MEDIA SECTOR DRIVING LONDON'S WEST END OFFICE MARKET

- **After a weak first quarter of occupier activity, Q2 take-up in the West End was buoyant**
- **Squeeze on supply continues to restrict occupier choice**

Take-up for office space in London's West End rose sharply in Q2 2011, with the media sector driving the market, according to Cushman & Wakefield. Media companies accounted for 45% of deals signed with the 165,000 sq.ft letting to Google at Central Saint Giles - where C&W is leasing agent – being the largest across, not only the West End, but London as a whole.

The sector currently represents 26% of all active demand for office space across London and accounts for more than half of the 100,000 sq.ft plus enquiries in the West End. Financial services are also active with a return to higher levels of M&A and IPO activity.

Double Negative, a visual effects company, concluded the first pre-let of 2011 at 160 Great Portland Street (88,000 sq.ft). As a result, Soho and Covent Garden was the most active submarket, accounting for more than a third of all lettings, followed by North of Oxford Street (24%). C&W acted on 68% of the lettings in Soho and Covent Garden.

There are just under 400,000 people working in London's media sector which is the capital's second largest, generating 16% of the city's annual GVA (gross value added). The sector has accounted for 11% of London take-up over the last five years. In that period, 25% of the media sector's take-up was in Soho/ Noho/ Covent Garden and 27% of lettings in those areas were to media companies.

Guy Taylor, Head of West End Offices, Cushman & Wakefield, said, "We expect central London to remain the dominant location for the media industry, especially for the creative side of the business and in cost-conscious locations. Consolidation within the sector is likely to continue as companies look for opportunities to grow their business. Media is a short-term, margin-driven industry and revenues are being squeezed causing companies to make more efficient use of their existing property assets."

A total of 814,202 sq.ft of office space was leased in the West End during Q2 2011, heading back towards peak levels and a sharp increase of 36% on Q1. It brings leasing activity in the first half of the year to 1.4m sq.ft. With no significant development completions in the West End, supply has fallen by almost one third (31.6%) over the last 12 months, declining for the fourth consecutive quarter. The availability of large units continues to be a concern, with only three buildings able to accommodate requirements over 75,000 sq.ft, two of which are located in Paddington and the other in Hammersmith.

Space under construction continues its downward path, with just under 2.3m sq.ft currently under construction, of which 650,000 sq.ft is due to complete in the second half of 2011. West End demand saw a marginal increase over the quarter to stand at 3.55m sq.ft and prime rents reached over £100 per sq.ft, a rise of 2.6% over the quarter. Soho and Covent Garden recorded the strongest growth.

Take-up in the City and Docklands was down to 551,962 sq.ft in Q2, from 820,766 sq.ft in Q1. The market is still being driven by key leasing dates, although demand at present is subdued as businesses seek to assess their position in the current economic environment.

Much of the current demand is coming from smaller occupiers (below 20,000 sq.ft) with most deals completed in Q2 within the 5,000-20,000 sq.ft size bracket. There is currently 12.8m sq.ft available in the City and Docklands, a marginal decrease from 13.07m sq.ft at the end of Q1. City prime rents have not changed since Q4 2010 and remain at £55 per sq.ft.

London Supply, Take-Up & Active Demand

Supply	Q2 2011	Q1 2011	Q2 2010
City	12,783,890	13,067,418	11,534,249
West End	4,809,912	5,473,277	7,034,543

Source: Cushman & Wakefield London Group Research July 2011

Take-Up	Q2 2011	Q1 2011	Q2 2010
City	551,962	820,766	1,168,889
West End	814,202	598,110	938,699

Source: Cushman & Wakefield London Group Research July 2011

West End Take-Up by Sector	Q2 2011 (Sq.ft)
TMT	370,417
Banking & Financial	139,100
Public & Government	94,959
Retail & Leisure	77,540
Manufacturing	46,367
Unknown	44,287
Other	25,128
Professional Services	16,504

Source: Cushman & Wakefield London Group Research July 2011

City & Docklands Take Up By Sector	Q2 2011 (Sq.ft)
Banking & Financial	194,719
Insurance	124,002
Legal	93,511
Other	45,422

Professional Services	21,685
Public & Government	18,860
TMT	9,935
Undisclosed	9,175

Source: Cushman & Wakefield London Group Research July 2011

Active Demand	**Q2 2011**	**Q1 2011**	**Q2 2010**
City	4,643,500	4,701,500	3,447,500
West End	3,551,750	3,508,750	3,760,500

Source: Cushman & Wakefield London Group Research July 2011