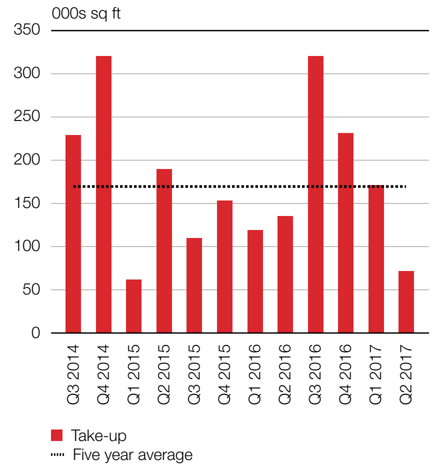
A combination of reduced letting activity and recent development completions has caused the availability rate to rise from 5.8% to 6.2%. In addition to Land Securities' 184,000 sq ft Nova North, a further 114,000 sq ft will be delivered across two schemes in H2; Royal London Asset Management's 25 Wilton Road (80,000 sq ft), and Caledonia Investments' Cayzer House (34,000 sq ft). Tishman Speyer's 320,000 sq ft redevelopment of Verde also completed in Q1, although this is now 89% let or under offer.

There is also more office space on the way with 63-65 Buckingham Gate (63,000 sq ft) under construction, as well as the potential for 350,000 sq ft across three schemes over the next three years, including Land Securities' Nova East (226,000 sq ft).

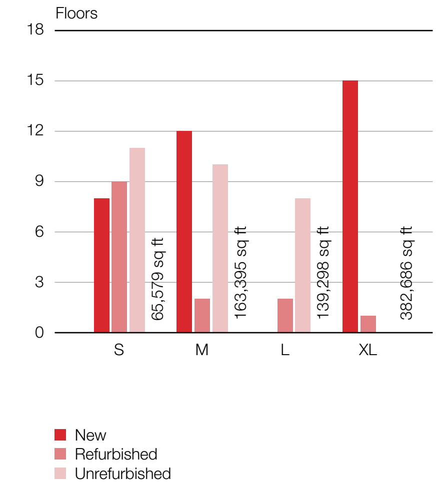
Of the space available at Q2 2017, 16% is available via sub-let or assignment, with the majority of this space coming from corporate and media & technology occupiers.

A combination of weaker demand, rising availability and an increase in tenants looking to divest their existing space, has caused prime rents to fall over the last six months from £80 per sq ft to £72.50 per sq ft.

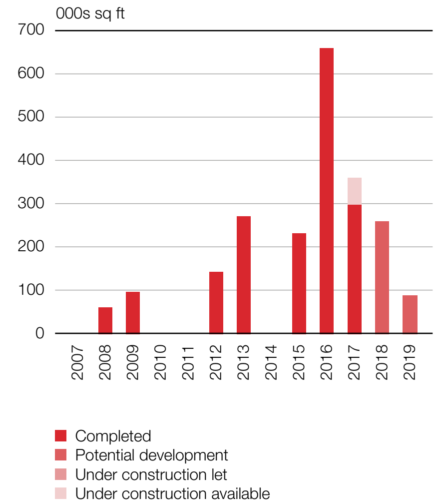
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

SOHO

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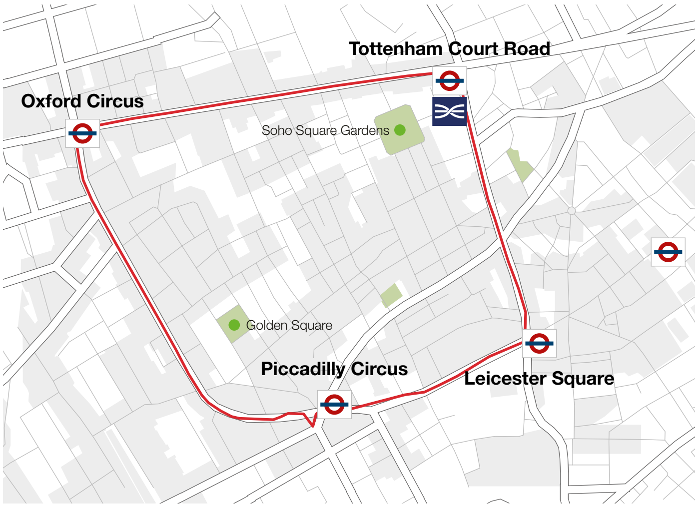


£90.00
Prime Rents

3.7%
Availability Rate

25.5%
Tenant Space

75%
Media and Technology take-up

100,500 sq ft
Under Construction

60,606 sq ft
Under Offer

4
Underground Stations

0
Michelin Star Restaurants

49
Pubs

Following a quiet first quarter, take-up volumes bounced back in Q2 reaching 160,000 sq ft, exceeding the five year average and the submarkets most active quarter since 2001.

The most significant deal was signed by publishing company Hearst, which agreed to take five floors totalling 83,000 sq ft at the recently developed LSQ 30 Panton Street, in a move which will consolidate Hearst's two existing offices. LSQ, which completed in October 2016, was developed by a private Hong Kong investor in association with Old Park Lane Management Ltd and achieved a rent of £85 per sq ft.

