The Headlines

ONE  FinTech, the new leading Media Tech sub-sector?

The City and Docklands is already seeing the benefit of demand from this sector. According to EY’s FinTech report, the UK is the leading FinTech global capital valued at over £20bn and employing 61,000 people. With the UK government’s pledge of support, London’s availability of talent and the inevitable evolution of financial firm’s processes and customer requirements to improve services will see this sector continue to grow.

TWO  76% of space landlord controlled

Previous cycles have seen large corporate occupiers take more space than needed and subsequently subleasing it back. This does not seem to be the case this cycle, as occupiers appear to be uncomfortable taking on too much risk. Indeed 76% of available space in Central London is currently landlord space. This should minimise the chance of any supply shocks resulting from a large increase of stock entering the market.

THREE  Grade B demand

Occupiers search for value is becoming increasingly difficult due to an acute shortage of space across the capital and in particular within the relatively cheaper Grade B sector. Currently Grade B space accounts for just 5% of total supply, down from 10% in Q1 2015. This demand presents an opportunity for some investors to take advantage of reducing capital expenditure on refurbishment projects to attract price-sensitive occupiers, on which there is strong rental growth on offer.

Overview

Against a backdrop of increased political and economic uncertainty, the first quarter of 2016 has performed encouragingly well.

Leasing activity across Central London reached 3.06m sq ft, ahead of the same period last year. Take-up was buoyed by Thompson Reuters sublease of 350,000 sq ft from Credit Suisse at 5 Canada Square.

Credit Suisse’s option to sublease space and HSBC moving some of its functions out of the capital suggest some banks are re-evaluating their London footprint. However, evidence over the past 12 months suggests the banking sector is still committing to large amounts of space in the capital, with Deutsche’s acquisitions in Victoria and Canary Wharf, RBC and Jefferies at 100 Bishopsgate and Investec taking 150,000 sq ft at 30 Gresham Street.

Meanwhile investment levels reached £3.14bn, 24% ahead of long term average Q1 investment volume. Undeterred by the uncertainty surrounding events in June, overseas investors continue to deploy large sums of capital in London accounting to 62% of total investment.

London’s rental growth story continues to attract investment. Our prime Q1 rent in the West End and City grew to £137.50/sq ft and £69.00/sq ft, respectively (up from £135.00/ sq ft and £67.50/ sq ft in Q4).

Q1 Stats... At a Glance

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total supply</td>
<td>10.33m sq ft</td>
<td>▲ 8% on Q4 2015</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>4.72%</td>
<td>▲ 4.33% in Q4 2015</td>
</tr>
<tr>
<td>Take-up</td>
<td>3.06m sq ft</td>
<td>▼ -5% on Q4 2015</td>
</tr>
<tr>
<td>Investment</td>
<td>£3.14bn</td>
<td>▲ 24% on LT ave</td>
</tr>
</tbody>
</table>
The West End prime yield has remained at 3.25% for the year.

£1.02bn of investment turnover was recorded in Q1 16.

In total 1.83m sq ft of developments are due to be delivered this year. Can the West End cater for this demand? Q1 saw 0.43m sq ft of much needed developments enter the supply figures, of which Verde and Nova North provided the biggest boost. The addition of the Whitechapel Building and The White Collar Factory to the supply figures, both of which are due for completion within six months, resulted in a marginal rise in the vacancy rate to 3.94%, marginally up from 3.81%

In total 1.83m sq ft of developments are due to be delivered in 2016, 78% ahead of the long term average of 1.03m sq ft. This should help ease the undersupply currently being felt across the West End however such is the demand for stock that 20% of space is already pre-let.

£1.02bn of investment turnover was recorded in Q1 16, 61% ahead of the long term average of £313m.. This has resulted in the Serviced Office sector accounting for 21% of Q1 take-up. Other deals by this sector include 2 Offices at 33 Cavendish Square, W1 and London Executive Offices at 21 Gloucester Place, W1.

