



London offices market analysis

Wish you were here?

Political and economic uncertainty may have curbed the speed of economic recovery in the capital, but there are still reasons to cheer in many other markets. EGI's London Offices research team crunch the numbers.

With pre-and post-election market turbulence behind us, are we back on track for economic recovery? UK GDP growth hit 0.3% in Q1, slightly lower than the 0.4% of Q4 2009. Improved take-up levels and the prime yield compression witnessed over the past two quarters is proving hard to beat, particularly as Q2 typically experiences less occupier activity in comparison to the early months of the year. Q2 contained an additional period of unease as a result of the uncertain election outcome. This has not helped the fragile recovery in Britain, and nor has further global financial uncertainty. However, more confidence has been restored to the market following the election of a new government.

Unfortunately, strong growth in take-up for central London offices, as seen in Q1, has not materialised. Q2 take-up level has been

somewhat disappointing; overall central London offices transacted 2.62m sq ft, which is around 11% higher than Q3 2009 activity, when we saw the first signs of improvement in occupier demand emerging. However, letting activity was highest in the West End, where the market strongly outperformed all others with a total take-up of nearly 945,000 sq ft, marking one of the best performances ever.

With regard to letting and investment activity going forward, an impending public spending squeeze and the impact of the eurozone's debt crisis are likely to provide headwinds for some time to come.

Finance for property – any positive signs on lending?

The Bank of England's Q1 *Quarterly Credit Conditions Survey* provided evidence of a thawing in property finance, with lenders reporting that the availability of credit to the real estate sector

had increased for the second successive quarter. Furthermore, in Q2, more investment banks announced that they are re-entering the market. Citibank, Morgan Stanley and Société Générale are among the banks looking to begin lending again in the UK. This is thanks to the news of lowering government bond yields, which makes property yields look more attractive.

Indeed, it was an interesting feature of Q2 that many investors were expecting UK bond yields to rise on the back of the worrying levels of UK public debt. Nevertheless, the austere measures announced by the new coalition government, the fear of a double-dip, slow economic growth and the eurozone debt crisis, prompted the financial markets to go in the opposite direction.

Instead, a powerful flight of capital to "safety" pushed down the UK long-term bond yields, making property pricing look comparably attractive, in spite of the recent yield compression seen in prime office stock.

Produced by



London Offices

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Even though some progress has been reported, due to market volatility and increased regulation, property market lending is likely to remain subdued in the near term.

Implications of new government policies

Spending cuts and job losses will inevitably lead to the release of properties previously owned or occupied by the public sector as they downsize or move to the provinces. This has already been seen at Land Registry, which has recently put its 40,000 sq ft London HQ, 32 Lincoln's Inn Fields, WC2, up for sale. Staff will be re-located to its Croydon office next year.

Positive construction activity

Some positive news on development comes at the Pinnacle Tower, where Arab Investments has secured the funding it lacked for this £650m City development. It is rumoured that the Middle Eastern developer may not be looking to let at current rental levels as it is anticipating that City prime rents will soar in the near future due to a lack of space. Another project in the City that appears set to come out of the ground is the "Walkie Talkie", 20 Fenchurch Street, EC3. Land Securities and Canary Wharf Group have recently entered exclusive talks to jointly develop this speculative scheme.

Meanwhile, Hines' Cannon Place and Heron International's Heron Tower, which claimed the title of the City's tallest building in April, are progressing fast in their construction. These two schemes are the only large City developments scheduled for completion in 2011, and both developers are hoping that the timing of delivery to the market will be very favourable.

Elsewhere, the London Bridge Quarter Consortium (LBQ), developer of the Shard of

Glass, SE1, has struck a multimillion-pound cash deal with TFL to abandon its plans to move to this building. The developer is aiming to achieve a 40-80% higher rent on the space which was prelet in 2006.

In summary, developers of prime schemes are expecting the market to turn in landlords' favour very soon and anticipate a substantial rise in prime rents, due to the shortage of prime stock. Although the rise in prime rents for London offices is likely, the timing and the scope of the increase remains to be seen.

Outlook

Disagreements over the future course of the recovery are still very much present, and may in fact be even more profound now than at the beginning of the year. Less optimistic and cautious investors believe that overly keen investors may have pushed yields too low already, and given the projected slow UK economy growth, coupled with weak occupational demand, a double-dip by the end of the year is not out of the question.

On the other hand, optimists disagree and say that the UK real estate sector is coming back stronger and fitter from the downturn. It seems that the market is, however, solidly agreeing on the view that a rise in prime central London rents is likely. Indeed, a 6% rise in City prime office rents was already reported by Jones Lang LaSalle in Q1, whilst BNP Paribas Real Estate reported a 3% rise over the same period.

Nevertheless, investors will not be willing to pay higher prices in the near future if occupational demand is troubled by unemployment and cuts in public spending. Hence, the returns on London offices are likely to be driven primarily by prime rental growth, should the demand for prime space continue to improve.



Jenny Islip,
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Meet EGI's London Offices team

The team monitors availability and occupation in the central London office market both through desk-based research and site visits. At the end of each quarter, they collect deals of more than 1,000 sq ft for the central markets and over 5,000 sq ft for outer locations. The findings and, of course, the all-important agent league tables are presented to some of the most influential market players at the quarterly breakfast briefing. If you would like to attend the next breakfast briefing (which will be held in October), please contact: marketing@egi.co.uk.

In the next year or so, the monitored-area will be expanding and has already grown to include E8 and N7. Soon to follow are E16 and SW8, SW9 and SW11. The team researches and site visits each new area thoroughly to provide up-to-date information and an accurate picture of the market. You can find out more about our research and the office market in general at: www.estatesgazette.com/blogs/london-office-database.

WHAT LONDON OFFICES MONITORS

Markets

City core EC1A, EC2M, EC2N, EC2R, EC2Y, EC2V, EC2A (only Finsbury Pavement, Finsbury Square, Appold Street and Chiswell Street), EC3, EC4 (excluding EC4A and EC4Y)

City fringe EC1M, EC1N (excluding postcode sector 2), EC1R, EC1V, EC1Y, EC2A (excluding Finsbury Pavement, Finsbury Square, Appold Street and Chiswell Street), E1

Southbank SE1 postcode sectors 0, 1, 2 and 9

Docklands E14

Midtown EC4A and EC4Y, EC1N (postcode sector 2), WC1, WC2 (excluding Leicester Square)

West End W1, SW1, NW1 sectors 2 (Euston Road only), 3, 5 and 6, Leicester Square (WC2) and W2 sectors 1, 2 and 6

Additional markets

South Central Remainder of SE1 and all of SE11

North Central Remainder of NW1 and N1, N7 and E8

West Central Remainder of W2 and all of W6, W8, W14, SW3, SW5, SW6, SW7 and SW10

Data

Building stock Any office building over 93m² (1,000 sq ft) in City Core, West End, Midtown, Docklands, City Fringe and Southbank and over 465m² (5,000 sq ft) in North Central, West Central and South Central

Availability Any unit above 93m² (1,000 sq ft) in buildings subject to the above stock thresholds

Take up Any unit above 232m² (2,500 sq ft) subject to stock thresholds

Planning Any project over 232m² (2,500 sq ft) subject to stock thresholds

Definitions

Quarters For data collation reasons, our quarters run from the 1st of the month to the last day of the 3rd month: ie, 1 January to 31 March; 1 April to 30 June; 1 July to 30 September and 1 October to 31 December. Some data in this report is given in half-years for space reasons.

Agency league tables The total space disposed by each agent adds up to more than total take-up. This is because space in joint agency deals has been attributed to all agents involved. The market share is each agent's share of take-up, not the total of all agents. The tables include all completed deals over 93m² (1,000 sq ft) within our boundaries including prelets and excluding space under offer, lease renewals, restructures, management agreements or investment sales.

Availability rates Total building stock figures divided by vacant space which is actively being marketed. Neither figure includes space under construction or yet to commence construction.

Availability and take-up New/refurb (existing) is a combined total of newly constructed and refurbished space; Premarketing is any space marketed which is yet to commence construction; Secondhand is any space which has previously been occupied; Under Construction is a combined total of refurbishment and redevelopment projects currently under construction. Space under offer is included. Investment properties are not included.

Average asking prices An average of asking prices by grade of space by market. Only space available on new leases with a quoting rent is collated. Space under offer has been included.

Please note that Secondhand Grade A space is previously occupied units with air-conditioning and one or more of raised floors, underfloor trunking or perimeter trunking.

Investment sales Subject to stock thresholds, a total of space sold as freehold, long leasehold or virtual freehold, both for investment and for owner occupation.

Construction starts with prelets A total of space commencing refurbishment or redevelopment by quarter with a total of that space prelet. This includes space not on the market.