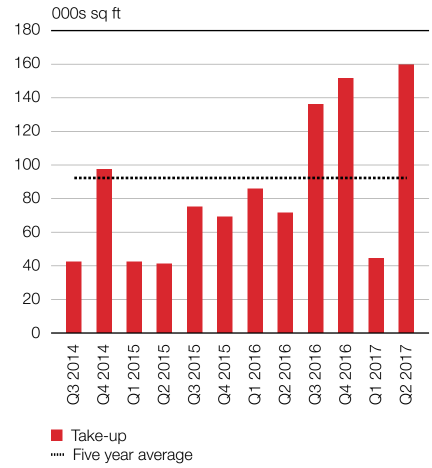
Despite the high levels of leasing activity, Soho's availability rate remained at 3.7% with a number of developments under construction bringing new space to the market. Over the next 12 months, 92,000 sq ft will be completed across four schemes; 57 Broadwick Street (20,000 sq ft), Hammersley House (13,000 sq ft), 161 Oxford Street (25,000 sq ft), and 1 Dean Street (33,500 sq ft), although this has already been let to Moneysupermarket.

Over the next three years, there's potentially a further 380,000 sq ft to be developed across five schemes, notably Soho Estates' iconic development of 111-119 Charing Cross Road (173,000 sq ft) which could complete in 2019.

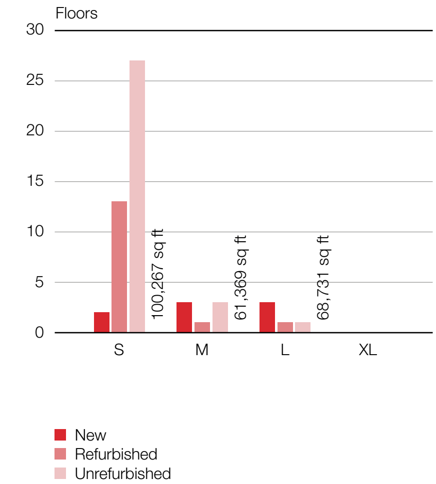
Of the space available at Q2 2017, 25% is available as a sub-let or assignment, with the majority of this space coming from media and technology occupiers, looking to divest existing space.

As occupier demand for new space continues to be strong, prime rents look set to remain at £90 per sq ft in H2 2017, with 18 months' rent free achievable on a ten year lease.

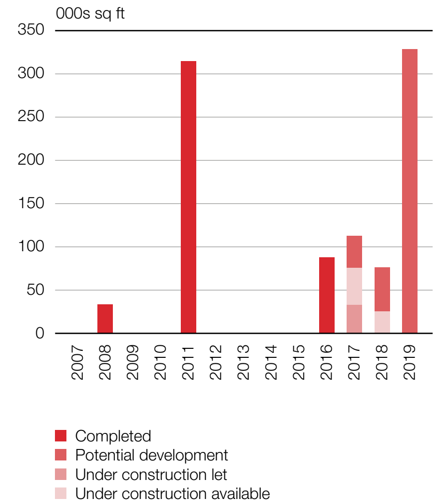
Demand
Quarterly take-up and five year average



Supply
Available floorplates

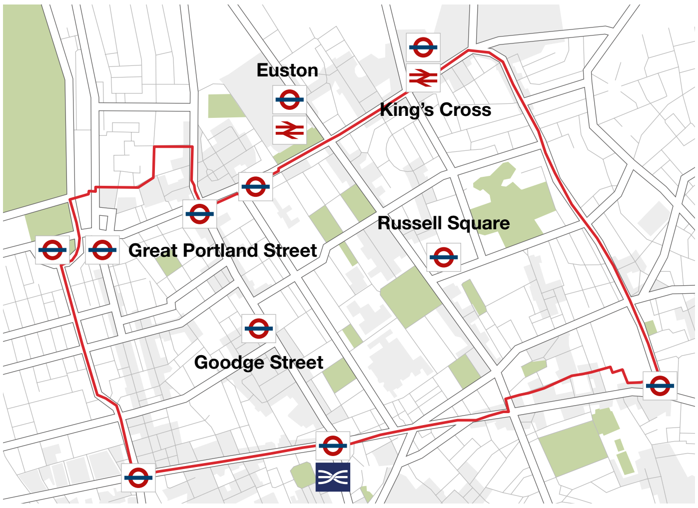


Development
Development pipeline



Source: Gerald Eve

FITZROVIA & BLOOMSBURY



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£80.00 Prime Rents

4.2% Availability Rate

24.4% Tenant Space

50% Media and Technology take-up

550,150 sq ft Under Construction

233,334 sq ft Under Offer

8 Underground Stations

8 Michelin Star Restaurants

88 Pubs

Fitzrovia and Bloomsbury has enjoyed a strong start to the year with leasing volumes in Q1 (328,000 sq ft) and Q2 (316,000 sq ft) well above the five year average. Media and technology companies were the most active in the market, and in particular the Disney Corporation which secured the largest letting of Q2 when it took 48,000 sq ft at 84 Theobalds Road. Also, London & Capital, advised by Gerald Eve, have acquired 13,000 sq ft at 2 Fitzroy Place.

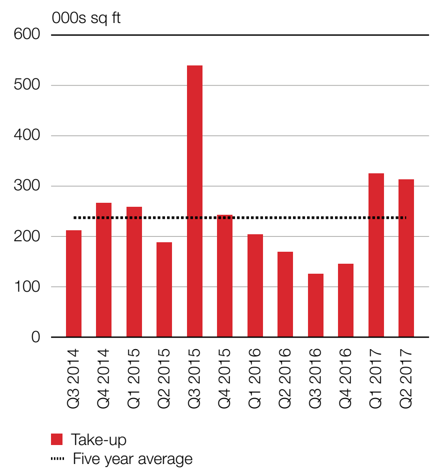
The high level of activity seen in H1 is set to continue in the second half of the year with currently 233,000 sq ft under offer.

