MEDIA TECH AND BANKING OCCUPIERS CHOOSE LONDON AS OFFICE TAKE-UP RISES 40% TO 2.80M SQ FT IN Q3 2016

- BNPPRE’s Office and Retail Market Update finds West End retail investment rise to £748m in Q3, 93% of which came from overseas buyers,
- Bond Street sees record rent of £2,225 per sq ft ZA, agreed by Polo Ralph Lauren at 1-5 New Bond Street,
- City sets new quarterly record for pre-lets, with 12 deals totalling 500,000 sq ft.

The take-up of central London office space reached 2.80m sq ft in Q3 2016, an increase of 40% on Q2, with several key deals demonstrating occupier confidence in London’s future as a centre of banking and Media Tech, the latest research from BNP Paribas Real Estate has found.

The largest deal of the month was Apple’s widely-reported leasing of 500,000 sq ft space at Battersea Power Station. Other key Media Tech deals included Amazon’s leasing of 87,056 sq ft at Principal Place, EC2, and Exterion Media’s leasing of 22,754 sq ft at Lacon London, WC1.

The City saw the most leasing activity of all London submarkets, with Q3 take-up reaching 1.17m sq ft, an increase of 31% on the previous quarter. Twelve pre-let deals accounted for 500,000 sq ft of total space, representing the highest number of pre-lets recorded in a single quarter. The most significant City deal was the 227,689 sq ft of space taken by Wells Fargo as owner occupier following its £275m acquisition of 33 King William Street, EC4.

Across Central London, vacancy fell to 11.59m sq ft, representing 5.38% of total office stock.

Office investment totalled £2.54bn in Q3 2016, with muted activity driven by continued uncertainty in the market, as well as low levels of supply and the annual lull seen in activity over the summer period. However, Q4 is expected to see a number of key sales complete in the City, including Cannon Place, EC4 and 30 Crown Place, EC2.

Richard Garside, Head of City Investment at BNP Paribas Real Estate said: “Moving forward there is still considerable capital circling property assets, and this at a time when UK property, to any overseas investor, offers a significant discount in exchange rate terms alone. Couple this with the fact that yields from government bonds have hit all-time lows and this means the value of the income from property assets, collected from good-quality tenants, looks all the more valuable.”
The fall in the value of the pound was likely to have been a key factor in the strong investment activity seen in West end retail in Q3, with volumes totalling £748m, 93% of which came from foreign investors. This represents an increase of 35% on Q2 figures and sits 58% above the long-term average. Key deals included Stefan Persson’s £400m purchase of 334-338 Oxford Street, W1 from British Land and the purchase of 48-50 New Bond Street by Oxford Properties and Richemont Holdings from Aberdeen Asset Management at a price of £198m.

Strong leasing activity was seen in the central London retail market in Q3 and we expect this to continue into Q4. Bond Street consolidated its position as a key location for global luxury retailers with a record rent of £2,225/ sq ft ZA agreed by Polo Ralph Lauren at 1-5 New Bond Street, following a rent review.

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BNP Paribas Real Estate, one of the leading international real estate providers, offers 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 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network).

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