Completed space actively marketed Simply a total of completed refurbishments and redevelopments being actively marketed by quarter. Includes space let but never occupied.

Completions with space available A total of all office space currently under construction by completion date with how much is still available. This includes space not on the market.

CENTRAL LONDON LETTINGS AGENTS LEAGUE TABLE - Q2 2010

Top three agents retain their places from Q1

The top three agents have retained their Q1 positions, with CB Richard Ellis topping the table for the fifth consecutive quarter. Its position is largely attributable to a strong performance in the West End where it finished top. Not far behind, is Jones Lang LaSalle with a 20% market share. It also came top in three markets, including the City core table.

DTZ took third place, completing 50 transactions and achieved a top place finish in Southbank. King Sturge moved up one place to fourth after 29 transactions, taking a 7% market share. Knight Frank slipped to fifth this quarter from fourth place last time.

Climbing one place from last quarter and completing 19 deals is Cushman & Wakefield, which secured a 6% market share. BNP Paribas Real Estate comes in seventh achieving a 6% market share spread over 25 transactions.

Savills and Richard Susskind & Co make top ten

Savills climbed an impressive nine places to eighth this quarter letting 182,000 sq ft and making the top ten for the first time since Q1 2007.

Richard Susskind & Co comes in ninth, climbing three places and achieving a top place finish in the City fringe. It acted on an impressive 31 deals. Completing the top ten this quarter and slipping one place from last quarter is Strutt & Parker, which completed 19 deals totalling 122,700 sq ft.

Rank	Agent	Sum of Size (Sq Ft)	No of deals	Market share
1	CB Richard Ellis	702,126	47	22%
2	Jones Lang LaSalle	638,060	35	20%
3	DTZ	528,364	50	16%
4	King Sturge	243,013	29	7%
5	Knight Frank	213,873	21	7%
6	Cushman & Wakefield	199,826	19	6%
7	BNP Paribas Real Estate	197,158	25	6%
8	Savills	182,005	19	6%
9	Richard Susskind & Co	140,865	32	4%
10	Strutt & Parker	122,689	20	4%
11	Farebrother	94,276	15	3%
12	Drivers Jonas Deloitte	85,955	20	3%
13	Edward Charles & Partners	84,863	13	3%
14	E A Shaw	76,389	19	2%
15	H2SO	76,063	4	2%
16	Montagu Evans	74,068	4	2%
17	Allsop	63,483	9	2%
18	Newton Perkins	61,269	14	2%
19	Ingleby Trice	60,628	10	2%
20	Pilcher Hershman	57,361	8	2%
21	NB Real Estate	48,198	12	1%
22	Teacher Marks	45,102	1	1%
23	GVA	45,013	12	1%
24	Frost Meadowcroft	41,464	7	1%
25	Hanover Green	38,518	5	1%

Source: EGI London Offices



40 Bank Street, E14: 187,000 sq ft let to Shell International

DISPOSALS DONE - OFFICE BREAKDOWN Q2 2010

CB RICHARD ELLIS

47%
WEST END

53%
CITY

DTZ

50%
WEST END

50%
CITY

JONES LANG LASALLE

47%
WEST END

53%
CITY

KING STURGE

72%
WEST END

28%
CITY

KNIGHT FRANK

32%
WEST END

48%
CITY

AGENTS SHARE BY NUMBERS OF DISPOSALS DONE - Q2 2010

This analysis details the top agents by number of disposals done and has been split out to reveal, where applicable, which office and therefore which market is more active.

It is DTZ which tops the table this quarter with a total of 50 deals after an even spread of deals between the City and West End. Its largest letting of the quarter was in the City market at Gemini Court, 2 Thomas More Square, E1, where News International took 55,000 sq ft. Following closely behind, CB Richard Ellis slips from the top spot last quarter to take second place with 47 deals, after being marginally more active in the West End. Most agents, in fact, were more active in the West End including Knight Frank, Strutt & Parker and King Sturge, which completed 72% of its transactions here. Jones Lang LaSalle fared marginally better in the City, as did Savills and NB Real Estate. Sole office agent Richard Susskind has retained its high place in the table, completing 32 deals, with its largest deal at 33-39 Bowling Green Lane, EC1, where Action Aid took 20,500 sq ft. Sole office agents E A Shaw, Anton Page and Newton Perkins performed well in the City market, whilst Edward Charles & Partners and Pilcher Hershman completed 13 and 8 deals respectively from their West End offices.

The City still leads over the West End, in terms of numbers of deals completed which are attributable to a specific office – 250 to 201.

Rank	Agent Name	No of Disposals	City	West End
1	DTZ	50	25	25
2	CB Richard Ellis	47	22	25
3	Jones Lang LaSalle	35	18	16
4	Richard Susskind & Co	32	32	
5	King Sturge	29	8	21
6	Knight Frank	21	10	11
7=	Drivers Jonas Deloitte	20	7	13
7=	Strutt & Parker	20	9	11
9=	Cushman & Wakefield	19	6	13
9=	Savills	19	10	9
9=	E A Shaw	19	19	
12	Anton Page	15	15	
13	Newton Perkins	14	14	
14	Edward Charles & Partners	13		13
15=	NB Real Estate	12	7	5
15=	GVA	12	5	7
17=	Copping Joyce Chartered Surveyors	10	10	
17=	Ingleby Trice	10	10	
19	Allsop	9	9	
20=	Spring4	8	6	2
20=	Pilcher Hershman	8		8
20=	Dron & Wright	8	8	
20=	Hargreaves Newberry Gyngell	8		8
24=	BNP Paribas Real Estate	7		7
24=	Sparkes Porter	7		7

Source: EGI London Offices

To download an electronic version of this report, or to access the archive of previous reports, go to www.egi.co.uk/lomarketanalysis.htm

