

Welcome to **Q1** the first update for **2023**, giving you an up-to-date view of the commercial property market in west London. Featured in this issue: Market Summary, Take-Up, Q1 Headlines, Data on fitted space lettability, For Sale Hermes £195 million portfolio and Planning & Investment in west London.

## MARKET SUMMARY

### OVERVIEW Q1

The west London office market in **Q1** of this year has been a tale of two parts, with some notable occupier deals in **Paddington** & **Kensington** at record rents contrasted against lower demand further west, in **Hammersmith** to **Chiswick**. In **Chiswick**, vacancy levels remain over **20%** compared to just **4%** in **Paddington**.

In the capital markets, several larger office investments have come to market in the last few months in west London but buyers have been cautious due to continued poor take up and with concern over falling rents resulting in some of these sales being pulled. The market continues to see a squeeze on capital values whilst interest rates increase and rental values soften.

In the occupier market, the activity is focussed at the sub **10,000 sq ft** size with few requirements above. Of the lettings being transacted, there is a clear increase in the number of deals for fitted space as opposed to the traditional non-fitted.

### KENSINGTON & CHELSEA

At **The Kensington Building W8** *EssilorLuxottica*, eye-wear manufacturer, took **22,931 sq ft** on the 2nd floor at circa **£85 per sq ft**. *Manchester United* signed a **10yr** lease for the entire top floor of **16,000 sq ft** plus a roof terrace. On the 4th floor *Ilex Capital* has taken **7,822 sq ft**. Both deals were rumoured to be around **£115 per sq ft** setting a new record for the Kensington market.

Read more in Headlines...

Martha Hunt Galvan model (right) Lily James & Sienna Miller (below)



### SHEPHERD'S BUSH

*Bright Horizons*, the nursery group, agreed a **25 yr** term on **214 -216 Goldhawk Road W12**, for the entire demise of **7,112 sq ft** at **£160,000 per annum**.

**Galvan London**, favoured by stars of the red carpet like *Lily James* & *Sienna Miller* signed a **5yr** lease at **Phoenix Brewery W10** taking **1,283 sq ft** for **£43.50 per sq ft**.

### VIRGIN MEDIA O2 TO CONSOLIDATE ITS HEADQUARTERS IN PADDINGTON



Telecoms giant *Virgin Media O2* have taken **83,000 sq ft** of office space across seven floors at **3 Sheldon Square Paddington**. With a multi-million-pound investment a new state-of-the-art UK headquarters in Paddington Central will be created which will see existing sites in both Hammersmith and Slough close by the end of 2024.

### HAMMERSMITH & FULHAM

At **Broadway Studios** it's all about style & fashion, *Romulus* agreed a **10 yr** lease on **3,948 sq ft** at **£43.50 per sq ft** to *Laura Ashley* the well known 80's fashion & interiors brand and *Mos Mosh*, fashion jeans brand, took a further **1,408 sq ft** for **5 yrs** at **£42.61 per sq ft**.

On the riverside at **Thames Wharf Studios**, an existing tenant expanded, taking ground **1,703 sq ft** at **£59.50 per sq ft** & **mezzanine 1,283 sq ft** for **£49.50 per sq ft** for **18yr**. Another occupier also grew taking an additional **2,209 sq ft** at **£59.50** for **10 yrs**.

**50 Brook Green W6** have just sold the freehold to an undisclosed *US Fund*, having gained planning for change of use from office to **33 residential units**. Sale price **£22m** or **£353 per sq ft**.

Read more in Headlines.

### CHISWICK

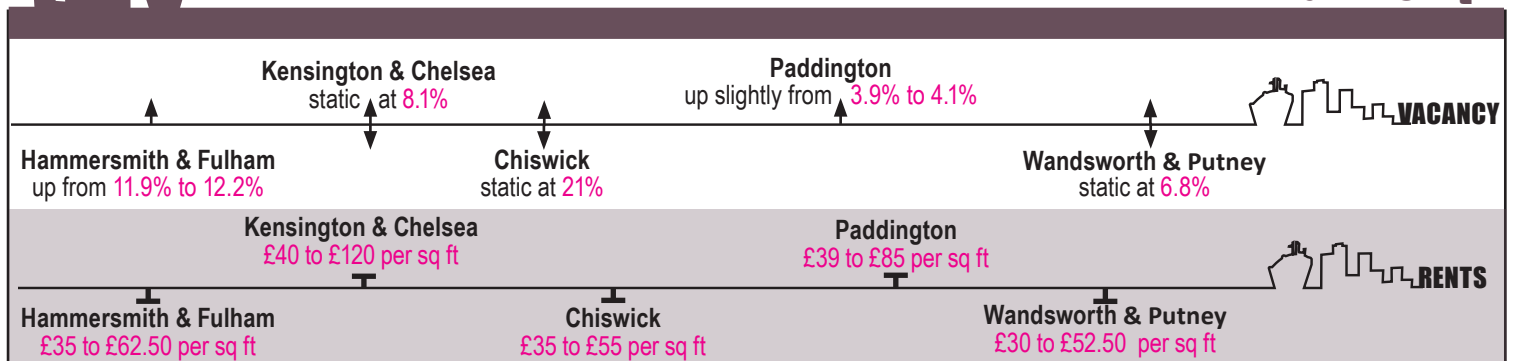
*Frost Meadowcroft* completed on **The Penrose**, Bollo Lane Chiswick. *Anytime Fitness*, the world wide gym & fitness brand took **6,440 sq ft** at **£20 per sq ft** for a 15 year term.

