

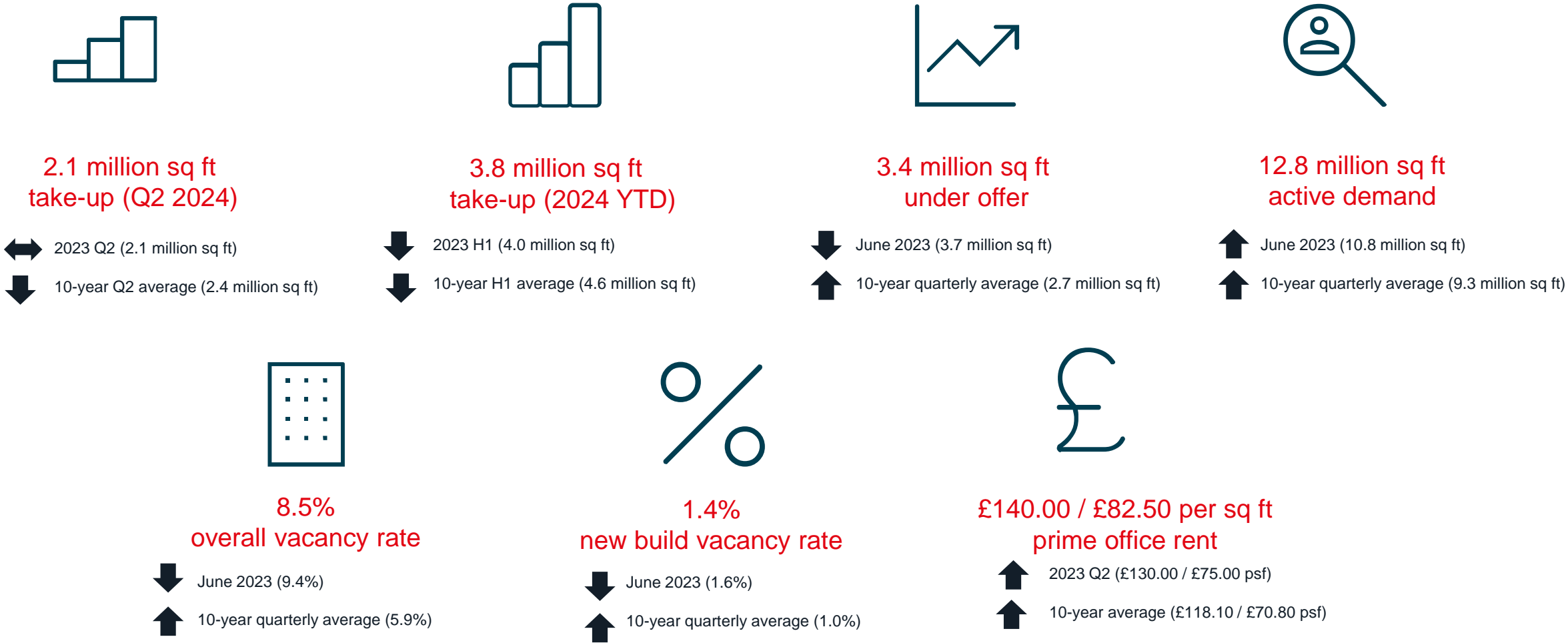
Central London Office Market Outlook



Prepared for Alony Hetz Capital Markets Call
Q2 2024

Improved levels of take-up evident, whilst under offer remains above average