SUMMARY STATISTICS

	City core			City fringe			Docklands			Midtown			Southbank			West End			Overall		
	2008 Q1	2009	2010	2008 Q1	2009	2010	2008 Q1	2009	2010	2008 Q1	2009	2010	2008 Q1	2009	2010	2008 Q1	2009	2010	2008 Q1	2009	2010
Takeup (m sq ft) annual or quarter total																					
New/Refurb/existing	1.65	1.31	0.15	0.12	0.22	0.04	0.00	0.01	0.01	0.20	0.25	0.14	0.04	0.01	0.00	0.47	0.45	0.18	2.50	2.25	0.52
Premarketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secondhand	1.47	0.98	0.52	0.94	0.50	0.27	0.40	0.80	0.25	0.94	0.51	0.26	0.18	0.07	0.03	1.70	1.29	0.75	5.63	4.13	2.08
Under Construction	0.15	0.17	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.02	0.05	0.01	0.00	0.00	0.00	0.06	0.00	0.00	0.30	0.22	0.01
Total	3.27	2.46	0.67	1.13	0.71	0.32	0.40	0.80	0.26	1.17	0.81	0.41	0.23	0.08	0.04	2.23	1.74	0.92	8.42	6.61	2.62
Availability (m sq ft) annual quarterly average or quarter end																					
	Q1			Q1			Q1			Q1			Q1			Q1			Q1		
New/Refurb/existing	2.98	1.92	1.93	0.48	0.33	0.37	0.39	0.53	0.55	0.55	0.61	0.73	0.04	0.06	0.08	0.77	1.11	1.07	5.21	4.56	4.73
Premarketing	7.32	5.50	4.79	1.97	2.35	1.97	5.08	5.49	5.91	0.81	0.81	0.81	0.54	0.85	0.85	1.30	1.30	1.20	17.02	16.31	15.54
Secondhand	4.22	4.32	4.20	2.31	2.17	2.05	1.53	1.73	1.58	2.49	2.72	2.78	0.64	0.92	1.02	5.20	5.32	5.33	16.39	17.19	16.96
Under Construction	2.58	2.81	2.76	0.25	0.16	0.18	0.54	0.49	0.61	0.76	0.46	0.26	0.34	0.35	0.34	1.17	0.48	0.54	5.64	4.74	4.69
Total	17.10	14.56	13.69	5.01	5.02	4.56	7.53	8.24	8.66	4.61	4.60	4.58	1.56	2.18	2.29	8.44	8.21	8.15	44.25	42.80	41.93
Availability rate % annual average or quarter																					
	Q1			Q1			Q1			Q1			Q1			Q1			Q1		
%	12.55%	10.96%	10.81%	13.26%	11.48%	11.09%	8.64%	10.03%	9.49%	9.70%	10.54%	11.03%	6.16%	8.50%	9.44%	9.49%	10.14%	10.11%	9.97%	10.28%	10.33%
Under offer and withdrawn (m sq ft) quarter or quarterly average																					
	Q1			Q1			Q1			Q1			Q1			Q1			Q1		
Under offer	0.45	0.46	0.47	0.11	0.13	0.15	0.12	0.22	0.07	0.15	0.23	0.22	0.01	0.02	0.03	0.24	0.44	0.40	1.08	1.51	1.34
Withdrawn	0.08	0.17	0.17	0.05	0.13	0.14	0.05	0.07	0.06	0.06	0.04	0.03	0.01	0.01	0.01	0.09	0.13	0.16	0.34	0.55	0.58
Average asking prices (£ per sq ft) quarter or quarterly average																					
	Q1+2		Q2	Q1+2		Q2	Q1+2		Q2	Q1+2		Q2	Q1+2		Q2	Q1+2		Q2	Q1+2		Q2
*New/leases only																					
New/Build/Existing	£45.43	£44.04	£44.07	£39.11	£13.75	£15.00	£40.13	£40.23	£40.50	£47.85	£44.69	£48.70	£43.66	£36.23	£37.50	£71.44	£69.96	£65.00	£47.94	£41.48	£41.80
Second-hand/Grade A	£33.45	£32.24	£32.68	£26.85	£24.06	£24.25	£30.47	£29.26	£28.83	£36.42	£33.82	£33.58	£27.59	£25.64	£27.79	£49.98	£45.52	£45.69	£34.13	£31.76	£32.14
Investment sales (m sq ft) annual or quarter total																					
	Q1			Q1			Q1			Q1			Q1			Q1			Q1		
Totalsqft	2.85	1.06	0.63	1.22	0.28	0.25	1.68	0.05	0.01	0.93	0.74	0.20	0.14	0.39	0.28	2.68	1.08	0.77	9.50	3.61	2.15
No Transactions	34	15	10	22	12	8	3	3	2	24	12	6	7	8	3	74	41	25	164	91	54
Construction starts (m sq ft) annual or quarter total																					
	Q1			Q1			Q1			Q1			Q1			Q1			Q1		
Total started	0.68	1.26	0.00	0.13	0.01	0.00	0.00	0.00	0.00	0.11	0.02	0.02	0.62	0.00	0.00	0.35	0.28	0.19	1.88	1.57	0.21
Pre-let	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.43	0.00	0.00
Speculative	0.50	1.26	0.00	0.13	0.01	0.00	0.00	0.00	0.00	0.11	0.02	0.02	0.37	0.00	0.00	0.35	0.28	0.19	1.45	1.57	0.21
Completed space still available (m sq ft) (completion by full year or part of year)																					
	Q1			Q1			Q1			Q1			Q1			Q1			Q1		
Total completed	2.44	0.56	0.52	0.19	0.09	0.03	0.75	0.00	0.00	0.53	0.53	0.46	0.00	0.49	0.04	2.11	0.27	0.26	6.03	1.95	1.31
Still available	0.68	0.24	0.21	0.07	0.04	0.03	0.23	0.00	0.00	0.22	0.44	0.39	0.00	0.02	0.02	0.88	0.11	0.10	2.08	0.85	0.74
Future completions (m sq ft) for full year or part of year																					
Delivery date	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Total to complete	1.11	0.83	1.26	0.47	0.01	0.04	0.00	1.99	0.01	0.55	0.02	0.00	0.03	0.01	0.58	1.22	0.08	0.19	3.39	2.95	2.08
Amount still available	0.71	0.80	1.26	0.29	0.01	0.04	0.00	0.00	0.01	0.38	0.02	0.00	0.03	0.01	0.34	0.72	0.08	0.19	2.14	0.92	1.84
% still available	64%	96%	100%	60%	100%	100%	0%	0%	100%	70%	100%	0%	100%	100%	59%	59%	100%	100%	63%	31%	88%

KEY TRANSACTIONS – ALL MARKETS

Market	Address	Tenant	Size (Sq Ft)	Agent
Docklands	40 Bank Street, E14	Shell International	186,903	CB Richard Ellis / Jones Lang LaSalle
West End	Euston Xchange, 194 Euston Road, NW1	The Royal College of General Practitioners	107,589	CB Richard Ellis / King Sturge
Midtown	Tavis House, 1-6 Tavistock Square, WC1	Age UK	57,402	Montagu Evans
City Fringe	Gemini Court, 2 Thomas More Square, E1	News International	54,878	DTZ / Knight Frank
Midtown	Nexus Place, 22-25 Farringdon Street, EC4	Baker Tilly & Co	54,217	BNP Paribas Real Estate / Jones Lang LaSalle / DTZ
West End	13-14 St George Street, W1	Kleinwort Benson Private Bank	50,990	DTZ / Jones Lang LaSalle / HZSO
West End	101 New Cavendish Street, W1	Cossette UK	45,102	CB Richard Ellis / Teacher Marks
Midtown	1 Southampton Row, WC1	Sodexo	42,477	Allsop / Cushman & Wakefield
City Core	Pinners Hall, 105-108 Old Broad Street, EC2	Deutsche Bank	39,852	Ingleby Trice / Knight Frank
City Core	201 Bishopsgate, EC2	The Bank of Nova Scotia	38,626	Jones Lang LaSalle / Knight Frank
City Core	Juxon House, 100 St Paul's Churchyard, EC4	Sarasin Investment Management	38,403	DTZ
Midtown	Elan House, 5-11 Fetter Lane, EC4	Undisclosed Occupier	34,007	Jones Lang LaSalle
Docklands	11 Westferry Circus, E14	European Medicines Evaluation Agency	33,310	DTZ
City Core	20 Gresham Street, EC2	Standard Bank	31,579	DTZ / Jones Lang LaSalle
City Core	Regis House, 39-46 King William Street, EC4	Tindall Riley	31,330	Jones Lang LaSalle

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AGENTS MARKET SHARE BY MARKET – Q2 2010

City core

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Jones Lang LaSalle	193,963	11	27%
2	DTZ	144,059	12	20%
3	Knight Frank	136,191	9	19%
4	CB Richard Ellis	130,482	16	18%
5	Savills	78,767	8	11%

Jones Lang LaSalle climbed one place to take the top spot, with a 27% market share. DTZ finished second, up one place from last quarter, while Knight Frank ranks third. Dropping three places CB Richard Ellis secured an 18% share of the market while Savills completes the City core table, after not making the top five last quarter.

Midtown

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Jones Lang LaSalle	131,472	7	30%
2	DTZ	106,095	10	24%
3	Farebrother	79,192	11	18%
4	BNP Paribas Real Est	78,022	5	18%
5	Montagu Evans	57,402	1	13%

It's all change in the table with none of last quarter's top five agents achieving a place. JLL secured first place, completing seven transactions totalling 131,500 sq ft. DTZ is second with Farebrother achieving third place after completing the most transactions in this market. BNP Paribas Real Estate follows closely behind with Montagu Evans ranked fifth.

Docklands

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Jones Lang LaSalle	187,908	2	71%
2	CB Richard Ellis	186,903	1	70%
3	DTZ	47,636	3	18%
4	Dobbin & Sullivan	11,709	2	4%
5	Ereira Mendoza & Co	6,139	1	2%

Jones Lang LaSalle narrowly secured the top spot by disposing of 1,005 sq ft more than second placed CB Richard Ellis. DTZ acted on the most number of deals in the market and took third place. Dobbin & Sullivan made the table this quarter and ranked fourth, disposing of 11,700 sq ft. Ereira Mendoza & Co rounds off the table in fifth.

KEY NEW INSTRUCTIONS – ALL MARKETS

Market	Address	Grade	Size (Sq Ft)	Agent
City Core	3-10 Finsbury Square, EC2	Premarketing	174,850	Cushman & Wakefield
City Core	Citi Cape House, 61-65 Holborn Viaduct, EC1	Secondhand	59,999	Strutt & Parker
Midtown	200 Gray's Inn Road, WC1	Secondhand	56,755	Drivers Jonas Deloitte / Savills
City Fringe	65-69 Wilson Street, EC2	Under Construction	55,897	Richard Susskind & Co
Midtown	150 Holborn, EC1	Secondhand	55,720	Hanover Green
Docklands	10 Upper Bank Street, E14	Secondhand	53,291	CB Richard Ellis
Midtown	32 Lincoln's Inn Fields, WC2	Secondhand	39,999	Lambert Smith Hampton
West End	84 Eccleston Square, SW1	Secondhand	38,798	Edward Charles & Partners
West End	6-7 Grosvenor Place, SW1	Secondhand	32,569	James Andrew International
City Fringe	Lincoln Place, 50 Farringdon Road, EC1	Secondhand	32,042	CB Richard Ellis
City Fringe	30 Crown Place, EC2	New/Refurb existing	30,456	CB Richard Ellis / Jones Lang LaSalle
West End	1 Kingdom Street, W2	Secondhand	27,221	Collins Commercial
West End	Wells Point, 134-140 Oxford Street, W1	Secondhand	25,894	James Andrew International
West End	Victory House, 164-170 Tottenham Court Road, W1	Secondhand	22,416	CB Richard Ellis / Dron & Wright
Southbank	The Arena, 24 Southwark Bridge Road, SE1	Secondhand	22,386	CB Richard Ellis



Milton Gate, EC1: Deka withdraws from £400m of investment in the City



32 Lincoln's Inn Fields, WC1: Lang Registry's London HQ for sale

City fringe

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	Richard Susskind & Co	135,372	30	37%
2	DTZ	70,211	2	19%
3	Goodman Mann Broomhall	33,896	2	9%
4	Masons Property Advisers	28,820	1	8%
5	Newton Perkins	26,216	2	7%

Richard Susskind & Co climbed two places to top the table, completing 30 transactions. Its largest deal was at 33-39 Bowling Green Lane, EC1, joint with third placed Goodman Mann Broomhall. DTZ comes in second and Masons Property Advisers takes fourth place solely due to one disposal. Newton Perkins rounds off the table.