### PARK ROYAL

*Legal & General* sold **First Central** for **£18 million** or **£110.69 per sq ft**. The property is a **162,612 sq ft** mixed use building.

Read more in Investment & Planning...

## AT A GLANCE Q1



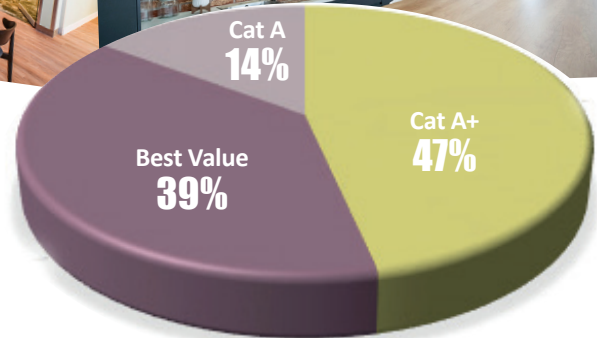


# IS FITTED SPACE MORE LETTABLE? WE DID THE NUMBERS....

**The answer is YES** In the west London office market, our deals research shows that in 2022, a total of **176 deals** were completed to office occupiers, totalling up to **538,030 sq ft**, with the average deal size circa 3,000 sq ft. With half that space being fitted, the results are interesting but for those in the industry not a surprise.

Occupiers are attracted to the ready to occupy space with flexible leases, low cap-ex and speed of moving versus the traditional fit out process.

- **Cat A+ (or fitted plug & play) – 82 deals, 47%**
- **Best Value Space (budget) – 68 deals, 39%**
- **Best in Class Cat A (clean canvas ready for tenants fit-out) – 26 deals, 14%**



## EssilorLuxottica



## ESSILOR LUXOTTICA LENS MANUFACTURER FOCUSSES ON THE KENSINGTON BUILDING FOR HQ ....

AshbyCapital let **22,931 sq ft** at **The Kensington Building W8** at around **£85 per sq ft** to **EssilorLuxottica**, the eye-wear manufacturer and designer business, owner of brands such as Ray-Ban and Oakley. The company has taken the entire second floor of the development, which completed last year and is the first new headquarters office building in Kensington in

more than **35 years**. The development comprises **94,734 sq ft** of office space and over **12,000 sq ft** of landscaped terraces, designed by **Gillespies Landscape Architects**. The building sources all its electricity from renewable sources, and re-purposing the building's existing frame reduced CO2 emissions by around 30% compared to a typical new-build office building.

## 'CLASS E' HELPS OUT SECONDARY OFFICE MARKET

**Linnaeus Veterinary** has taken an **11,650 sq ft** office building at **70 Chancellors Road** in Hammersmith for **£40 per sq ft**. The wider planning use 'class E', introduced just over 2 years ago, has opened up new opportunities

for struggling offices allowing uses such as medical and children's nursery which would have otherwise required full planning permission. **Linnaeus** have over **57 veterinary practices** across the UK & Ireland.



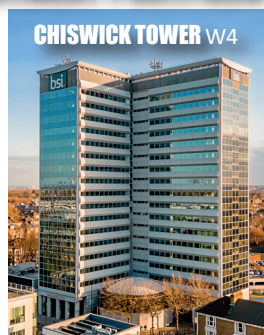
## INVESTMENTS & PLANNING

## INVESTMENT PORTFOLIO FOR SALE HERMES - £195 MILLION INVESTMENT PORTFOLIO

**Federated Hermes** has instructed **JLL** to sell three offices in Greater London for **£195.2 million**.

The Landmark portfolio comprises **500,000 sq ft** of offices. The guide price reflects a net initial yield of **8.15%** and a capital value of **£386 per sq ft**.

The buildings are: **162,249 sq ft** at **Wimbledon Bridge House SW19**, **200,452 sq ft** at **26-28 Hammersmith Grove, W6**, and **142,402 sq ft** at **Chiswick Tower**.



The portfolio is being dubbed the "Landmark" as each building is a well-known prominent office adjacent to a key London transport interchange in Wimbledon, Hammersmith and Chiswick respectively.



As a whole, the buildings are multi let to 29 tenants generating a weighted average unexpired lease term of 5.8 years to lease expiries and 2.3 years to nearest terminations, based on the contracted rent.

The total market rent reflects an overall office rent of **£36.67 per sq ft**.



## PLANNING & SALE 50 BROOK GREEN, HAMMERSMITH W6

The **Oak Group** who purchased **50 Brook Green** in 2019, have sold the **40,000 sq ft** office freehold to an undisclosed **US Fund** having gained planning for change of use from office to **33 residential units**.

## INVESTMENT 17 HEATHMANS ROAD, FULHAM SW6

In Fulham, **Frost Meadowcroft** completed the Freehold Investment Sale for an undisclosed client at **17 Heathmans Road, Fulham** of **6,933 sq ft** for **£2.4 million** to **Select Marketplace Ltd** with a yield of **4.9%**.

Frost Meadowcroft - West London's Leading Commercial Property Agency

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