Can the West End cater for this demand? Q1 saw 0.43m sq ft of much needed developments enter the supply figures, of which Verde and Nova North provided the biggest boost. The addition of the Whitechapel Building and The White Collar Factory to the supply figures, both of which are due for completion within six months, resulted in a marginal rise in the vacancy rate to 3.94%, marginally up from 3.81%

The Media Tech sector has also been active this quarter with 20% share of the total. The Media Tech sector is set to remain as the principal driver of the market in the coming months as the demand for space continues. Other deals by this sector include 2 Eastbourne Terrace, who took 108,576 sq ft of Rio Tinto’s Executive Offices at 21 Gloucester Place, W1.

Following the trend seen across the UK, investment volumes were slightly more subdued in the City reaching £313m. With investment volumes set to be below trend this year may sound to some that an oversupply is in the pipeline. However, on closer inspection it becomes evident that 1.46m sq ft is already pre-let (39%), meaning that only 1.44m sq ft is available. The largest fully available development is 295,685 sq ft at One Angel Court, EC2 which completes in Q4.

Prime rental growth in the City continues to outperform wider Central London with the City Fringe being the star performer. We estimate rents in the ‘Techbelt’ have reached £62.50/sq ft, reflecting quarterly rental growth of 4.2%. The Bowes, EC1, The White Collar Factory, EC1 and The Steward Building, E1 all continue to push the rental tone with rents achieving in the low to high £60’s.

The West End prime yield has remained at 3.25% for the last nine months. Global economic worries and uncertainty closer to home has seen pricing soften to a degree. Indeed, achieved yields of 3.50% at 14 St George Street, W1 and 1 Pall Mall East underpin this view.

The City performed strongly in Q3 reaching 1.45m sq ft of take-up on par with levels achieved in Q4 15 and 3% ahead of the long term average.

The Banking & Finance sector dominated take-up levels, despite recent worries regarding the health of the financial industry. Investors took 130,000 sq ft at 100 Bishopsgate, EC2 and Rathbone Brothers took 74,110 sq ft at 8 Finsbury Circus, EC2.

The addition of the Whitechapel Building and The White Collar Factory to the supply figures, both of which are due for completion within six months, resulted in a marginal rise in the vacancy rate to 5.01% (4.52% in Q4 15).

The completion of 3.68m sq ft of development completions this year may sound to some that an oversupply is in the pipeline. However, on closer inspection it becomes evident that 1.44m sq ft is already pre-let (39%), meaning that only 1.46m sq ft is available. The largest fully available development is 295,685 sq ft at One Angel Court, EC2 which completes in Q4.

Prime rental growth in the City continues to outperform wider Central London with the City Fringe being the star performer. We estimate rents in the ‘Techbelt’ have reached £62.50/sq ft, reflecting quarterly rental growth of 4.2%. The Bowes, EC1, The White Collar Factory, EC1 and The Steward Building, E1 all continue to push the rental tone with rents achieving in the low to high £60’s.

Following the trend seen across the UK, investment volumes were slightly more subdued in the City reaching £1.05bn. With investment volumes set to be below trend in Q2, we anticipate a significant pick-up in activity by Q3.

Overseas investors accounted for 61% of capital deployed, with Asia Pacific investors taking the largest share investing £313m.

With no significant impact to pricing our prime yields remain at 4.00%
Major leasing deals

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>SQ FT</th>
<th>TENANT</th>
<th>RENT EP SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Canada Square, E14</td>
<td>350,000</td>
<td>Thomson Reuters</td>
<td>€40.00</td>
</tr>
<tr>
<td>30 Gresham Street, EC2</td>
<td>1150,000</td>
<td>Investec</td>
<td>€61.00</td>
</tr>
<tr>
<td>87 Kings Cross Central, N1C</td>
<td>127,094</td>
<td>New Look</td>
<td>€77.00</td>
</tr>
<tr>
<td>100 Bishopsgate, EC2</td>
<td>118,092</td>
<td>Jefferies</td>
<td>Confidential</td>
</tr>
<tr>
<td>2 Eastbourne Terrace, W2</td>
<td>108,576</td>
<td>Wework</td>
<td>£55.00</td>
</tr>
</tbody>
</table>

