



The Frost Meadowcroft MARKET UPDATE 1st QUARTER 2014

Welcome to the first 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 1st quarter of 2014 has been a substantial growth quarter with both office rents and residential prices higher than the values before the 'Northern Rock bank run' of September 14th 2007. Office supply is down as are investment yields, whilst demand is up.



Thames Wharf Studios

Rogers Stirk Harbour + Partners (formerly Richard Rogers Partnership) has been selected to draw up a residential-led scheme to replace Thames Wharf Studios that they currently occupy in Hammersmith. The joint venture partners are Marco Goldschmied and London & Regional (the Hammersmith Palais developers). Rogers Stirk Harbour + Partners have stated that they are unlikely to remain in the building with its two storey 'bread bin' rooftop extension.

Landid and Brockton are the £30m buyers of the 80,000 sq ft 1 Queen Caroline Street from Coca Cola, Lend Lease have purchased the 1.3 acre 69,000 sq ft redevelopment site at 414 Chiswick High Road overlooking Turnham Green and Londonewcastle received planning consent for their scheme at the former serviced office building Centre 500 at 500 Chiswick High Road.



Also in Chiswick, Pernod Ricard have taken 40,000 sq ft on the 2nd and 3rd floors of Building 12, Chiswick Park from Disney at £47.00 per sq ft.



UKTV (owners of TV channels Dave and Gold) have completed their lease of the 32,500 sq ft 4th and 5th

floors of 10 Hammersmith Grove at a rent of £48.00 per sq ft. Upgraded older buildings in the town are letting at £34.50 to £37.50 per sq ft. New Hammersmith occupiers include Parker Pens who signed 8,500 sq ft at Colet Court, 100 Hammersmith Road; Lagadere (the French media company) who took the final available floor of Lyric House opposite Colet Court and Evidera Inc who took 11,414 sq ft at Metro for £36 per sq ft overlooking Hammersmith Roundabout.

In Paddington, Westminster Council granted Crossrail planning consent for a 320,000 sq ft office-led scheme at the junction of Bishops Bridge Road and the Grand Union Canal level. The office entrance will be at canal level and the building will incorporate access to Crossrail and the Hammersmith & City/Circle Lines. Nearby in Bayswater, brand company Romelle Swire leased 6 Salem Road for £40 per sq ft. In Victoria, OMV (an Austrian oil and gas company) leased 20,000 sq ft of Land Securities' new 62 Buckingham Gate for £67.50 per sq ft.

Q1 Headlines



Following planning consent Picturehouse is to forge ahead with its conversion of the property in Chiswick High Road

they acquired from Ballet Rambert into a five-screen cinema. The cinema could be open in early 2015. Rambert have relocated to a brand new purpose-built South Bank home with 3 studios that are much taller than those in their old building. Being purpose built there will no longer be a need for the signs that used to be outside one rehearsal room in the Chiswick premises "Jumping is not allowed in this studio due to structural weakness".

ISAAC NEWTON CENTRE – Lancaster Road W11

A record rent for W11 in excess of £60 per sq ft has been offered by Alpha Plus, the private educational group, for the 30,000 sq ft Isaac Newton Centre on Lancaster Road, W11. It will be the new home for Chepstow House School. The ex-Royal Borough of Kensington & Chelsea training centre occupies a site of around 1.5 acres and was offered to the market with the existing D1 educational use. The Council received considerable interest from local schools and educational organisations demonstrating the shortage of this type of stock in one of London's most affluent Boroughs. The Alpha Group run some of the capital's most expensive private schools such as Wetherby School, where Princes William and Harry were former pupils.



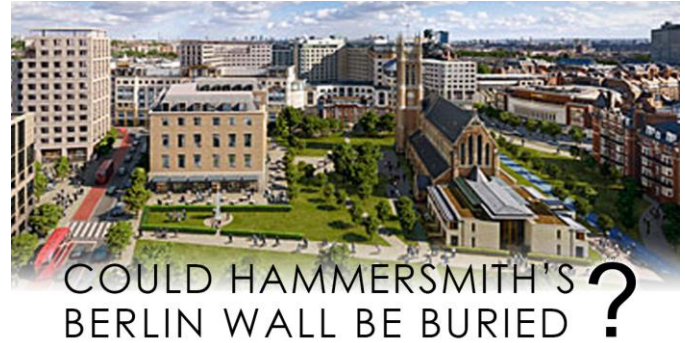
Chepstow House School blazer (pictured to the right)



Brentford FC, riding high in 2nd place in league 1 and close to achieving promotion to the Championship this season, have permission from the Communities Secretary Eric Pickles to begin construction on their new 20,000 capacity stadium this summer.

