



fm frost
meadowcroft
020 8748 1200

fm market update **Q3**

3rd QUARTER 2016

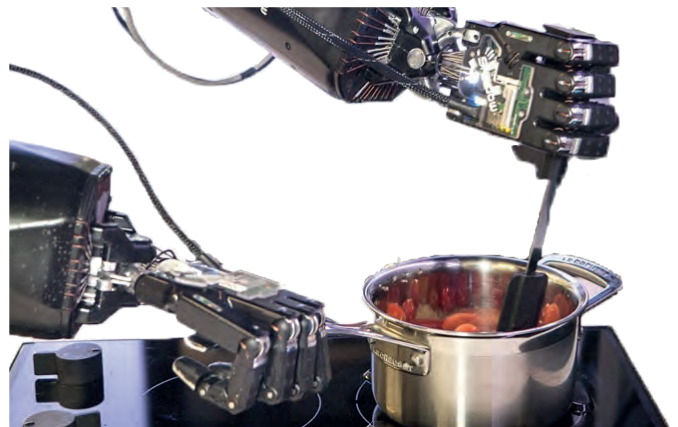
Welcome to the third update of 2016, giving you an up-to-date view of the office, investment & development market west of the West End. Included in this issue: market supply, current rents, notable office buildings new to the market & co-living developments.

MARKET SUMMARY

In Q3 take up of office space improved on Q2, possibly due to the initial economic uncertainties of Brexit dissipating, the new leadership of the Government announcing less austerity and an interest rate cut. *Apple's* huge pre-let of 500,000 sq ft at Battersea Power Station illustrates the confidence in the office market south and west of prime West End. *Apple* will be the largest office tenant, taking 6 floors of the central Boiler House from 2021 at just under £60 per sq ft. Coincidentally, *Pink Floyd* who celebrated the iconic power station on the cover of their 1977 LP 'Animals', celebrate their 50th anniversary as a band this year. The Power Station was in use in 1977 but finally closed by 1983.

In Chiswick, take up doubled from Q2 due to the lettings at Chiswick Park to *Sony Mobile* (who are relocating from the former Hammersmith Hospital building, 202 Hammersmith Road) and *HH Saudi Research and Marketing* who are taking 28,500 sq ft of office space on the 10th floor of the new Building 7. *Avon*, the door-to-door cosmetics company, are also relocating their HQ from New York to Chiswick Park where they are under offer on 26,000 sq ft.

As a result of these lettings office supply in Chiswick reduced from 9.5% to 7.4% vacancy. In Paddington supply reduced to 3.5% and in Hammersmith & Fulham supply reduced to 13.1% from 14.5%. At 13.1% this supply rate gives tenants many more options in the Borough. But a substantial part of this supply is Stanhope's 533,000 sq ft available at the former BBC buildings at White City Place.



Best rents remain at £55 per sq ft in Hammersmith but more supply means tenants can secure space from £40-£55 per sq ft. Supply increased slightly in Kensington & Chelsea but at 2.9% is still a comparatively low vacancy rate for London. Wandsworth is 2.3% vacant but this does not include the substantial office pipeline in Battersea that represents 17% of the stock for the Borough.

Other notable office lettings this quarter include *Siteminder*, a hotel technology company that took 7,000 sq ft at Waterfront by the River at Hammersmith Waterfront and The Aircraft Factory landed 3 new tenants this quarter, *Firefly Technology*, *Kau Media* and *Moley Robotic Kitchens* that produce Kraftwerk-like robots to cook your dinner for you.

Q3 HEADLINES

THE WORKS LAUNCH



The Works is the former home of the *Isokon* furniture works. In Q2 the conversion of The Works in Turnham Green Terrace Mews, Chiswick was completed. This property comprises an 8,300 sq ft loft style self-contained office/studio with exposed roof trusses within high ceilings, roof lights and pendant lighting. The London-based *Isokon* firm was founded in 1929 to design and construct modernist houses and flats and subsequently furniture and fittings for them. The company is most famous for *Isokon Building* in Lawn Road Hampstead. In the 1930's *Isokon* employed the designer, Marcel Breuer, the former Master of the Carpentry Workshop at the Bauhaus, which eventually gave the firm international fame for his Short Chair, Dining Table, and the original Penguin Donkey. These are all still in production.

POLE to CUBE in Paddington

Renzo Piano, architect of The Shard has slashed 58 storeys from his stalled Paddington Pole skyscraper to create a new proposal for a glass cube-shaped building on the site of the former Royal Mail Sorting Office at 31 London Street. The scheme is for a 360,000 sq ft cube made of steel and glass which, according to Renzo Piano, will appear to “float” 12m above 1.35 acres of new public space. The cube will be supported by slender poles over a five-storey podium containing shops and restaurants with subterranean access to a new Bakerloo Line tube station.



CHISWICK PICTURE HOUSE

A revised application for a mixed-use development at the junction of Chiswick High Road and Chiswick Lane has been submitted this quarter. The scheme will comprise a 5 screen cinema including an ancillary restaurant, a roof terrace and 3 self-contained flats on the upper floors. Frost Meadowcroft sold part of the site to Chiswick Picture House on behalf of Rambert Ballet in 2012. The other part of the site although occupied by Rambert was not owned by them and so a separate agreement was needed with the freeholder. If consent is granted the cinema should be open by Christmas 2017.



Co-living

Last quarter we described the relatively new concept of co-working within the office sector. This quarter we describe the concept of co-living that is beginning in London within the residential sector.

Co-living is a purpose-built residential property with shared facilities. Most are aimed at young people launching their careers as opposed to students within a halls of residence. The shared facilities may include dining rooms, kitchens, bars, restaurants, gyms, libraries, launderettes and shared communal gardens or roof terraces.

Bills are all-inclusive and services include concierge and room

cleaning with each room having an en suite bathroom/WC and kitchenette.

The advantage for the tenants is that they live with people of similar age or situation and have an opportunity to meet others, especially when arriving in the city for the first time. The properties are centrally located with very modern facilities and tenants may also be able to rent a communal spare room for overnight visits from friends or family. Tenants avoid multiple viewings of other letting properties thereby bypassing houses in disrepair, assured shorthold tenancies and landlords like ‘Rigsby’ from ‘Rising Damp’!

The advantage for the landlord is that through the economies of scale of owning a large block they save on costs but the rent per sq ft is 25%-30% higher.

A new property, Nash House, has just opened next to Old Oak Lane close to the Grand Union Canal between Willesden Junction and North Acton. Formerly an early 1970’s office property, the rent for an en suite double bedroom is £1,100 per month on a 9 month minimum contract. Whilst the rent is not cheaper than in a shared rental property, the services are better and more consistent.

Co-living could also be introduced for older generations as it could provide the mix of personal space and independence with useful common services without the feeling of being in a care home or sheltered housing. This could reduce the problem of ‘bedroom blocking’ whereby the baby boomer generation reside in large family homes which are more ideal for families.