Major investment deals

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>CAPITAL VALUE £M</th>
<th>PURCHASER</th>
<th>YIELD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kings Cross Central, N1</td>
<td>371.00</td>
<td>Australian Super</td>
<td>NQ</td>
</tr>
<tr>
<td>Thomas More Square, E1</td>
<td>297.50</td>
<td>Resolution Fosun</td>
<td>5.86%</td>
</tr>
<tr>
<td>33 Margaret Street, W1</td>
<td>216.25</td>
<td>Oeka</td>
<td>3.30%</td>
</tr>
<tr>
<td>Holborn Gate, 330 High Holborn, WC1</td>
<td>138.00</td>
<td>Westmount Real Estate</td>
<td>4.92%</td>
</tr>
<tr>
<td>74-77 Welbeck Street, W1</td>
<td>130.00</td>
<td>Shiva Hotels</td>
<td>NQ</td>
</tr>
</tbody>
</table>

Data

<table>
<thead>
<tr>
<th>CENTRAL LONDON</th>
<th>WEST END</th>
<th>CITY</th>
<th>DOCKLANDS</th>
<th>MIDTOWN</th>
<th>SOUTHBANK</th>
<th>N1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take-Up (m sq ft)</td>
<td>3.06</td>
<td>0.72</td>
<td>1.45</td>
<td>0.38</td>
<td>0.16</td>
<td>0.17</td>
</tr>
<tr>
<td>Change Q-on-Q</td>
<td>-4.75%</td>
<td>-6.77%</td>
<td>-0.70%</td>
<td>38.64%</td>
<td>-29.65%</td>
<td>-40.61%</td>
</tr>
<tr>
<td>Change Y-on-Y</td>
<td>5.75%</td>
<td>7.00%</td>
<td>-12.49%</td>
<td>218.97%</td>
<td>-29.82%</td>
<td>9.24%</td>
</tr>
<tr>
<td>Availability (m sq ft)</td>
<td>10.33</td>
<td>2.65</td>
<td>4.41</td>
<td>0.96</td>
<td>1.97</td>
<td>0.63</td>
</tr>
<tr>
<td>Change Q-on-Q</td>
<td>8.35%</td>
<td>3.63%</td>
<td>10.21%</td>
<td>21.25%</td>
<td>50.49%</td>
<td>-15.58%</td>
</tr>
<tr>
<td>Change Y-on-Y</td>
<td>13.13%</td>
<td>9.86%</td>
<td>-17.16%</td>
<td>-44.38%</td>
<td>14.93%</td>
<td>-31.44%</td>
</tr>
<tr>
<td>Vacancy Rate (%)</td>
<td>4.72</td>
<td>3.94</td>
<td>5.01</td>
<td>5.03</td>
<td>6.84</td>
<td>3.47</td>
</tr>
<tr>
<td>Change Q-on-Q (bps)</td>
<td>39</td>
<td>13</td>
<td>48</td>
<td>88</td>
<td>217</td>
<td>-32</td>
</tr>
<tr>
<td>Change Y-on-Y (bps)</td>
<td>-68</td>
<td>12</td>
<td>-97</td>
<td>-401</td>
<td>85</td>
<td>-121</td>
</tr>
</tbody>
</table>
CENTRAL LONDON OFFICE & RETAIL MARKET - Q1 2016

**CENTRAL LONDON OFFICE & RETAIL MARKET - Q1 2016**

**OCCUPIER MARKET**

Shifting vacancy levels across the primary West End submarkets in Q1 2016, were predominantly due to the addition of new units and space being freed up for tenant mix strategies. The largest increase was witnessed within Knightsbridge, which saw vacancy increase to 6.3%, partially as a result of the redevelopment of 127-135 Sloane Street.

Record rental levels were achieved in two of our West End submarkets in Q1 2016. Top rents within Covent Garden now stand at £700 psf ZA following a letting to Levi’s at 119 Long Acre, the former Ben Sherman unit.

