CB RICHARD ELLIS

Monthly Overview
Central London Offices

July 2010

Month at a Glance

Take-up picked up again in June but was below average for the quarter overall. The tightening of supply is the key trend to emerge over the last year and this continued during the second quarter. Availability is now at its lowest level for two years. This rather than demand will be the key driver of rental growth over the next year.

Monthly Review

- Leasing activity was boosted by the return of larger deals at the end of the quarter. There were four deals over 50,000 sq ft which helped push up Central London take-up. As a result, Central London take-up for June was 1.4m sq ft, more than twice the previous month's total. On a six-month rolling average basis, take-up fell 15% in the City on the month and was 27% higher in the West End. The strong end to the quarter boosted quarterly take-up to 2.7m sq ft.

- Central London availability fell by 0.5m sq ft to 15.8m sq ft which equates to an availability rate of 7.2%. There were falls in the amount of secondhand and new space. Availability in the West End fell nearly 0.4m sq ft to 5.9m sq ft, while City availability decreased by 0.2m sq ft to 6.1m sq ft.

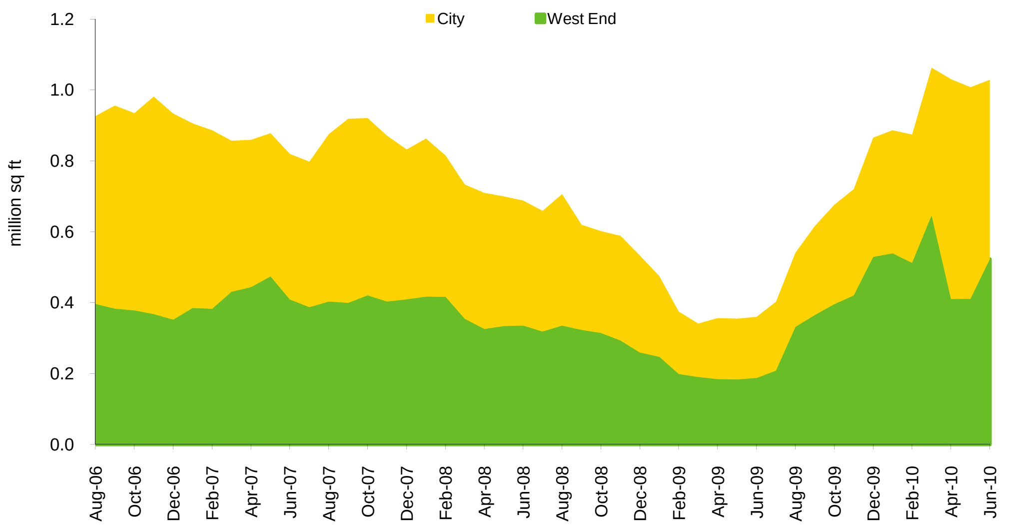
"While demand weakened in the second quarter, this was from a near record level and take-up for the year to date is more than three-quarters last year's total. This along with the contraction of supply has formed the backdrop for a recovery in rents during the last six months. We expect this to continue and rents to grow strongly in the next year."
Digby Flower, Head of Central London Agency.

Key Stats

	Changes from May 10	Changes from June 09
Take-up*	↑	↑
Availability	↓	↓
Rental values	→	↓
Yields	→	↓

* Based on the 6-month rolling average

Central London 6-Month Rolling Average Take-Up



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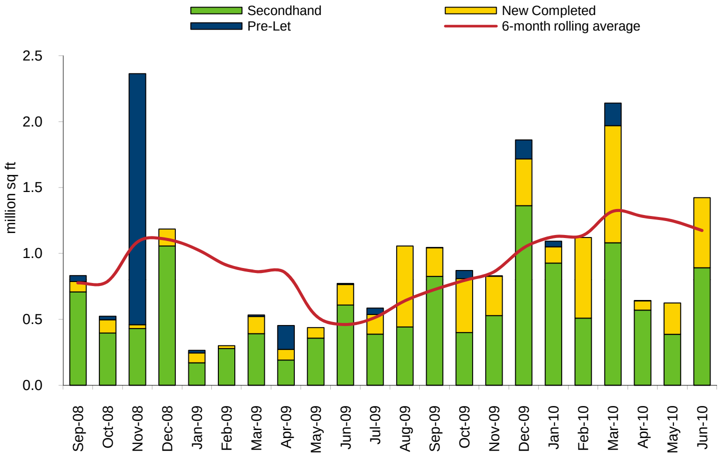
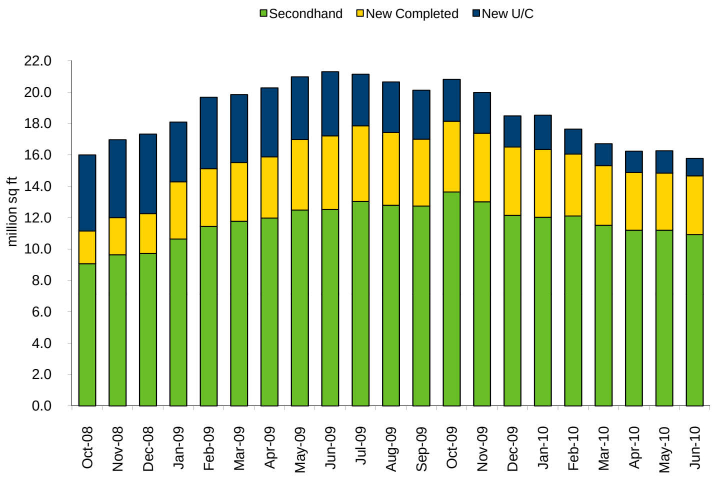
Central London Take-up

