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Real value in a changing world

Central London Office *Market* Update

January 2012

Office Market | At a glance 2011

Summary Statistics 2011	West End	12 Month Outlook	City	12 Month Outlook
Take-up	3.1m	↘	3.4m	→
Supply	3.6m	→	7.6m	↗
Overall Vacancy Rate (%)	4.0%	→	7.1%	↗
Grade A Vacancy Rate (%)	2.2%	↘	4.4%	↘
Prime Rent (£ sq ft)	£95.00	→	£55.00	↗
Grade A Rent (£ sq ft)	£74.40	↗	£48.90	↗
Under construction	1.8m	↗	3.5m	→
Occupier Demand	4.5m	→	10m	→

The Key Leasing Deals Q4

122 Leadenhall Street

- **Aon**
- 197,000 sq ft
- Option to take a further 85,000 sq ft
- Average 19 year leases
- Average rents c.£55.00 per sq ft

6 More London

- **Ernst & Young**
- 60,000 sq ft
- £45.00 per sf
- Lease until 2023
- 24 months RF – LG,G,1^{st}
- 16 Months 2nd

AirW1

- **Telefonica**
- 50,980 sq ft (4^{th} & 5^{th} floors)
- 15 year lease
- **Halfords Media**
- 31,177 sq ft (3^{rd} floor)
- 15-year lease

