2012 saw the TMT sector continue to grow across central London, representing 26% of the market share, compared to 22% in 2011. Leasing activity from the banking and finance sector has continued to drop and now accounts for only 12% of the market, a fall from 18% in 2011.

Continued growth in the tech and media sectors will drive rents and take-up in emerging locations such as Clerkenwell, Shoreditch and Southbank.

We expect to see few new schemes get started in the near term which may lead to shortages of grade A space being delivered in 2015.

Looking ahead, we expect 2013 to be another challenging year for City core and Docklands, but many fringe markets (e.g. City fringe, Southbank, King’s Cross and Hammersmith) will see continued TMT demand and modest rental growth.

**INVESTMENT**

2012 was another strong year for investment activity. London continues to be perceived as a safe location and overseas investors remained active, especially within the West End and the City.

Investment volumes across central London office market rose 33% to £12.5bn during 2012. The West End saw the biggest increase, rising 44% to £4bn, whilst City investment rose 17% to £6.4bn.

Overseas investors have continued to dominate purchasing activity with 69% of transactions being undertaken by foreign buyers during 2012. Overseas interest was led by investors from North America and Asia Pacific which together accounted for 53% of all overseas purchases.

The amount of deals over £100m is a key drive behind the high level of investment volumes in 2012. In 2011, there were 26 deals which were more than £100m, totalling £4.8bn. In 2012 the figures rose to 38 deals and £7.5bn.

---

**Key investment transactions, Q4 2012**

<table>
<thead>
<tr>
<th>Property</th>
<th>Sale price (£m)</th>
<th>Yield (%)</th>
<th>Size (sq ft)</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelphi, 1-11 John Adam Street WC2</td>
<td>280</td>
<td>7.5</td>
<td>292,000</td>
<td>Blackstone Real Estate</td>
</tr>
<tr>
<td>Winchester House EC2</td>
<td>245</td>
<td>5.5</td>
<td>310,000</td>
<td>China Investment Corporation</td>
</tr>
<tr>
<td>78 St James’s Street SW1</td>
<td>177</td>
<td>5.1</td>
<td>118,400</td>
<td>The State Oil Fund of Azerbaijan</td>
</tr>
<tr>
<td>The Peak, 5 Wilton Road SW1</td>
<td>115</td>
<td>5.0</td>
<td>98,000</td>
<td>Cityhold</td>
</tr>
</tbody>
</table>

Source: Property Data
The final quarter saw take-up reach 0.7m sq ft – the same as the level achieved in Q3, but the full year total of 2.9m sq ft was down 18% on 2011.

Despite the drop in take-up, there has been an increase in pre-letting during the course of 2012, with activity focusing on schemes north of Oxford Street and in Victoria.

There was a lack of sizeable deals in 2012 partly due to large occupiers being priced out to other locations as rents in the core remain high.

We have seen rental growth in some West End sub-markets during Q4. Most significantly, prime rents in North of Oxford Street West increased by 15% in Q4 as it becomes a viable alternative to Mayfair and St James’s for larger occupiers.

The trend of residential conversion will continue in the West End which will lead to a lack of supply. This is also a factor in driving up rents.

2013 is set to be a busy year for the West End development market with circa 1.6m sq ft scheduled for delivery.

### West End take-up

- **Take-up**: 0.7m sq ft (Q4 2012) vs 0.7m sq ft (Q3 2012), 2.9m sq ft (FY 2012) vs 3.5m sq ft (FY 2011)
- **Pre-letting**: Increased activity focusing on North of Oxford Street and Victoria
- **Residential Conversion**: Continues to drive up rents

### West End identified take-up by sector

- **Professional services**: 6%
- **Property & construction**: 13%
- **Corporate**: 9%
- **Public**: 4%
- **Insurance**: 7%
- **TMT**: 21%
- **Service**: 21%
- **Banking & finance**: 19%

### West End prime rents and vacancy rate

- **Prime rents**:
  - Mayfair/St James’s: £100.00 sq ft ($1,076 sq m)
  - Victoria: £67.50 sq ft ($727 sq m)
  - Soho: £75.00 sq ft ($807 sq m)
- **Vacancy rate**: 4.1%

### Major office lettings, Q4 2012

<table>
<thead>
<tr>
<th>Property</th>
<th>Size (sq ft)</th>
<th>Rent (£/sq ft)</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>82 Baker Street W1</td>
<td>62,986</td>
<td>Confidential</td>
<td>Publicis</td>
</tr>
<tr>
<td>1a Wimpole Street W1</td>
<td>60,604</td>
<td>65.00 overall</td>
<td>Coca-Cola</td>
</tr>
<tr>
<td>95 Wigmore Street W1</td>
<td>40,003</td>
<td>77.50</td>
<td>Lane Clark &amp; Peacock LLP</td>
</tr>
<tr>
<td>50-52 George Street W1</td>
<td>32,200</td>
<td>Confidential</td>
<td>Colliers International</td>
</tr>
<tr>
<td>10 Portman Square W1</td>
<td>25,000</td>
<td>90.00</td>
<td>Saudi Aramco</td>
</tr>
</tbody>
</table>

