RESEARCH

Guide to Rents & Rent Free Periods
Office Occupancy Cost Map

Q3 2018

LONDON OFFICE MARKET OVERVIEW

Carter Jonas

THE TENANT ADVISOR'S VIEW

DESPITE BREXIT UNCERTAINTY, LOW VACANCY CONTINUES TO UNDERPIN THE MARKET

What is the London office market like for tenants at the moment? How is it likely to develop in the run-up to Brexit and beyond? These are the two most common, and pertinent, questions that I get asked by clients, as a property professional specialising in tenant advisory work.

In a market as diverse and sophisticated as the London office market, the answers to these questions are not clear cut but I will attempt to simplify them in this commentary.

RECORD RENTS ACHIEVED NEAR ELIZABETH LINE STATIONS

Despite the recent disappointing announcement that commencement of Elizabeth Line / Crossrail services is to be delayed at least until the second half of next year, this temporary setback is unlikely to dent rental growth in those areas of the West End, Midtown, City and City fringe that will have the benefit of an Elizabeth Line station.

The Elizabeth Line represents a major infrastructure project that will revolutionise east / west transport connectivity across London. Crossrail has already led to increased inward investment in the public realm and new office, retail, leisure and residential development in the vicinity of the various Crossrail stations.

Office rents for new Grade A space in Elizabeth Line connected locations such as Paddington, Bloomsbury and Farringdon have risen to record levels - from £60.00 - £70.00 per sq ft per annum just before the Brexit vote to, typically, £75.00 - £90.00 per sq ft per annum now.

This trend demonstrates that occupiers are willing to pay a rental premium for Grade A space with good accessibility, including a direct link to Heathrow airport and the Thames Valley and Essex labour pools.

LOW VACANCY IS UNDERPINNING RENTS

The Elizabeth Line has brought about a shift north in the centre of gravity of the London office market, away from more established markets such as Victoria in the West End, Covent Garden in Midtown and London Bridge on the South Bank. However, historically low levels of office vacancy in most size ranges above 5,000 sq ft continue to underpin rents in these locations where the influence of Crossrail is less powerfully felt.

The Carter Jonas Research Team's Q3 2018 survey of the London office market shows that landlord's advertised rents for new Grade A space in areas with no Elizabeth Line station have remained broadly static during Q3, although rents for second-hand space in secondary locations have declined in many sub-markets across Central London.

LESS CHOICE & HIGHER RENTS FORECAST FROM H1 2020

The hiatus in the property development pipeline, precipitated by the Brexit vote, has resulted in a below trend level of new developments reaching the Central London office market. Supply side constraint are likely to persist for the next couple of years which will result in reduced tenant choice for new and refitted space, placing landlords in a stronger bargaining position. However, the stock of vacant second-hand, refurbished, space is likely to increase one the next 12-18 months as tenants trade up into new buildings.

Providing that there is no hard Brexit, from H1 2020 it is quite possible that there will be a return of unwelcome rental growth for new and refitted office space above 5,000 sq ft in some sub-markets, including the West End, Midtown and the South Bank where vacancy levels are particularly low.

THE SUB-5,000 SQ FT MARKET / CO-WORKING AND SERVICED OFFICES

There is increasing evidence indicating that the market for office space of sub-5,000 sq ft, for up to 50 desks, that is available on conventional / non serviced leases, is suffering - with vacancy increasing and rents declining in many area of London as the co-working and serviced office sectors continue to expand market share.

Gone are the days when businesses that based themselves in serviced offices were stigmatised as being 'transient'. The advent of agile working, the emergence of a new source of demand – the tech / creative start-up – and the arrival of a new, smarter, 'younger', class of serviced / co-working space provider from America are factors that have conspired to underpin the growth in the co-working / serviced office sector.

An increasing number of small and mid-size businesses, typically employing up to 50 staff – not just from the technology and creative sectors – are choosing co-working / serviced offices which is a very cash-flow positive accommodation option. There's no need to tie up scarce working capital in an expensive fit out and the lease flexibility

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that co-working and serviced office providers offer is another important consideration for fast growing businesses.

Landlords of 'conventional' office space in the sub-5,000 sq ft office market are reacting to this structural market change in several ways, including reducing rents, offering longer rent-free periods and more flexible leases or fitting the space out for the tenant and subsidising or rentalising some / all of the cost.

However, not all occupiers will consider co-working / serviced office space. Some businesses in the legal, accountancy, IT and financial services sectors have shied away – citing privacy, data security and branding / identity issues as reasons to stick with the conventional leasing model.

RECRUITMENT – 'QUALITY OF SPACE AND PLACE'

Ten years ago the majority of office occupiers would have put cost at the top of the list of deciding factors when selecting office space. While cost is undoubtedly still an important consideration that will influence a business' relocation decision, it is highly significant that today's generation of office occupiers are also placing the quality of the space and the public realm around the building as being fundamentally important relocation variables. What has caused this shift in mindset? Workforce demographics. As time passes, the 'millennial' generation is becoming increasingly dominant in the labour market.

Research shows that in the list of 'must-haves' when job hunting the typical 'millennial' will consider the quality of the office environment, and the vibrancy of the public realm around the building to be key priorities when deciding to apply for / accept a job.

THE LINK BETWEEN REAL ESTATE & PROFITABILITY

Employers are becoming increasingly aware of the importance of creating an office environment, and culture, that will attract, and reinforce the retention of, high calibre staff – without which the productivity and profitability of their businesses will suffer. Organisations that better understand what motivates the millennial workforce are focussing more on 'quality of space and place' and less on cost – and they will almost certainly prosper at the expense of those competitors who fail to grasp these issues.