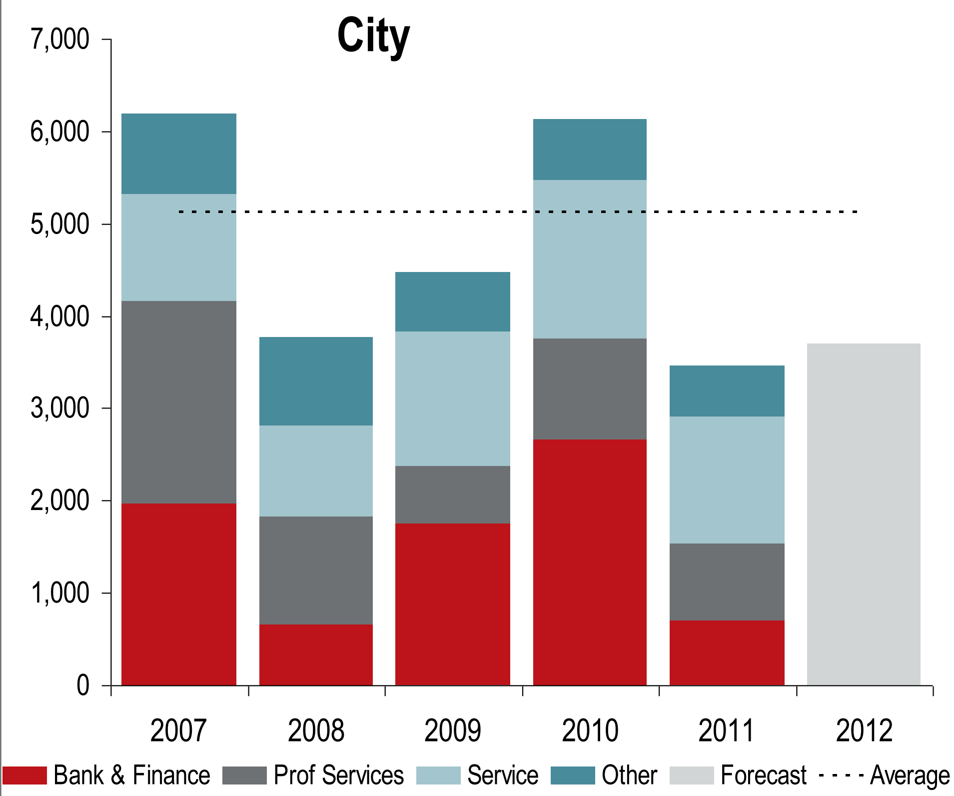
Marcol House

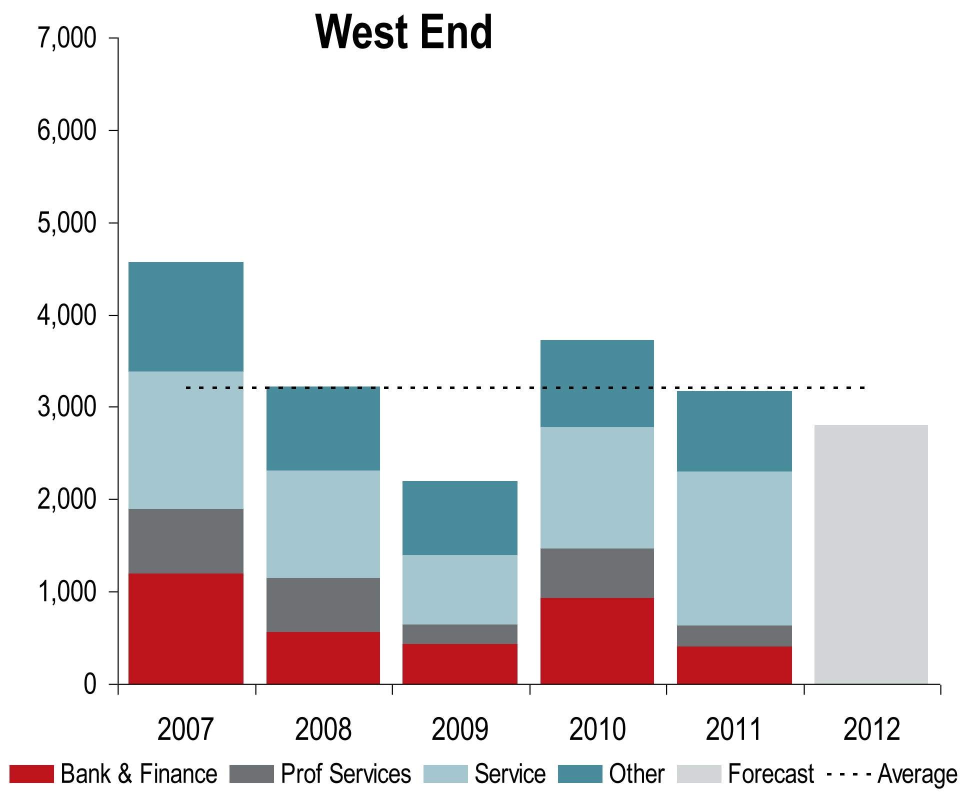
- **Savills**
- 64,142 sq ft
- £68.60 per sq ft
- 30 months RF
- Lease Expiry Dec-31

2 Kingdom Street

- **Nokia**
