

# South Bank reaches the mainstream

## ANALYSIS

Office investment and take-up along the South Bank are now at pre-recession levels

Developments finishing this year take availability to 7.2%

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In 1951 the Festival of Britain designated London's South Bank as a place for arts and entertainment. More than 60 years later the two-mile stretch of the Thames in SE1 is becoming one of the capital's hottest office markets.

Three-quarters of the way into 2013, investment deals are already up significantly on any of the previous six years, while take-up is at its highest level since 2007, according to Q3 research from Farebrother.

And records are being broken left, right and centre.

*Estates Gazette* revealed last week that Mike Hussey's Almacantar was lining up the biggest office deal in South Bank history with a £500m purchase of the office element of the 1.5m sq ft Shell Centre development (5 October, p35).

Just a few weeks earlier at the beginning of September, that record had looked to be going to M&G Real Estate, which is under offer to buy Royal Bank of Scotland's offices at 2+3 Bankside from Land Securities for £312m - a 5.25% yield.

On the letting front, Rupert Murdoch's News UK has been the headline grabber, taking Sellar Property's 430,000 sq ft The Place at £50 per sq ft, while advertising giant Ogilvy & Mather is under offer for 226,000 sq ft at Archlane's and Deerbrook's Sea Containers House at £45 per sq ft. Those two lettings helped Q3 numbers to exceed the previous two quarters combined.

Julian Hind, equity partner at Farebrother, says: "The South Bank is no longer an emerging market. It has firmly arrived. The appetite for office space in this market seems unbounded."

Mark Kleinman, a director at



## SOUTH BANK STATISTICS

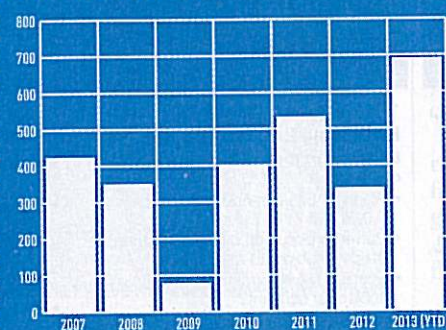
### TAKE-UP (SQ FT)

Q1 2013  
**191,500**

Q2 2013  
**237,200**

Q3 2013  
**872,600**

### INVESTMENT (£M)



### AVAILABILITY (SQ FT)

Q1 2013  
**1.3m**

Q2 2013  
**1.2m**

Q3 2013  
**1.4m**

James Andrew International, which along with Cushman & Wakefield has been advising Ogilvy & Mather, says occupiers have been attracted to the area due to its relative cheapness compared with the West End and City, but also because of its transport links.

"Waterloo and London Bridge are two of the busiest hubs in the capital," he says. "Many companies across London will find that a lot of their workers come into the capital via these hubs."

Farebrother's figures show that investment in the area has been dominated by UK funds, which account for £216m (31%) of the 2013 total to date, and continental European investors, with £223m (32%).

Andy Verschoyle, managing partner at Kingly Partners, says investor interest is the result

of a "cumulative effect".

"Gradually more and more of the right people have become interested until a tipping point was reached when the area became mainstream. Everyone now feels they need exposure to it," he says.

"There have been some game-changing developments and people now see it as a core part of central London to invest in."

An additional 345,000 sq ft of development was delivered in Q3, with the availability rate rising from 6.4% to 7.2%. But availability is not expected to rise any further in 2013 as no more schemes are due to complete until early next year.

Hind says: "With the current pipeline reaching its end, the big question is where the next wave of development will be accommodated."

Carlyle Group is proposing a PLP Architecture-designed 1.4m sq ft mixed-use scheme (pictured) that will involve the redevelopment of Sampson House and Ludgate House and include 489 flats, 450,000 sq ft of offices, 25,000 sq ft of shops, 18,500 sq ft of cultural space and a 16,250 sq ft public square. The plans were approved this week.

Managing director Mark Harris says: "The South Bank is one of the most exciting markets in the country."

"We see huge potential for the area, which is reflected in our plans for a major regeneration of the sites of Sampson House and Ludgate House, creating a vibrant new community on this under-utilised section of the South Bank."