



WEST END OFFICE OCCUPIER OUTLOOK

Vacancy by Space	Q3 2011	Q2 2011	Change
Direct	4.4%	4.6%	↓
Sublease	1.5%	1.3%	↑
Total	5.9%	5.9%	→

Vacancy by Class	Q3 2011	Q2 2011	Change
Class A	6.9%	6.2%	↑
Class B	6.1%	6.5%	↓
Class C	5.2%	5.3%	↓

Transaction levels moderating but levels of demand remain steady

Overall, West End vacancy has remained unchanged over the past few months as transactional activity for built space has slowed. Major pre-lets to Camden Council and Debenhams have eaten into pipeline space whilst take-up of existing product fell by 30% in Q3 2011. Generation Investment Management has also taken 23,000 sq ft at AirW1.

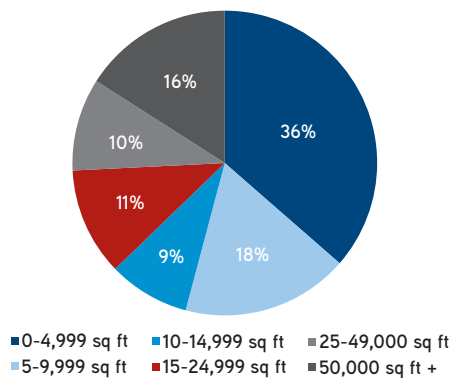
Even with the ahead of schedule completion of 160,000 sq ft of speculative space at phase one of the Crown Estate's Quadrant scheme, AirW1, Grade A availability is still seeing downward pressure, having fallen by 30% year on year.

Further significant deals are likely to be confirmed before year end. Pimco has signed for 57,000 sq ft at 11 Baker Street, W1 and Nokia is under offer at 2 Kingdom Street, W2 for its HQ relocation (60,000 sq ft). Other occupiers thought to be shortlisting include O2 parent, Telefonica (100,000 sq ft) and Halfords Media (40,000 sq ft), both of which have included AirW1 as a potential option. Ogilvy & Mather has also shortlisted two buildings.

Named demand remains dominated by media and technology occupiers. Colliers International has identified 2.4 million sq ft of technology, media and telecommunications demand currently in the market place. The rise in rental levels, lack of Grade A supply and competition from non-traditional occupiers is forcing high profile media tenants to seek space further east. Lastminute.com has taken space in Derwent London's Johnson Building, EC1 and Saatchi & Saatchi is shortlisting a midtown location for its new HQ.

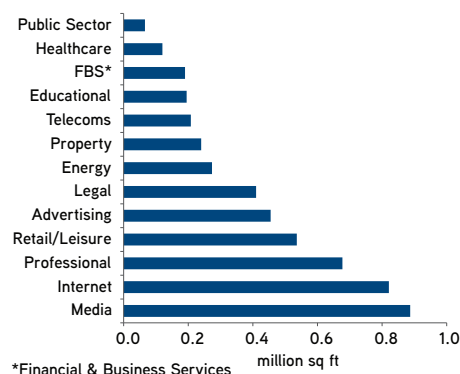
The modest short term supply pipeline and a healthy level of lease events occurring in 2012 suggest an environment for growth; however, economic uncertainty remains the prime motivation behind the decision making process. Transactions continue to be protracted with a rising number of occupiers looking to regear leases and renegotiate terms in their current premises. Nevertheless, there is still scope for further modest rental uplift at the top end of the market as a lack of new supply, rather than increased demand, drives Grade A vacancy down further.

