CENTRAL LONDON RESEARCH: OFFICE TENANTS SEEKING TO SUB-LET ACCOUNT FOR LESS THAN ONE QUARTER OF AVAILABLE SPACE

- Office take-up rises 5% year-on-year to more than 3m sq ft led by banking and finance and Media Tech sectors
- More than £3bn of office investment recorded – 24% above the long-term Q1 quarterly average

Office tenants seeking to sub-let excess space account for less than one quarter of the 10.3m sq ft available in Central London, BNP Paribas Real Estate research has revealed.

With 76% of vacant space available directly from landlords, the leading property adviser said that occupiers’ apparent unwillingness to take on too much risk should minimise the chance of a supply-side shock should a large amount of office space come become available.

Dan Bayley, Head of Central London Office Agency at BNP Paribas Real Estate, said: “Previous cycles have seen large corporate occupiers take more space than needed and subsequently sublease it back. This does not seem to be the case this cycle, as occupiers appear to be uncomfortable taking on too much risk. This should minimise the chance of any supply-side shocks resulting from a large increase of stock entering the market.”

BNP Paribas Real Estate research, found the Central London office market performed “encouragingly well” in the first quarter of the year. Take-up totalled 3.06m, in line with the long-term average and representing a year-on-year increase of 5.7%.

Significant leasing deals were seen in the banking and finance sector, with Investec taking 150,000 sq ft of space at 30 Gresham Street, EC2, and Jefferies committing to 118,092 sq ft of space at 100 Bishopsgate, EC3.

While the banking and finance sector dominated take-up levels in the City, Media Tech occupiers accounted for the majority of take-up in the Docklands, with Thomson Reuters subleasing 350,000 sq ft of space at 5 Canada Square, EC14, from Credit Suisse. The first
quarter of the year also saw Media Tech companies dominating take-up in other sub-markets, accounting for 37% of total space in Midtown and 20% of total space in the West End.

The research also found that occupiers' search for value was becoming increasingly difficult due to an acute shortage of space across the capital, particularly within the relatively cheaper 'grade-B' sector, which accounts for 5% of total supply, around 520,000 sq ft, down from 10% in the first quarter of 2015.

Investment volumes reached £3.14bn in the first quarter, an increase of 24% on the long-term Q1 average, with 62% deployed by overseas investors. London’s growth story continued to attract investment, with prime West End rents rising from £135 to £137.50 per sq ft and City rents increasing to £69 per sq, from £67.50, compared with the final quarter of last year.

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BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 20 by its Alliance network, which represents more than 3,200 people).

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