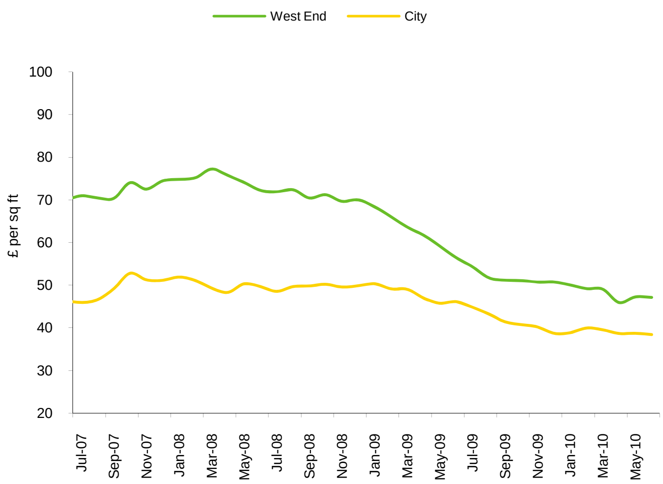


Central London Availability



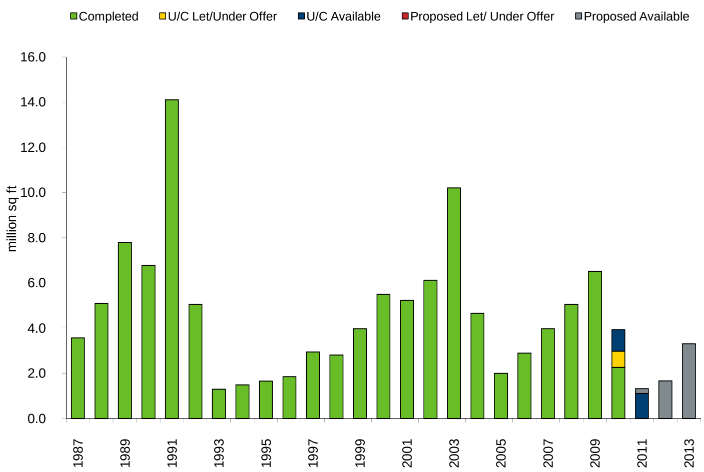
- Take-up increased sharply in June, compared with the previous two months, fuelled by a number of large deals. The largest of which saw Shell take 186,900 sq ft at 40 Bank Street, E14, while CB Richard Ellis were responsible for the largest deal in the West End, taking 98,000 sq ft at Henrietta House, W1.
- There was 3.1m sq ft under offer in Central London at the end of June, which is 3% lower than the previous month. This fall was due to under offers falling 58% in the Docklands as a result of the Shell deal. In contrast, under offers increased marginally in the City (2%) and relatively strongly in the West End (16%).
- While availability overall tightened, the availability of units over 100,000 sq ft in Central London has remained stable at 15 for the third month in succession. Central St Giles is the largest available unit at 385,200 sq ft, while the Walbrook at 379,800 sq ft is the largest available unit in the City.
- Active demand in Central London was 9.8m sq ft at the end of June – 3% higher over the month. Active City requirements rose to 6.9m sq ft and West End requirements fell to 2.8m sq ft.

Average Grade A Rent*



* Based on the 6 month rolling average of actual rents achieved during the month

Central London Development Pipeline



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Central London Take-up (sq ft net)

