



# market update Q3

## 3rd QUARTER 2017

Welcome to the third update of 2017, giving you an up-to-date view of the office, investment & development market west of the West End. Included in this issue: affordable housing, office supply, current rents, office take-up review in RBKC & development pipeline in West London.

## MARKET SUMMARY

Office take up so far this year in **Hammersmith & Fulham** is at 246,000 sq ft – well ahead of the total for 2016 (201,000 sq ft) with Q4 still to go. This quarter saw the highest take up in 2 years seeing 104,000 sq ft primarily due to the increased supply available and WeWork's leasing of the 53,000 sq ft ground to 3rd floors of **12 Hammersmith Grove W6**.

Q3 take-up in **Royal Borough of Kensington & Chelsea** was also the highest of the year at 62,000 sq ft. Conversely **Chiswick** is suffering lower take-up as tenants appear to have opted for **White City W12** over **Chiswick Park W4** but at *Helical Bar's* refurbished **Power Road Studios W4**, *Intelligent Media*, a global media monitoring service for the entertainment industries, has taken 2,425 sq ft at a rent of approximately **£43 per sq ft** which sets a new benchmark for this Chiswick scheme and a further 5,900 sq ft is also under offer. *Helical* have comprehensively refurbished Studio 1, creating a campus entrance on to Power Road and warehouse style office space which is offered on flexible lease lengths.



In addition to *WeWork* (co-working) other tenants that relocated to west of the West End this quarter include *Creative Artists Agency* (the sports and entertainment agency) taking 26,000 sq ft at **12 Hammersmith Grove W6**, *Mars* (confectionery) and *Sasol* (chemicals and energy) who took 30,000 sq ft and 15,000 sq ft at **4 Kingdom Street Paddington Basin, W2**.

Rents range from **£55 to £59 per sq ft** at **12 Hammersmith Grove W6** from the ground floor to the top floor and the average rent at **4 Kingdom Street W2** is **£71 per sq ft**. Also in Hammersmith



*MIH Jeans* (fashion) and *Eidsgaard* (yacht design) joined *Damien Hirst* at **Thames Wharf Studios Rainville Road W6** (home to *The River Café*), where rents range from **£47 to £52.50 per sq ft**.

At **White City Place W12**, *One Web* took 30,000 sq ft at the **Westworks Building** at around **£50 per sq ft**. *One Web* are intending to launch a constellation of 900 satellites 750 miles above Earth to beam in internet access.



### OFFICE SUPPLY AT A GLANCE

- ▼ **LBH&F** down from 13.1% to 12.9%
- ▲ **RBK&C** up from 2.1% to 2.2%
- ▼ **Chiswick** down from 16.9 to 16.4%
- ▲ **Paddington** up from 3.9% to 5.9%
- ▲ **LB Wandsworth** up from 1.9% to 2.3%

### WEST OF WEST END OFFICE RENTS AT A GLANCE

Rents range from £43 to £71 per sq ft:

- **White City** at £50 per sq ft.
- **Hammersmith & Fulham** from £47 - £59 per sq ft
- **Chiswick** at £43 to £47.50 per sq ft
- **Paddington** and **RBK&C** at £55 to £71 per sq ft

## Q3 HEADLINES

# FOUNDRY, FULHAM PALACE ROAD, HAMMERSMITH LAUNCHED



On 28th September *Axa* and *Bell Hammer* launched the new 114,500 ft **Foundry** office building, the central building at **Assembly London**, 77 Fulham Palace Road, Hammersmith. **Foundry** has floor plates of 23,000 sq ft, a roof terrace, squash courts and *Brompton's* new cycle hire scheme where *Brompton* bicycles are available from the on-site lockers that can be hired for £3.50 a day.

At the front of the **Assembly** is sculptor, Alex Chinneck's new piece '*Six Pins and A Half Dozen Needles*'. The surrealist installation reaches a height of 20 m, and weighs 10 tonnes. The installation is designed to appear as though the building's red brick façade has cracked in half. Chinneck intended the split to resemble a page ripped from a book.