Central London office performance – Q2 2024

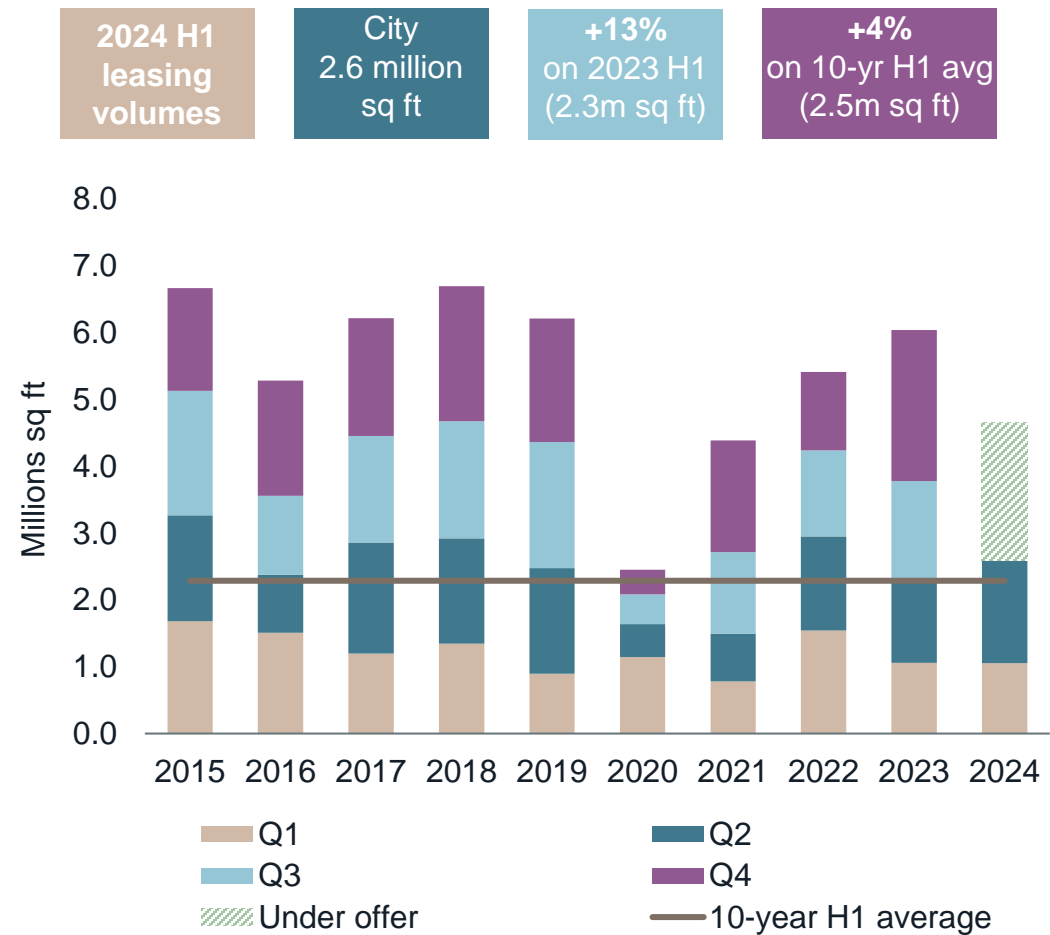


Source: JLL Research

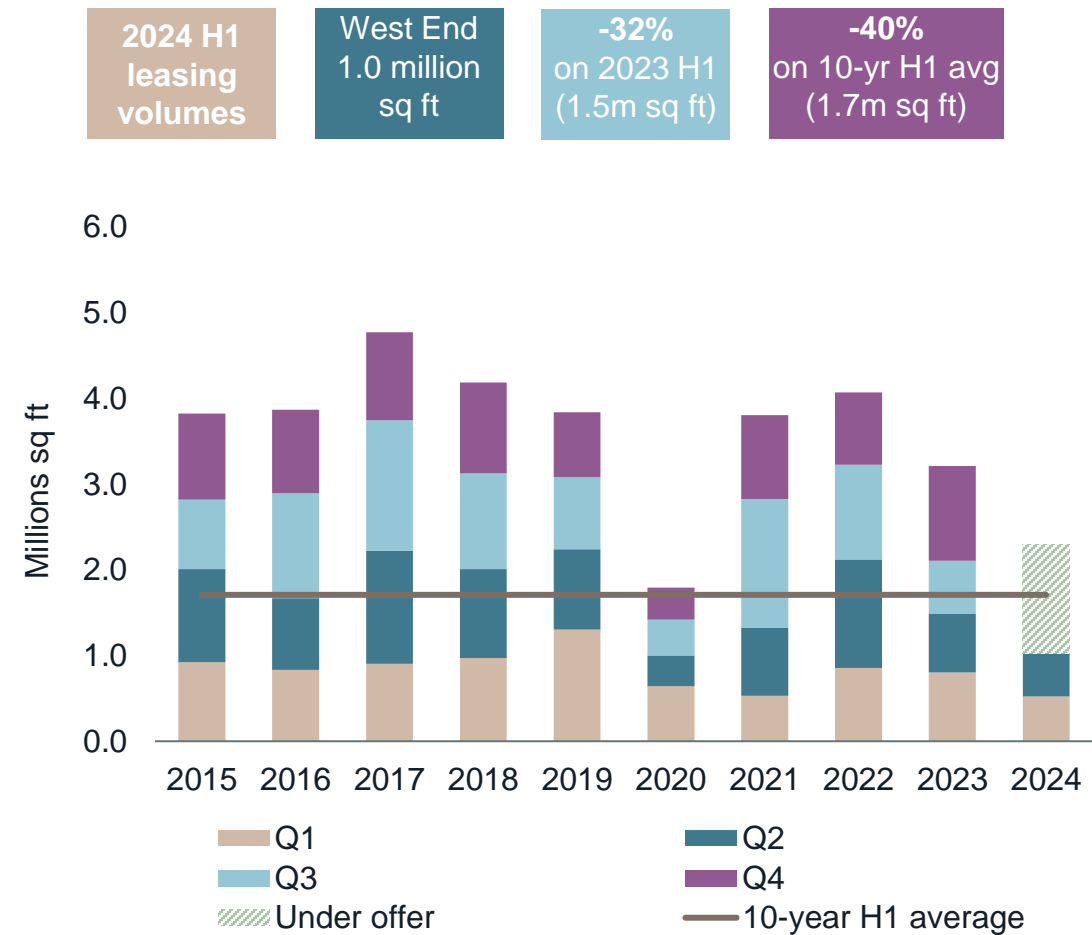
Improved leasing activity in the City, whilst West End remains subdued

