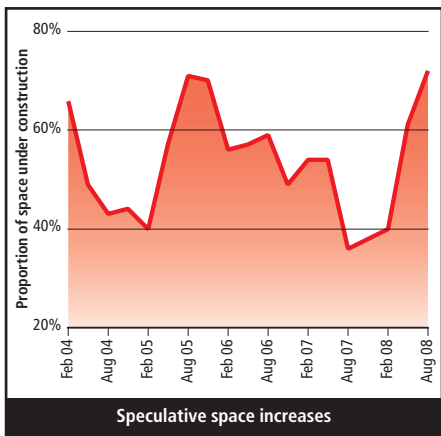
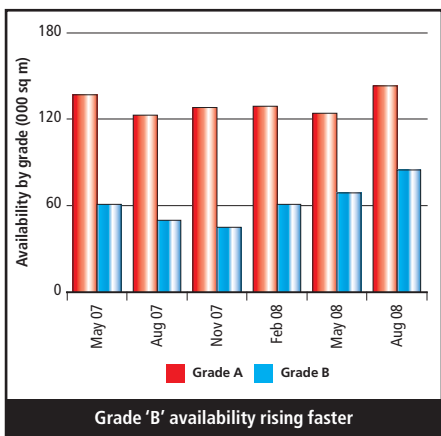


West End office update

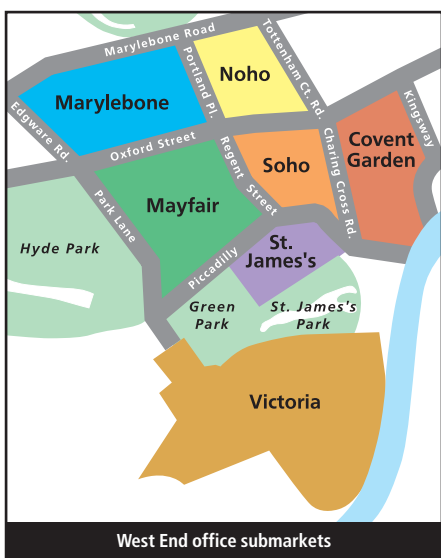
September 2008



Speculative space increases



Grade 'B' availability rising faster



West End office submarkets

Comment The market has weakened further during the last quarter, take-up has slowed, availability is up (although still low) and rents are falling.

Take-up over the last year was around 75% of the previous year. With rents trending down, and business uncertainty for many corporates over the summer, the impetus to commit to new space has wavered.

Availability in the West End increased again during the quarter. Much of the space on the market is 'grey' space – where tenants are seeking to cut costs by sub-letting. This generally poorer-quality space has helped push Grade B availability up by 71% over the last year, compared with a rise of 16% in Grade A space available

Completions are set to stay around 30,000 sq m per quarter over the next year. Over 70% of space under construction is speculative, the highest proportion for at least five years.

Investment activity fell further during the quarter, making it the slowest for more than three years. Whilst overseas investors are buying in the core, there is little other interest unless property is at a discount, particularly in the case of portfolios. Yields across the West End moved out by 0-25bps during the quarter, although the prime yield remained at 5.25%.

- The prime headline West End rent eased to £110 per sq ft (£1,184 per sq m) in Mayfair and St James's during the quarter.
- Take-up edged up to 54,000 sq m from 47,000 sq m in the previous quarter, but the trend remains downwards.
- West End availability increased to 228,000 sq m, 30% higher than a year ago.
- The vacancy rate increased this quarter to 4.0% of stock.
- Completions totalled 32,000 sq m. Space under construction remained high at 220,000 sq m. Of this space, 72% (158,000 sq m) is speculative.
- Space with planning permission fell by 18,000 sq m to 217,500 sq m.
- The volume of transactions fell to £447m during the quarter.

