

Central London Fit Out Report March 2010

London – A Reality Check

(The Central London Fit Out Market 2005-2010)

Introduction

This research into the central London interior fit out market by Metropolis Property Research has been prepared for MIPIM March 2010.

Andy King is Managing Director of Metropolis Property Research and a Director of CityOffices.net

The Context

As part of this research Metropolis has identified the office deals and fit out projects in central London for the period 2005 to 2010 and used every endeavour to identify the project teams.

The research covers fit out (Cat B) projects of over 1,858 sq m (20,000 sq ft) for office buildings completed or under construction. It has been prepared in consultation with firms involved on central London projects.

This original and independent research provides an authoritative Top 10 Ranking of interior architects, fit out contractors, and project managers active on projects in central London.

The Market Share

The research looks at one slice of the whole central London interior 'cake' and is focussed on the fit out (Cat B) of new and refurbished Grade A space for named occupiers.

The total take-up of all office space in central London 2005-2010 has been just over 58.8m sq ft, and large deals, which form the basis for the Top 10 research, amounted to 31.6m sq ft, or about 54%.

This research does NOT consider the other elements of the interior market, namely re-stack (fit out/refurbishment with occupier in occupation) and the fit out and refurbishment of vacant speculative office space. These aspects are covered in the full report available from Metropolis Property Research.

The analysis covers the end period of what is the first property boom of the century. The research covers 31.6m sq ft of space fitted out as 627 projects.

Central London Fit Out Report March 2010

Pringle Brandon Top of the Class - Interior Architect Market

The Top 10 Interior Architect Rankings for the combined totals for 2005-2010 are as follows (last year's position in brackets):

Interior Architects Ranking
Pringle Brandon(2)
MCM (3)
Gensler (1)
Swanke Hayden Connell (4)
TP Bennett + Engle (5)
HOK (6)
Sheppard Robson (7)
TTSP (9)
KKS/KPF (-)
Building Design Partnership (BDP) (10)

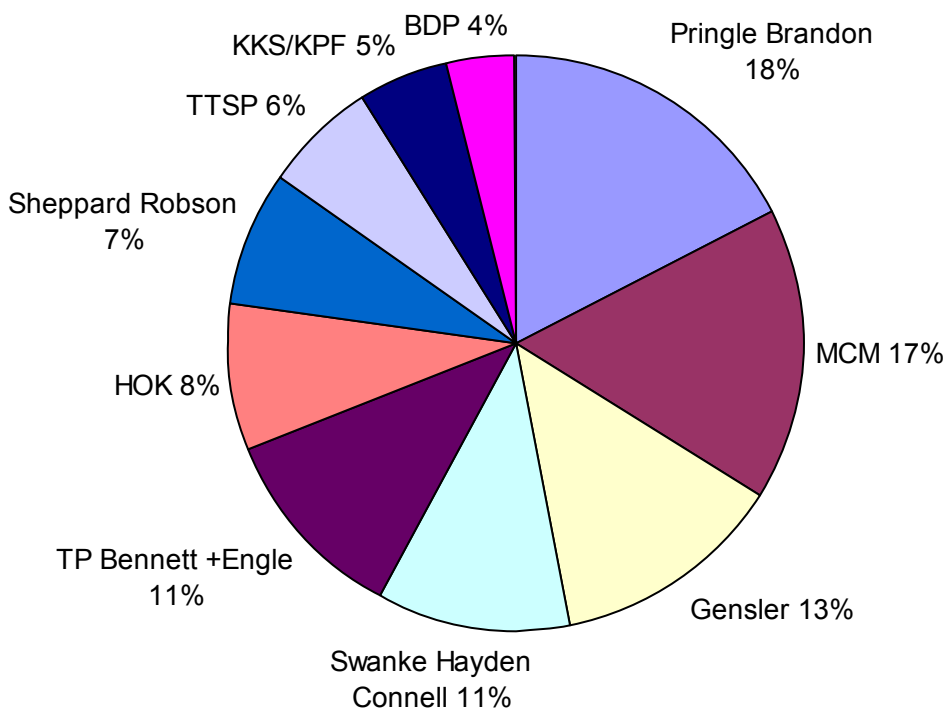
Those firms in the Top 10 have completed, or have underway: 14.3m sq ft of interior projects, which comprises 45% of all office projects in central London (2005-2010) reviewed as part of the research.

The Top 10 Architect Ranking now sees Pringle Brandon in No1 place for the first time. Pringle Brandon has just pushed MCM into second place, although it must be said that only one project separates the two firms.

Gensler has slipped back to third place due to the lack of a development start on the JP Morgan headquarters project at Canary Wharf.

Source: Metropolis Property Research

Interior fit out market share 2005-2010 (so far)



Swanke Hayden Connell, HOK, Sheppard Robson, TP Bennett + Engle, and BDP, hold their places in the ranking. TTSP moves up one place as Woods Bagot drops from the list.

KKS Strategy, with Kohn Pederson Fox, has moved into the ranking for the first time as its clients at last decide to sign-up for space in the City of London.

Just five firms now dominate the major projects (Cat B) in central London with 70% of interior design work.

Source: Metropolis Property Research (www.metroinfo.co.uk)

Central London Fit Out Report March 2010

COMO A Bigger Share of the Cake - Contractor Fit-Out Market

The market trend to more pre-let activity means that the time lag on the appointment of a fit out contractor can now be well over 12 months behind the appointment of interior architect and project manager. This makes the Top 10 analysis of fit out more subject to change as the number of projects cover a wider time frame than other sections of this report.

