

RENT & RENT FREE PERIOD GUIDE Q2 2017

LANDLORD'S ADVERTISED RENTS & RENT DISCOUNTS

Table 1 illustrates landlord's typical advertised rents as at Q2, 2017. The bargaining power in lease negotiations is moving towards tenants post Brexit vote as demand for London office space weakens. In many cases it is possible to negotiate deeper discounts on landlord's advertised rents, typically of 3 - 7%, compared with a year ago.

The variation in rents is a consequence of the different supply and demand dynamics of each sub-market. The advertised rents on some Grade B warehouse-style office space in locations such as Farringdon and Clerkenwell will typically be higher than rents for refurbished 'corporate'-style Grade A space in the same location, reflecting the rental premium that creative and media firms place on such space.

Floors with terraces will usually command a rental premium of 5-10% above those set out in the table and the upper floors of buildings that provide panoramic views of London will typically attract a rental premium of 20-30% above those illustrated in the table.

RENT FREE PERIODS

Landlords are offering longer rent free periods than could have been negotiated before the EU Referendum - typically an additional 1-3 months on leases of up to 5 years and 2-4 months on leases of up to 10 years. Table 2 illustrates the typical rent free periods that can currently be negotiated.

NEGOTIATING A LEASE - THE KEY ISSUES

While rent discounts and rent free periods will form the key components of all lease negotiations it is also important to 'future-proof' the lease by building in flexibility and mechanisms to limit future property costs, by negotiating the following:

- a service charge cap
- 'tenant-friendly' rent review valuation provisions
- a limitation on the scope of the tenant's repairing and removal of fixtures and fittings obligations - to minimise future exit costs
- the removal of any onerous sub-letting or lease assignment/transfer pre-conditions
- the inclusion of a tenant-only break option(s)
- no requirement to provide a guarantor and/or rent deposit.

Table 1

Source: Carter Jonas Research

London Office Market - Typical Advertised Rents - Q2 2017 (space over 5,000 sq ft)

| Location | Grade A | | Grade B |
|--|---|---|-----------------|
| | New/Refitted | Refurbished | Refurbished |
| <i>UF: Upper Floors</i> | | | |
| City | | | |
| Prime - Insurance District | £62.50 - £72.50 (UF = £85.00 - £92.50) | £52.50 - £62.50 (UF = £75.00 - £85.00) | £42.50 - £50.00 |
| Secondary - Blackfriars, Moorgate | £59.50 - £70.00 (UF = £77.50 - £87.50) | £47.50 - £57.50 (UF = £65.00 - £72.50) | £40.00 - £47.50 |
| City Fringe | | | |
| North/North West - Clerkenwell, Shoreditch | £62.50 - £70.00 | £55.00 - £62.50 | £42.50 - £57.50 |
| East - Spitalfields | £62.50 - £70.00 | £55.00 - £60.00 | £40.00 - £47.50 |
| East - Aldgate East | £50.00 - £55.00 | £42.50 - £47.50 | £37.50 - £40.00 |
| South Bank | | | |
| Waterloo, Southwark, London Bridge | £65.00 - £70.00 (UF = £75.00 - £92.50) | £55.00 - £62.50 | £42.50 - £52.50 |
| East London | | | |
| Docklands Prime - Canary Wharf | £45.00 - £50.00 | £42.50 - £45.00 | £32.50 - £37.50 |
| Docklands Secondary - Crossharbour | £32.50 - £38.50 | £25.00 - £31.50 | £20.00 - £25.00 |
| Stratford | £37.50 - £47.50 | £27.50 - £35.00 | £19.50 - £25.00 |
| West End | | | |
| Central - Mayfair, St James's (Prime) | £110.00 - £125.00 | £85.00 - £105.00 | £65.00 - £75.00 |
| Central - Mayfair, St James's (Secondary) | £90.00 - £105.00 | £75.00 - £87.50 | £60.00 - £70.00 |
| North - Euston | £67.50 - £75.00 | £52.50 - £65.00 | £40.00 - £47.50 |
| North East - Fitzrovia | £75.00 - £85.00 | £62.50 - £72.50 | £50.00 - £60.00 |
| North West - Marylebone | £80.00 - £90.00 | £67.50 - £77.50 | £45.00 - £57.50 |
| South - Victoria, Westminster | £72.50 - £80.00 (UF = £82.50 - £85.00) | £57.50 - £70.00 | £47.50 - £57.50 |
| South West - Knightsbridge | £80.00 - £95.00 | £70.00 - £77.50 | £52.50 - £65.00 |
| East - Soho, Regent Street | £77.50 - £92.50 | £65.00 - £75.00 | £52.50 - £65.00 |
| West - Paddington | £60.00 - £68.50 (UF = £70.00 - £72.50) | £49.50 - £59.50 | £40.00 - £47.50 |
| Midtown | | | |
| North - King's Cross | £75.00 - £85.00 | £52.50 - £75.00 | £45.00 - £55.00 |
| South - Covent Garden | £72.50 - £85.00 (UF = £87.50 - £92.50) | £55.00 - £70.00 | £45.00 - £55.00 |
| East - Holborn | £62.50 - £70.00 | £52.50 - £62.50 | £42.50 - £49.50 |
| West - Bloomsbury | £67.50 - £85.00 | £55.00 - £65.00 | £45.00 - £50.00 |
| South West London | | | |
| Chelsea | £70.00 - £90.00 | £57.50 - £67.50 | £40.00 - £50.00 |
| Vauxhall, Battersea | £52.50 - £60.00 | £42.50 - £50.00 | £30.00 - £40.00 |
| West London | | | |
| Kensington | £55.00 - £65.00 | £45.00 - £52.50 | £37.50 - £45.00 |
| Hammersmith, White City | £52.50 - £58.50 | £45.00 - £52.50 | £35.00 - £45.00 |
| Chiswick | £48.50 - £55.00 | £42.50 - £47.50 | £35.00 - £45.00 |

