

CENTRAL LONDON

Take-up and investment volumes above trend for the third consecutive year



Emergence of new office markets

Despite being down on take-up in 2014, 2015 take-up levels reached 1.29 million m² (13.9 million sq ft), 12% ahead of the long term average.

A key trend of 2015 saw the expansion of Central London, particular to the East. Major occupiers the Financial Services Authority and Transport for London chose Stratford as their headquarters location, cementing the once "Fringe" location as a key business hub. Indeed, it was non-core locations that drove demand in 2015. In the City, the markets of Shoreditch, Clerkenwell and Aldgate have very much shed their secondary submarket image to become the attractive "Techbelt". Certainly, take-up in these locations has outpaced demand in the City's traditional core markets. Comparing the current five year period to the previous one, take-up in the Core dropped 2% whilst demand in the Techbelt saw a 29% rise.

Rental growth sustained by shrinking supply

Buoyant levels of demand translated into a fall in vacancy to 0.88 million m² (9.5 million sq ft), the lowest level since 2000. The delivery of circa 720,000 m² of office space in 2016 will come as a welcome relief to occupiers struggling to find large floor plates in Central London. However, a quarter of this pipeline is already pre-let.

Prime rents were driven to record highs due to the shortage of available space, footloose nature of the modern occupier and improvement of "fringe" locations. Average growth for the year was 9.4% across submarkets, up from 6.6% in 2014. We expect to see a continuation of strong rental growth in 2016 as rents hit £ 785/m²/year (£ 73/sq ft/year) in the City and £ 1,561/m²/year (£ 145/sq ft/year) in the West End in 2015. Robust rental growth is set to be the key driver of total returns, providing a positive rationale for investors to continue to deploy capital in Central London.

Indeed, investment volumes reached £ 18.1 billion in 2015, buoyed by overseas investors who accounted for 66% of total capital deployed.

Constant Exchange Rate
(Q4 2015 average) £/€: 1,3625



Take-up
(thousand m²)



Vacancy rate
(%)



Office investment
(€ million)



Prime office: rents & yields



Main office transactions - letting & sales

Occupier	Space (sq ft)	Building-address	Submarket
The Financial C.A. ⁽¹⁾	425,000	Building S5, Westfield Ave	Stratford
Royal Bank of Canada	247,098	100 Bishopsgate, EC3A 7BH	City
Facebook	227,324	1 Rathbone Place, W1T 1AA	West End

Main office transactions - investment

Buyer	Price (£ m)	Building-address	Submarket
Cathay Life	575	The Walbrook Building, Cannon St.	City
GAW Capital	499	123-151 Buckingham Palace Rd	West End
O.P. & T. ⁽²⁾	462	The Blue Fin Building	Southbank