Bond Street achieved a significant uptick in rents in Q1 with Nirav Modi taking possession of 31 Old Bond Street in January. The Indian jeweller took a 15 year lease paying a rent of £1,750 psf ZA.

There were several exciting developments on Oxford Street during the first quarter. After a year of redevelopment, Uniqlo reopened their 311 Oxford Street flagship store. Next announced plans to occupy the entire Plaza Shopping Centre, which is currently home to 20 units. The new store will be 73,000 sq ft and have a 50m frontage onto Oxford Street.

**INVESTMENT MARKET**

Central London retail investment mirrored the majority of the commercial real estate investment market and endured a slow start to 2016. £376m was invested in the first quarter, a 13% decline on the same period in 2015. In addition, this total was also 19% under the 3 year average quarterly volume.

An overwhelming amount of the total volume invested within Q1 came from foreign buyers. 87.8% of the total capital employed in the quarter came from overseas investors, significantly above the total contribution of 66% in 2015.

The largest deal of the quarter was Cicerone Holding’s purchase of 203-206 Piccadilly for £92m from Meyer Bergman. The purchase price reflected an initial yield of 3.2%. The 63,000 sq ft unit is fully let to Waterstones and is its UK flagship.

Following on from their recent struggles, BHS have sold 252-258 Oxford Street to Oxford & City Holdings for £55m. The unit will now be split with Polish high street fashion retailer Reserved has signed a pre let for 106,000 sq ft. It has been reported that Ikea are in discussions to take the remainder of the building.

US based investment firm Thor Equities purchased 1 Dover Street from Korean Hanjin Shipping for £47.2m in Q1. The 23,300 building, located opposite the Ritz Hotel, is home to the nightclub Mahiki.

**Major investment deals**

**Investment Volumes**

**CONTACTS**

**LEASING**

Daniel Bayley  
Head of City leasing  
daniel.bayley@bnpparibas.com  
+44 (0) 207 338 4444

David Herzog  
Head of West End leasing  
david.herzog@bnpparibas.com  
+44 (0) 207 338 4292

Rob Hargreaves  
Director - West End retail leasing  
rob.hargreaves@bnpparibas.com  
+44 (0) 207 338 4490

**INVESTMENT**

Richard Garside  
Head of City investment  
richard.garside@bnpparibas.com  
+44 (0) 207 338 4034

Steven Skinner  
Head of West End investment  
steven.skinner@bnpparibas.com  
+44 (0) 207 338 4229

**RESEARCH**

Alistair Kemp  
Director  
alistair.kemp@bnpparibas.com  
+44 (0) 207 338 4348

Kuldeep Gadhary  
Associate Director  
kuldeep.gadhary@bnpparibas.com  
+44 (0) 207 338 4844

Nick Robinson  
Associate Director  
nick.robinson@bnpparibas.com  
+44 (0) 207 338 1016

Taffy Harries  
Data Analyst  
taffy.harries@bnpparibas.com  
+44 (0) 207 338 4000

---

**Central London retail investment mirrored the majority of the commercial real estate investment market and endured a slow start to 2016. £376m was invested in the first quarter, a 13% decline on the same period in 2015. In addition, this total was also 19% under the 3 year average quarterly volume.**

**An overwhelming amount of the total volume invested within Q1 came from foreign buyers. 87.8% of the total capital employed in the quarter came from overseas investors, significantly above the total contribution of 66% in 2015.**

---

**The largest deal of the quarter was Cicerone Holding’s purchase of 203-206 Piccadilly for £92m from Meyer Bergman. The purchase price reflected an initial yield of 3.2%. The 63,000 sq ft unit is fully let to Waterstones and is its UK flagship.**

---

**Following on from their recent struggles, BHS have sold 252-258 Oxford Street to Oxford & City Holdings for £55m. The unit will now be split with Polish high street fashion retailer Reserved has signed a pre let for 106,000 sq ft. It has been reported that Ikea are in discussions to take the remainder of the building.**