- 60,000 sq ft
- £56.00 per sq ft
- 15-year lease
- 10-year break

Take-up Expectations





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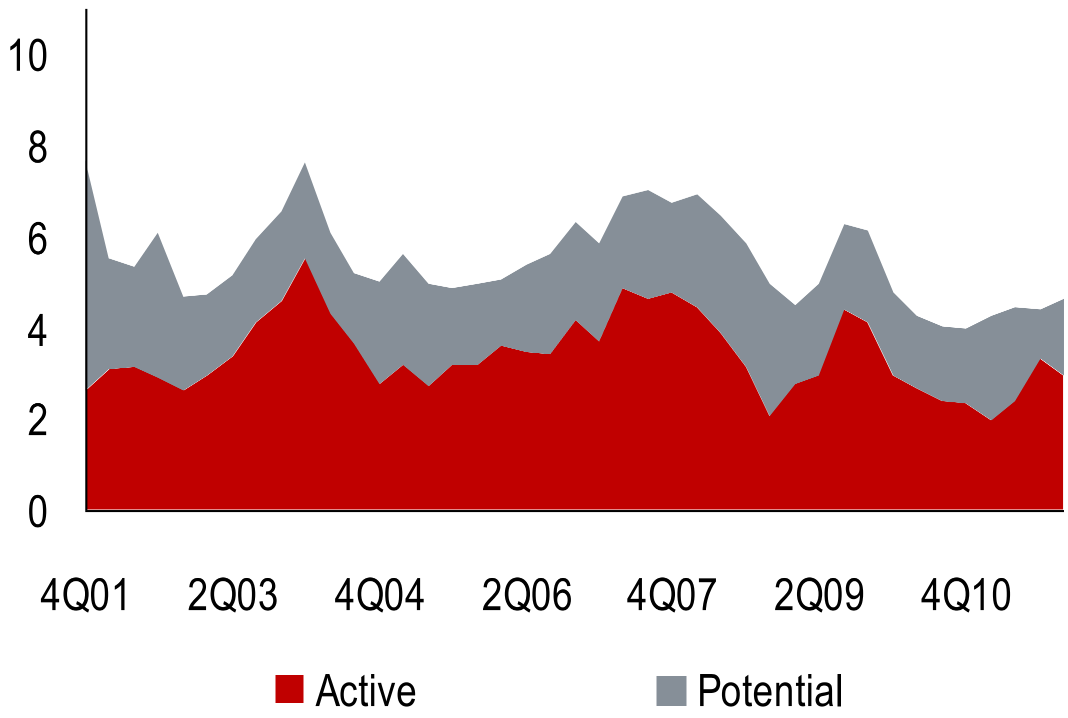
Occupier demand West End…..