The 7.6 acre site, which also includes 12 x 16 storey residential towers, is on a site just south of the M4 near Kew Bridge. It was bought by the club from Barratt Homes in June 2012. It is unclear if any of the four pubs which stand on each corner of the ground, unique to Griffin Park, will relocate as part of the revamped scheme. If Fulham are relegated and QPR fail in the play offs, there may well be some intense west London derby matches next season too!

As Putin's actions bring in a new era of Cold War, the 'flyunder' committee met at Hammersmith Town Hall this quarter to discuss the burying of its ageing Flyover, dubbed Hammersmith's Berlin Wall, because of the way it divides the town. The committee has been analysing options such as a short 'cut and cover' option between Furnival Gardens and Hammersmith & West London College and more ambitious tunnels that run between Sutton Court Road in Chiswick and either North End Road in West Kensington or Earls Court Road.



The joint owners of the proposed Chiswick Roundabout development known as The Octopus (because of its shape when viewed from above) are in discussions with two rival Middle East Royal families (Qatari & Dubai) for a purchase at a reported £120 million. The building, designed by architects Make, will have 6,000 sq ft of LED advertising screens draped over 46,000 sq ft of office space. When it is constructed in about 2 years it will potentially become the 'Piccadilly Circus lights' for the west of West End.

PERMITTED DEVELOPMENT LOSS

One year on and London Boroughs are assessing the loss of office space to the Permitted Development Rights introduced in May 2013. Frost Meadowcroft was commissioned by the Royal Borough of Kensington & Chelsea last year to provide a report on the office market which formed the cornerstone for their successful exemption. Camden have now instructed Frost Meadowcroft to carry out an Impact Study on the effects of the PD rights which is reducing office stock outside the protected Central Activities Zone that is already exempt.

Camden, along with some other London Boroughs, is concerned at the potential loss of employment generating space and the resulting socio-economic ramifications. These local authorities have voiced a wish to retain the ability to allow residential conversion where appropriate, site by site, rather than being forced to allow conversion of any building regardless of suitability.

James Murray, Islington Council's executive member for housing and development, said: "The loss of all these offices is damaging our local economy and it's not producing the sort of homes we need...there is no control over the quality or size of the new flats, and they don't include any affordable housing at all...this is very bad news for Islington". Lib Peck, Lambeth Council leader added: "We are very disappointed at this decision...this policy threatens jobs in our town centres and will potentially result in expensive and substandard housing...this policy is not the answer to sorting out London's housing shortage...we maintain that the government's decision-making on exemptions to this policy are unfair and badly thought out"



A major re-design of the Queensway streetscape is soon to be agreed with works anticipated to start in early 2015. The scheme will involve a substantial investment between Westminster and the major stakeholder owners, focusing on widening pavements and improving the pedestrian environment, removing street clutter and introducing trees to provide a green link from Kensington Gardens. Bourne Capital have an £85m estate of 31 shops, offices and over 200 apartments including the Queens Ice & Bowl at the southern end of Queensway. Benjamin Bourne of Bourne Capital told Frost Meadowcroft, who are letting vacant offices on their estate, that "the scheme will provide a new lease of life for the area and provide Bayswater with the High Street it deserves". GMS, another land owner with a large parade of shops on the western side of Queensway, also own mews and offices at the rear on Salem Road. Tom Gibbon, MD of GMS, said that "GMS are very supportive of the scheme and working closely with the other stakeholders".

Meyer Bergman, real estate investment management specialists, responsible for the Whiteleys Shopping Centre estate have already spoken of their intentions to re-structure the shops in the Centre so that they face out on to Queensway in addition to pavement dining and restaurants. Office rents in the area are approx £42.50 per sq ft.