Report relating to

112-116 New Oxford Street, W1

savills

October 2012

Contents

1. Introduction and location

For research reporting purposes the subject property is classed as Grade B office space due to the fact that it has not undergone any significant refurbishment/development works in the last five-years and due to its configuration and size of floor plates.

The subject property lies on the southern edge of the Camden borough close to the boundary with the City of Westminster. Its location aligns it more closely with characteristics of the West End office market as opposed to Camden, in terms of supply and demand trends. The majority of office stock in Camden falls within the Savills research boundary of the Noho submarket. Noho runs from Woburn Place/Southampton Row to Portland Place, and is bounded to the north and south by Euston Road and Oxford Street respectively.

For clarity, analysis of the supply and demand trends for the purposes of this report will be based on the Noho submarket.

2. Market Commentary

2.1 Supply

The Noho submarket is the West End's largest submarket with an office stock figure of approximately 13m sq ft, this is 11% of the West End's total office stock.

We estimate there is 592,000 sq ft of available space in the submarket, this equates to a vacancy rate of 5%, this is above the overall vacancy rate of the wider West End which currently stands at 3.8%.

58% of space is of Grade A quality, this is just under 343,000 sq ft of available Grade A space. The recent rise in Grade A space in Noho is the result of 90,000 sq ft of developments completing in Noho and entering the supply figures this year. 42% of all space available in Noho is of Grade B quality, this is 250,000 sq ft of available Grade B space.

Our supply data estimates that office property in Noho has been vacant on average around 1.3 years. When analysing the amount of time Grade A and Grade B quality space has been available, the difference is significant, on average Grade A space has been vacant for 0.7 years whilst Grade B space on average is available for 1.7 years.

Figure 1 shows the percentage breakdown of available office property in Noho. 100% of all office space available more than two years in the submarket is of Grade B quality, putting this in to context this equates to149,000 sq ft of Grade B office space being vacant for more than two years.

Figure 2.1 Years vacant by grade

Years Vacant	Grade A	Grade B
Less than 1 year	80%	20%
More than 1 less than 2	56%	44%
More than 2 less than 3	0%	100%
More than 3 less than 4	0%	100%
More than 4 less than 5	0%	100%
More than 5	0%	100%

An important factor to take in to consideration when assessing the potential impact of a loss in office space is to look at the 'years of supply' in the area. In the national market place two years of supply suggests an average level of supply.

Across all grades of office space in Noho, years of supply stands at 1 year, suggesting that the market is under supplied, however this is more or less in-line with the wider West End market. 11 out of 12 submarkets in the West End are currently under supplied in terms of years of supply.

2.2 Development

After four years of restricted levels of development activity in the West End, 2013 will see a return to average levels of development activity reaching 1.8m sq ft.

In Noho, development activity has also picked up with approximately 678,000 sq ft of developments and extensive refurbishments to enter the supply figures over the next two years (2013-14). The average level of completions seen per annum in Noho is 290,000 sq ft, in 2013 220,200 sq ft will be complete, down on the average. 2014 however, will see a return to above average levels of completions at 457,500 sq ft.

Figure 2 shows a list of developments that are due for completion in the Noho submarket over the next two years (2013-14).

Figure 2.2 Development pipeline in Noho

Building	STREET	PC	TYPE	SPECULATIVE	Timing	STATUS
St George's Court, 2-12	Bloomsbury Way / 2-28 New Oxford St	WC1	refurb	152,239	Q3 2013	U/C
2	Stephen Street, W1	W1	refurb	68,000	Q3 2013	U/C
Walmar House, 288/300	Regent street	w1	refurb	40,000	Q1 2014	U/C
1	Mabledon Place	WC1	dev	87,500	Q1 2014	PPG
Fitzroy Place	Mortimer Street	W1	dev	260,000	Q4 2014	APP
Regent House	Edgware Road/George St	W1	dev	50,000	Q4 2014	site
61-63	Tottenham Court Road	W1	dev	20,000	Q4 2014	PPG
West End Delivery Office	Newman Street/Rathbone place	W1	dev	230,000	Unknown	SITE
Euston Station		NW1	dev	150,000	Unknown	APP