Source: Jones Lang LaSalle, October 2011

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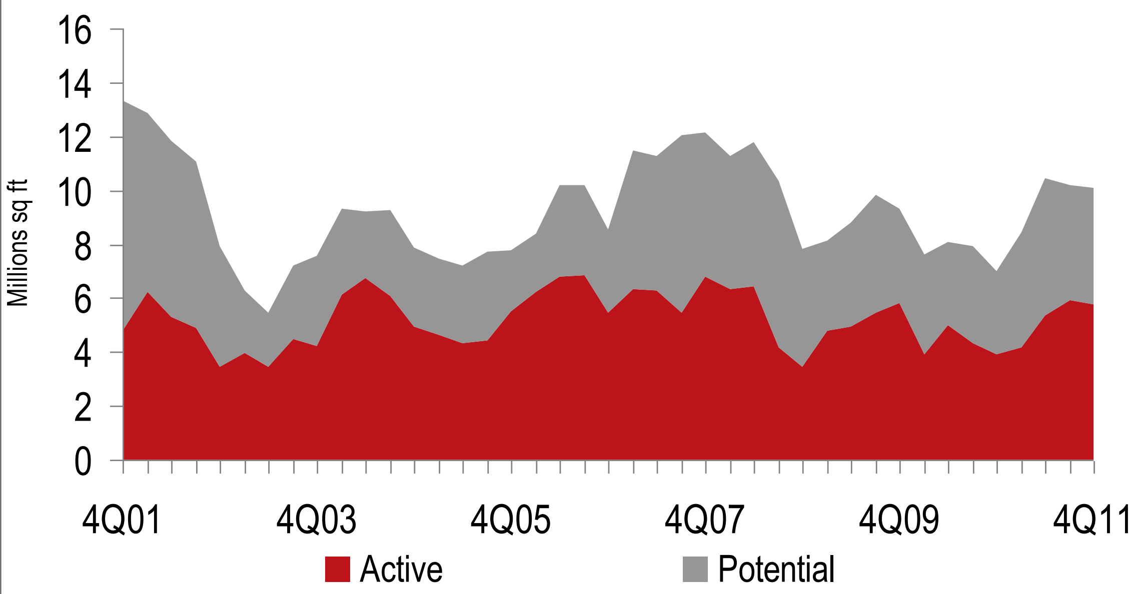
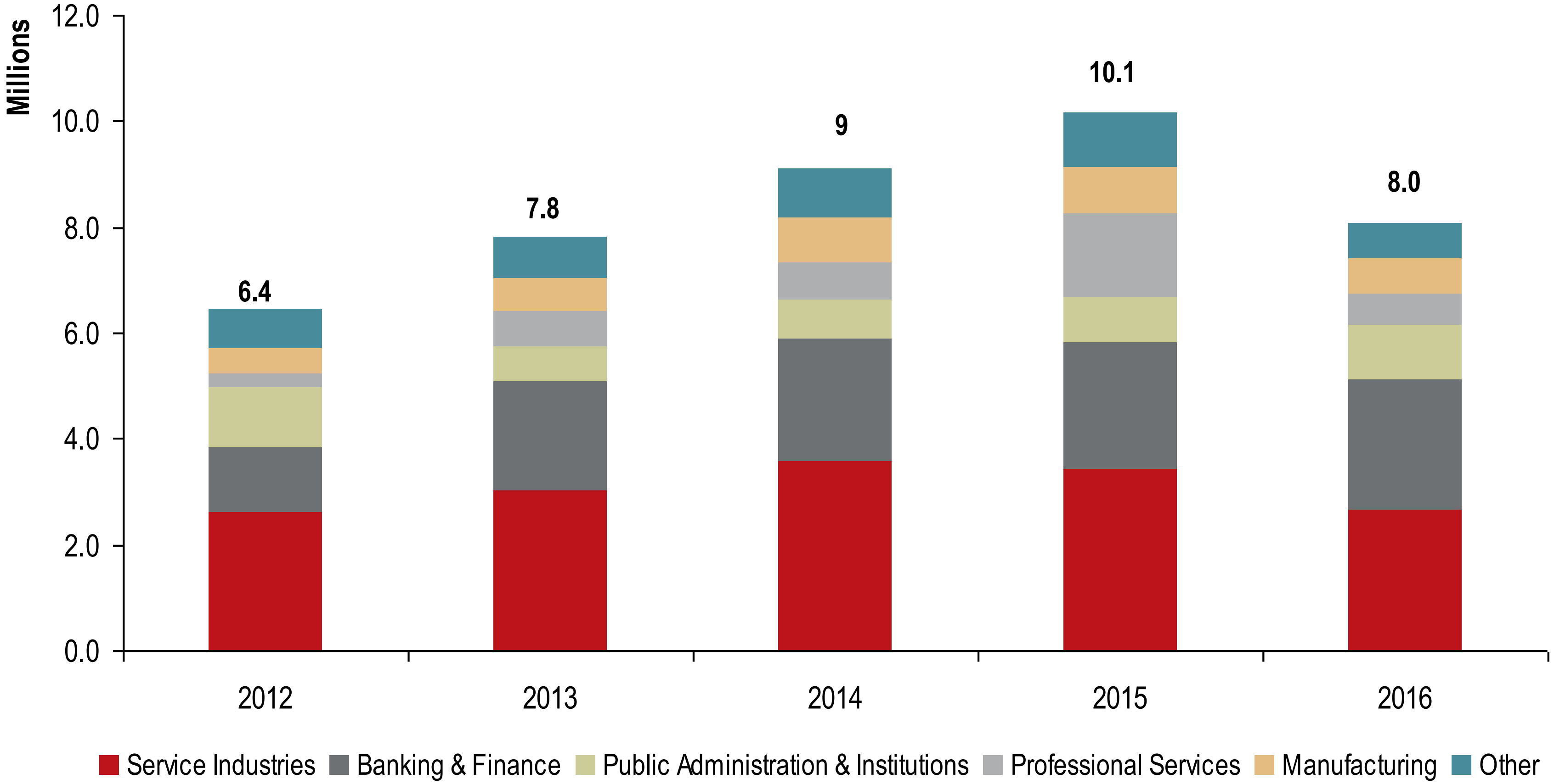
Occupier Demand: City