Despite the number of deals signed, overall availability in the submarket increased due to a number of development schemes bringing space to the market. As well as the completion of Great Portland Estates' One Rathbone Square, which is entirely let to Facebook, H1 2017 saw the delivery of The Harley Building (36,000 sq ft), marketed by Gerald Eve, and 15-18 Rathbone Place (22,500 sq ft).

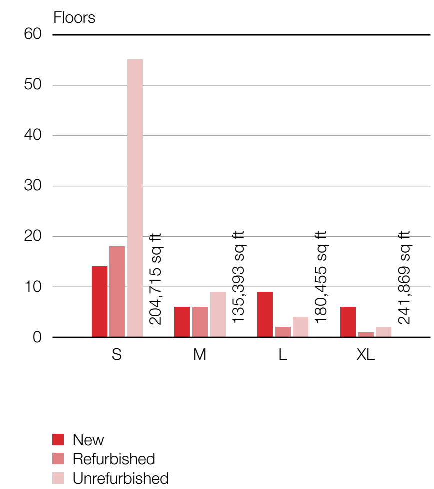
Over the next two years, a further 361,000 sq ft is currently under construction, primarily Derwent London's 80 Charlotte Street (321,000 sq ft) of which a UK subsidiary of Arup Group has signed an agreement to pre-let 133,600 sq ft in Q1 2017, and Boston Consulting Group are currently under offer to take 150,000 sq ft.

Almost a quarter of available space on the market is available as either a sub-let or assignment, with the majority of this coming from retail occupiers. Despite this however, we don't expect to see rental movement by the end of the year with prime rents remaining at £80 per sq ft.

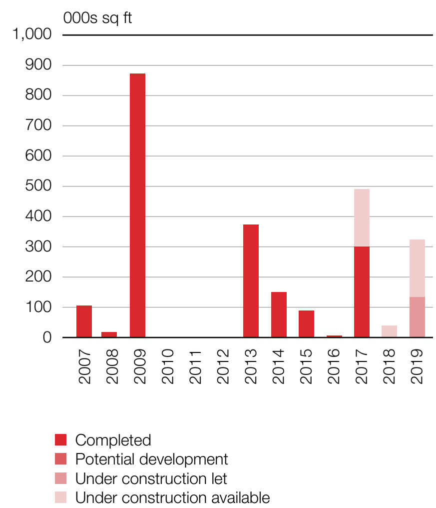
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

KING'S CROSS & EUSTON

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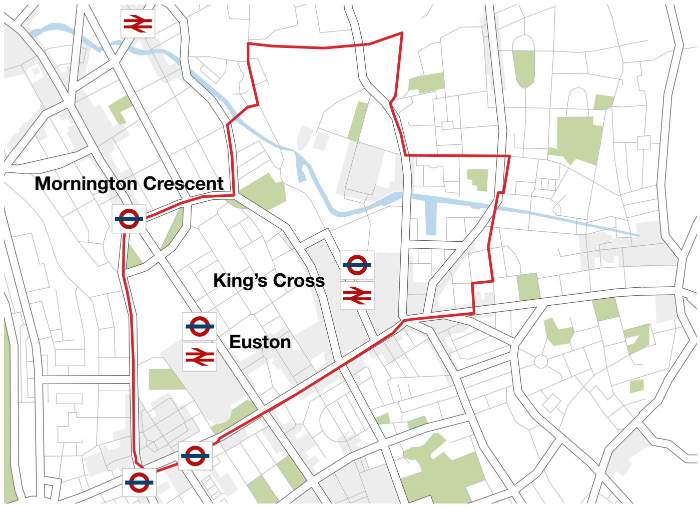


£80.00 Prime Rents	**43%** Corporate take-up	**5** Underground Stations
1.8% Availability Rate	**505,000 sq ft** Under Construction	**0** Michelin Star Restaurants
21.7% Tenant Space	**363,500 sq ft** Under Offer	**50** Pubs

A lack of available office space continues to limit occupier opportunities. Availability fell for the third consecutive quarter and was recorded in King's Cross & Euston at 153,000 sq ft at the end of Q2. This resulted in an availability rate of 1.8%, the lowest of all the London submarkets.

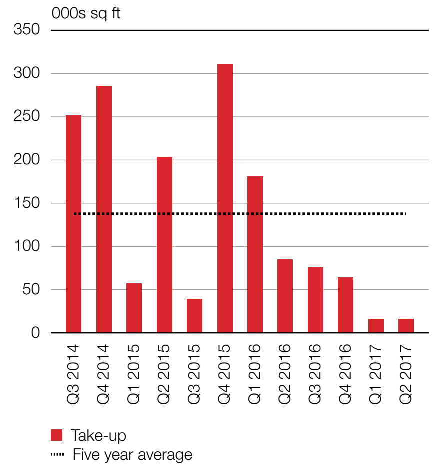
Consequently, take-up volumes were well below the five year average in both Q1 (17,232 sq ft) and Q2 (17,277 sq ft).

There were only five deals signed in Q2, all of which were below 5,000 sq ft. The largest was media and technology company, Piriform Software Limited, which took 4,500 sq ft at 163 Eversholt Street. The second half of the year however could be more active with 363,500 sq ft currently under offer.