City & West End leasing activity, 2015-2024 Q2

City leasing activity 2024 H1 – 2.6 million sq ft



West End leasing activity 2024 H1 – 1.0 million sq ft



Source: JLL Research

Key activity across Central London

Q2 2024

WEST END

TRANSACTION



50 Electric Boulevard, SW8

SharkNinja

Size: 32,000 sq ft

Beginning of resurgence of activity in non-core submarkets?

UNDER OFFER



M Building, 334 Oxford St, W1

BDO

Size: 187,000 sq ft

Quality of development pipeline generating pre-let activity

CITY

TRANSACTION



YY London, E14

Revolut

Size: 114,000 sq ft

Expansion led - Fintech
Potential spin off?

UNDER OFFER



88 Wood Street, EC2

Mako / Millenium Capital

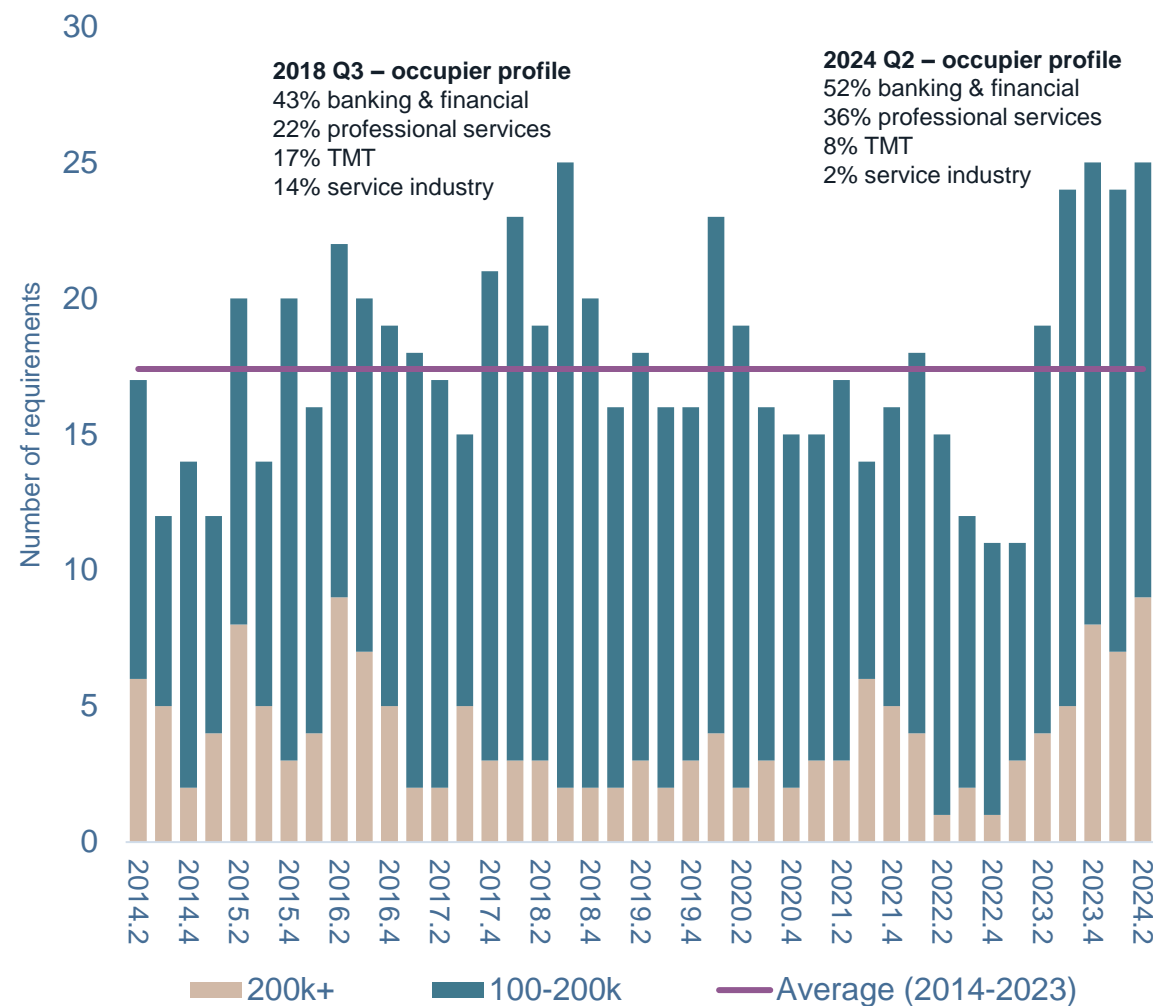
Size: 25,000 sq ft

Investment = activity
Significant discount to prime

Replacement demand grows over the quarter

		Average size (sq ft)			Average size (sq ft)
1.	Confidential Financial	425,000	14.	NBC UNIVERSAL	165,000
2.	NOMURA	350,000	15.	W wellcome	150,000
3.	London Stock Exchange	300,000	16.	MOODY'S	140,000
4.	HERBERT SMITH FREEHILLS	300,000	17.	Mishcon de Reya It's business. But it's personal.	140,000
5.	Jane Street	300,000	18.	F T I CONSULTING	140,000
6.	accenture	300,000	19.	MAYER BROWN	135,000
7.	Gallagher	300,000	20.	EVERCORE	130,000
8.	EY Building a better working world	270,000	21.	JUST EAT	125,000
9.	Investec	250,000	22.	SQUARE POINT	125,000
10.	Legal & General	190,000	23.	FitchRatings	110,000
11.	VISA	175,000	24.	deliveroo	100,000
12.	IBDO	175,000	25.	Spotify	100,000
13.	+simmons simmons	175,000			5,100,000

