



BNP PARIBAS REAL ESTATE

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By Email and Post

**Subject to contract
Without prejudice**

Your ref:
Our ref: SCF L030311 PSW

21 March 2011

Dear Hugh

Teddington Office Market Update – March 2011

I refer to our email correspondents and your request for an update on the Teddington Office Market.

In the report jointly prepared by Cattaneo Commercial and BNP Paribas Real Estate dated May 2010, which accompanied your planning application for a change of use on Park House, we expressed the view in that report, in paragraphs 6.3/6.4 that the office market in Teddington would continue to struggle due to lack of applicants. 10 months later this remains the same situation, and will, we believe, continue to be the case for the foreseeable future. This isn't particularly surprising given Teddington's status as a secondary office market, combined with the ongoing severe difficulty in economic conditions.

Office availability has once again increased, with occupier demand remaining virtually non-existent over the last 12 months. Teddington has only seen one office deal which we understand was completed at a much discounted rental level in Harlequin House which involved an area of approximately 4,000 sq ft. Indeed, this deal represents the main Teddington office acquisition in the last two years.

As an indicator of how weak the market is, we are given to understand by Richmond and Twickenham PCT, who occupy 19,800 sq ft in Thames House (180 High Street), that they may shortly be vacating and intend to mothball the property because their advice is that there is very limited prospect of reletting the premises in the current market. This is despite it being one of the better offices in the Teddington area.

The weak office market extends to the more established neighbouring markets such as Kingston-upon-Thames, which has again seen an increase in overall office availability with no notable deals over the last 12 months.

Headline rents in Teddington do not tend to reach a level that makes it economic to consider speculative office development. Given the very weak rental profile, there has been no new office development for over 10 years. This is because, as we have previously said, achievable rents

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together with the associated void periods do not make new speculative development financially viable.

In fact, looking back to better market conditions in 2007, an analysis of Teddington market activity reveals limited take-up aside from that by the principal Teddington occupier (Haymarket Publishing).

However, with the background that we have described together with statistical evidence, it is our considered view that there is currently no market for new office space in Teddington and this is likely to continue, even when economic conditions do improve.

Please let me know if you need anything in more detail.

Yours sincerely

Simon Fitch
Director

Copy to:

Dr C G Down