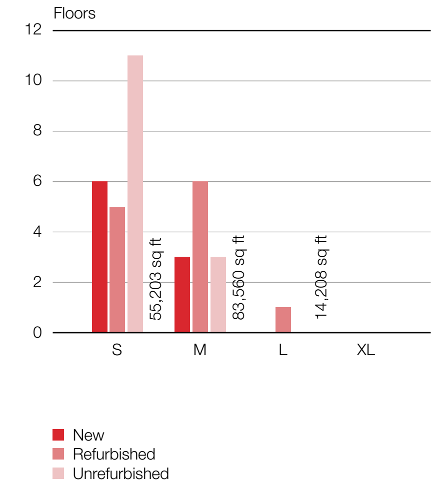
Despite the expected completion of 505,000 sq ft in H2 2017 across three schemes, all of the new space has been pre-let highlighting the demand from occupiers to be in this location. Universal Music, which is currently based in Kensington has signed a long-term lease for all 175,000 sq ft of Four Pancras Square, moving over 1,000 employees to King's Cross. Google will further expand into S2 Handyside Street, taking the entire 185,000 sq ft, whilst New Look and XTX have pre-let R7 Handyside Street (147,000 sq ft).

The demand for new space in the submarket is keeping pressure on prime rents which have held at £80 per sq ft.

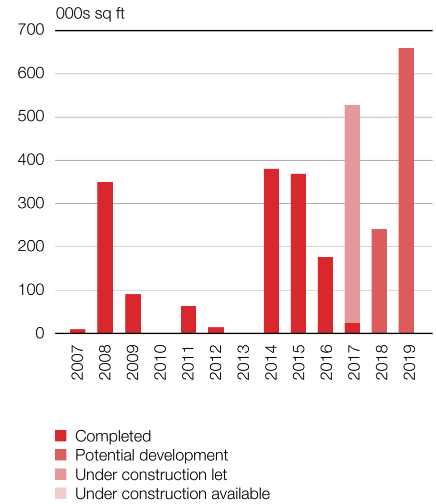
Demand
Quarterly take-up and five year average



Supply
Available floorplates

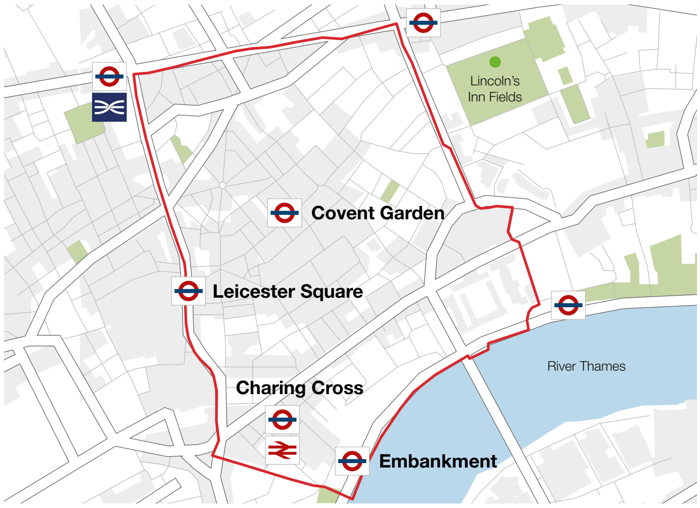


Development
Development pipeline



Source: Gerald Eve

COVENT GARDEN



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£80.00
Prime Rents

3.0%
Availability Rate

9.0%
Tenant Space

54%
Serviced Offices take-up

13,000 sq ft
Under Construction

72,697 sq ft
Under Offer

4
Underground Stations

1
Michelin Star Restaurants

56
Pubs

Covent Garden was one of the strongest performing markets in terms of take-up as letting volumes totalled 282,000 sq ft, its highest since 2005. However leasing activity was dominated by WeWork taking 140,000 sq ft at 125 Shaftesbury Avenue. This letting comes straight after WeWork signed up for 280,000 sq ft at Two Southbank Place, as the US co-working group's aggressive expansion within the capital continues.

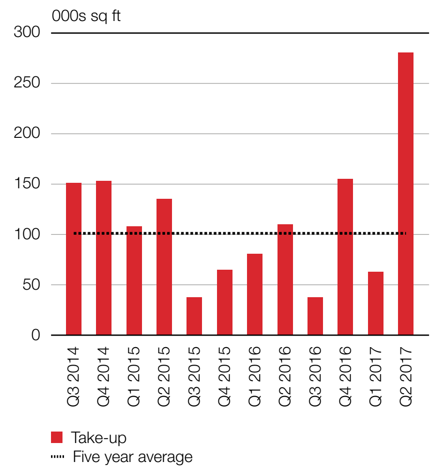
Occupier sentiment in this market is positive and even without the WeWork letting, take-up was still above the five year average. This level of letting activity is expected to continue, with 73,000 sq ft currently under offer.

Despite the high level of take-up, availability has increased in Covent Garden with a number of schemes bringing new space to the market.