FIGURE 2: WEST END AVAILABILITY BY SIZE BAND



Source: Colliers International

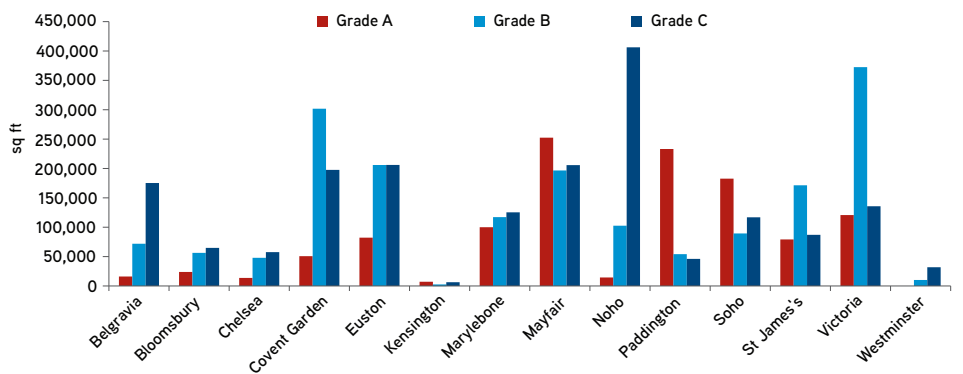
FIGURE 3: CURRENT WEST END DEMAND



*Financial & Business Services

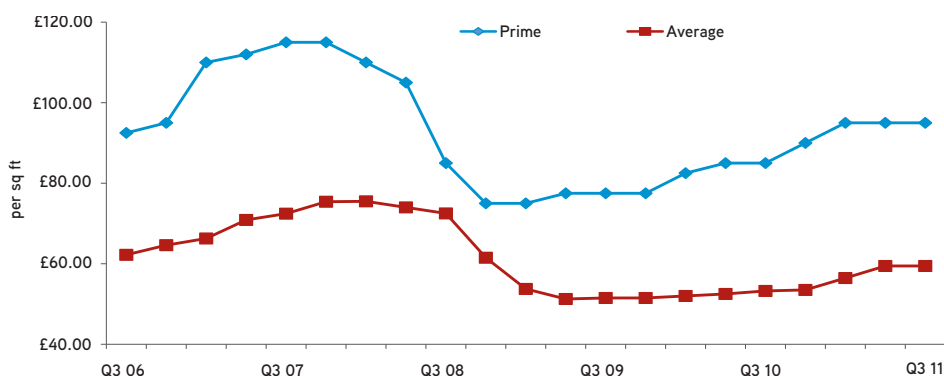
Source: Colliers International

FIGURE 1: WEST END AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 4: WEST END RENTAL VALUES



Source: Colliers International

FIGURE 5: WEST END KEY STATISTICS - Q3 2011

Submarket	Units	Stock	Vacancy Rate		Availability		Net Stock Absorption
			Q3 2011	Q2 2011	Q3 2011	Q2 2011	
COVENT GARDEN							
Grade A	21	959,575	5.3%	3.9%	50,723	37,061	424,110
Grade B	97	4,837,774	6.2%	5.6%	301,748	272,908	336,502
Grade C	392	3,792,318	5.2%	5.3%	197,608	201,337	122,115
Total	510	9,589,667	5.7%	5.3%	550,079	511,306	882,727
MARYLEBONE							
Grade A	27	1,694,842	9.1%	4.9%	154,493	79,616	36,847
Grade B	76	1,316,348	8.9%	13.5%	117,188	178,034	164,641
Grade C	520	2,991,937	4.2%	5.9%	125,343	180,807	154,191
Total	623	6,003,127	6.6%	7.3%	397,024	438,457	355,679
MAYFAIR							
Grade A	65	2,392,616	10.6%	9.4%	252,446	220,826	87,177
Grade B	189	3,468,187	5.7%	7.7%	196,611	267,219	309,530
Grade C	728	5,845,966	3.5%	3.7%	205,719	213,954	-176,917
Total	982	11,706,769	5.6%	6.0%	654,776	701,999	219,790
NOHO							
Grade A	17	1,416,356	1.0%	2.3%	14,446	33,267	-9,731
Grade B	88	1,823,143	5.6%	6.5%	102,582	118,281	119,839
Grade C	525	4,712,701	8.6%	7.2%	406,275	337,169	122,711
Total	630	7,952,200	6.6%	6.1%	523,303	488,717	232,819
PADDINGTON							
Grade A	12	1,881,368	12.4%	13.1%	233,164	246,707	77,611
Grade B	16	331,928	16.3%	25.1%	54,151	83,438	67,040
Grade C	49	510,859	9.0%	2.7%	46,099	13,840	-2,047
Total	77	2,724,155	12.2%	12.6%	333,414	343,985	142,604
SOHO							
Grade A	17	459,577	7.1%	6.5%	32,691	28,131	26,482
Grade B	113	2,049,158	4.4%	3.2%	89,404	64,790	95,747
Grade C	471	2,302,107	5.1%	4.3%	116,882	99,712	-41,017
Total	601	4,810,842	5.0%	4.0%	238,977	192,633	81,212
ST JAMES'S							
Grade A	22	1,005,369	7.9%	5.6%	79,198	56,498	45,992
Grade B	54	1,830,902	9.4%	10.0%	171,381	183,546	242,786
Grade C	158	1,981,333	4.4%	4.9%	87,053	98,035	-11,061
Total	234	4,817,604	7.0%	7.0%	337,632	338,079	277,717
VICTORIA							
Grade A	33	2,586,420	4.7%	4.6%	120,696	118,128	62,213
Grade B	120	5,930,865	6.3%	6.4%	372,519	382,324	334,748
Grade C	221	4,301,604	3.2%	3.3%	135,698	144,076	-49,999
Total	374	12,818,889	4.9%	5.0%	628,913	644,528	346,962
WEST END (WHOLE)							
Grade A	262	15,569,253	6.9%	6.2%	1,080,898	961,843	0
Grade B	939	29,455,100	6.1%	6.5%	1,800,450	1,904,609	18,351
Grade C	3,717	35,484,974	5.2%	5.3%	1,862,633	1,893,778	32,179
Total	4,918	80,509,327	5.9%	5.9%	4,743,981	4,760,230	50,530

Source: Colliers International

512 offices in 61 countries on 6 continents

United States: 125
 Canada: 38
 Latin America: 18
 Asia Pacific: 32
 ANZ: 182
 EMEA: 117

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