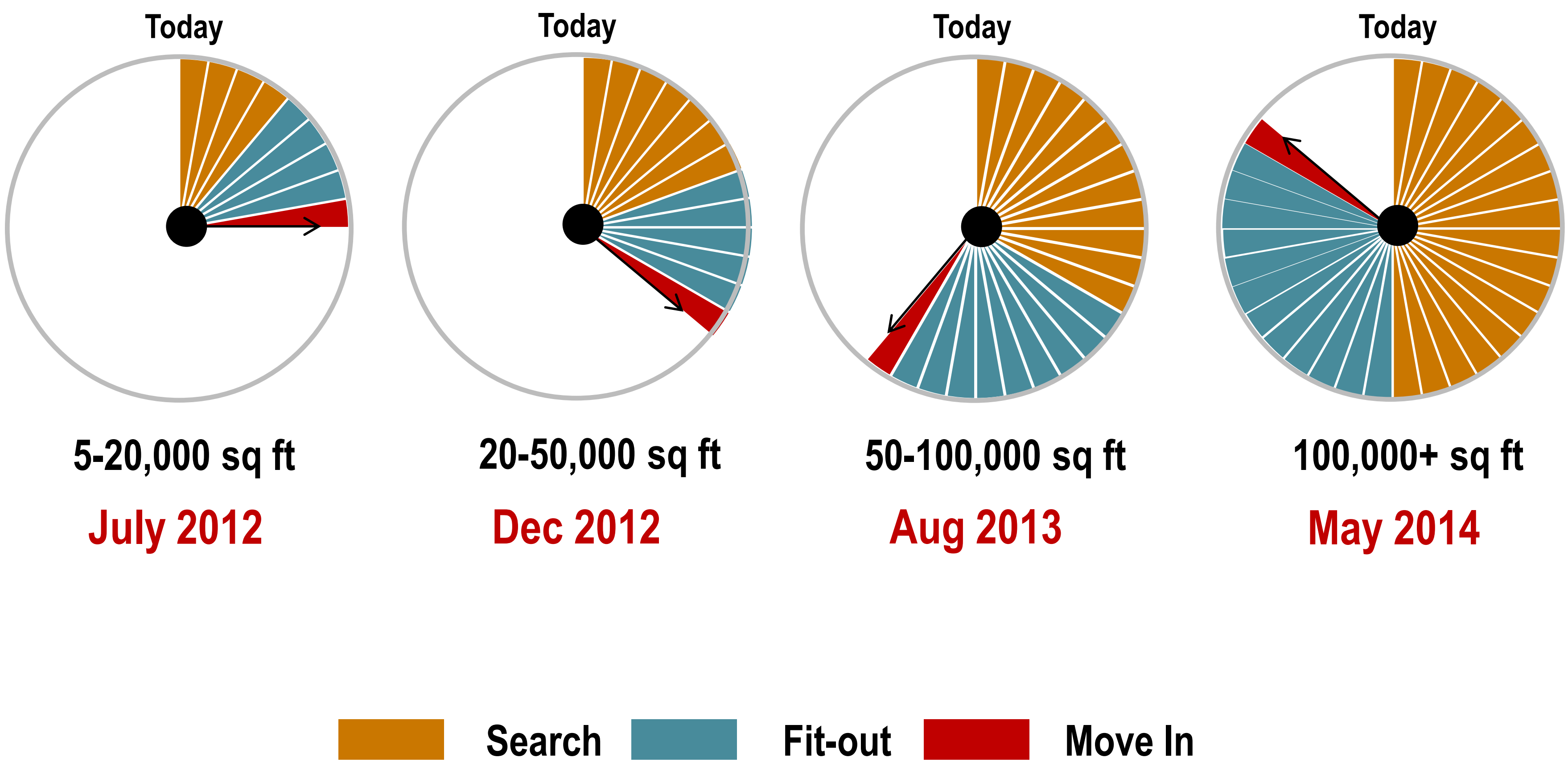


Source: Jones Lang LaSalle, June 2011

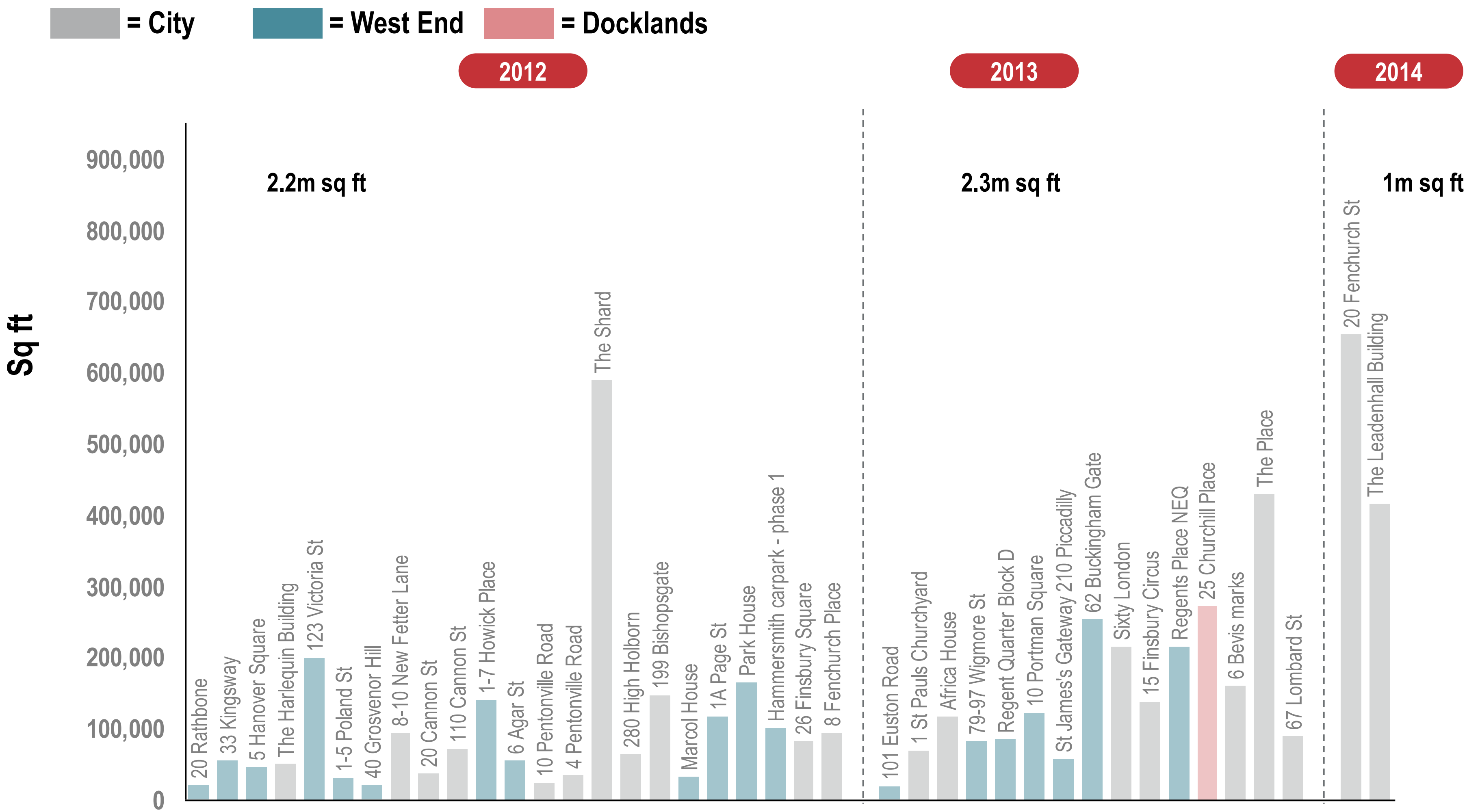
Central London Lease Events



The move clock



What is Under Construction?



Grade A vacancy rate scenarios

Source: Jones Lang LaSalle, November 2011

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Rental forecasts

West End

Year	Prime Rent	Change (%)	[illegible]	[illegible]ve (%)
2010	£88.50	[illegible]	[illegible]	[illegible]
2011	£1[illegible]	[illegible]	[illegible]	[illegible]
2012	[illegible]	[illegible]	[illegible]	[illegible]%
2013	[illegible]	[illegible]	[illegible]	12%
2014	[illegible]	[illegible]	10	9%
2015	£[illegible]	[illegible].1%	9	[illegible]

8.4% p.a 2013-2014

City

Year	Prime Rent	Change (%)	[illegible]	[illegible]
2010	£55.00	[illegible]	[illegible]	[illegible]
2011	£55.[illegible]	[illegible]	[illegible]	[illegible]
2012	£57.5[illegible]	[illegible]	[illegible]	[illegible]%
2013	£63.0[illegible]	[illegible]	[illegible]	16%
2014	£66.00	[illegible]	12.0	8%
2015	£67.50	[illegible].5%	15.0	-1%

7.1% p.a 2013-2014

Source: Jones Lang LaSalle, November 2011

Key Predictions 2012

- Demand is the key dynamic for 2012
  - Churn
  - Lease renewals / restructures
  - Q2 increase in pre let activity?
- Reducing Grade A vacancy rates- even with lower take up
- First half of the year is where opportunity is- particularly City
- Beware of "domino" effect
- Lack of future supply
- Good prospects for disposal of good quality surplus space
- Clock is already ticking for 2014/15/16 prelets
- Rental Spike – when?

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Thank you