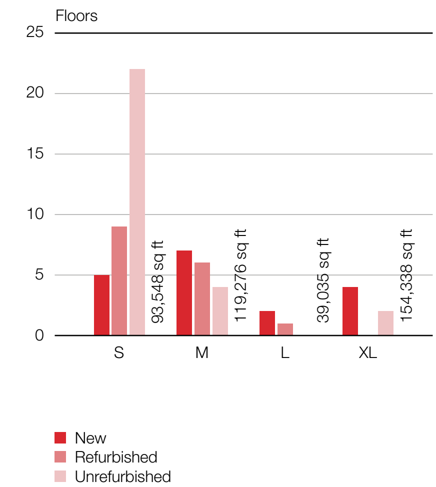
Of the available space in Q2, 9% is available from occupiers, with only Paddington having a lower rate. The majority of this space is being sub-let from media & technology companies.

Despite the recent rise of available space, prime rents have remained flat in Q2 at £80 per sq ft.

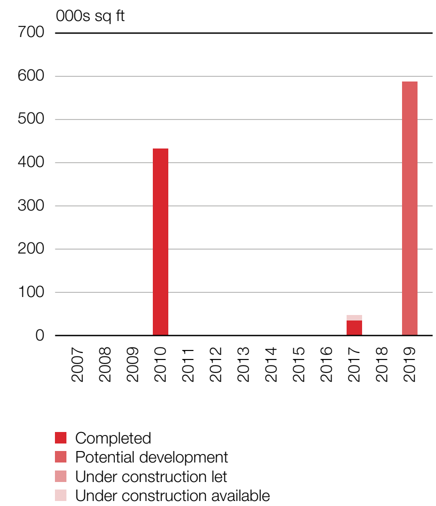
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

MIDTOWN

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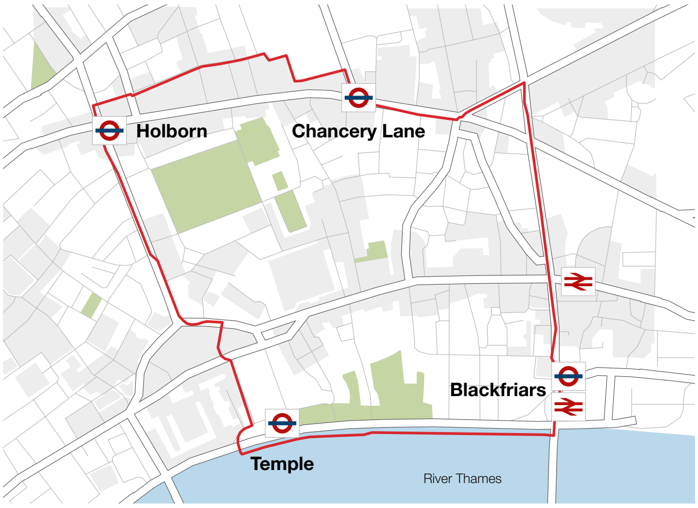


£65.00 Prime Rents	**69%** Media and Technology take-up
4.6% Availability Rate	**545,000 sq ft** Under Construction
38.1% Tenant Space	**211,184 sq ft** Under Offer
4 Underground Stations	
0 Michelin Star Restaurants	
40 Pubs	

Occupier demand for new space has been strong in 2017 with letting activity above the five year average in consecutive quarters. This activity looks set to continue in the second half of the year with 211,000 sq ft currently under offer.

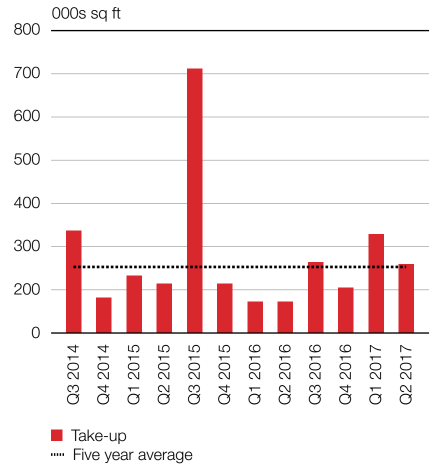
Media and technology firms were the most active with special effects company Framestore taking a 15-year lease to occupy the entire 94,000 sq ft of Viridis Real Estate's development, 28 Chancery Lane. Framestore will consolidate from its three existing offices in Soho, Fitzrovia & Bloomsbury.

There has only been one development completion in H1 2017, namely Aberdeen Asset Management's 35 Chancery Lane (65,000 sq ft). Consequently the availability rate has dropped for two consecutive quarters to 4.6%, with over a third of this space available as a sublease or assignment from an existing tenant.

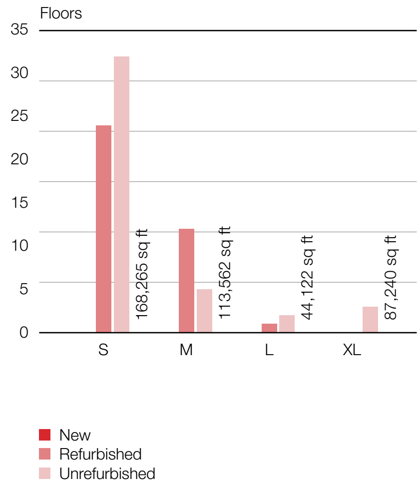
However more space is on the way, and currently there is 545,000 sq ft under construction which will be delivered before the end of 2018.

Prime rents have remained at £65 per sq ft, with 21 months rent free achievable on a ten year lease.