⁽¹⁾ The Financial Conduct Authority - ⁽²⁾ Oxford Properties & Temasek

Source: BNP Paribas Real Estate



OFFICE MARKET

	Take-up (m ²)			Vacancy Rate (%)			Prime Rent (€/m ² /year)		
	15	14	13	Q4 15	Q4 14	Q4 13	Q4 15	Q4 14	Q4 13
Central Paris	1,890,047	1,864,190	1,559,176	8.0%	8.3%	8.3%	800	750	750
Central London	1,275,480	1,490,932	1,199,258	4.3%	5.1%	6.5%	1,906	1,723	1,598
Moscow	962,000	506,892	523,290	16.0%	17.0%	12.8%	475	444	326
Berlin	814,000	609,000	453,000	4.2%	4.7%	5.4%	300	276	264
Munich	741,000	597,000	603,000	4.5%	6.2%	6.4%	426	414	402
Warsaw	555,000	400,000	451,000	12.5%	13.5%	11.7%	264	276	300
Hamburg	529,000	513,000	440,000	5.9%	6.3%	6.2%	306	300	300
Madrid	451,527	370,118	365,213	15.5%	16.0%	15.3%	336	318	288
Frankfurt	438,000	411,000	493,000	10.8%	11.4%	12.0%	456	456	456
Milan	382,081	278,787	231,502	13.0%	13.2%	12.6%	480	480	490
Barcelona	361,920	233,694	172,877	12.9%	15.4%	17.1%	240	228	210
Budapest	341,791	251,606	190,572	12.1%	16.2%	18.4%	204	192	192
Brussels	298,323	437,777	314,629	9.8%	10.3%	10.5%	265	265	265
Lyon	272,483	242,627	251,655	6.6%	6.2%	5.9%	295	280	315
Dublin	259,868	246,941	195,677	10.2%	13.2%	18.2%	592	484	377
Luxembourg	229,519	206,828	150,005	4.1%	4.6%	5.2%	540	480	480
Amsterdam	220,331	230,056	236,189	15.0%	17.3%	17.6%	367	365	350
Vienna	210,000	250,000	300,000	6.4%	6.6%	6.6%	312	309	306
Bucharest	202,000	233,800	173,900	11.2%	12.6%	14.5%	216	216	216
Saint Petersburg	178,300	189,095	153,853	12.8%	12.0%	9.1%	214	323	228
Lille**	172,086	165,791	171,384	198,108	230,498	248,491	220	220	220
Marseille**	154,927	126,375	106,742	228,350	262,214	234,606	270	265	260
Rome	146,021	110,763	159,882	8.0%	8.2%	7.6%	400	400	400
Lisbon	144,513	126,529	77,802	11.1%	12.1%	13.2%	222	228	222
Manchester	122,301	123,802	81,812	12.6%	14.7%	16.6%	469	440	440
Toulouse	115,963	140,063	109,836	4.9%	4.7%	5.0%	204	206	210
Zurich	106,400	-	-	2.9%	2.8%	2.7%	877	895	904
Birmingham	88,608	66,283	61,701	8.4%	11.1%	13.9%	440	440	418
Edinburgh	85,006	80,080	68,183	9.5%	12.2%	12.4%	440	432	432
Oslo	82,832	100,000	110,000	8.4%	8.1%	8.1%	449	456	409
Glasgow	75,058	85,514	77,241	11.5%	16.5%	16.7%	425	418	396
Athens	52,000	-	-	12.1%	13.0%	14.0%	216	216	168
Istanbul*	377,312	469,597	323,819	15.5%	16.7%	9.0%	441	441	441
Prague*	173,000	-7,000	43,647	14.6%	15.3%	13.0%	228	234	246
Helsinki*	147,551	23,638	9,500	13.3%	13.0%	12.5%	356	355	345
Bratislava*	71,296	28,000	-20,000	8.9%	13.8%	14.5%	190	186	186
Vilnius*	34,600	34,330	30,390	2.9%	2.3%	6.2%	180	180	177
Tallinn*	31,342	17,662	35,268	7.0%	5.5%	5.5%	210	210	204
Geneva*	28,114	-43,263	-20,387	4.1%	1.6%	1.9%	744	766	829
Belgrade*	25,420	5,655	50,892	5.0%	9.0%	9.5%	204	198	168
Riga*	12,923	39,253	12,290	6.7%	8.5%	7.5%	175	168	152
Stockholm*	10,000	175,000	121,588	8.8%	9.0%	8.9%	533	506	490

Source : BNP Paribas Real Estate

*: Net absorption

** : office supply (m²)

Constant Exchange Rate (Q4 2015 average) €/£: 1,3625 - €/CHF: 0,9229 - €/SEK: 0,1088 - €/NOK: 0,1041 - €/US\$: 0,9185