Take-up		Monthly Change %	Year to date	Rolling 12 months 01/07/09 - 30/06/10	June-10	May-10	Apr-10	Q2- 2010	Q1- 2010	Full 2009
City	Total	190	3,177,100	6,364,100	506,400	174,800	301,400	982,600	2,194,500	4,209,005
	Pre-let	-	171,000	367,400	-	-	-	-	171,000	386,198
	New Completed	272	1,516,100	2,917,900	172,100	46,200	53,000	271,300	1,244,800	1,731,785
	Secondhand	160	1,490,100	3,078,800	334,300	128,600	248,500	711,400	778,700	2,091,022
	Under Offer	2			1,625,100	1,594,100	856,000	1,625,100	909,000	
West End	Total	53	2,449,800	4,467,100	522,700	340,600	262,700	1,126,000	1,323,800	3,146,167
	Pre-let	-	43,000	105,300	-	-	0	0	43,000	96,250
	New Completed	-37	605,700	912,500	103,900	163,700	13,600	281,200	324,500	441,894
	Secondhand	137	1,801,200	3,449,200	418,800	176,900	249,100	844,700	956,500	2,608,023
	Under Offer	16			993,600	854,900	1,014,900	993,600	1,004,800	
Midtown	Total	234	492,200	1,048,900	175,600	52,600	45,600	273,800	218,400	922,651
	Pre-let	-	-	-	-	-	-	-	-	-
	New Completed	126	126,400	335,200	64,400	28,500	4,300	97,200	29,200	261,803
	Secondhand	361	365,800	713,800	111,200	24,100	41,300	176,600	189,200	660,848
	Under Offer	-26			294,100	398,500	354,100	294,100	287,100	
Southbank	Total	2	182,400	355,300	31,300	30,700	23,400	85,400	97,000	355,883
	Pre-let	-	1,800	4,600	-	-	1,800	1,800	-	2,854
	New Completed	100	31,800	130,000	4,900	-	0	4,900	26,900	119,234
	Secondhand	-14	148,800	220,600	26,400	30,700	21,600	78,700	70,100	233,795
	Under Offer	16			98,400	85,100	107,400	98,400	72,400	
Docklands	Total	626	775,600	1,101,000	188,200	25,900	34,800	248,900	526,700	383,293
	Pre-let	-	0	0	-	-	-	-	-	-
	New Completed	100	186,900	219,300	186,900	-	-	186,900	-	32,351
	Secondhand	-95	588,700	881,800	1,300	25,900	34,800	62,000	526,700	350,942
	Under Offer	-58			130,800	312,800	331,900	130,800	361,000	
Central London	Total	128	7,077,100	13,336,400	1,424,200	624,600	667,900	2,716,700	4,360,400	9,016,999
	Pre-let	-	215,700	477,400	-	-	1,800	1,800	213,900	485,302
	New Completed	123	2,466,800	4,514,900	532,200	238,400	70,800	841,500	1,625,300	2,587,067
	Secondhand	131	4,394,600	8,344,300	892,000	386,200	595,200	1,873,400	2,521,200	5,944,630
	Under Offer	-3			3,142,000	3,245,400	2,660,200	3,142,000	2,605,400	

Key Central London Leasing Transactions by Size June 2010

Occupier	Sq ft	Market	Address
Shell International	186,900	Docklands	40 Bank Street, E14
CB Richard Ellis	98,000	West End	Henrietta House, 6/12 Henrietta Place, W1
News International	54,900	City	2 Thomas More Square, E1
Baker Tilly International	54,217	City	Nexus, 25, Farringdon Street, EC4

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Central London Availability (sq ft net)

Availability		June-10	May-10	Apr-10	Q2 2010	Q1 2010	2009
City	Total	6,103,700	6,293,600	6,338,900	6,103,700	6,583,500	7,467,700
	New	2,621,200	2,699,500	2,724,400	2,621,200	2,799,500	3,235,100
	Secondhand	3,482,500	3,594,100	3,614,500	3,482,500	3,784,100	4,232,600
	Availability Rate %	8.3	8.7	8.8	8.3	9.0	10.2
West End	Total	5,967,900	6,357,200	6,197,400	5,967,900	6,287,200	6,893,700
	New	1,367,400	1,492,200	1,432,300	1,367,400	1,489,500	1,883,900
	Secondhand	4,600,500	4,865,000	4,765,100	4,600,500	4,797,800	5,009,800
	Availability Rate %	7.0	7.5	7.3	7.0	7.3	8.1
Midtown	Total	1,356,400	1,451,900	1,573,600	1,356,400	1,683,600	1,784,200
	New	295,800	295,800	306,100	295,800	334,400	499,700
	Secondhand	1,060,600	1,156,100	1,267,500	1,060,600	1,349,200	1,284,500
	Availability Rate %	5.8	6.3	6.8	5.8	7.3	7.7
Southbank	Total	582,500	561,700	559,100	582,500	566,600	478,400
	New	30,400	38,000	37,800	30,400	37,800	35,500
	Secondhand	522,100	523,700	521,300	552,100	528,800	442,900
	Availability Rate %	3.3	3.3	3.3	3.3	3.3	2.8
Docklands	Total	1,765,100	1,604,200	1,573,200	1,765,100	1,590,500	1,863,900
	New	541,200	541,200	541,200	541,200	541,200	688,600
	Secondhand	1,223,900	1,063,000	1,032,000	1,223,900	1,049,200	1,175,300
	Availability Rate %	9.5	8.6	8.5	9.5	8.6	10.0
Central London	Total	15,771,400	16,268,600	16,242,200	15,775,600	16,711,500	18,487,900
	New	4,851,800	5,066,700	5,041,800	4,856,000	5,202,400	6,342,800
	Secondhand	10,919,600	11,201,900	11,200,400	10,919,600	11,509,100	12,145,100
	Availability Rate %	7.2	7.5	7.5	7.2	7.7	8.5

***Availability Rate is calculated by the amount of space currently available on the market including new space under construction that is due to come onto the market over the next 12 months as a proportion of the total stock.**

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