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# Midtown, Soho & Southbank London Office Market Update Q2 2011



## Shortage of new space puts pressure on rents

The development pipeline in Midtown and Southbank increased this quarter, but while such schemes are being constructed or refurbished the immediately available stock remains limited and is putting pressure on rents in most of our sub markets.

### Midtown

- ▼ Availability: 1,190,000 sq ft
- ▲ Development pipeline: 543,000 sq ft
- ▼ Vacancy rate:
  - ▼ WC1 4.3%
  - ▼ WC2 5.1%
- ▼ Take up: 485,000 sq ft
- Headline rents:
  - ▷ WC1 Bloomsbury £37.50 psf
  - ▷ WC1 Holborn £47.50 psf
  - ▲ WC2 £57.50 psf



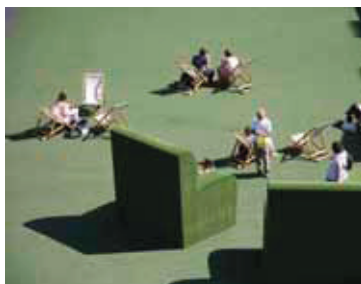
Availability decreased by 17.0% in the second quarter. As a result the overall vacancy rate fell to 4.7% from 5.6% in Q1. Availability has now fallen in six out of seven quarters since Q3 2009 when it was 2.2 million and the vacancy rate was 8.6%. Take-up was 16% lower than Q1 but 40% higher than the level

recorded in Q2 2010 with a further 294,000 sq ft under offer. Headline rents have increased again by £2.50 psf in WC2 to £57.50, but remained static in WC1 at £47.50 per sq ft in prime Holborn and £37.50 psf in Bloomsbury.

Principal transactions			
Address	Size	Rent PSF	Tenant
Central St Giles, WC2	179,000	£65.00	Google UK Ltd
60, St Martins Lane, WC2	32,000	£57.50	Media Planning Group
151 Shaftesbury Avenue, WC2	5,500	£47.50	Mann First Bank

### Southbank

- ▲ Availability: 684,000 sq ft
- ▲ Development pipeline: 1,530,000 sq ft
- ▲ Vacancy rate: 4.6%
- ▼ Take up: 75,000 sq ft
- Headline rents:
  - ▷ Grade A £35.00 psf
  - ▷ "Trophy" £42.50 psf



Southbank take-up was 53% lower than Q1 and 47% lower than the level recorded in Q2 2010. However, there is a further 436,000 sq ft under offer, most of which should complete in Q3. Availability increased by 5% in the second quarter raising the vacancy rate

to 4.6%. Headline rents for Grade A office space remained at £35.00 psf in Q2 but it is likely that rents will increase in Q3 as much of the space currently under offer is signed up.

Principal transactions			
Address	Size	Rent PSF	Tenant
3 More London Riverside	10,000	£40.00	JHC LLP

### Soho

- ▲ Availability: 447,000 sq ft
- ▼ Development pipeline: 121,000 sq ft
- ▼ Vacancy rate:
  - ▲ Total 15.9%
  - ▲ Grade A 11.6%
- ▲ Take up: 87,000 sq ft
- Headline rents:
  - ▷ £47.50 psf



Availability increased by 70% in the second quarter to 447,000 sq ft from 263,000 sq ft in Q1. Take-up increased by 9% to 87,000 sq ft from 80,000 sq ft in Q1. With the exception of the AirW1 development, the majority of space available is in small units of 5,000 sq ft

or less. However, a number of schemes currently in development will be delivered at the end of 2011 and early 2012. This will provide much needed Grade A supply and should act as a catalyst for headline rental increase.

Principal transactions			
Address	Size	Rent PSF	Tenant
5-7 Carnaby Street	5,500	£47.00	Asda Stores
175 Oxford Street	3,200	£47.50	Sk Energy Europe Ltd
175 Oxford Street	2,400	£49.50	Ability Developments

### Holborn and City Fringes

- ▲ Availability: 1,810,000 sq ft
- ▼ Development pipeline: 642,000 sq ft
- ▲ Take up: 310,000 sq ft
- Headline rents:
  - ▷ EC1 Clerkenwell & Farringdon £35.00 psf
  - ▷ EC4 Fleet Street & City Fringe £45.00 psf



Availability increased by 3% in the second quarter to 1.81 million sq ft from 1.76 million sq ft in Q1. Take-up increased by 51% to 310,000 sq ft from 206,000 sq ft in Q1. The shortage of space has prompted developers to start some schemes in Q2 although completions scheduled for later in the

year mean that the development pipeline decreased from 729,000 sq ft to 642,000 sq ft. Rents have remained stable in Clerkenwell & Farringdon at £35.00 per sq ft and in Fleet Street and City Fringe at £45.00 per sq ft.

Principal transactions			
Address	Size	Rent PSF	Tenant
2-10 St Bride Street, EC4	8,200	£45.00	International Bar Accounts