The Top 10 Interior Fit-Out Rankings for 2005-2010 are (previous positions in brackets):

Fit Out Ranking
Overbury (1)
ISG (2)
Como (3)
8Build (5)
StructureTone (4)
Ibex (6)
BW Interiors (8)
Wates (7)
Bovis (-)
Parkeray (-)

Those firms in the Top 10 have dealt with, or are dealing with just over 13.8m sq ft of 'live' or recent interior projects and this comprises 44% of all office these projects in central London 2005-2010 (so far).

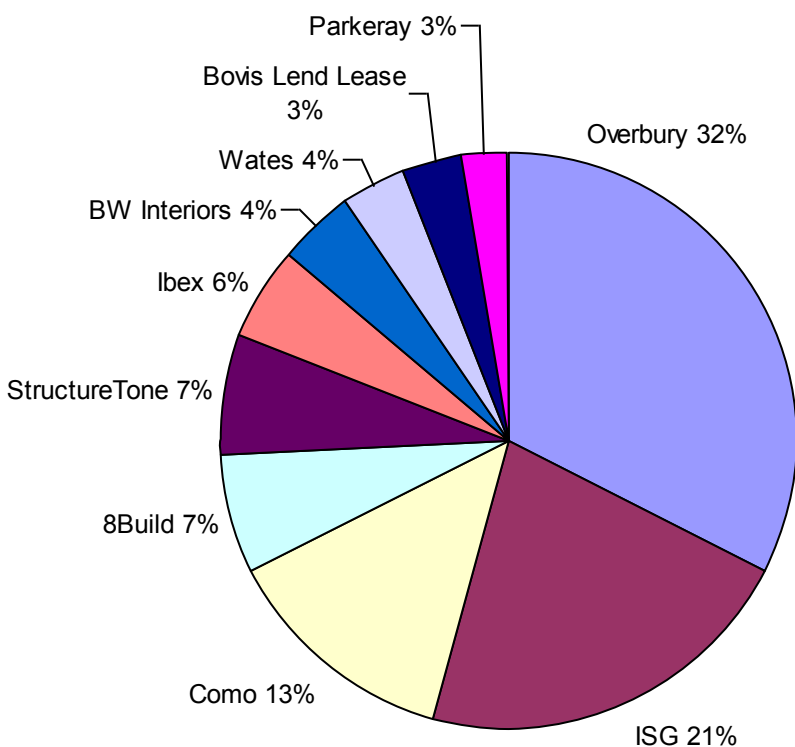
Overbury has stayed at the top of the ranking and has slightly increased its market share to 32% over the year. Como has seen a significant increase in its market share over the year by 4%, mainly at the expense of ISG, and now has 13% of the market. ISG's market share has dropped by 4% and is now 21%.

8Build, StructureTone and Ibex remain fairly closely matched in the middle of the ranking. BW Interiors and Wates have swapped positions in the ranking.

Bovis Lend Lease and Parkeray are new entrants to the ranking.

Source: Metropolis Property Research

Interior fit out market share 2005-2010 (so far)



The three top firms still account for 66% of large fit out projects (Cat B) in central London.

Overall the fit out market has a potential of 6.3m sq ft in central London. This is made up of 3.4m of 'live' fit out projects where a contractor still needs to be appointed, and in addition 2.9m sq ft of 'potential' fit out projects where the development has not yet started and occupier deals are not finalised.

Source: Metropolis Property Research (www.metroinfo.co.uk)

Central London Fit Out Report March 2010

London – A Reality Check

Ladders and Snakes

On the whole 2009 was better than anyone perhaps expected this time last year. After a very quiet start to the year a surge of office market activity was seen in the last few months of 2009 with several big deals being completed, and this activity has carried on into 2010.

Occupiers have been chasing the best office buildings in the knowledge that deals on space are currently at levels not seen for at about 20 years. We have seen occupiers achieve 4-5 year rent free periods and the return of gazumping.

Overall the fit out market has a potential of 6.3m sq ft in central London. This is made up of 3.4m of 'live' fit out projects where a contractor still needs to be appointed, and in addition 2.9m sq ft of 'potential' fit out projects where the development has not yet started and occupier deals are not finalised. Some of the latter 'potential' figure may not materialise as expected but the level of fit out opportunities on larger projects still looks good for 2010.

In terms of a reality check all office space deals in central London in 2009 amounted to about 8.4m sq ft, down about 30% on the previous year and 33% down on the peak year of 2007. This was also reflected in our analysis of larger fit out projects which showed a fall in space fitted out of 42% against 2007 figures. This market 'downsizing' may be with us for a few more years.

The danger is that the current mini 'boom', being fuelled by relatively cheap space and a shortage of 'premier' office space, will soon end and then there may be a slack occupier fit out market in 2011/2012 until more 'premier' space is on-stream as part of the new property cycle.

In the interim the fit out market may be concentrated on upgrading occupiers existing space and adding-value to developers and owners 7m sq ft of un-let office space, until the new occupier led pre-let market comes along.

Andy King is Managing Director of Metropolis Property Research and a Director of CityOffices.net

For further information on Metropolis Movers research and CityOffices.net research on central London and UK regional cities please visit:

www.metroinfo.co.uk
www.cityoffices.net

The information and analysis in this report has been rigorously checked and is, as far as possible, correct at the time of going to press. Metropolis Property Research Ltd can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. The report should not be relied upon as a basis for entering into any transactions without seeking specific, qualified, professional advice. No part of the report should be published, reproduced or referred to, without the prior approval of the author. Any such reproduction should be credited.