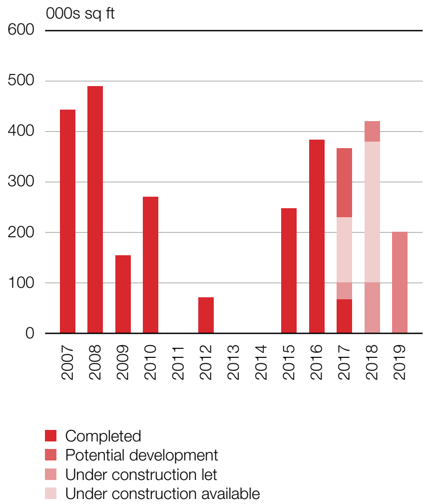
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

FARRINGDON & CLERKENWELL

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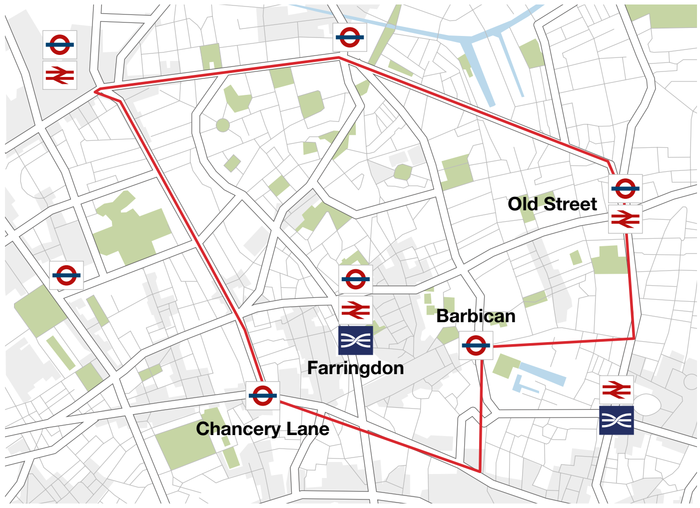


£65.00 Prime Rents	**38%** Media and Technology take-up
4.1% Availability Rate	**1,290,000 sq ft** Under Construction
12.1% Tenant Space	**243,614 sq ft** Under Offer
5 Underground Stations	**3** Michelin Star Restaurants
90 Pubs	

After a strong start to the year in terms of take-up, letting activity slowed in the second quarter, with volumes reaching 226,000 sq ft, 20% below the five year average. However, despite this, occupier sentiment remains positive and there is currently 244,000 sq ft under offer which could translate into a better performing second half of the year.

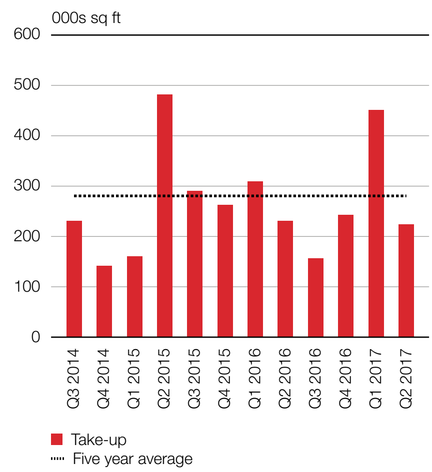
Media and technology firms continued to increase their presence in the area and were the most active occupiers in the submarket in Q2, notably with Box.com's 29,000 sq ft letting at the White Collar Factory, City Road.

Although take-up has been subdued, availability has continued to fall for the second consecutive quarter and resulted in an availability rate of 4.1%. There has been a number of significant development completions during this time, namely Derwent London's White Collar Factory (276,000 sq ft), and Allied London's Herbal House (77,000 sq ft), however large chunks of space have been let during construction which has minimalised the impact on availability.

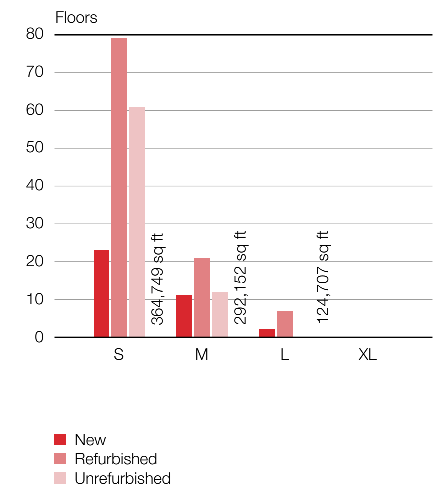
To help ease the supply strain, a number of schemes are under construction which will deliver around 1.3 million sq ft of new space to the submarket over the next three years. 38% of this will complete before the end of 2017, including Mercer Real Estate's 160 Aldersgate Street (207,000 sq ft).

Despite a slight easing in occupier demand, prime rents have held at £65 per sq ft although incentives have moved out this year and now 20 months' rent free can be achieved on a ten year term.

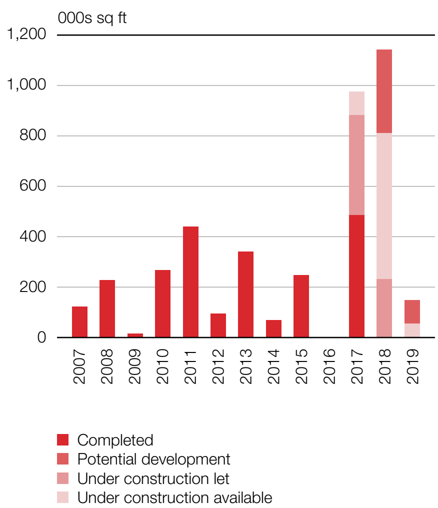
Demand
Quarterly take-up and five year average