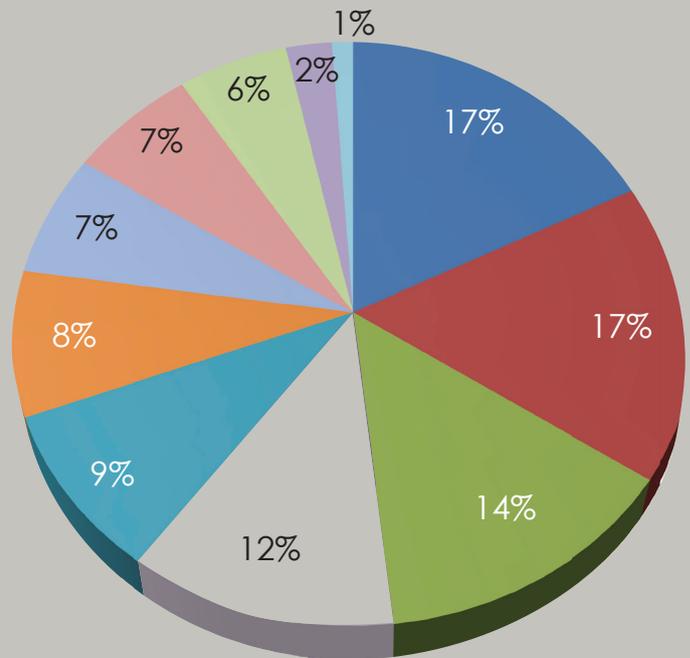
# ALL CHANGE IN RBKC

Frost Meadowcroft has researched the Royal Borough of Kensington & Chelsea take-up over the last two & a half years (from Q1 2015 to Q3 2017). In terms of the amount of supply taken, the energy, mining, finance and fashion industries accounted for about 50%.

Kensington High Street and Notting Hill used to be synonymous with the music industry with both Warner and Sony in the Kensington High Street area but with Universal relocating to Kings Cross next year and other music firms relocating to the Tileyard music hub of Kings Cross it may be that the fashion, energy and finance companies take up the trendy offices that the music moguls and A&R people vacate.

## Pie Chart Key

- 17% Energy & Mining
- 17% Finance
- 14% Fashion
- 12% Others
- 9% Technology
- 8% Professional Services
- 7% Media
- 7% Property, Construction etc
- 6% Serviced Offices
- 2% Shipping
- 1% Medical



Occupiers by Take-up Percentages



## FURTHER OFFICE DEVELOPMENT PIPELINE IN BATTERSEA, VAUXHALL & OLYMPIA

As well as the 500,000 sq ft pre-let to Apple last year 40,000 sq ft will also be made available on top of the Boiler House at Battersea Power Station. This space had previously been earmarked as a hotel but architects WilkinsonEyre are now designing 2 floors of offices and a members club overlooking the central atrium.

Just east of the power station Hong Kong listed Chinese developer, R&F Properties, will have 235,000 sq ft of offices within their huge mixed-use scheme at Nine Elms.

Lambeth Council also has plans to remodel the Vauxhall gyratory and reintroduce a high street with two-way traffic which should result in it becoming more of a destination.

Developer Yoo Capital is also planning an office hub at Olympia. They plan to redevelop the buildings so that the exhibition business will adjoin a new office hub aimed at media, technology and cultural businesses. The site will also be opened up to enable better access for the public. They have just appointed Thomas Heatherwick architect of the Olympic Cauldron.

## MAYOR OF LONDON INTRODUCES A NEW, FAST TRACK, 35% AFFORDABLE HOUSING THRESHOLD

In Q3 the Mayor published its Supplementary Planning Guidance (SPG) covering affordable housing and viability. This introduced a threshold approach to viability designed to incentivise developers to deliver 35% or more affordable housing in their schemes, by not requiring them to submit viability assessments and is therefore called 'the fast track route'. The SPG underlines that where Boroughs adopt different approaches to delivering a higher average percentage of affordable housing (without public subsidy), their local approach can continue to apply.

When a scheme does not meet the 35% threshold under 'the fast track route,' viability evidence has to be submitted and review mechanisms apply to that evidence, to ensure that the 'maximum public benefit is secured over the period of a development and can encourage the build out of schemes'.

The review mechanisms will include a review near the end of development, once 75% of units have been sold (or at a point

agreed with the local Planners). If a surplus profit is identified at this late stage this should be split 60/40 between the borough and the developer, with 60% of surplus profit used for additional affordable housing.

### WHAT THIS PROBABLY MEANS TO DEVELOPERS:

- Developers will still need to assess the viability of a site in terms of affordable housing.
- When a site is viable at say just under 35% affordable housing, a fast track approach can be agreed in order to benefit from additional profit on the future scheme when the market is rising.
- Where a site with an existing or commercial land value that is not viable at 35% affordable housing and is only viable at say 25% affordable housing, developers will not use the 'fast track' and will provide a viability assessment to prove this.