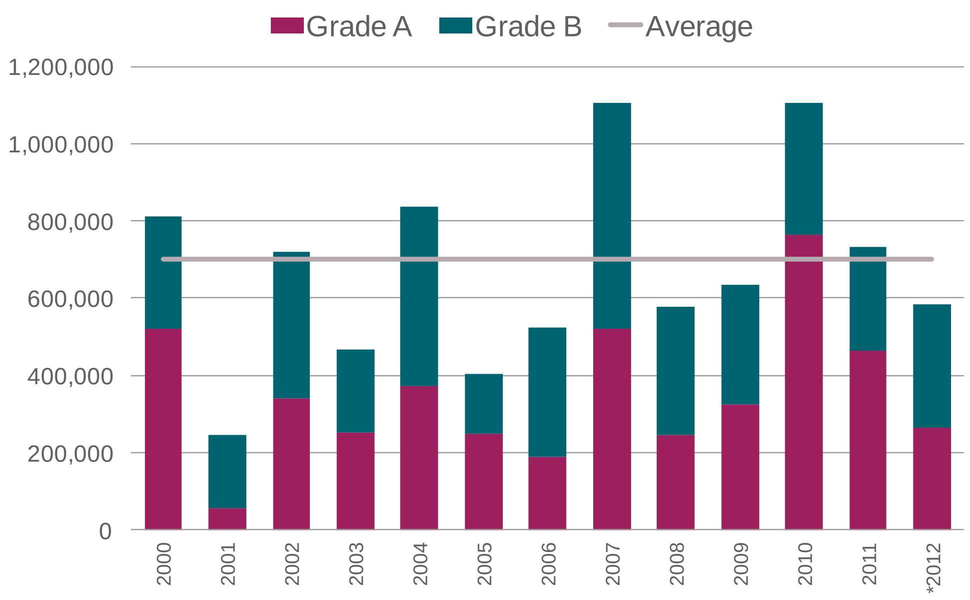
Although not in the immediate vicinity of the subject property the regeneration of King's Cross will play in important part in shaping the future of the wider Camden office market. The site spans 67 acres and over the next 10 years, 50 buildings totalling 8m sq ft, 20 new streets and 10 new public spaces will be created. 3.4m sq ft office space will be delivered, up to 2,000 homes and serviced apartments, 500,000 sq ft of retail, up to 300 hotel bedrooms and 650 student units.

Focussing on the office element, 3.4m sq ft of office space in some 23 buildings will be built. A number of these buildings are already designed and some have consented planning. 184,000 sq ft in two buildings is being speculatively built at the scheme, 57,000 sq ft at 1 Pancras Square will be delivered in Q3 2013 and 127,000 sq ft at 2 Pancras Square will be delivered in Q2 2014. 568,000 sq ft has already been pre-let at the scheme, including BNP Paribas taking 350,000 sq ft in 2010, in 2011 Camden Council took 150,000 sq ft, Hoare Lea took 22,000 sq ft and Argent took 9,000 sq ft.

2.3 Take-up

Take-up in 2011 reached 731,500 sq ft, this is up on the 10-year average of 600,000 sq ft. As the graph below demonstrates there has been a bias towards Grade A quality space in recent years in the Noho market. Over a five-year period (2007-11) 56% of space taken has been of Grade A quality. 63% of space taken in 2011 was of the best quality.

Figure 2.3 Take-up in Noho



*As at end Sept 12

As at end September 2012 take-up has reached 583,000 sq ft, this was boosted by two large deals of 97,000 sq ft at Greater London House to Asos and 44,000 sq ft at Oxford House, 76 Oxford Street to Publicis. Both deals were Grade B lettings, thus skewing Grade A office take-up in 2012 to be just 45%, down on the average of 56%. With just under 120,000 sq ft of space under offer in Noho, we estimate take-up levels to come in at average levels.

The structure of office demand in Noho mirrors that of the West End as a whole, with no dependency on any one business sector. The most dominant business sector over the period of 2007-2011 has been the Creative sector, taking a 21% share. The Professional and Public Services sector take the next largest shares with 14% and 16% respectively.

Going forward, the Public Sector's share of take-up in this market is likely to decline as the Government Property Unit (GPU) seeks to rationalise its central London office property needs. According to figures from the GPU, the government occupies 10m sq ft offices in central London, 57% of which is leasehold. The GPU's aspiration is to reduce occupancy by 45-50% over the next decade. Furthermore, over the next three years (2012-14), Oxford Economics forecasts Public sector employment to fall by 3.3% in Westminster and 3.1% in Camden. These factors are likely to result in a rise of tenant returns from this sector of Grade B quality office space back in to the market.

3. Summary

- There is a substantial amount of long term vacant (more than 2 years) Grade B office floor space available in Noho, approximately 149,000 sq ft.
- Development pipeline in Noho is returning to average levels, we estimate 678,000 sq ft of developments to enter the supply figures over the next two years (2013-14). This will help up soak up average levels of demand expected over the next three years.
- The biggest take-up of new space by tenants is of Grade A floorspace (on average).
- There is a significant amount of new Grade A floor space at Kings Cross.
- The strategic relocation of Government Departments to outside of London will increase supply and vacancy levels.

Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

As is customary with such reports, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.