Supply
Available floorplates



Development
Development pipeline



Source: Gerald Eve

CITY

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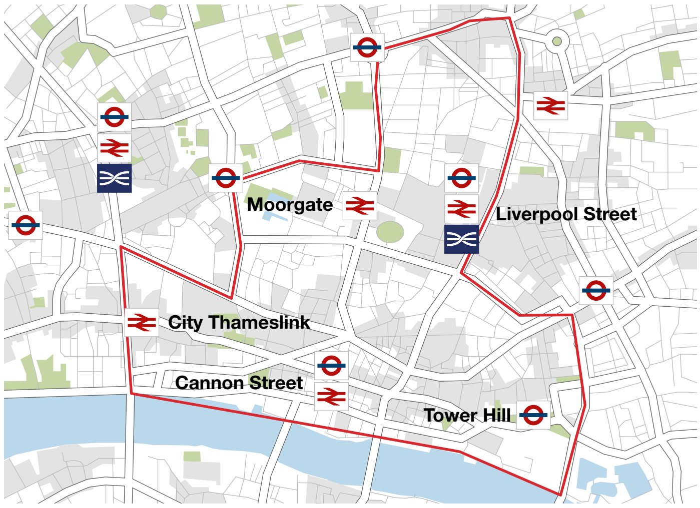


£68.50
Prime Rents

7.3%
Availability Rate

24.5%
Tenant Space

33%
Media and Technology take-up

7,869,590 sq ft
Under Construction

1,500,056 sq ft
Under Offer

15
Underground Stations

3
Michelin Star Restaurants

150
Pubs

Letting volumes totalled 965,000 sq ft in Q2, and whilst this is below the five year average for the second consecutive quarter, demand for new space remains high with 1.5 million sq ft currently under offer.

Media and technology occupiers were the most active, and in particular fintech company NEX Group, which agreed to sub-let 115,000 sq ft from Ashurst at the new London Fruit & Wool Exchange development which is due to complete in 2018.

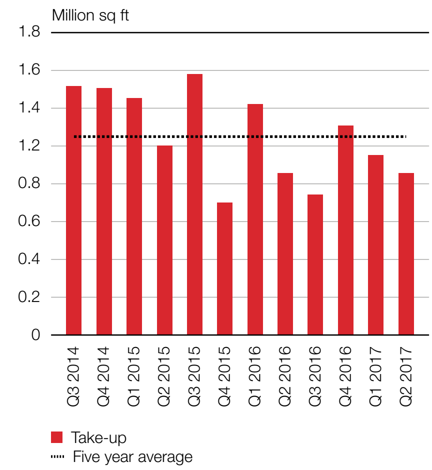
Bupa was also active, and agreed to take 55,000 sq ft at Mitsui Fudosan and Stanhope's Angel Court development. The health insurance firm will take the first, second and third floors on a 15-year term, moving its global headquarters from its existing premises in Holborn.

A number of development completions have led to a 16% increase in availability since December, notably Mitsui Fudosan and Stanhope's Angel Court (300,000 sq ft), Blackstone's The River Building (89,000 sq ft) and Ocubis' Cannon Green (73,000 sq ft). Whilst some of this space was already pre-let, the completion of these schemes has increased the availability rate in the submarket to 7.3% from 6.4%.

Over the next six months, the City will likely see this increase with 3.2 million sq ft set to complete before the end of the year.

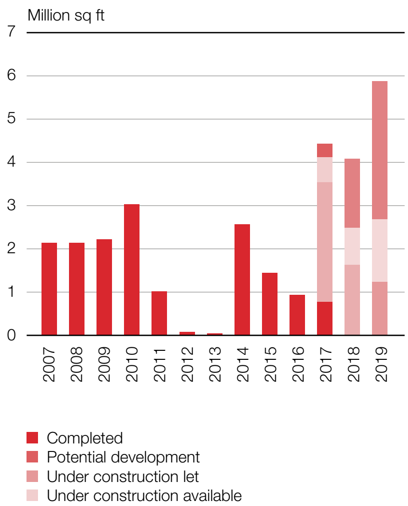
As a result of subdued letting activity and rising availability, particularly from sub-lets and assignments which now represent a quarter of the available space, prime rents have fallen to £68.50 per sq ft.

Demand
Quarterly take-up and five year average



Supply
Available floorplates

Development
Development pipeline



Source: Gerald Eve

CENTRAL LONDON INVESTMENT

Despite a recent decline in transaction volumes, investor appetite for London offices remains strong. Driven by the weakened pound, international investors, particularly from $US pegged currencies see this as an opportunity to buy London offices given the offering of strong income return at a national discount and to date are largely undeterred by Brexit negotiations.

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City office investment volumes totalled £3.5 billion during H1 2017. This figure was largely skewed by the sale of The Leadenhall Building to Hong Kong-based investor CC Land Holdings. The tower was sold by British Land and Oxford Properties for £1.15 billion, which reflected a yield of 3.5% and marked the largest investment deal transacted in central London since the Qatar Investment Authority's purchase of the HSBC Tower in Canary Wharf in 2014 for $1.18 billion.

Hong Kong investors have been increasingly active in the London market recently, with the sale of 65 Fleet Street to a private Hong Kong investor. The 230,000 sq ft building, of which Freshfields are currently the sole occupier, was sold by Malaysia's Employees Provident Fund (EPF) for £160 million. The building originally went under offer to Hong Kong-based private equity firm Joint Treasure in late 2016, although these talks did not progress.