INVESTMENT MARKET

	Investment volume (€ million)			Investment volume by product as % of 2015				Net office prime yield (%)		
	2015	2014	2013	% Office	% Retail	% Indust.	% Others	Q4 15	Q4 14	Q4 13
Central London	29,431	30,120	33,156	83%	8%	0%	9%	3.25%	3.50%	3.75%
Central Paris	20,631	17,611	12,437	75%	11%	2%	12%	3.25%	4.00%	4.50%
Berlin	8,283	4,276	3,589	54%	25%	2%	19%	4.00%	4.45%	4.70%
Frankfurt	6,016	5,318	3,893	75%	12%	2%	11%	4.30%	4.50%	4.65%
Munich	6,001	5,347	4,740	67%	11%	3%	19%	3.65%	4.25%	4.40%
Stockholm	5,777	7,517	4,304	56%	19%	11%	13%	4.00%	4.45%	4.50%
Madrid	5,592	3,692	976	54%	25%	4%	17%	4.50%	5.00%	6.00%
Milan	4,491	1,229	1,597	61%	10%	0%	30%	4.90%	5.40%	5.75%
Hamburg	3,983	3,824	2,674	60%	8%	11%	21%	4.00%	4.40%	4.65%
Oslo**	3,485	1,955	2,225	46%	43%	7%	4%	4.25%	4.75%	5.00%
Prague	2,837	2,061	1,137	13%	0%	0%	87%	5.75%	6.00%	6.25%
Dublin	2,621	3,590	1,614	64%	12%	2%	21%	4.25%	4.75%	6.25%
Vienna	2,480	2,045	1,030	67%	13%	0%	21%	4.45%	4.70%	4.90%
Geneva	1,975	400	756	53%	0%	0%	47%	3.26%	3.30%	3.20%
Amsterdam	1,864	2,148	1,546	67%	15%	3%	14%	5.10%	5.45%	5.55%
Lisbon	1,790	317	280	45%	57%	5%	-6%	5.50%	6.25%	7.50%
Helsinki**	1,775	962	1,107	63%	33%	2%	2%	4.70%	4.70%	5.20%
Brussels	1,577	1,790	1,136	85%	6%	3%	6%	4.20%	5.00%	5.00%
Birmingham	1,447	1,148	1,054	68%	9%	2%	20%	5.00%	5.25%	5.75%
Lyon	1,391	827	925	57%	22%	15%	5%	4.80%	5.30%	5.70%
Manchester	1,285	1,841	1,120	66%	9%	7%	17%	5.25%	5.25%	5.75%
Barcelona	1,250	1,327	1,216	41%	15%	8%	36%	5.00%	5.50%	6.50%
Rome	1,062	717	1,107	42%	4%	6%	48%	5.40%	5.80%	6.25%
Luxembourg	888	824	629	61%	1%	0%	39%	5.20%	5.35%	5.35%
Glasgow	842	1,066	689	55%	23%	11%	11%	5.25%	5.25%	5.75%
Warsaw	836	1,410	1,107	71%	7%	22%	0%	5.50%	6.15%	6.00%
Edinburgh	801	818	350	59%	19%	2%	20%	5.25%	5.25%	5.75%
Istanbul	752	1,157	827	0%	0%	0%	100%	6.50%	6.75%	7.25%
Budapest	745	430	280	60%	0%	0%	40%	7.25%	7.75%	7.75%
Bratislava*	560	83	214	-	-	-	-	6.90%	7.15%	7.25%
Tallinn	428	85	86	27%	37%	3%	34%	7.00%	7.00%	7.25%
Bucharest	414	574	242	46%	23%	30%	1%	7.75%	8.00%	8.25%
Marseille	355	651	269	24%	19%	51%	9%	6.00%	6.10%	6.10%
Riga	338	130	172	26%	74%	0%	0%	7.25%	7.25%	7.75%
Belgrade	259	49	0	0%	100%	0%	0%	8.50%	9.00%	9.50%
Lille	238	242	227	75%	3%	22%	0%	5.60%	5.60%	5.70%
Zurich	192	1,187	567	58%	42%	0%	0%	2.40%	2.90%	2.80%
Vilnius	190	178	126	53%	32%	4%	11%	7.00%	7.00%	7.50%
Toulouse	173	463	233	72%	8%	20%	0%	6.00%	6.00%	6.20%

Source : BNP Paribas Real Estate

*: Total investment In Slovakia (source RCA)

** : Source RCA

6 BUSINESS LINES in Europe

A 360° vision

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