West End

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	CB Richard Ellis	297,223	20	28%
2	King Sturge	161,061	19	15%
3	DTZ	123,733	19	12%
4	Jones Lang LaSalle	88,673	11	8%
5	Cushman & Wakefield	83,729	11	8%

CBRE climbed four places to top the table, achieving a 28% market share. Second placed King Sturge took a 15% market share while DTZ slipped two places, finishing third and disposing of 123,700 sq ft. JLL achieved a fourth place finish with an 8% market share while Cushman & Wakefield took fifth place after not making the table last quarter.

Southbank

Rank	Agent	Disposals (sq ft)	No. deals	Market share
1	DTZ	14,951	1	33%
2	E A Shaw	11,038	4	24%
3	Edward Symmons	9,018	3	20%
4	Kalmars	5,628	2	12%
5	Spacia	3,923	1	9%

DTZ tops the Southbank table after not making the top five last quarter. It took a 33% market share solely due to one disposal. E A Shaw retained its second place finish after disposing of 11,000 sq ft while Edward Symmons slipped two places to third. Kalmars took fourth place, disposing of 5,600 sq ft while Spacia completes the table with a 9% market share.

TAKE-UP

Take-up(sq ft)	Q2 2010	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	153,566	423.62	-57.30	-86.75
Premarketing	-	n/a	n/a	n/a
Secondhand	515,404	-10.57	84.00	11.33
Under Construction	-	-100.00	-100.00	-100.00
Total	668,970	4.24	3.16	-62.69

Take up in the City core has decreased, down by 63% on last quarter, however increasing by 3% on last year. Q1 take-up was exceptionally strong in the City and would have been difficult to beat. The size of transactions were also notably smaller with two transactions exceeding 200,000 sq ft in Q1, compared with this quarter with the largest transactions being 40,000 sq ft.

Lettings of new-build and under construction stock showed a strong decline, a drop of 87% and 100% respectively. On a positive note, lettings of secondhand stock improved, up by 11% on Q1 and 84% on this time last year.

Once again there has been no interest in premarketed stock, with early pipeline schemes still suffering from a lack of prelets in all London markets.

The largest transaction to take place was of secondhand stock and came at Pinners Hall, 105-108 Old Broad Street, EC2, where Deutsche Bank leased the 40,000 sq ft building. At 201 Bishopsgate, EC2, Bank of Nova Scotia took around 39,000 sq ft, which was the largest transaction of new-build stock.

The volume of space placed under offer remained almost the same in the second quarter, with a total of 470,500 sq ft receiving interest, marginally up on Q1. The largest potential deal is at Park & Garden House, 16-18 Finsbury Circus, EC2, with nearly 73,000 sq ft now under offer on the third to fifth floors. It has been reported that Bloomberg plans to take this space on a ten-year lease.

SUPPLY

Supply (sq ft)	Q2 2010	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	1,933,656	64.66	-34.02	0.98
Premarketing	4,794,542	-36.86	-32.71	-22.71
Secondhand	4,200,606	24.40	1.26	-5.55
Under Construction	2,763,235	-43.32	-13.56	-3.15
Total	13,692,039	-19.55	-21.32	-11.20

Supply of available space in the City core has fallen further, dropping by 11% on Q1, and over 21% on this time last year. This is primarily due to a reduction in available premarketed stock, which fell by 23%. The decrease in this grade is predominantly attributed to changes of use and variations in sizes, which often happens in the early stages of planning. The improved levels of take-up over the previous two quarters and limited completions have also helped to shrink the amount of vacant stock. In Q2, availability has fallen for nearly all grades of stock. The exception was new-build stock where available space has risen by a nominal 1%.

On this time last year, the largest decrease in supply is for new build stock, which is down by a remarkable 34%, and premarketed space, which has also fallen by a similar

CITY CORE



Pinners Hall, 105-108 Old Broad Street, EC2: 40,000 sq ft let to Deutsche Bank



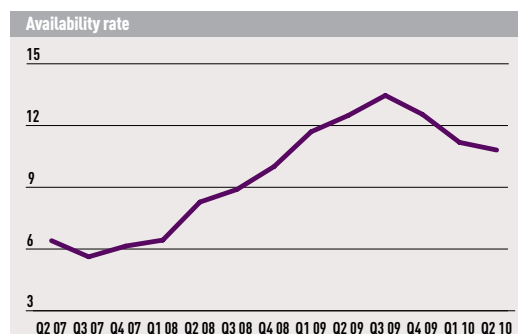
201 Bishopsgate, EC2: Bank of Nova Scotia has taken 39,000 sq ft

proportion at nearly 33%.

The largest single addition of available space is being premarketed at 3-10 Finsbury Square, EC2, where 175,000 sq ft has been available since June.

The volume of space withdrawn increased somewhat in this quarter, from 160,000 sq ft in Q1 to 175,000 sq ft, spread across 15 properties. 10 Devonshire Square, EC2, has seen the largest retraction of space where 59,200 sq ft is no longer available. Aon, the current occupier, withdrew this space and plans to re-occupy it.

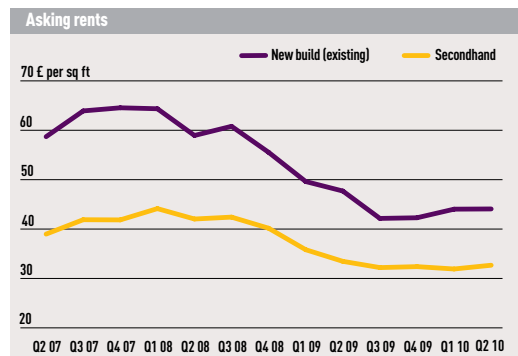
AVAILABILITY RATE



The availability rate in the City core has continued to improve, moving in from 11.2% in the first quarter to 10.8%. This is primarily the result of improved letting activity of secondhand stock, as well as a limited supply of new stock.

There is 1.1m sq ft expected to be completed by the end of 2010. Although the amount of speculative space is high, completions for this year and 2011 still appear to be rather restricted. This is in comparison to the buoyant construction seen during the boom years. If activity was to improve over the coming quarters, along with a lower rate of completions, the availability rate could be pushed down, unless another wave of deterioration in market activity occurs.

ASKING RENTS



Average asking rents for new build and secondhand space have been broadly stabilising since Q4 2009. Q2 asking rents for new build stock stabilised at £44.00 per sq ft, while secondhand rents rose by 75 pence, to £32.75 per sq ft. This is in contrast to Q1 when asking rents on new-build stock rose, whilst secondhand space saw rents fall slightly.

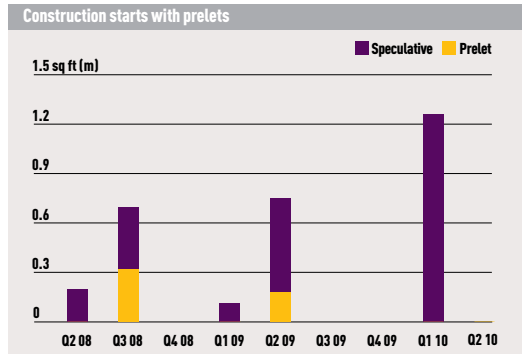
As mentioned in the take-up analysis, lettings improved for secondhand stock, which is quite the reverse to the decline in lettings of other grades of stock. This improved activity is filtering through and has caused the small rise in

**CITY CORE SAW
63%
DROP IN TAKE UP WITH
NO PRELETS**

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asking rents for secondhand stock, which are slowly starting to recover.

