



fm market update Q2

2nd QUARTER 2014

Welcome to the second update of 2014, giving you an up-to-date view of the office, investment & development market in the west of the West End and providing an insight into prevailing trends in this sector.

Market Summary

Another growth quarter in offices is contrasted by a slowing in residential price rises. Next quarter could be the first time we see a period where office capital growth outperforms residential price growth since the late 1980's. Residential purchasers are very aware of the Governor of the Bank of England and the Chancellor's attempts to cool house price growth. There are now more stringent measures for obtaining a mortgage due to the Government's Mortgage Market Review. Conversely, as commercial rents improve, office capital values are rising. We suspect this may lead to more landlords ignoring Permitted Development rights and keeping their buildings in office use rather than converting to residential.

Educational purchasers and office owner occupiers out-bid residential bidders for the 15,896 sq ft office building at 2 Bridge Avenue, Hammersmith. West London Free School paid £9.25m

(582 per sq ft) to owners F&C Reit & Berwick Hill for the property. Loss of offices in Fulham & Putney has led to increased office rents there. Scott Dunn's leasing of Ocubis' Riverbank House at Fulham Green at £37.50 per sq ft is an increase of £10 per sq ft in 2 years. The highest office rents in both Hammersmith & Kensington are now in the range of £45 to £50 per sq ft. Accor leased 25,000 sq ft at Development Securities PLC and the SWIP Property Trust's 10 Hammersmith Grove for £46 per sq ft for the 1st floor and £46.50 for the 2nd floor. Accor are the owners of the Novotel, Sofitel and Mercure hotel brands.

This is the second office letting at 10 Hammersmith Grove following the media company UKTV taking two floors of the building. The whole of 10 Hammersmith Grove is now let or under offer. The second phase, 12 Hammersmith Grove is now under construction with completion due in Q1 2016.

Q2 Headlines

In April Capco (the developer of Earls Court) obtained consent from both the Royal Borough of Kensington & Chelsea and Hammersmith & Fulham for a 2.4m sq ft residential led scheme over the 16 acre site. However the new Labour Council for Hammersmith & Fulham campaigned against the Earls Court scheme in its election manifesto, promising to renegotiate the deal and protect two council estates that are set to be demolished to make way for the development. Labour won Hammersmith & Fulham with a swing of 11 seats from the Conservatives, taking over the Council for the first time since 2002. They have now appointed Guy Vincent, former managing partner of City law firm Bircham Dyson Bell and newly elected Labour councillor in Hammersmith, to review property development contracts signed by the Tories.

THE QUESTION MARK OVER EARLS COURT



WARNER GROUP BUYING IN KENSINGTON

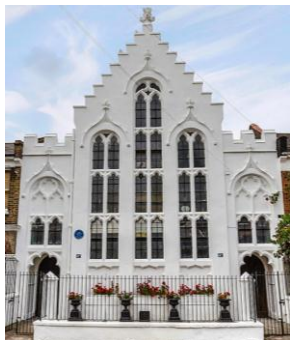
The parent company of Warner Music Group is buying the 70,000 sq ft 27 Wrights Lane, W8, just south of Kensington High Street for £58 million (£838 per sq ft). This reflects a yield of 4.3% but it is effectively an owner occupier purchase. The building used to be occupied by EMI but as part of the European Commission's approval of Universal's takeover of EMI they have had to sell assets such as the record label Parlophone to Warner. Warner Music Group is now likely re-locate other labels it owns such as Atlantic Records to the property.

SOHO HOUSE INSTEAD OF THE BBC CANTEEN?

The 10 storey office building that will replace part of the TV Centre site at Wood Lane, White City will also house a new Soho House Club. Similar to Shoreditch House, the club will have a swimming pool and roof terrace. Work should commence in April 2015 once the BBC have vacated most of the site. The developer, Stanhope, has also confirmed that the 1,000 residential properties being constructed on the site will only be marketed in the UK and not to overseas investors.



FORMER CHURCH IN BRACKENBURY VILLAGE, HAMMERSMITH FOR SALE



Frost Meadowcroft are marketing the 1882 constructed former St John's Church that was the sister church to St John's The Evangelist in Glenthorne Road. Since the 1970s it has been used as a studio for the scene painter John Campbell who has owned it since 1974. He is a specialist in backcloths for opera, ballet, music and theatre. He has worked for 40 years on backcloths such as 'The Two Nations Celebrate' when Nelson Mandela visited the Royal Albert Hall in 1996, Sir Paul McCartney's 'Working Classical Tour' in 1999 at Liverpool Philharmonic Hall and various performances for The English National Ballet, American Ballet Theatre and Rambert Dance Company.



SALES IN PADDINGTON BASIN AND BAYSWATER W2



The 234,600 sq ft Paddington Basin property, The Point at North Wharf Road, is being sold by Hermes and WELPUT for £210 million (£895 per sq ft). The Point is an 11-storey, wedge-shaped property built in 2002 as part of Terry Farrell and Partners' Masterplan for the area. The price equates to a net initial yield of 5.5%. Just south west of here, Johnny Sandelson, (who owns the 8 acre Queensway estate) has purchased the 20,000 sq ft 2 storey office building, Esca House in Palace Court, north of Bayswater Road for £30m (£1,500 per sq ft). It is likely Sandelson will be pursuing a mixed-use scheme on the site.



QPR PROGRESSING SPECULATIVE RELOCATION PLANS



QPR Football Club (who will play in the Premiership next season having won the Championship play-off) are under offer to buy the 12.1 acre site at 41-44 Kendal Avenue in Park Royal for £26.5m from John Lewis. The club are understood to be planning to build their training ground on the site and may try to relocate Car Giant there. Car Giant, the used car company, have been located for 30 years on the 45 acres of Old Oak, just west of Scrubs Lane where QPR would like to relocate their stadium from Loftus Road, Shepherds Bush, south of Old Oak. Car Giant say they have no exclusivity agreement with QPR so these plans may take some time to come to fruition. Sources confirm that Harry Redknapp is not involved in any of the contract negotiations.

NORDEA SELLING 77 FULHAM PALACE ROAD IN HAMMERSMITH

The 200,000 sq ft estate of 4 office buildings is on the market for £69.5 m (£360 per sq ft). Within the estate is book publisher Harper Collins. Their lease expires in 2015 and 2016 and will be relocating to The Place, London Bridge Quarter (known as Baby Shard). Rupert Murdoch's News Corp have leased the Baby Shard and also own Harper Collins, the book publisher that produces intellectual publications including Wayne Rooney's autobiography!