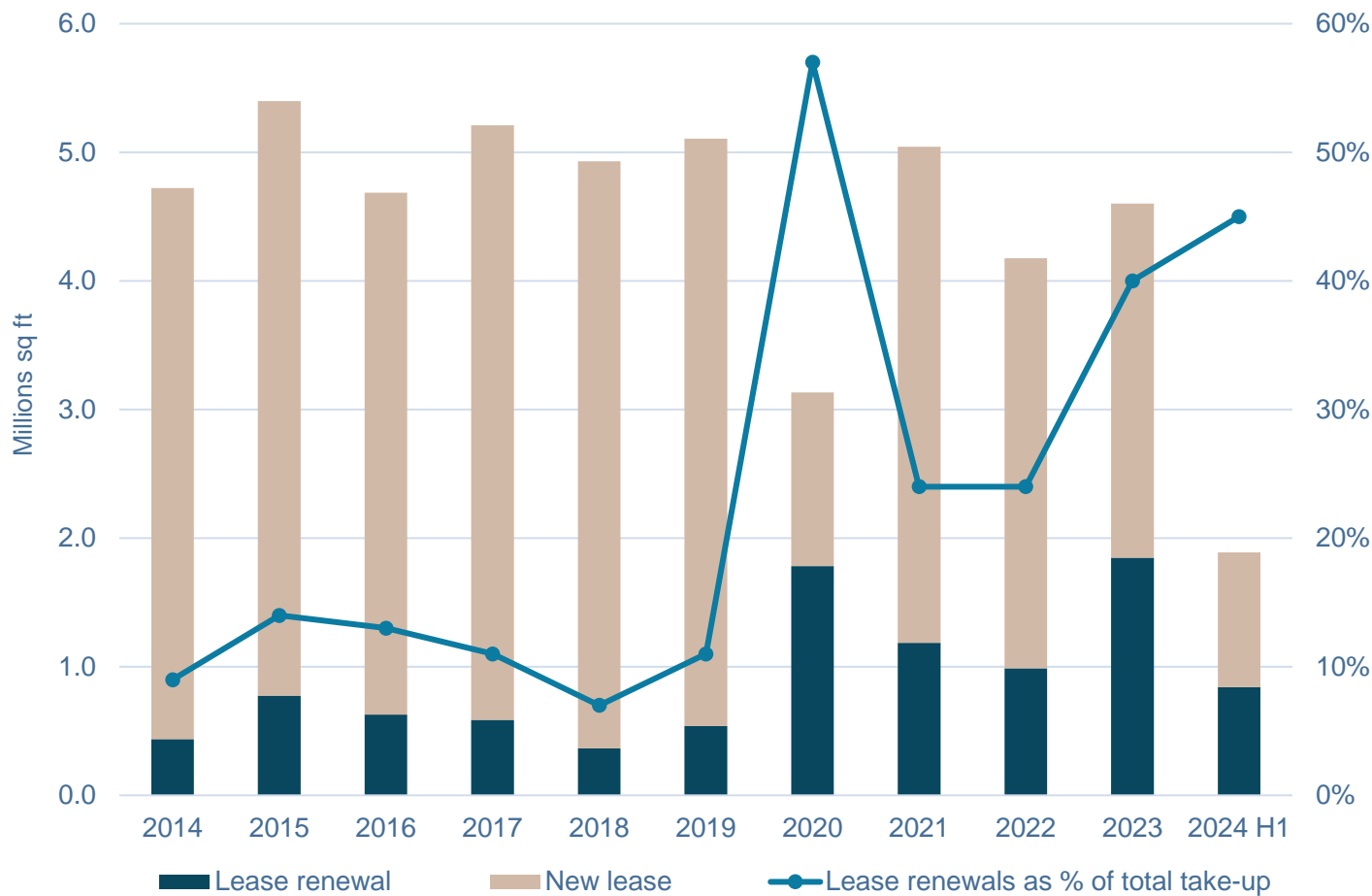
Central London active requirements over 100,000 sq ft



Source: JLL Research

Stay vs Go a consideration for most occupiers

Central London take-up over 50,000 sq ft



Source: JLL Research
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Large renewals/regears across Central London

2022

Deloitte.

2023

2024



Occupier Insights

Key themes – Occupier, July 2024



Confidence varies from sector to sector

- Enquiries from financial and professional remain robust
- Technology and media confidence and demand remains muted



Shortage of high-quality tower space

- Reducing availability in new City towers leading to improved interest in non-tower buildings



Widening rents impacting occupier strategy

- Forecast jump in prime rents are now a reality for future pre-let stock
- The gap in cost between stay put and go is widening



Core vs non-core locations

- Core locations pre-eminent but now some signs of life for large units of new space in lower cost non-core locations



Geopolitical landscape

- Not mentioned by many clients yet, but for some the US elections are an influence on delayed decisions

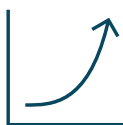
Debt Market – Key Themes



The Debt Market is Open



Covenants



Fixed / Floating