CONSTRUCTION



After 1.26m sq ft went under construction in Q1, there were no new construction starts this time. The majority of new space under way in Q1 came from The Pinnacle. The early stages of the scheme started at a very slow pace, with the its concrete core planned to begin rising this summer. Developer Arab Investments recently managed to secure the funding it lacked. In terms of future starts, we may see British Land's 122 Leadenhall Street, EC3 (aka Cheesegrater) getting under way. It has recently been reported that British Land is actively looking for joint venture partners for the site as well as potential tenants.

Completions in the City core were significantly higher in Q2 compared with the previous two quarters. Some 523,000 sq ft of space was delivered to the market, up from the 40,000 sq ft seen in Q1. Of the 0.5m sq ft which was completed this quarter, 40% remains available. The largest scheme is Riverbank House, 2 Swan Lane, EC4, where 320,000 sq ft of office space was delivered to the market. Following a 171,000 sq ft letting to Royal Bank of Canada in Q1, the building is fully occupied.

Despite several completions in Q2, there is still 1.1m sq ft scheduled to be finished by the end of this year. Around 64% of this space remains available and if this is to be absorbed, occupier demand will need to continue to improve.

INVESTMENT

The volume of City core investment transactions improved this quarter, amounting to ten properties being sold, which is an increase from five transactions last quarter. It is worth mentioning that some deals in the City have fallen through and prime yields appear to be stabilising after a sharp compression over the previous two quarters.

The largest sale came at 27-30 Finsbury Square, EC2, where German fund manager Munich Ergo Asset Management purchased the 132,000 sq ft building for £102m, reflecting a 5.6% yield. The property is fully let to two tenants, Invesco Group and Grant Thornton.

Another noteworthy transaction took place at Governors House, 5 Laurence Pountney Hill, EC4, where a private Greek client of NB Real Estate purchased the property for £90m, reflecting a yield of 5.9%. The vendor, BVK Internationaler Immobilien-Spezialfonds purchased the building last year for £70m.

CITY CORE

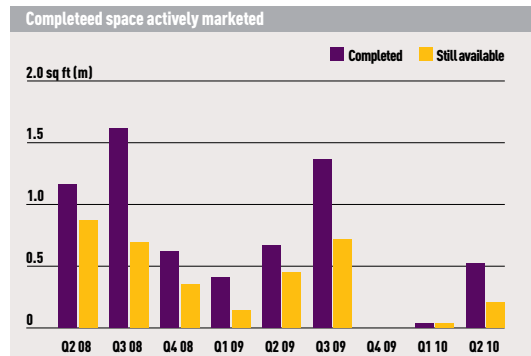


Park & Garden House, 16-18 Finsbury Circus, EC2: 73,000 sq ft now under offer

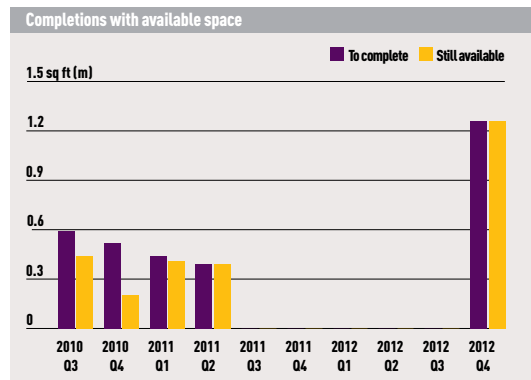


3-10 Finsbury Square, EC2: 175,000 sq ft development brought to the market

COMPLETED SPACE ACTIVELY MARKETED



COMPLETIONS WITH AVAILABLE SPACE



£400m

THE VALUE OF DEALS THAT DEKA PULLED OUT OF AT DRAPERS GARDENS AND MILTON GATE.

TAKE-UP

Take-up(sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months
New/Refurb existing	179,294	66.03	371.43	-34.46			
Premarketing	-	n/a	n/a	n/a			
Secondhand	745,215	53.96	73.81	37.78			
Under Construction	-	-100.00	n/a	n/a			
Total	924,509	16.43	98.05	13.51			

West End take up has improved on Q1, up by almost 14% and has strongly outperformed all other central London markets. Nearly 400,000 sq ft remains under offer, indicating positive interest in the market, which should lead to positive take up growth over the coming quarters.

Quarterly take-up growth has been positive for secondhand stock, up by nearly 38%, while new-build stock declined by 34%. There were no prelets in the West End this quarter. More positive results are found on an annual basis, with the overall level of take-up compared with the same period last year growing by 98%, thanks to the much improved demand for new-build stock, which has nearly quadrupled on this time last year.

The largest transaction of Q2 came at Euston Xchange, 194 Euston Road, NW1. The Royal College of General Practitioners purchased the freehold of this 107,600 sq ft building as its new headquarters and will carry out a refurbishment. Another noteworthy letting came at Henrietta House, 8 Henrietta Place, W1, where CB Richard Ellis took the entire 98,000 sq ft building on a 15-year lease. The property will become its new West End headquarters in May 2011, following the completion of a refurbishment.

The largest letting of new-build stock was at Collingwood House, 101 New Cavendish Street, W1, where Cossette has taken 45,100 sq ft. Cossette will pay £32.50 per sq ft for a 10-year lease.

SUPPLY

Supply (sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months
New/Refurb existing	1,069,421	151.73	77.37	-6.83			
Premarketing	1,204,317	-13.91	1.77	-13.38			
Secondhand	5,334,119	102.10	2.82	0.41			
Under Construction	537,367	-61.04	-65.55	27.71			
Total	8,145,224	39.41	-4.56	-1.53			

The volume of supply has dropped slightly this quarter, down by 2% on Q1 and 5% on this time last year. There is a large amount of under construction stock being brought to the market, up by 28%. Just under half of this space comes from premarketed stock which has moved to the under construction stage, thus premarketed space declined by 13%. Supply of new-build stock also fell, by 7%.

The largest addition was of secondhand stock and saw 39,000 sq ft placed on to the market at 84 Eccleston Square, SW1. This is a part of Transport for London's consolidation plan as it is looking to sublet its third to sixth floors for around £39.50 per sq ft, £3 below the passing rent. Elsewhere, at 6-7 Grosvenor Place, SW1, the entire building totalling 32,600 sq ft of secondhand space is now available to let.

The volume of space withdrawn has risen again from

WEST END



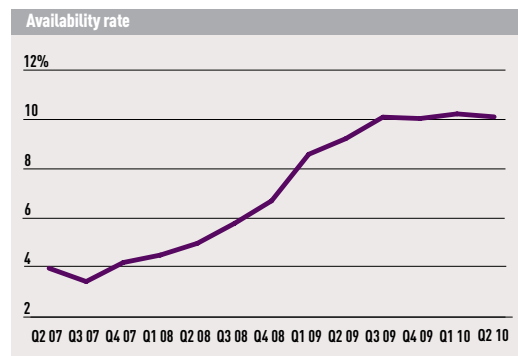
Euston Xchange, 194 Euston Road, NW1: RCGP purchases for new HQ



Collingwood House, 101 New Cavendish Street, W1: Cossette takes 45,000 sq ft

90,000 sq ft in Q1 to 163,000 sq ft. This is spread across 50 properties, with the largest retraction of 11,500 sq ft being seen at 43 Palace Street, SW1.

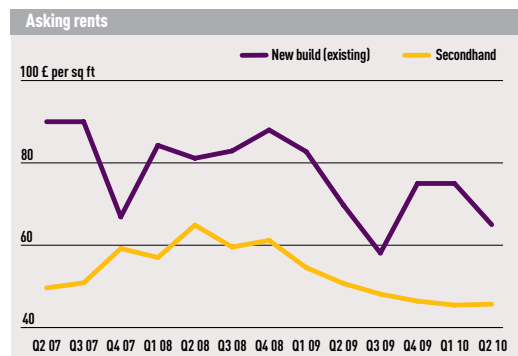
AVAILABILITY RATE



Although we saw a rise in take-up, and a small decrease in supply, the availability rate has recorded only a marginal decrease in Q2. It now stands at 10.1%, down from 10.2% in the last quarter. Despite take up of secondhand stock improving, supply of this grade increased overall, preventing any greater decline in the availability rate.

There is a total of 1.22m sq ft of office space set to complete before the end of 2010, of which 72% remains available. If demand does not improve, there is a risk that new completions could push out the availability rate. Nevertheless, the demand for large units in the West End is likely to grow and hopefully this should help to contain the rate in the following quarters.

ASKING RENTS



The average asking rent for new-build stock fell this quarter from £75 to £65 per sq ft, while the average rent for secondhand stock rose for the first time after falling for five consecutive quarters, up by 25p to £45.75 per sq ft. Although the increase is marginal, it is some indication that demand for good quality secondhand stock has started to improve.