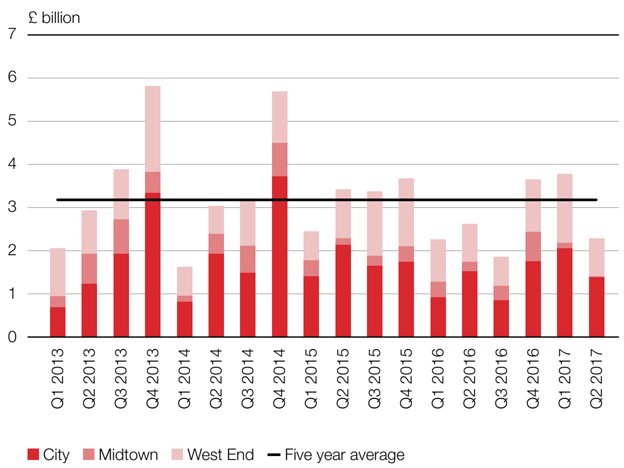
There was £2.4 billion of West End offices traded in H1 2017. The largest deal agreed, in terms of both size and sale price, was Deka-ImmobilienEuropa and WestInvest InterSelect's acquisition of the freehold of Rathbone Square in the North of Oxford Street submarket. The building, which is fully let to Facebook on a fifteen year lease, was sold to the German funds by Great Portland Estates for £435 million, reflecting a net initial yield of 4.3%.

Similar to the City market, Hong Kong-based investors have also been active in the West End at the start of 2017, looking to capitalise on the sale of sterling-denominated assets. Emperor Group purchased the Ampersand building on Wardour Street in Soho from fellow Hong Kong investor the Peterson Group for £260 million, which reflected a low net initial yield for this market of 2.9%. The building is the headquarters of King.com, the developers of apps such as Candy Crush Saga, and was refurbished in 2014.

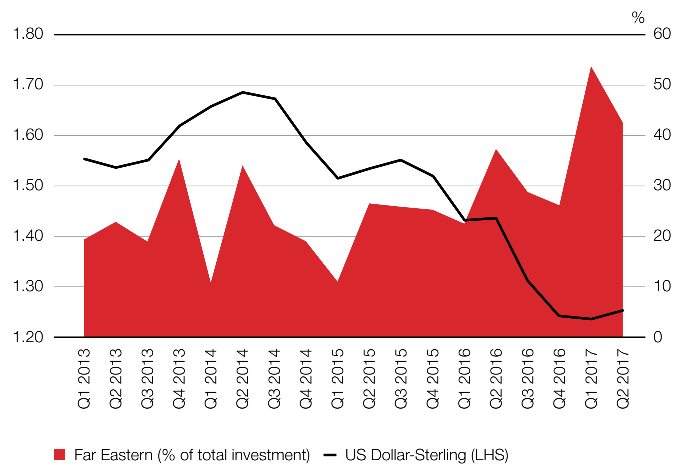
In Q1 2017, offices in the City outperformed those in the West End and Midtown for the second consecutive quarter with a total return of 1.8% compared to 1.5% with rental growth the main driver behind this. However recent figures from MSCI indicate a slight rental decline in central London and as a result, central London offices are expected to experience reduced total returns in 2017 and 2018 before recovering.

Yields remain at record levels across Central London for well let properties, due to a combination of low availability, and strong demand because of the currency opportunity. Whilst we have seen some assets with large forthcoming voids experience yield softening, Prime office yields in the West End remain low at 3.5%, and 4% in the City.

Central London Investment Volumes



Far Eastern Investment



Source: Gerald Eve, Property Data, Experian Economics

LONDON OFFICES – OUR SUCCESSES

1 Angel Lane, City
We have successfully advised Nomura on the sub-letting of 50,000 sq ft at their Angel Lane HQ. The two transactions were completed ahead of the refurbishment works completing.

20 North Audley Street, Mayfair
We have successfully advised Global Holdings on the leasing of 32,000 sq ft to LEO serviced offices.

50 Sloane Avenue, Knightsbridge
We have successfully advised the Royal Borough of Kensington and Chelsea on the pre-leasing of this 22,500 sq ft new development.

2 Fitzroy Place, Fitzrovia
We recently acquired 13,000 sq ft in this landmark development for London & Capital.

DEFINITIONS

Floor quality
New: Floor in a newly-developed or newly-refurbished building, including sub-let space in new buildings which have not been previously occupied. **Refurbished:** A floor which has been comprehensively refurbished and is of good specification, floorplate efficiency and image, but is in a building which is not new or been comprehensively refurbished. **Unrefurbished:** Poorer quality space, usually offered for occupation 'as is'.

Floorplate sizes

Small (S)	1,000 sq ft to 5,000 sq ft
Medium (M)	5,001 sq ft to 10,000 sq ft
Large (L)	10,001 sq ft to 20,000 sq ft
Extra Large (XL)	20,001 sq ft +

Current letting policies may dictate some floors are not available in isolation

Prime headline rents
The rent being paid which does not take account of concessions such as rent free periods. The references to both headline rents and incentives in this report are a reflection of the best office space in that submarket which is taken on an assumed ten year term.

Tenant space
Reference to 'tenant space' includes office space that is actively marketed and is available either as a sub-let or an assignment of an existing lease. 'Grey space' that is not actively marketed is not covered in this report.

LONDON OFFICES

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08/17

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