Central London Real Estate Market Outlook

Presentation to Investment Committee
City of London

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9 May 2012
Agenda

- Economic background and prospects
- Retail property market trends in Central London
- City office demand, supply and rental outlook
- Transport and market evolution
Economies moving at different speeds

GDP, % change yoy

Western Europe
Asia-Pacific
United States
China
Changing economic sentiment

How forecasts for GDP growth in 2012 have changed

GDP Growth (%pa)

Source: Consensus Economics
UK Recession Comparison

Cumulative % fall in output from peak

Source: CBRE, Macrobond
London to outperform UK

UK vs. London, real GDP growth

Source: Oxford Economics
London pulling away from New York again

Global Financial Centres index scores

Rating score

- London
- New York
- Hong Kong

Source: Global Financial Centres Index 11, March 2012, Z/Yen
Central London: Finance and Business Services Employment

Source: CBRE and Oxford Economics
All Property and Central London Sectors: Capital Growth

Index, July 2007 = 100

Source: IPD Monthly Index
Prime Central London shops outpace rest of UK retail

Source: CB Richard Ellis Rent and Yield Monitor
Prime London shops return to 2007 yield levels

Source: CBRE Rent and Yield Monitor
Central London Office Markets

Prime Rents, Q1 2012

Prime Rents:
- £92.50 (MIDTOWN)
- £50.00
- £42.50
- £38.50
- £55.00 (CITY)
- £50.00 (WEST END)
- £38.50 (DOCKLANDS)
City office demand weaker in 2011

Quarterly office take-up

City

West End

10-year average: 1.1m sq ft

Source: CBRE
Availability on the rise

Office availability, end year rates

Office availability as % stock

Source: CBRE
City Office Developments

1985 - 2016

Long term average: 1.9 m sq ft pa

Source: CBRE
City Prime Office Rents: 1986 – 2016

£ per sq ft

Source: CBRE
Central London Office Investment Transactions

Annual Volume:

2002 Q1: £6.1bn
2002 Q3: £5.8bn
2003 Q1: £9.5bn
2003 Q3: £13.4bn
2004 Q1: £15.8bn
2004 Q3: £7.6bn
2005 Q1: £7.0bn
2005 Q3: £9.8bn
2006 Q1: £7.0bn
2006 Q3: £8.4bn
2007 Q1: £3.7bn

Source: CBRE
Cross-Regional CRE Investment in Europe, 2011

London got 31% of global investment into Europe in 2011

Source: CBRE, Property Data, KTI
Which city in Europe is most attractive for investment?

Real Estate Investor Intentions 2012

Source: CBRE European Investor Intentions Survey, February 2012
Central London Prime Office Yields (%)

- **West End**
  - 10-year average: 4.76%

- **City**
  - 10-year average: 5.59%

Source: CBRE
The next wave of development

Mixed use development

King’s Cross: 8m sq ft

London Bridge: 1.3m sq ft

Victoria: 2.5 - 3m sq ft

Waterloo: 3 - 4m sq ft
Crossrail and Thameslink Programme

- Redevelopment of Blackfriars and improvement to Farringdon and London Bridge stations
- Farringdon: new transport interchange
- Connectivity creates development potential
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