The asking rent for new-build stock bounced back strongly in Q4 2009 and stabilised in Q1. However, the recent drop of 13% for new-build stock is not a good indicator of the trend as no new asking rents have been quoted in Q2. The averages are hence lowered by a couple of older asking rents; Davis House, 129 Wilton Road, SW1, with a quoting rent of £47.50 per sq ft, and Carmine Building, Merchant Square, W2, quoting £52.50 per sq ft. A more recent availability on 23 Savile Row, SW1, is quoting £95 per sq ft for

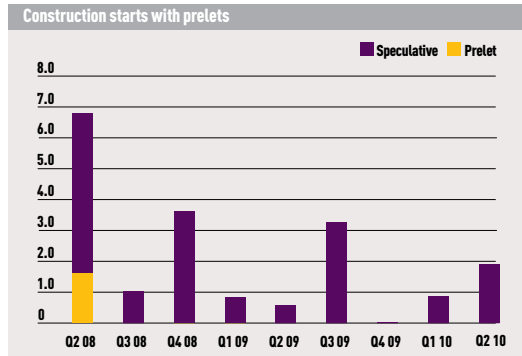
38%

RISE IN TAKE UP OF SECONDHAND STOCK

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the 1st 2nd and part 4th floors, and prevented the average from falling any further.

CONSTRUCTION STARTS WITH PRELETS



Construction starts in Q2 amounted to 190,200 sq ft, an increase from 90,000 sq ft in Q1. All of this space currently remains available and comprises only one large mixed-use project that is now under way, namely Park House, Oxford Street, W1. Land Securities is developing 190,200 sq ft of office space, 96,000 sq ft of retail and 60,000 sq ft of residential space, with completion expected at the end of 2012.

Of the 257,000 sq ft which was completed in Q2, 61% is let and some 98,000 sq ft remains available. All of this space came at the office-led development of the Carmine Building, Merchant Square, W2. The eighth to 14th floors remain available here, while the first to seventh floors were prelet to Marks & Spencer in 2008. The refurbishment of 13-16 Carlton House Terrace, SW1, was also completed this quarter, although no additional space was brought to the market.

INVESTMENT

A substantial upsurge in West End investment was noted in Q2, as both the volumes of transactions and the monetary value exceeded the investment level of Q1. Around 25 transactions took place in Q2 totalling 768,000 sq ft, compared with 15 transactions in Q1.

The largest investment transaction was Land Securities' office and retail mixed-use development Park House, Oxford Street, W1 where Barwa Real Estate bought the development site for £250m and will pay an additional £275m upon completion, taking the total value of the deal to £525m, when construction costs and the payment of a share of the profits are factored in. The second-largest transaction came at Iona, Regent Street, W1, where Delancey and Shearer Property Group sold the long leasehold to the Swedish owner of fashion chain H&M. The price paid for this building was £221m, reflecting a 4.75% yield.

WEST END

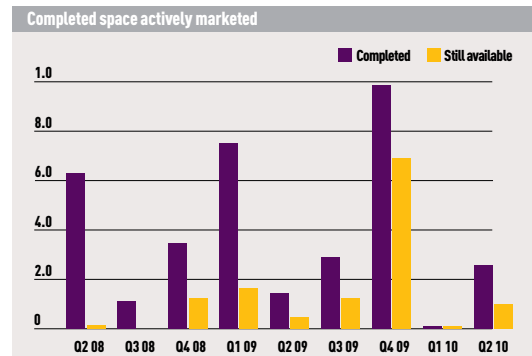


84 Eccleston Square, SW1: 39,000 sq ft now available to let

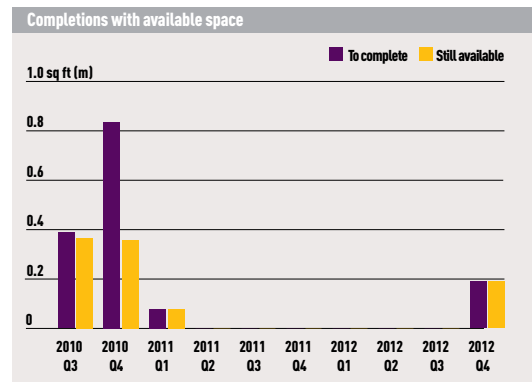


43 Palace Street, SW1: 11,500 sq ft withdrawn

COMPLETED SPACE ACTIVELY MARKETED



COMPLETIONS WITH AVAILABLE SPACE



£525m

TOTAL VALUE OF THE BARWA REAL ESTATE PURCHASE OF PARK HOUSE

TAKE-UP

Take-up(sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months	% +/-
New/Refurb existing	137,284	295.60	488.92	17.74				
Premarketing	-	n/a	n/a	n/a				
Secondhand	260,412	25.59	-0.40	6.39				
Under Construction	10,395	-78.63	n/a	-75.78				
Total	408,091	40.39	43.30	0.94				

Take-up has risen slightly with a total of 408,100 sq ft being let, up by 1% on last quarter, and is up by 43% on this time last year. The positive quarterly result shows the recovery we are experiencing in Midtown compared with other central London markets.

The largest transaction was the letting of the entire 57,400 sq ft 1-6 Tavistock Square, WC1, to charity Age UK. It took the building on a ten-year lease and will pay around £17.20 per sq ft, conducting its own refurbishment on the building. Elsewhere, Baker Tilly & Co took a 20-year lease on 54,200 sq ft at Nexus Place, 22-25 Farringdon Street, EC4. All further terms remain confidential.

As in the West End, we are experiencing a fair amount of interest in this market, as evidenced by the volume of space placed under offer, amounting to 216,000 sq ft. This is 17% lower than in Q1. However, the amount is almost triple the amount of space in Q4 2009.

The largest potential deal is at 110 Fetter Lane, EC4, where 57,200 sq ft spread over the sixth to eighth floors was placed under offer in April. Reportedly, Weil Gotshal & Manges has agreed to take the space at a rent of approximately £54 per sq ft. If this deal completes, the building will be fully let.

SUPPLY

Supply (sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months	% +/-
New/Refurb existing	732,890	80.51	16.17	48.69				
Premarketing	814,754	129.87	0.37	0.00				
Secondhand	2,775,398	61.76	7.04	4.06				
Under Construction	257,090	-77.18	-67.24	-60.71				
Total	4,580,132	27.12	-4.98	-1.06				

Supply decreased slightly, down by 1% on Q1, and 5% on Q2 2009. This is primarily a result of a reduction in the amount of available stock under construction, down by 61%.

On a less positive note, the supply of new-build space increased by 49% and secondhand stock rose by 4%. The largest addition of available space in Q2 was of secondhand space, and came at 200 Gray's Inn Road, WC1, where ITV made 76,000 sq ft available in May, as a part of its office consolidation plan. The available space is located on part of the second, and the entire third and fourth floors, with an asking rent of £35 per sq ft.

The volume of space withdrawn fell by 50% to 30,000 sq ft, spread across 9 properties. The largest space to be withdrawn was the 9,600 sq ft third floor at 265 Strand, WC2.

MIDTOWN

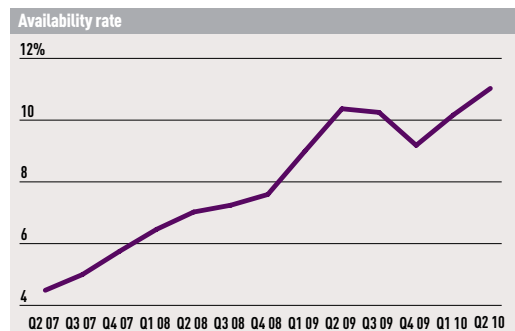


Tavis House, Tavistock Square, WC1: Entire 57,400 sq ft building let to Age UK



40 200 Gray's Inn Road, WC1: 76,000 sq ft of ITV space now available

AVAILABILITY RATE



Availability rates stand at 11%, up by 0.8% on Q1. Surprisingly this contradicts the 1% rise in take-up and similar decrease in supply seen in Q2. However, the increase in construction completions contributed to this.

There is a total of 550,000 sq ft of office space set to be completed before the end of 2010, of which 70% is still available. Demand will need to grow even stronger in Midtown if the availability rate is to be contained.

ASKING RENTS

Average asking rents have bounced back strongly for new-build stock, increasing by £8, or 20%, on Q1, now standing at £48.75 per sq ft. This is the first time since Q4 2008 that an improvement has been seen in asking rents on new-build stock, and is a result of improved take-up in this market.

Asking rents have continued to slide for good quality secondhand stock. Although the drop is not substantial, a 50% decrease was registered in Q2, to £32.50 per sq ft.