Valuations



Interest Rates



Cost of Hedging



Managing Execution Risk



Deal Size Matters



Growing Lender Pool

	12 th July 2024	Previous Month (11 th June 2024)
Daily SONIA Rate	5.20% -	5.20%
3Y SONIA Swap	4.16% ↓	4.44%
5Y SONIA Swap	3.90% ↓	4.14%
3M EURIBOR	3.69% ↓	3.74%
3Y EURIBOR Swap	2.94% ↓	3.18%
5Y EURIBOR Swap	2.79% ↓	2.99%

2024 Lender Appetite & Allocations Spectrum

Debt Funds

- Most liquid part of the stack – LPs and existing platforms favouring risk-adjusted returns
- First signs that forward looking liquidity may be constrained due to capital raising challenges, given investors are reconsidering RE allocations
- Many lenders require back leverage, which presents an additional execution “risk”

Insurance Companies

- Focused on cash-flowing assets with strong WAULTs and good credits
- Majority provide fixed rate debt (above prevailing swap or gilt rates)
- Continue to look for new opportunities, albeit focused on low-risk deals

Investment Banks

- Whilst still active, are more focused on post loan sell down visibility and liquidity
- With the syndication and securitisation markets more challenging, IBs are less attracted to very large transactions
- For new deals, many require an element of the loan to be “pre-syndicated” or “soft-circled”

