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The Frost Meadowcroft MARKET UPDATE 3rd QUARTER 2012

Welcome to the third update of 2012, giving you an up-to-date view of the office market west of the West End and providing an insight into prevailing trends in this sector.

Market Summary



Similar to Q2, rents have marginally improved in Q3 despite the 0.4% GDP decrease announced in Q2 and GDP is finally expected to grow following 3 quarters of recession. Hammersmith best rents are at £35 per sq ft, as evidenced by lettings at Space One in Beadon Road to Arria (internet company) at £35 per sq ft, although the 3rd floor (with a roof terrace) is under offer at £36 per sq ft. This quarter also saw the letting of 80 Hammersmith Road at £35 per sq ft to Playtech and Frost Meadowcroft let Colet Court at 100 Hammersmith Road to Pringle of Scotland at £33.50 per sq ft. Eagle-eyed readers may have spotted Colet Court in the recent ITV *Sweeney* documentary as it was used by Euston Films as the police station in the original programme. In the

19th century it was the St Paul's Boarding School now located in Barnes. Fulham Green rents edged up to £31.50 from £30 per sq ft and in the Royal Borough of Kensington & Chelsea the former church at 92 Golborne Road was let by Frost Meadowcroft to Quest Music Management at £37 per sq ft. At the newly constructed Chiswick Green in Chiswick High Road, TV company Viasat paid £39 per sq ft for a 15 year lease on 51,849 sq ft. This transaction underlines the popularity of Chiswick as a town centre being a substantial letting outside of the Chiswick Park campus. Of the 45 main UK centres Hammersmith and Chiswick is one of the 7 centres where occupancy costs have increased in the first 6 months of this year. Most rents and occupancy costs did not rise in the other 38 centres, although rents in Docklands fell and therefore occupancy costs were lower. Hammersmith occupancy costs increased by 5% and in Chiswick by 15%.

Q3 Headlines

Above left; Alan Partridge in Pringle (probably)

HELICAL BAR DEVELOPMENTS AT; Brickfields, White City & Broadway One, Hammersmith



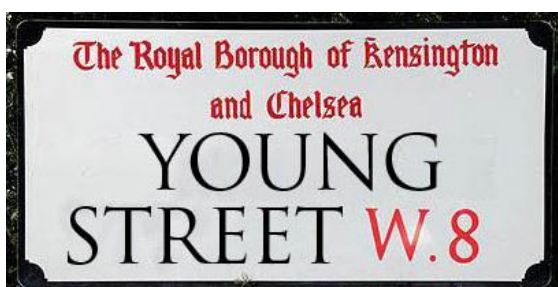
Helical Bar and Aviva Investors have submitted plans for the development of their 10 acre site that was formerly occupied by Dairy Crest, next to White City Underground, north of Westfield

and opposite the BBC TV Centre in Wood Lane. In the 19th century the site was used as brickfields, hence the name for the development. The proposal includes the creation of 1,150 new homes set amongst extensive new landscaping to include a public garden, ecological walk and an urban square. In addition the scheme includes circa 20,000 sq ft of retail space which will be targeted in part at local and start-up companies and circa 170,000 sq ft of commercial space. Helical Bar has recently completed the comprehensive conversion of

Broadway One into a smart refurbished office building opposite Hammersmith Underground. Frost Meadowcroft are quoting £32.50 for the two floors totalling 11,700 sq ft.



RBKC SELECT GRAINGER PLC FOR £100 MILLION KENSINGTON DEVELOPMENT SCHEMES

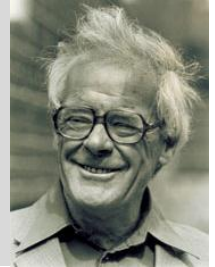


Grainger have been selected to develop and manage two mixed tenure housing schemes on council-owned car parks situated on Hortensia Road and Young Street. The majority will be purpose built private rental accommodation managed by Grainger for the long term under a 125 year agreement. The council will retain the freehold and a share of the long term rental income while paying Grainger a management fee.