CONSTRUCTION

Construction activity increased this quarter with a total of 457,000 sq ft being delivered to the market, spread across two schemes. The larger of these was the 406,000 sq ft Central Saint Giles, WC2, where the whole building is currently available. It was reported in May that advertising group WPP is close to becoming the first office tenant at this scheme. The group is considering taking 130,000 sq ft at a rent of around £50 per sq ft.

Construction starts were less active, with 22,500 sq ft of office space at one scheme getting under way – a refurbishment at Conquest House, 37-38 John Street, WC1.

INVESTMENT

Investment activity in Midtown saw six transactions completed, the same volume as last quarter. However, the monetary value of transactions was higher in Q1. Midtown investment volumes were boosted last quarter by the £175m sale of Victoria House, WC1, which was the largest transaction for the entire central London office market.

The largest Q2 deal was the £74.5m sale of Orion House, 5 Upper St Martins Lane, WC2, where Schroder's WELPUT purchased the freehold from the property arm of Lewis Trust Group, UK & European Investments. The deal reflects an initial yield of 5.25%.

Elsewhere, WELPUT sold its freehold interest at the mixed-use 22-25 Bedford Street WC2, to BlackRock UK Property Fund for nearly £59m, reflecting a 5.1% yield.

457,000

SQ FT OF NEW BUILD SPACE DELIVERED TO THE MARKET.

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TAKE-UP

Take-up(sq ft)	Q2 2010	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	6,139	n/a	n/a	n/a
Premarketing	-	n/a	n/a	n/a
Secondhand	252,799	642.61	283.73	-53.45
Under Construction	-	n/a	n/a	n/a
Total	258,938	660.64	293.05	-52.31

After two successive quarters of notable improvement in Docklands, take-up has dropped by 52%. Just 259,000 sq ft was let this quarter, compared with 543,000 sq ft in Q1. Nevertheless, year-on-year take-up still shows a vast improvement, rising by over 290%.

As in the previous quarter, nearly all letting activity was focused on secondhand stock, with take-up nevertheless decreasing by 53%. New-build stock saw only 6,100 sq ft being let. No prelets were signed for the fifth quarter running. The largest deal in the Docklands, and of the quarter, was a 187,000 sq ft letting at 40 Bank Street to Shell International. The company, which plans to move its headquarters to the building, signed a 15-year lease and will pay a rent of £37.50 per sq ft with a rent-free period of four years.

The second-largest transaction came at 11 Westferry Circus, where the European Medicines Evaluation Agency took 33,300 sq ft on the fourth and fifth floors on a six-year sublease from Morgan Stanley. It will pay £28.50 per sq ft.

The amount of space placed under offer decreased significantly. At present, potential deals total just 73,000 sq ft, in comparison with 370,000 sq ft in Q1; a drop of 80%. The largest potential deal is at 40 Bank Street, where an additional 38,000 sq ft on the sixth and seventh floors has recently been placed under option to Shell.

SUPPLY

Supply (sq ft)	Q2 2010	% +/- 24 months	% +/- 12 months	% +/- 3 months
New/Refurb existing	553,388	1786.96	62.44	9.95
Premarketing	5,906,152	35.38	16.37	16.37
Secondhand	1,582,671	72.99	6.64	-15.44
Under Construction	612,843	-79.99	3.55	63.43
Total	8,655,054	3.40	15.52	10.60

Supply in Docklands rose by 11% this quarter, and is up by almost 16% on this time last year. The largest addition was of under construction stock, up by 63% on last quarter. Supply increased for all types of space bar secondhand stock, which dropped by 15%, whereas new-build and premarketed stock grew by 10% and 16% respectively. On an annual basis, the largest increase in supply is noted in new-build stock, which is up over 62% on this time last year.

The largest addition came at 10 Upper Bank Street, where Olympic body LOCOG put 53,300 sq ft back on the market. LOCOG took a large amount of space in this building in Q1 but does not plan to occupy it all.

The volume of space withdrawn has dropped by 25% compared with the previous quarter. Around 60,000 sq ft over four properties was withdrawn. The largest space retracted came at 11 Westferry Circus, where 47,100 sq ft on the part ground and sixth to eighth floors is no longer available.



40 Bank Street, E14: Shell International takes 187,000 sq ft



10 Upper Bank Street, E14: 63,000 sq ft now available to let

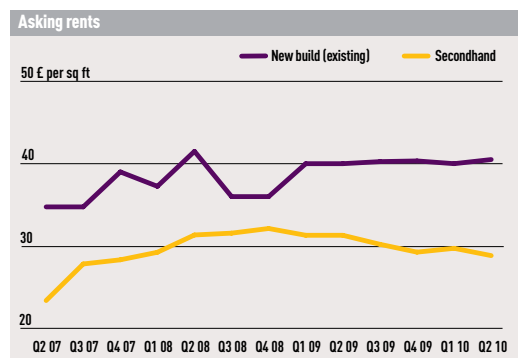
187,000

SQ FT - THE LARGEST LETTING OF THE QUARTER. SHELL INTERNATIONAL IS MOVING ITS UK HEADQUARTERS TO 40 BANK STREET.

AVAILABILITY RATE

The availability rate has decreased slightly this quarter, down from 10.6% in Q1 to 9.5% in Q2. Although take-up has deteriorated quite significantly and supply has risen by 11% on a quarterly basis, the availability rate has finally started to fall. This is primarily due to a 15% drop in supply of secondhand stock. If take-up in Docklands rises and the amount of available space decreases, we will inevitably see a fall in availability rates, as no space is scheduled for completion in 2010.

ASKING RENTS



Asking rents have remained broadly similar, with only minor changes registered in Q2. Average asking rents on new-build stock rose slightly by 50p to £40.50 per sq ft. Good-quality secondhand space saw average asking rents decrease by £1 and currently stand at £28.75 per sq ft.

Despite take-up proving relatively disappointing compared with Q1, overall, the outlook for Docklands seems to be brighter. Compared with the same time last year we have seen a vast improvement in letting activity in secondhand stock. If this continues we will hopefully see an increase in asking rents.

CONSTRUCTION

Construction has remained subdued in Docklands with no new starts or completions. In fact, no construction starts or completions are expected to take place during the whole of 2010. Nevertheless, two very large developments remain in the pipeline, the 2m sq ft Riverside South scheme and 25 Churchill Place. Latest news points to delays at the Riverside South scheme and construction seems to have slowed. Doubts have been cast as to whether JP Morgan will actually continue with the scheme or look for alternative City locations. The long-awaited 25 Churchill Place gained a further planning permission and developer Canary Wharf Group now has the option to build any of the three different designs. The latest planning permission suggests that a 19-storey office building, providing around 613,000 sq ft will be built here. Understandably, the completion date of this scheme is not yet fixed.

INVESTMENT

Investment sales in Q2 have decreased by 27,000 sq ft, with just two transactions totalling 13,000 sq ft completing. The freehold interest in 9,100 sq ft 3 Selsdon Way was sold to an undisclosed investor, whilst another undisclosed investor purchased Aegon House, 13 Lanark Square. The details of both deals remain confidential.

TAKE-UP

Take-up (sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months	% +/-
New/refurb existing	44,479	-40.49	-16.46	-73.96				
Premarketing	-	n/a	n/a	n/a				
Secondhand	274,474	19.29	97.50	22.88				
Under construction	-	-100.00	n/a	n/a				
Total	318,953	-9.26	65.93	-19.08				

The City fringe saw a decrease in take up activity, down by 19% on the previous quarter. Primarily, this is due to a 74% drop in lettings of new-build stock. Nevertheless, take-up has improved substantially on this time last year, rising by 66%, mainly due to a 100% improvement on deals of secondhand stock. Lettings of secondhand stock also improved, up by 23%. There were no lettings of premarketed or under construction space in this quarter.

The largest letting was of secondhand stock and came at Gemini Court, Thomas More Square E1, where News International took 55,000 sq ft on a ten-year lease.

An increased amount of stock was placed under offer in Q2 with a total of 150,000 sq ft receiving interest in the City fringe. This is up by 36% on the 110,000 sq ft of last quarter. The largest potential deal in the pipeline is at Commodity Quay, East Smithfield, E1, where a total of 12,100 sq ft was placed under offer.

SUPPLY

Supply (sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months	% +/-
New/refurb existing	366,376	6.86	-34.40	22.44				
Premarketing	1,970,163	-10.43	-0.40	-27.93				
Secondhand	2,049,361	12.70	-14.64	-10.64				
Under construction	176,552	-43.30	-38.59	21.92				
Total	4,562,452	-2.35	-12.68	-16.61				

Supply in the City fringe has decreased this quarter, down by 17%, thanks to premarketed stock which declined by 28% on Q1. More positive news is that the supply of available secondhand stock also fell, down by 11%. However, new-build and under construction stock both rose by around 22%. Supply also dropped by 13% on this time last year, when all grades of stock recorded a decline in availability.