Banks

- Banks increasingly occupied with managing existing loan books
- Increasing pressures of regulatory capital from Basel III and IV requirements which is leading to reduced LTV appetite
- With increasing rates and existing loan pressures, general risk appetite is reducing

Indicative Lender Appetite⁽¹⁾

Loan Size £/€	30-150
LTV	60-70%
ICR	1.1-1.3x
Pricing	3.25-4.50%

Loan Size £/€	50-150
LTV	45-55%
ICR	1.4-1.6x
Pricing	1.85-2.45%

Loan Size £/€	75-150
LTV	50-60%
ICR	1.3-1.5x
Pricing	2.00-3.00%

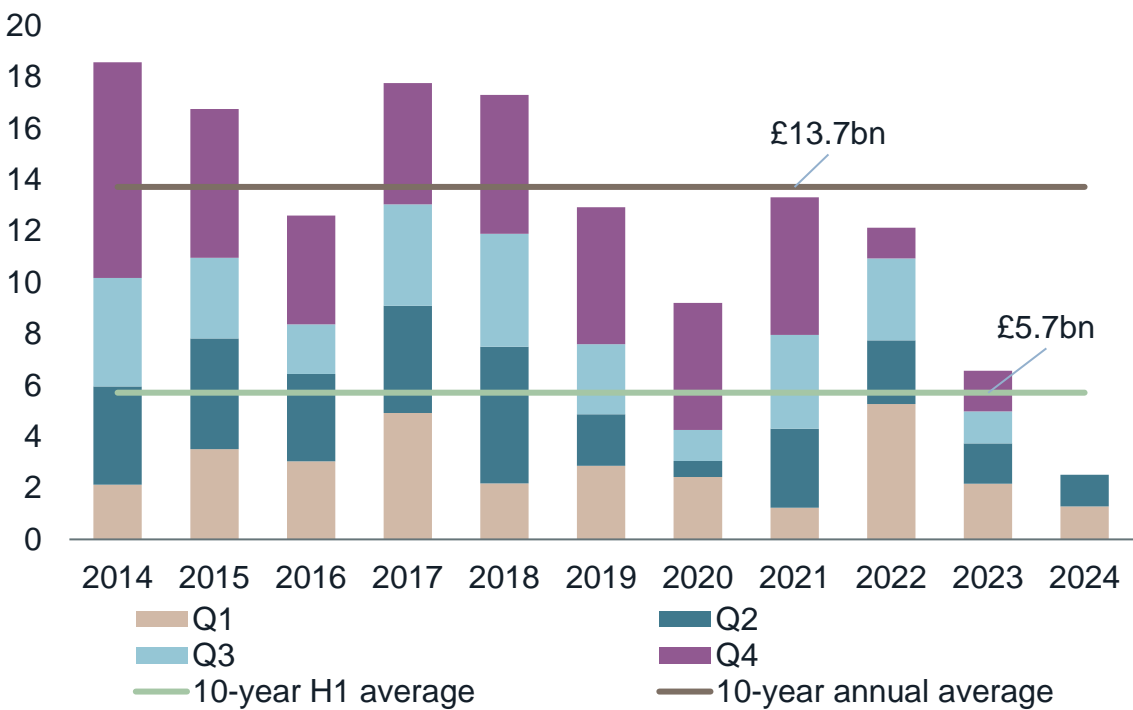
Loan Size £/€	25-75
LTV	45-55%
ICR	1.3-1.5x
Pricing	1.85-2.75%

(1) Lender “sweet spot” assuming high quality sponsor and stabilized asset.