### Contacts

- Nick Rock
  - Letting and Sales
  - 020 7338 4485
  - nick.rock@bnpparibas.com
- Justin James
  - Investment Agency
  - 020 7338 4228
  - justin.james@bnpparibas.com
- Colin Mumford
  - Lease Advisory
  - 020 7338 4279
  - colin.mumford@bnpparibas.com
• The City market ended with a strong final quarter with a total of 1.45m transacted, bringing the full year take-up level to 4.6m sq ft, an increase of 7% on 2011.
• TMT and insurance occupiers have dominated demand in the City market in 2012, with Q4 continuing to witness significant activity within the insurance sector. This will be an active sector again in 2013 but will not be as strong as 2012.
• Financial sector demand remains weak and jobs continue to be lost – we are unlikely to see take-up improve in the medium term.
• Activity from the legal sector should pick up during the course of 2013 as mergers between mid-tier firms are likely to increase letting activity.
• We have started to see some surplus space being released back to the market from larger financial institutions and lawyers, which may cause availability to experience a short term uplift.
• Prime rents have not moved in the City core during the course of 2012 but in City fringe rents have gone up due to strong letting activity from the TMT sector. Core rental values are likely to remain flat in 2013 and start to increase in 2014.

Market statistics (E1, EC1, EC2, EC3, EC4)

<table>
<thead>
<tr>
<th>Demand &amp; supply</th>
<th>Sq ft (000s)</th>
<th>Sq m (000s)</th>
<th>Change Q-on-Q</th>
<th>Change Y-on-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take-up</td>
<td>1,453</td>
<td>135</td>
<td>51% ▲</td>
<td>29% ▲</td>
</tr>
<tr>
<td>Availability</td>
<td>7,583</td>
<td>704</td>
<td>-5% ▼</td>
<td>-8% ▼</td>
</tr>
<tr>
<td>Vacancy % of stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>8.5%</td>
<td>-50bp ▼</td>
<td>-70bp ▼</td>
<td></td>
</tr>
<tr>
<td>Prime rents</td>
<td>£/sq ft</td>
<td>£/sq m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-towers</td>
<td>54.50</td>
<td>587</td>
<td>0% ▲</td>
<td>0% ▲</td>
</tr>
<tr>
<td>Towers</td>
<td>65.00</td>
<td>700</td>
<td>0% ▲</td>
<td>4% ▲</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Major office lettings, Q4 2012

<table>
<thead>
<tr>
<th>Property</th>
<th>Size (sq ft)</th>
<th>Rent (£/sq ft)</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>The St Botolph Building EC3</td>
<td>276,320</td>
<td>45.00</td>
<td>JLT Insurance</td>
</tr>
<tr>
<td>125 London Wall EC2</td>
<td>127,110</td>
<td>45.00</td>
<td>Nabarro LLP</td>
</tr>
<tr>
<td>70 Mark Lane EC3</td>
<td>84,000</td>
<td>55.00</td>
<td>Miller Insurance Services</td>
</tr>
<tr>
<td>The Walbrook Building EC4</td>
<td>61,000</td>
<td>Circa 55.00</td>
<td>Arthur J Gallagher</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

CONTACTS

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The fourth quarter has seen below average take-up in Midtown, with only 219,000 sq ft let. For the year as a whole, 2012 saw take-up fall significantly to 1.05m sq ft, down 32% on 2011.

The restricted development pipeline combined with low vacancy rate of grade A space will support modest rental growth over the next two years.

Two medium sized schemes have reached completion in Q4, which are Hines' 62,000 sq ft 280 High Holborn and Legal & General’s 58,000 sq ft 6 Agar Street.

Stanhope is to begin speculatively developing its 90,000 sq ft office refurbishment of One Mabledon Place at King’s Cross, with completion scheduled in 2014.

Major office lettings, Q4 2012

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<th>Size (sq ft)</th>
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<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Castlewood House</td>
<td>45,633</td>
<td>45.00*</td>
<td>LinkedIn</td>
</tr>
<tr>
<td>Chancery House</td>
<td>17,342</td>
<td>30.00</td>
<td>CRU International</td>
</tr>
<tr>
<td>Victoria House</td>
<td>13,487</td>
<td>35.00*</td>
<td>WH Smith</td>
</tr>
<tr>
<td>Alexandra House</td>
<td>11,476</td>
<td>45.74</td>
<td>Cannes Lions</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

*Asking rent

Docklands take-up and vacancy rate

Leasing activity totalled just 90,000 sq ft, down 50% on the previous quarter. Annual take-up has decreased by 24% from 0.67m sq ft in 2011 to 0.51m sq ft.

There has been a lack of occupier demand in the Docklands office market over the last 12 months, particularly from the financial sector.

The largest available space is at 30 North Colonnade, comprising 205,300 sq ft across eight floors. There remains a large amount of grey space off market in Canary Wharf.

Prime rents in both Canary Wharf and the wider Docklands remained unchanged in Q4 due to a lack of transactional evidence. Going forward, we are unlikely to see any rental growth in Canary Wharf until 2015.

Major office lettings, Q4 2012

<table>
<thead>
<tr>
<th>Property</th>
<th>Size (sq ft)</th>
<th>Rent (£/sq ft)</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Westferry Circus E14</td>
<td>22,500</td>
<td>32.50*</td>
<td>Clearstream Banking</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

*Asking rent