The largest addition of available space came at 65-69 Wilson Street, EC2, where 56,000 sq ft of under construction stock is now being marketed. Elsewhere, 32,000 sq ft of secondhand stock came onto the market at Lincoln Place, 50 Farringdon Court, EC1. The space will be available from September, after current occupier Merrill Lynch vacates the property. Guiding rent is in the mid £30s.

The volume of stock withdrawn rose somewhat from 120,000 sq ft in the last quarter to 142,000 sq ft, spread across 21 properties. The largest of these was the retraction of 49,800 sq ft at 211 Old Street, EC1.

CITY FRINGE



**Clifton House, 75-77
Worship Street, EC2: 29,000
sq ft now let**



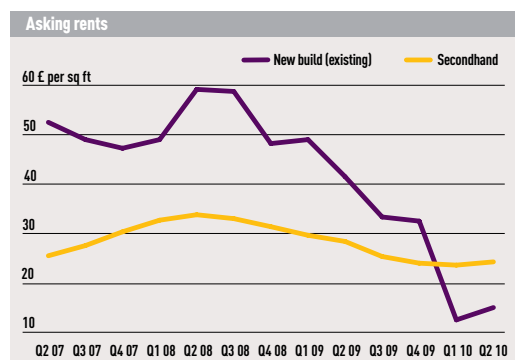
**65-69 Wilson Street, EC2:
Entire 56,000 sq ft building
brought to market**

AVAILABILITY RATE

Despite the fact that take-up dropped by almost 20% on last quarter, the availability rate slipped by 1% in Q2 and now stands at 11.1%. The drop in availability rate was a result of limited completions, a 17% decrease in supply and an increase in the amount withdrawn space.

In spite of recent improvements, the availability rate is still one of the highest in central London, approximately on a par with Midtown, which stands at 11%.

ASKING RENTS



Average asking rents increased from £12.50 per sq ft last quarter to £15 per sq ft this quarter. However, last quarter asking rents plummeted for new-build stock, which was misleading as quoting rents were released on two lower ground floors. Q2 data includes only one asking rent on new-build stock, at Eden House, 5-14 Bishops Square, E1.

Average asking rents for secondhand stock increased this quarter and now stand at £24.25, up by 75p from £23.50 per sq ft of the last quarter. This is the first increase in asking rents for secondhand stock since Q2 2008, when prices peaked and then began to fall.

CONSTRUCTION

Following five completions last quarter, there was only one completion this time, at 156-176 St John Street, EC1, where the entire property is yet to see any letting activity.

After two smaller construction starts in the previous quarter, no schemes got under way in Q2.

There is a further 475,000 sq ft of office space set to be completed in 2010, 60% of which is still available. Take-up will need to keep improving if the space is to be absorbed.

INVESTMENT

The City fringe saw eight investment sales take place this quarter, totalling 251,400 sq ft, up from four transactions in Q1. The largest investment deal to take place was the freehold sale of Aliffe House, 55 Mansell Street, E1, which was sold by Lehman Brothers' joint LPA receiver to a private Middle Eastern investor for £32.1m – a 6.85% yield. The property comprises 61,300 sq ft of office space.

The second-largest investment transaction was of a similar value and came at 24 Chiswell Street, EC1. This 72,400 sq ft property has been sold to Stenham for £31.3m, reflecting a net initial yield of 7.16%. The property is multitenant to nine tenants including The Royal Bank of Scotland and City University.

74%

**DROP IN LETTINGS OF
NEW BUILD STOCK.**

For any data queries, please contact hannah.gardiner@estatesgazette.com or call 020 7911 1881

TAKE UP

Take up (sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months	% +/-
New/refurb existing	3,923	-7.69	n/a		n/a		-3.11	
Premarketing	-	n/a	n/a		n/a		n/a	
Secondhand	34,633	-61.28	19.80		19.80		-5.91	
Under construction	-	n/a	n/a		n/a		n/a	
Total	38,556	-58.85	33.37		33.37		-5.63	

The Southbank saw a 5.6% decline in take up on last quarter, with only 38,100 sq ft being let, 34,600 sq ft of which was secondhand. The largest transaction took place at The Blue Fin Building, 90 Southwark Street, where Telstra took 15,000 sq ft on a ten-year lease. Take up of new build stock was down by 3.1%, with just one letting of 3,900 sq ft taking place at 84 Great Suffolk Street.

The amount of space under offer has risen by 11,800 sq ft and now stands at 28,200 sq ft. Thirteen potential deals make up this figure, the largest of which is at 52 Southwark Bridge Road, where 4,200 sq ft is currently under offer.

SUPPLY

Supply (sq ft)	Q2 2010	% +/-	24 months	% +/-	12 months	% +/-	3 months	% +/-
New/refurb existing	78,200	48.27	74.75		74.75		108.21	
Premarketing	852,268	10.85	92.70		92.70		0.00	
Secondhand	1,017,440	127.39	60.71		60.71		22.71	
Under construction	342,703	1066.21	2.11		2.11		-1.97	
Total	2,290,611	76.41	57.35		57.35		10.73	

Supply has risen once again on the Southbank, increasing by 11% on last quarter and 57% on this time last year. The most notable increase was for new build stock, which saw a rise of 108%, with over 78,200 sq ft now available. Secondhand stock increased once again and now stands at around 1.02m sq ft, up 23%. The largest new availability comes at The Arena, 24 Southwark Bridge Road, where the entire 22,400 sq ft building is now available to let.

There has been a slight decrease of 2% in the volume of available space under construction. Following the sale of Tfl's lease agreement at the Shard of Glass, we will see a steep increase in supply in the next quarter as around 240,000 sq ft of under construction stock returns to the market.

Once again the volume of space withdrawn from the market has increased to 12,400 sq ft. A total of five properties saw space being retracted, the largest of which came at Harling House, 47-51 Great Suffolk Street, where 4,100 sq ft on the first floor was withdrawn.

SOUTHBANK

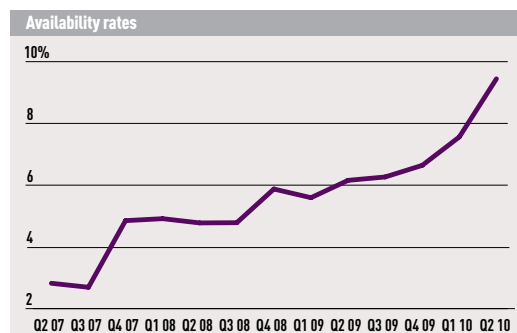


Shard of Glass, SE1: Tfl sells lease agreement



Kings Reach Tower, SE1: CIT and Jadwa purchase for £60m

AVAILABILITY RATE



Availability rates rose once again this quarter and now stand at 9%, the highest since Q3 2004. If the Shard of Glass is unable to secure a large pre-let we are likely to see availability rates being pushed out further once the development completes in 2012. Kings Reach Tower could have a similar effect on rates with planning already granted for the redevelopment of approximately 410,000 sq ft of office space.

ASKING RENTS

Asking rents were on the rise this quarter, as the average rent for new build stock on Southbank climbed to £37.50 per sq ft. This is wholly due to the rise in asking rent at 4 More London, and although a positive sign, there is still a way to go if we are to experience the stable £42.50 per sq ft seen for three consecutive quarters in 2009.

Developers of the Shard of Glass are rumoured to be considering an asking rent in the region of £55 to £70 per sq ft. If this is confirmed, the market will see a rise in asking rents as the space previously let to Transport for London is brought back to the market.

Average rents for good-quality secondhand stock also increased, up from £23.50 per sq ft to £27 per sq ft. This can partly be attributed to an asking rent of £62.50 per sq ft being released at 3 More London, where 2,100 sq ft is available to sublet.

CONSTRUCTION

For the fourth consecutive quarter, there have been no new starts on the Southbank, nor have there been any completions. It was reported in June that the glass panels to form the Shard's façade have arrived on site and are expected to go up at the pace of one floor per week. As the building continues to take shape and market conditions improve, it is likely that the London Bridge Quarter consortium will see increased occupier interest in the scheme, especially now that the entire building is available once more.

£200m

THE AMOUNT THAT CIT AND JADWA WILL REPORTEDLY INVEST IN THE REDEVELOPMENT OF KINGS REACH TOWER IN THE HOPE OF A 20% MINIMUM RETURN.

INVESTMENT

Investment sales have dropped slightly on Q1, with three major transactions taking place. The largest of these was Kings Reach Tower, which was purchased by CIT Group and Saudi-owned Jadwa Investments for £60m. The property already has permission for redevelopment and it is thought that the purchasers will invest a further £200m, whilst targeting a minimum 20% return.