GRADES OF OFFICE ACCOMMODATION

For marketing purposes office accommodation is generally categorised into Grades which are defined as follows:

GRADE A

New or newly refurbished office space where the building specification includes suspended ceilings and fully accessible raised floors for data/telecoms cable management, passenger lift and air conditioning facilities.

GRADE B

Office space that may only incorporate under floor or perimeter trunking for data/telecoms cable management, rather than fully accessible raised floors, and/or air cooling facilities, instead of an air conditioning system that dehumidifies, filters and draws fresh air into the building. Grade B space also tends to be of a generally lower quality building specification.

“REFITTED”

Office space that is ‘as new’, having been completely refitted throughout, to include new fixtures and fittings to the common parts and reception area, new building services – including air conditioning and passenger lift facilities, electrical, plumbing and lighting systems, and new raised floors, suspended ceilings and sanitary ware. The specification of works will comply with the latest health and safety legislation and may also include re-cladding the exterior of the building.

“REFURBISHED”

Space is defined as office accommodation where the landlord has redecorated and recarpeted the available office space (but not necessarily the common parts) and overhauled, but not renewed, the building services, such as the air conditioning and passenger lift facilities.

THE TENANT ADVISORY TEAM

Our tenant representation services include:

- Office search and relocation management
- Relocation budgeting and planning
- Lease and rent review negotiation
- Repairs/dilapidations cost assessment and negotiation
- Building, air conditioning and passenger lift surveys
- Business rates analysis and appeal
- Service charge audit
- Office fit out procurement and project management

Table 2
Rent Free Periods By Sub-Market – Q2 2017

Source: Carter Jonas Research

| Location | Typical Rent Free Period Agreed (lettings over 5,000 sq ft) | |
|--|---|---------------|
| | 5-year lease | 10-year lease |
| City – Prime – Insurance District | 10 - 12 | 22 - 25 |
| City - Secondary - Blackfriars, Moorgate | 10 - 12 | 22 - 25 |
| City Fringe - North/North West - Clerkenwell, Shoreditch | 8 - 12 | 18 - 24 |
| City Fringe – East – Spitalfields, Aldgate East | 10 - 12 | 22 - 24 |
| South Bank – Waterloo, Southwark, London Bridge | 8 - 11 | 18 - 22 |
| Docklands Prime & Secondary | 11 - 14 | 23 - 26 |
| Stratford | 10 - 13 | 22 - 25 |
| West End - Central – Mayfair, St James’s | 9 - 12 | 18 - 24 |
| West End - West - Paddington | 9 - 12 | 20 - 24 |
| West End - East - Soho | 8 - 11 | 17 - 22 |
| West End - North East - Fitzrovia | 9 - 12 | 20 - 24 |
| West End - North West - Marylebone | 9 - 12 | 20 - 24 |
| West End - South - Victoria, Westminster | 9 - 12 | 20 - 24 |
| Midtown - West - Bloomsbury | 9 - 12 | 20 - 24 |
| Midtown - East - Holborn | 9 - 12 | 20 - 24 |
| Midtown - South - Covent Garden | 8 - 11 | 17 - 22 |
| Midtown - North - King’s Cross | 8 - 11 | 18 - 22 |
| West London – Hammersmith | 9 - 12 | 20 - 24 |

TOTAL OFFICE OCCUPANCY COSTS: The Carter Jonas office costs map provides a geographical summary of rent, business rates and building service charge costs. A copy of the map is available free of charge.

For more data on the Central London office market, office availability, rents and rent free periods and information on budgeting and planning for a lease renewal, rent review or office relocation please contact one of the team.



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