WHAT'S DRIVING LONDON'S OFFICE RENTAL MARKET?

Alan Supple, managing director, global real estate securities at BNY Mellon Investment Management EMEA Limited (as UK representative of CenterSquare Investment Management*) looks at what's driving London's office rental market.

CenterSquare INVESTMENT MANAGEMENT

Current vacancy rate

8.2%

Source: Sevilles Research, September 2014.

Vacancy rate by 2019

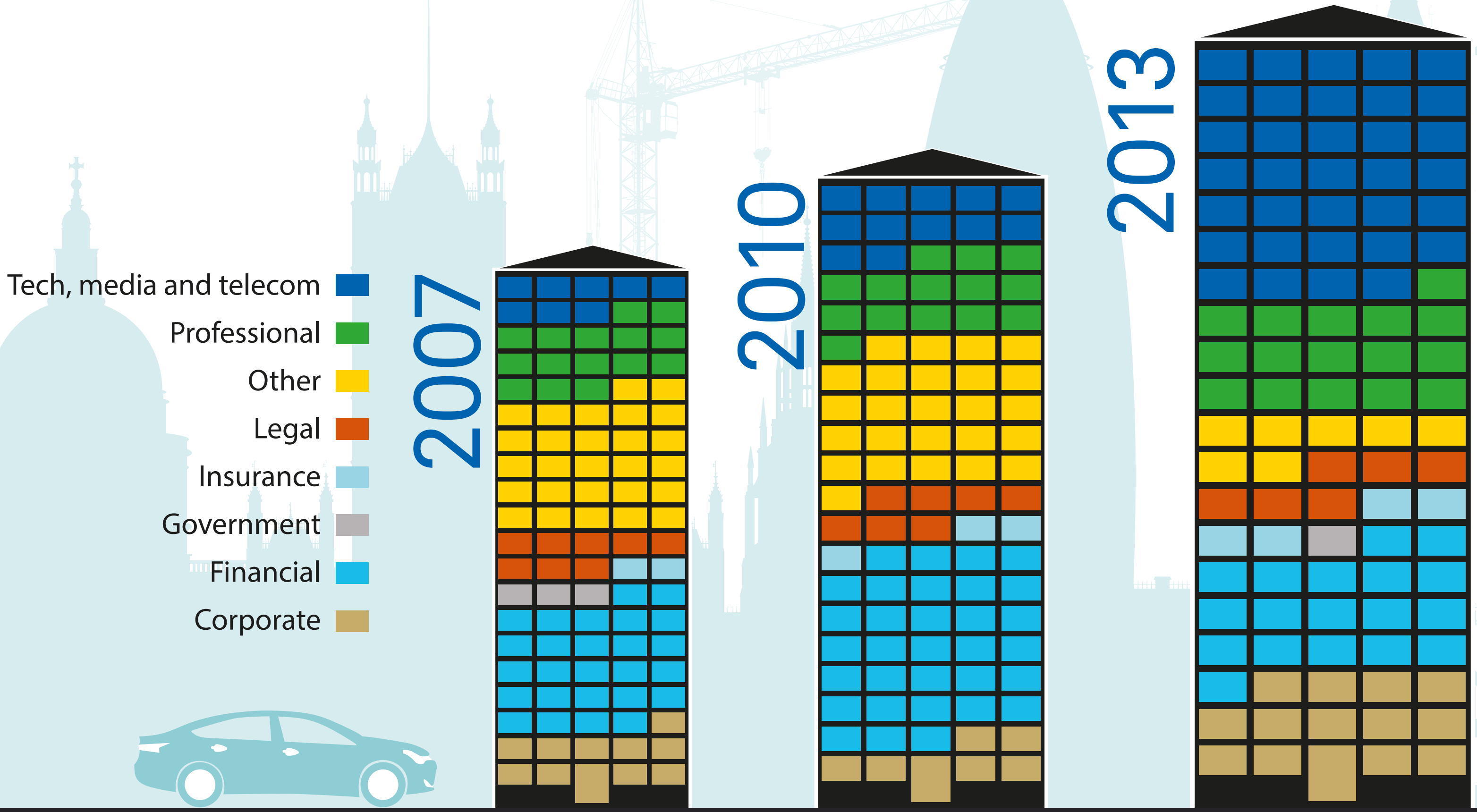
4.4%

One of the lowest office rates among the world's leading cities.

Source:Knight Frank's Global Cities Report.

London office market: % share of space by occupier sector.

Source: Deloitte, July 2014.



Moving out

Since the peak of the financial crisis there have been some very interesting occupier sector shifts.

8% 2007 — **Tech, media and telecom sector** — **34%** 2013

STURDY FOUNDATIONS
Against this high-demand backdrop, rents are unsurprisingly holding up very well.

In the City leases are getting back to **1980s peak levels.**

Market expectations of **5%-6% rental growth** expected in prime London; higher in the West End.

A new supply is entering the pipeline from fringe areas.

FURTHER DOWN THE LINE

2017 expected completion of Crossrail, a new high frequency, high capacity railway, line.

Canary Wharf, Broadgate, core West End and Paddington expected to be boosted by the so-called Crossrail halo.

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