---

**US based investment firm Thor Equities purchased 1 Dover Street from Korean Hanjin Shipping for £47.2m in Q1. The 23,300 building, located opposite the Ritz Hotel, is home to the nightclub Mahiki.**

---

**Major investment deals**

**Investment Volumes**

---

**CONTACTS**

**LEASING**

Daniel Bayley  
Head of City leasing  
daniel.bayley@bnpparibas.com  
+44 (0) 207 338 4444

David Herzog  
Head of West End leasing  
david.herzog@bnpparibas.com  
+44 (0) 207 338 4292

Rob Hargreaves  
Director - West End retail leasing  
rob.hargreaves@bnpparibas.com  
+44 (0) 207 338 4490

**INVESTMENT**

Richard Garside  
Head of City investment  
richard.garside@bnpparibas.com  
+44 (0) 207 338 4034

Steven Skinner  
Head of West End investment  
steven.skinner@bnpparibas.com  
+44 (0) 207 338 4229

**RESEARCH**

Alistair Kemp  
Director  
alistair.kemp@bnpparibas.com  
+44 (0) 207 338 4348

Kuldeep Gadhary  
Associate Director  
kuldeep.gadhary@bnpparibas.com  
+44 (0) 207 338 4844

Nick Robinson  
Associate Director  
nick.robinson@bnpparibas.com  
+44 (0) 207 338 1016

Taffy Harries  
Data Analyst  
taffy.harries@bnpparibas.com  
+44 (0) 207 338 4000
6 BUSINESS LINES in Europe
A 360° vision

Main locations

EUROPE

FRANCE
Headquarters
167, Quai de la Bataille de Stalingrad
92867 Issy-les-Moulineaux
Tel.: +33 1 55 65 20 04

BELGIUM
Boulevard Louis Schmidaan 2 B3
1040 Brussels
Tel.: +32 2 290 59 59

CZECH REPUBLIC
Pobřežní 620/3
186 00 Prague 8
Tel.: +420 224 835 000

GERMANY
Goetheplatz 4
60311 Frankfurt
Tel.: +49 69 2 98 99 0

HUNGARY
Alkotás u. 53.
H-1123 Budapest
Tel.: +36 1 487 5501

IRELAND
20 Merrion Road,
Ballsbridge, Dublin 4
Tel.: +353 1 66 11 233

ITALY
Via Carlo Bo, 11
20143 Milan
Tel.: +39 02 58 33 141

NETHERLANDS
Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

POLAND
Al. Jana Pawła II 25
Atrium Tower
00-854 Warsaw
Tel.: +48 22 853 44 00

ROMANIA
Batin Antonache Street nº40-44
Bucharest 011865
Tel.: +40 21 312 7000

SPAIN
C/ Génova 17
28004 Madrid
Tel.: +34 91 454 96 00

UNITED KINGDOM
5 Aldermanbury Square
London EC2V 7BP
Tel.: +44 20 7398 4000

MIDDLE EAST / ASIA

ABU DHABI
Haazaa Bin Zayed Street
Area 19/02 plot nº186
P.O. Box 2742 Abu Dhabi
Tel.: +971 4 44 248 277

DUBAI
Emaar Square
Building nº 1, 7th Floor
P.O. Box 7223, Dubai
Tel.: +971 44 248 277

HONG KONG
25 /F Three Exchange Square,
8 Connaught Place, Central,
Hong Kong
Tel.: +852 2909 2806

Alliances

ALGERIA *
AUSTRIA
CYPRUS
ESTONIA
FINLAND
GREECE
HUNGARY **
IVORY COAST *
LATVIA
LITHUANIA
MOROCCO
NORTHERN IRELAND
NORWAY
RUSSIA
SERBIA
SWEDEN
SWITZERLAND
TUNISIA *
TURKEY
UKRAINE
USA

Contacts

Alliances
Florence Hesse
Tel.: +33 (0)1 47 59 17 38
florence.hesse@bnpparibas.com

Research
Christophe Pineau
Tel.: +33 (0)1 47 59 34 77
christophe.pineau@bnpparibas.com

www.realestate.bnpparibas.com