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fm market update **Q3**

3rd QUARTER 2014

Welcome to the third 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

The office market west of the West End continues to be a story of lack of supply and rising office rents as demand remains steady but supply remains low. A record rent for Hammersmith of £50 per sq ft was reached at Development Securities' 10 Hammersmith Grove this quarter with the letting to Phillip Morris. This is the only new building over 10,000 sq ft being built in the London Borough of Hammersmith and Fulham. Substantial supply is being converted to housing in both H & F and in Chiswick because of the Permitted Development legislation. The supply in Hammersmith and Fulham is at an all-time low with a vacancy rate of 1.9% of all stock. The Royal Borough of Kensington & Chelsea also has a low vacancy rate of 3.6% as does the West End at 4.7%. This compares to 9.4% in the City and 8.8% in Docklands where, ironically, the largest office buildings are being constructed.

The 2nd phase of Fulham Green, Riverbank House next to Putney Bridge Station, is now fully let following lettings to Clarendon Business and Erecruit, the latter letting at £39.50 per sq ft, a record rent for Fulham. Kelly Hoppen Interiors moved to the 6,000 sq ft Vencourt Place in Ravenscourt Park. Also in Hammersmith, Weber (Barbecues) is rumored to be under offer at over £40 per sq ft at the Metro Building. The Week relocated to 32 Queensway W2. In Kensington, The Royal Foundation signed for 4,000 sq ft in St Mary Abbots Place, off the High Street for £40 per sq ft and Notting Hill office rents look to be approaching £55 per sq ft as 10 Ledbury Mews goes under offer at that rent level.



Q3 Headlines

HUGE 18 ACRE IMPERIAL GASWORKS TO BE SOLD IN SOUTH FULHAM

National Grid are to market the 18 acre Imperial Gasworks site near Chelsea Harbour in Imperial Road, Sands End, Fulham SW6. A master plan is being prepared by Make Architects to remove 5 of the 6 gasholders to make way for a development of approximately 2,000 homes.

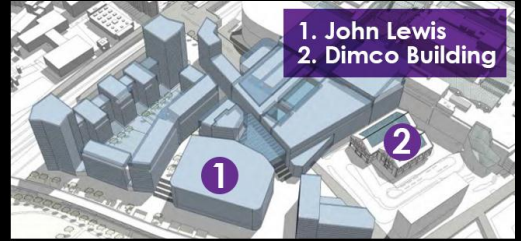
The Imperial Gas Company started construction of its works at Sands End in 1824. The ornately decorated number 2 gasholder completed in 1830, is Georgian and reputed to be the oldest gasholder in the world. This gasholder is listed.



CHISWICK TOWN CENTRE DEVELOPMENT



Lend Lease, using planning advisor Quod and Assael Architecture, have submitted plans to demolish and redevelop the office block situated at 408-430 High Road. The development will comprise 137 flats and just under 8,783 sq ft of shops. The 1980's office building was originally called Empire House to celebrate the theatre that came before it. The Chiswick Empire Theatre was built in 1912 and following the war saw appearances from artists such as Laurel & Hardy and Vera Lynn. There were dramatic scenes at the Empire in May 1959 when Cliff Richard was appeared in a rock and roll concert. Rowdy elements in the audience were annoyed when the manager closed the bar in the interval so started throwing tomatoes and let off a fire extinguisher. The police were called to control the disturbance, a woman in the stalls had to be taken to hospital and the second half of the evening's performance was cancelled! A lamé-jacketed Liberace was the theatre's last act on 20 June 1959.



WESTFIELD EXTENSION IN PICTURES

The expansion northwards at White City across the industrial estate of Ariel Way and Silver Road to the M41 West Cross Route Motorway in White City will include around 646,000 sq ft of new shops including a 226,000 sq ft John Lewis department store. This will be situated adjacent to the Hammersmith and City Line viaduct. The new four level department store will now have two entrances: one as you approach

the site from the White City and Wood Lane Underground stations and one from the shopping centre. There will also be up to 1,347 new homes, including affordable homes, new pedestrian routes to help link Shepherd's Bush town centre, White City and Kensington and Chelsea. In addition new landscaped open space for public use with a new civic square including the re-opening of

the listed DIMCO buildings for public use. The Dimco buildings were built in 1898 and were constructed as a shed for the Central line London Underground power station. They were used as a filming location for the 'Acme Factory' in the 1988 film 'Who Framed Roger Rabbit' and later served as the interior of the British Museum in 'The Mummy Returns.'

PADDINGTON & QUEENSWAY DEVELOPMENTS AND LETTINGS

Assael Architects have obtained planning consent for the 2nd phase of a residential led development in North Wharf Gardens in Paddington, just south of the ramp up to the Westway on the former Westminster Community School site. The Bahrainian developer, Amwaj, sold the 1st phase to Taylor Wimpey in April. The mixed-use scheme will comprise 335 flats, a five star hotel, serviced apartments, Free School, gym, business and retail space as well as a new public garden. Planning consent for Site 1, consisting of 150 homes, was approved last year. Work is due to start on phase 2 in 2015 and will take about 2 years.



Next door to this site US Healthcare company, United Health, have paid £58.50 per sq ft for 14,500 sq ft part 10th floor of the 15 floor office building, 5 Merchant Square in Paddington Basin. Versant Developments are also embarking on a residential scheme in Paddington. They have purchased the 30,000 sq ft office building Compass House in Redan Place next to Whitley's Shopping Centre from Hermes for £24.5m (£816 per sq ft) and will convert it to 31 flats. Tenants vacating Compass House include Dennis Publishing owners of news magazine, 'The Week' who have leased nearby 32 Queensway from Bourne Capital, clients of Frost Meadowcroft.



WHAT NOW FOR PERMITTED DEVELOPMENT AND OFFICE SUPPLY IN LONDON?

The Government has recently concluded a consultation with Planning Departments and interested parties in respect of expanding the Permitted Development rights which have had such a large impact on office stock in Zones 2 – 6 in London since 30th May 2013. The Government is considering extending these rights to light industrial buildings (B1c) and also removing the exemptions in central London and Royal Borough of Kensington and Chelsea. The Mayor and parties on the London Assembly have said they have made a vigorous case against this and for the retention of business space.

The dramatic loss of office supply in areas such as the Boroughs of Camden, and Hammersmith and Fulham has led to much concern in planning circles and the office agency industry.

Many believe that the need for new homes must be balanced with the need for office supply. This month Islington Council has succeeded in using an Article 4 direction against the Government's legislation. As a result protected areas will include parts of Kings Cross, Angel and Upper Street, Archway, Holloway Road, Hornsey Road, Finsbury Park and Seven Sisters Road. The Council said: "The government's initial decision to block us was wrong and we were right to challenge it. I'm pleased that we have been able to have a constructive dialogue in recent weeks and reach an agreement which protects the most important clusters of businesses and charities in the borough. The Government's office-to-flats policy is having a detrimental effect on Islington and, in fact, right across London."