London, St James's Office Market Report reveals resurgent banking and finance sector

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In its latest research report into the commercial property market of St James's in central London, BNP Paribas Real Estate reports that the banking and finance sector continued its resurgence in the area during 2011, accounting for 29% of the 287,000 sq ft of office space taken during the year.

In the "St James's Office Market 2011" report, the international property adviser estimates that there is only 253,000 sq ft of Grade A office space now available in St James's, with the vacancy rate falling from 5.6% to 3.0% over the 12 months up until December. During this period prime office rents in St James's and Mayfair rose by 11%, mainly due to the return of hedge funds and niche financial companies to the market. During 2011 there were no transactions in excess of 50,000 sq ft, with the majority of lettings for properties under 5,000 sq ft.

The most significant transaction over the last year was at St James Gate, 14-16 Cockspur Street where Federative Republic of Brazil purchased a freehold interest for occupation, totalling 32,000 sq ft, at a price of £24m.

Mark Hickmott, Director of West End Agency at BNP Paribas Real Estate says: "Rental values have recovered strongly since our 2010 report, driven by the lack of good quality accommodation. At the end of 2011 St James's and Mayfair prime rents had reached £100.00 per sq ft, rising 11% during the course of the year.

"We expect that prime rents will continue to come under pressure and further rental growth is anticipated, although the rate will probably slow over the next couple of years. Prime rental values are anticipated to reach £105.00 per sq ft by December this year and then £110.00 per sq ft by the end of 2013," he adds.

The report shows that in 2011 the value of investment transactions increased by 15% to £281m and that prime yield in the West End have remained stable at 4.00% since September 2010.

The St James's will be boosted by a £500m regeneration as part of the "10-year strategy" by the Crown Estate. This includes delivering more than 600,000 sq ft of new and refurbished offices, increasing the provision of high class residential accommodation, bringing in new retailers and improving the area's public areas.
With the completion of The Crown Estate’s St James’s Gateway redevelopment early 2013, zone A rents have the potential to rise to £225 per sq ft at the eastern end of Jermyn Street.

BNP Paribas Real Estate forecasts that in the residential market prime London rents will grow 27.6% over the next five years, outperforming the UK where growth of 20.5% is expected.

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About BNP Paribas Real Estate
BNP Paribas Real Estate is a leading international real estate provider, and the 2nd player in Europe, in terms of results. It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries) across Europe, India and Middle East with 3,300 employees in about 150 offices. BNP Paribas Real Estate is a subsidiary of BNP Paribas, one of the world’s six strongest banks in the world according to Standard & Poor’s (rated AA- by Standard & Poor’s i.e. 3rd rating level on a scale of 22).

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