

fm market update Q4 4th QUARTER 2015

Welcome to the fourth update of 2015, giving you an up-to-date view of the office, investment & development market in the west of the West End and providing an insight into prevailing trends in this sector.

Headline office rents reached £55 per sq ft in Hammersmith with the letting of 8,500 sq ft at Helical Bar's One King Street at the end of 2015. Victoria Beckham is close to taking 39,000 sq ft at White City Place where the quoting rent is £47.50 per sq ft. Best rents in Fulham continue to rise to £50 and £52.50 in Chiswick Park where Danone have taken approximately 40,000 sq ft. There were no substantial lettings in Kensington or Notting Hill as supply remains

very limited in the Royal Borough with just 1.7% vacancy. Morgan Stanley took advantage of this lack of supply in Q4 by purchasing a 42.5% equity stake in Frogmore's Notting Hill Gate Estate that is due to be redeveloped. Rockspring have exchanged contracts on the 110,000 sq ft Metro Building in central Hammersmith next to the flyover, from M&G Real Estate for £62m (£560 per sq ft) which represents 5.9% yield.

Q4 Headlines

PADDINGTON PLACE TOWER PLANS FOR WEST LONDON'S TALLEST BUILDING SUBMITTED



Developer of the Shard, Irvine Sellar, has submitted plans for what would be the tallest tower in the west of London at 833 ft and 31 floors. Designed by Shard architect Renzo Piano it has already been dubbed the Paddington Pole. Located on London Street adjacent to the pedestrian ramp into

Paddington Station from Praed Street, the developer says the connectivity to the Circle/District and Bakerloo Line platforms will be enhanced. Within the proposed new mixed residential, office and retail scheme there will be over 100,000 sq ft of office space and 50,000 sq ft of retail and leisure space.



VICTORIA BECKHAM - THE FIRST NEW TENANT AT WHITE CITY PLACE

Victoria Beckham's fashion business is expanding from its small office in Ransome's Dock near Albert Bridge, Battersea and is under offer on the 39,000 sq ft Garden Building at White City Place W12. The re-branded development is the former BBC Media Village north of the original BBC TV Centre. Both are now being refurbished and developed by Stanhope following the BBC's exit from the majority of the buildings to other locations such as Manchester. The quoting rent at White City Place is £47.50 per sq ft.

ONE KING STREET W6 - LANDMARK RENT

Orion Health, a medical software provider, has moved from Paddington to Helical Bar's One King Street taking 8,500 sq ft on the 4th and 5th floors opposite Hammersmith Broadway station. The rent rises to £55 per sq ft for the newly built 5th floor. Shaun Wolfe director at Frost Meadowcroft was quoted by Costar, the commercial news service, that "this letting is significant as it is the largest open market deal in Hammersmith in 2015 whilst also setting a new best rent for the area."



annual review

west of west end

2015

OFFICE LETTINGS

Office demand began strongly at the beginning of the year with increasing take up further reducing supply. There was a record low in Q1 of just 1.5% vacant availability in Hammersmith & Fulham.

Office demand remained good throughout 2015 despite the effects of the Chinese slowdown and oil price slump. Supply in Hammersmith & Fulham was boosted to 3.85% as Stanhope prepared the former BBC Buildings at White City Place for the market in 2016 and 2017. Chiswick office supply increased to 14.38% due to the speculative construction of the huge 334,000 sq ft Building 7 at Chiswick Park but in Kensington & Chelsea vacancy remained at an historic low of 1.72%.