Central London investment of £2.5bn in H1 2024

Q2 2024

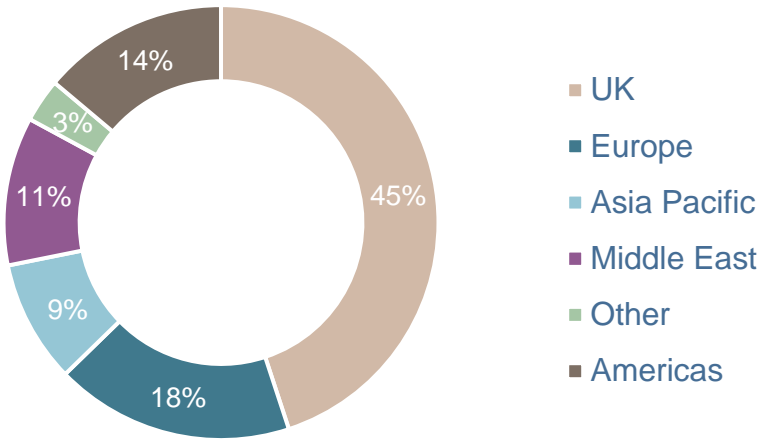
Quarterly investment volumes
£ billion



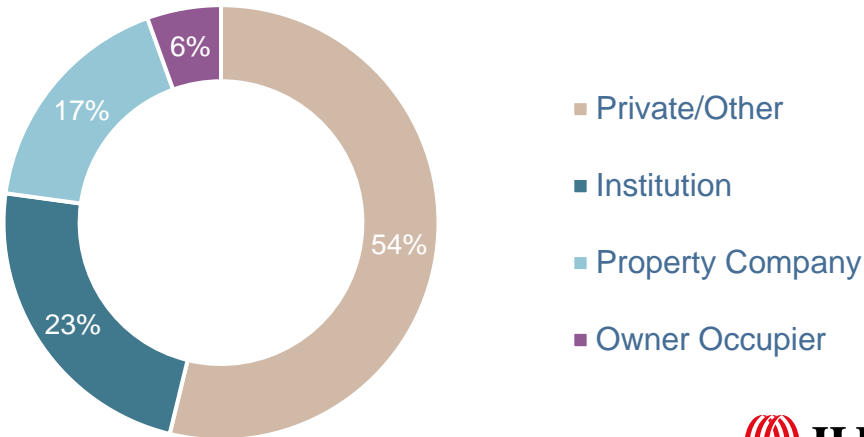
Source: JLL Research

55% of H1 purchasers were from overseas

Central London Purchaser by Nationality – H1 2024



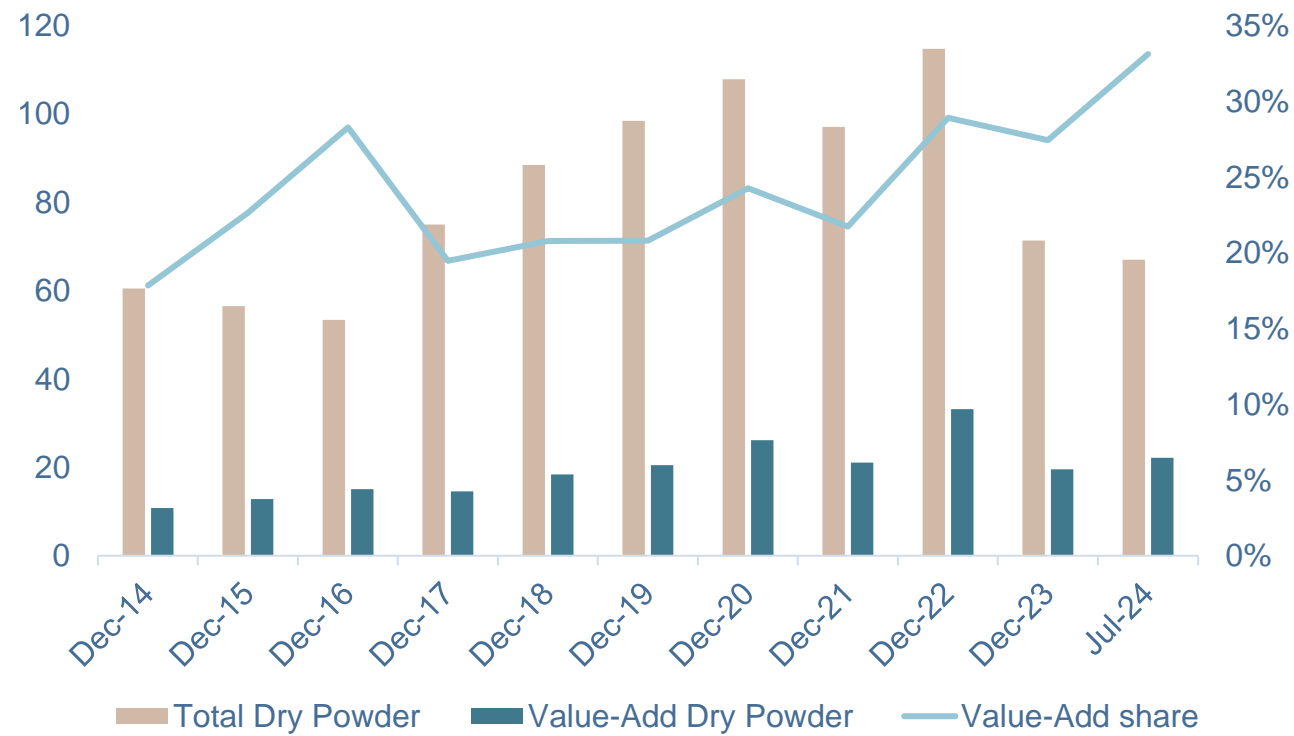
Central London Purchaser by type – H1 2024