BECHTEL HOUSE SELLS AS THE ARK GOES ON THE MARKET

In Q3 GE Capital, occupiers and joint owners of The Ark, have instructed agents to find a buyer for the 160,000 sq ft office building as an investment, 95% let to themselves, with a guide price of £79m (a yield of 6.5%). Designed by Ralf Erskine, The Ark was built between 1989 and 1992 and was reconfigured internally after the current owners bought it for £50m in 2006. Bechtel House at 245 Hammersmith Road, which is a similar size to The Ark was acquired this quarter by Legal & General for £42.5m (a yield of 9.8%). Bechtel have been in this 1980's building since it was built but their lease expires in 2014.

The Ark architect the late Ralf Erskine (right)



BORIS BIKES PEDAL CLOSER TO HAMMERSMITH & FULHAM



The bike scheme could arrive in Hammersmith & Fulham next year. Transport for London and The London Borough of Hammersmith & Fulham are in the advanced stages of planning and are

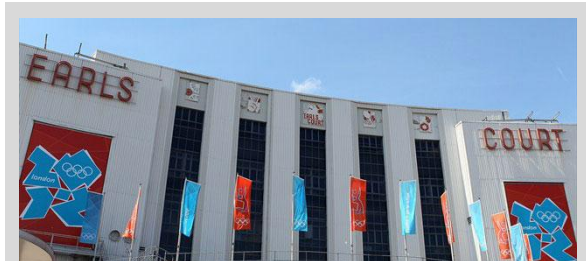
reviewing sites. Proposed sites include; Shepherds Bush Road opposite Brook Green and the junction of Wolverton Gardens and Hammersmith Road, next to Starbucks.

WHY IS CHISWICK PARK £46 PER SQ FT?

Many clients have been asking us the question, "How is it that a building in Chiswick Park can let for £46 per sq ft?" There are a variety of reasons but perhaps our view is that it is a misnomer to assume companies relocate to west of West End just to save money. Chiswick Park is often that compromise between central London and a cheaper provincial base so detested by the incumbent employees. It is quite noticeable that many companies at Chiswick Park are international, including Pokemon (UK headquarters) who we have just advised on their relocation there. Many international companies have the internal debate about moving from the more expensive centre of London to places such as Heathrow and Reading. US companies often think their senior employees would be happy to relocate to business parks (often associated as bland) just as technology companies have in 'Silicon Valley', however they forget that most UK employees aspire to work in a cosmopolitan, cultural city i.e. London, and not a provincial campus near a motorway.

At Chiswick Park (a business park but next to a London town centre with good restaurants, shops and bars) the parent company gets its modern, efficient business park, close to Heathrow but cheaper than

the West End. The affluent directors, who probably live in West London, are close to work without having to drive there. They and the staff can still enjoy London after work; the shops at lunchtime and 'the 3 martini lunch' on a Friday!



TfL CONSIDERS INDEPENDENT REDEVELOPMENT OF ITS 17 ACRE DEPOT AT EARLS COURT

The proposed £8bn scheme has three owners; CapCo (30 acres), Hammersmith and Fulham (22 acres) and TfL (17 acres). All parties have worked together on these proposals for the last five years. On 12 September Hammersmith and Fulham Council granted consent for the scheme which stretches across two boroughs, Hammersmith & Fulham and Kensington & Chelsea. A decision on the outline planning is expected from RBKC in the next few months. CapCo has already agreed with H&F Council to include its West Kensington and Gibbs Green Estates. *First reported in our Market Updates Q2 & Q3 2011*

It is understood that TfL wants the Depot redevelopment to be a joint venture but CapCo's preference is to buy the 17 acre, Lillie Bridge Depot freehold for a reported £200m. CapCo have also been renegotiating its lease from TfL at Earls Court 1 & 2 (now due for demolition) and are seeking a 999 year lease.

RECORD LABELS IN KENSINGTON

European legislators may shortly grant consent for Universal to buy EMI on the proviso they sell Parlophone, EMI Classics and Chrysalis. All 4 'Major Labels' (soon to be 3 perhaps) are based in Kensington. Please visit our website for an article by us on the history of this record label 'cluster' and the west London recording studios; ['Record Labels Stuck on Kensington'](#), supported by a visual guide in the; ['Record Label Map'](#).