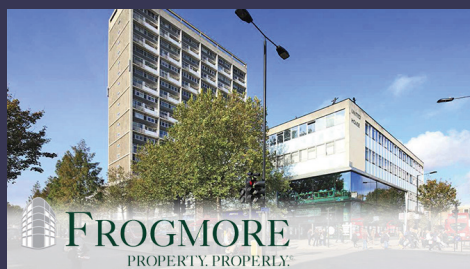
Companies moving to the 'West of the West End' include:

- **SHINE TV**, took 8,000 sq ft in their relocation to Shepherds Studios in Rockley Road, Shepherds Bush
- **TEMPERLEY**, most famous for bridal wear, joined a growing number of fashion occupiers in Notting Dale, W11 taking 6,000 sq ft in Phoenix Brewery
- **CHARLOTTE TILBURY**, makeup artist, leased 5,271 sq ft in a converted 3 floor former school building at 50 Brook Green, Hammersmith
- **VICTORIA BECKHAM**, under offer on a former BBC Building in White City called the Garden Building
- **FORMER TOP GEAR PRESENTERS**, moved to Power Road Studios in Chiswick at a record rent of £38 per sq ft for this scheme
- **DANONE** have taken 40,000 sq ft at Chiswick Park
- **ORION HEALTH**, a medical software company, took the new 8,500 sq ft top floors of One King Street

TRANSACTIONS

Investment values also increased as continuing low interest rates and the lower cost of borrowing reduced yields. Grade A investment property let for 10 years reduced to a range of 3.5% to 6%. Aviva substantially increased their portfolio in Hammersmith and Fulham buying the first phase of the redevelopment of Television Centre in Wood Lane, White City, W12 for over £60m (£600 per sq ft) a net initial yield of 4%. Aviva also purchased the 12 floor, 187,405 sq ft Translation Building just north of A40 (Westway) on Imperial's new campus in White City for £150m (£800 per sq ft) a yield of 3.5% for the 25 year lease.

GEMS sold Landmark House and Thames Tower for £57m to a Malaysian developer, Eastern & Oriental, having abandoned hope of establishing a school on the 1.2 acre central Hammersmith site. British Land bought the 200,000 sq ft 1 Sheldon Square, Paddington Basin W2 for £210m (£1,050 per sq ft) & Frogmore bought Notting Hill Gate for £215m (£1,506 per sq ft) a yield of 3.22%.



UK Commercial Property Trust sold 176-206 Kensington High Street for £60m, Hermes purchased the former George Wimpy HQ, 205,000 sq ft 26-28 Hammersmith Grove for £131m (£631 per sq ft) which equates to a 4.11% yield and Schroders bought the 340,000 sq ft Kings Mall Shopping Centre and 88,000 sq ft One Lyric Square office building in the centre of Hammersmith for £153m. In Putney, SW15 the 12,823 sq ft Blades Court was bought by Berwick Hill and Henderson for £6.53m (£509 per sq ft) and in Notting Dale, W10 Mansford sold the freehold of the 31,000 sq ft Phoenix Brewery in Bramley Road, W10 to Charles

Dunstone, founder of Talk Talk for £25.3 million (£816 per sq ft) a net initial yield of 3.7%.

DEVELOPMENT

Early plans were submitted for a canal side town at Old Oak as Cargiant and their development partners London & Regional Properties unveiled plans for the future of its 46-acre site at Old Oak Common. Their plans will create around 9,000 new homes on the Old Oak Park site, the current home of Cargiant who will need to relocate. Galliard scrapped a scheme at Chiswick Roundabout to build a 50 metre high commercial building with a large electronic advertising display, dubbed the London Octopus because of its shape, in favour of a proposed residential led scheme. Work began on The Aircraft Factory office campus in Hammersmith as the former Alliance Aircraft Factory in Cambridge Grove was retrofitted in preparation for its launch in 2016.



The Government announced that Permitted Development rights, which were due to expire in May 2016, would now be made permanent. They will also be expanded to allow offices to be demolished, not just converted. In Hammersmith & Fulham, where there is no exemption, we estimate that Permitted Development will have converted 840,000 sq ft offices to residential from its inception 3 years ago. This is the equivalent of just under 8% of the Borough's entire office stock.

Residential transaction levels were lower in the first part of 2015 due to the political uncertainty of the General Election. This was alleviated after the election for sales under £1m but for transaction levels over £1m they remained low due to an apparent 'Mexican standoff' between vendors, not wishing to lower their sales prices to reflect the large stamp duty increases in December 2014, and purchasers not yet prepared to 'bite the bullet' and buy.