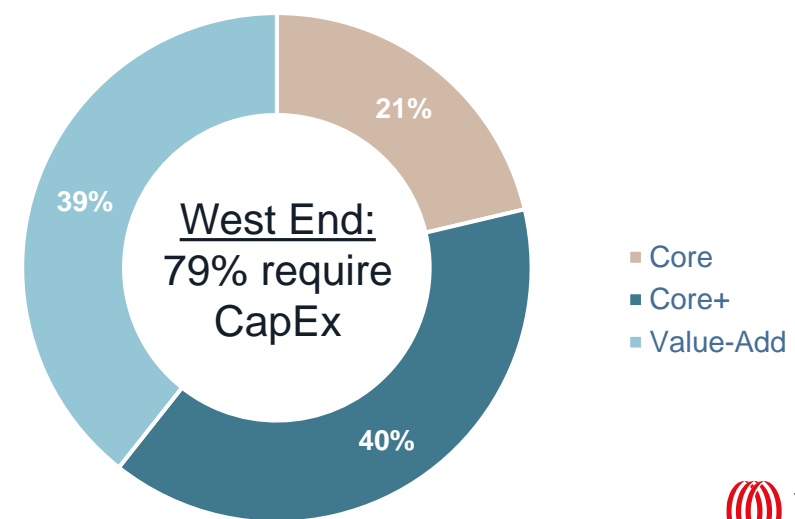
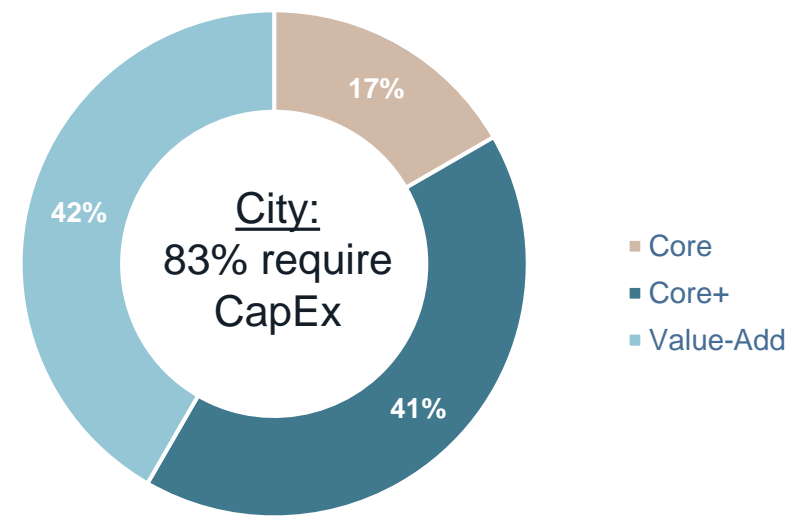
Finding opportunities to satisfy capital

Fundraising increasingly focussed on Value-Add strategies, matching majority of recent sales

Dry Powder targeting European Real Estate
US\$ billion



Source: JLL Research, Preqin, July 2024



Investor Insights

Key themes – Capital Markets, July 2024



Volumes remain subdued

- Investment has totalled just £2.5bn so far this year.
- Notwithstanding likely seasonal uplift, could finish even lower than last year's £6.5bn.



Withdrawals are frequent

- Mismatch between expectations and valuations continues to hamper transaction processes



Lot size continues to be crucial

- Only one deal of £100m + in the City during H1, landing on last day of June.
- Counterparty risk often cited as core capital remains cautious.



Seller motivations beginning to emerge

- CapEx is a driver, with some owners preferring to exit than spend.
- Geographically, Hong Kong emerging as a net seller.



Receivership sales are coming through

- Still not the wave expected at the start of this cycle, but a steady stream of forced sales occurring.
- Consensual sales also prevalent.

Thank you

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