Landlords, too, are more alive to the demand for better build quality and design and are developing buildings with occupiers' 'wellness' in mind – including features that provide high levels of natural light, better ventilation and high water quality.

" EMPLOYERS ARE BECOMING INCREASINGLY AWARE OF THE IMPORTANCE OF CREATING AN OFFICE ENVIRONMENT, AND CULTURE, THAT WILL ATTRACT, AND REINFORCE THE RETENTION OF, HIGH CALIBRE STAFF – WITHOUT WHICH THE PRODUCTIVITY AND PROFITABILITY OF THEIR BUSINESSES WILL SUFFER. "

Table 1
Typical Current & Forecast Rents - New & Refitted Mid-Rise Grade A Space Over 5,000 Sq Ft

	£ per sq ft per annum		
Location	**Q3 2018**	**Q3 2019**	**Q3 2020**
Mayfair/St James's - Prime	£105.00	£102.50	£102.50
Marylebone	£85.00	£85.00	£87.50
Soho	£92.50	£92.50	£95.00
Fitzrovia	£85.00	£85.00	£87.50
Victoria	£75.00	£75.00	£77.50
Paddington	£75.00	£75.00	£77.50
Holborn	£65.00	£65.00	£67.50
Bloomsbury	£85.00	£85.00	£87.50
King's Cross	£82.50	£82.50	£85.00
Covent Garden	£77.50	£75.00	£75.00
Southwark	£67.50	£67.50	£70.00
City Prime	£65.00	£62.50	£62.50
City Secondary	£60.00	£57.50	£57.50
Shoreditch	£65.00	£62.00	£62.00
Farringdon	£75.00	£75.00	£77.50
Spitalfields	£65.00	£62.00	£62.00
Aldgate East	£55.00	£52.50	£52.50
Hammersmith	£57.50	£55.00	£55.00
White City	£52.50	£50.00	£50.00
Canary Wharf	£50.00	£47.50	£47.50
Stratford	£47.50	£45.50	£46.50

SUB-MARKET OVERVIEW

"PLAN AHEAD & START THE PROCESS EARLY"

If your business is facing a lease expiry, rent review or break option plan well in advance of the lease event. Consider each of the available property options carefully and how each may influence the business's operating costs, recruitment policies, staff retention and productivity. If an office move is being considered, the Carter Jonas team can prepare a stay-put / relocate property options cost appraisal to demonstrate the costs of each option to assist with budgeting and obtaining Board approvals. Further information is available upon request.

CITY

- **Supply -** is declining for prime-located Grade A space as take up erodes vacancy levels and the development pipeline fails to keep up with demand.
- **Demand -** the insurance, bank and financial services sectors have been the dominant 'players' in the market during Q3, accounting for a high proportion of lettings.
- The trend towards the diversification of the City's occupier base continues as businesses from the creative, media and technology sectors migrate from other sub-markets - attracted by lower property costs and high quality buildings with good transport connections.
- **Pre-letting activity -** tenants with large requirements, typically above 25,000 sq ft, are entering into pre-letting agreements on space that is under construction to secure space ahead of rivals. Much of the space in new developments such as 'The Scalpel', 52 Lime Street, EC3 (387,000 sq ft) and 'The Can of Ham', 70 St Mary Axe EC3 (445,000 sq ft), has been let before construction of the buildings has been completed.
- **Rents -** for new, prime located, mid-rise Grade A space have remained broadly static since Q3 2017 and are typically £62.50 - £70.00 per sq ft per annum. However, rents for refurbished Grade A space in inferior locations have declined by up to £2.50 per sq ft per annum over the same period.
- **Rent free periods -** have increased marginally since Q3, 2017, by circa 2 – 4 weeks on 5 – 10 year leases. See map overleaf for details.

CITY OF LONDON LETTINGS REPORTED DURING Q3, 2018

55 Gresham Street, EC2 – 121,600 sq ft to Investec Asset Management (financial services)

22 Bishopsgate, EC2 – 75,000 sq ft to Hiscox (insurance)

30-34 Moorgate, EC2 – 27,000 sq ft to Spaces (serviced office provider)

201 Bishopsgate, EC2 – 25,600 sq ft to Bravura Solutions (IT/software)

1 King William Street, EC4 – 28,000 sq ft to London Executive Offices (serviced office provider)

NORTH CITY FRINGE

- **Supply -** the recent completion of Helical's 171,000 sq ft 'The Tower', of which 88,700 sq ft has been pre-let to Fartech and WeWork, has increased the availability of new, completed, Grade A stock near Old Street roundabout.
- **Demand -** as neighbouring sub-markets, including Midtown, the City and east City fringe reinvent themselves as 'tech-hubs' and vie for occupiers. Their more central location and proximity to Crossrail stations is enabling them to achieve a measure of success at the expense of the North City fringe market.
- **Rents -** there have been a number of lettings in Smithfield and Farringdon, over the last two quarters on new Grade A space, at record rents reported to be between £75.00 and £85.00 per sq ft per annum, including the upper floors of One Bartholomew Close, EC1. This extraordinary rental growth has been driven by the desire of occupiers to be close to the Farringdon Elizabeth Line station. Elsewhere in the north City fringe, rents have remained broadly static for space above 5,000 sq ft – below this threshold the co-working and serviced office sector has taken market share from the landlords of conventional space and rents are declining as a consequence.
- **Rent free periods -** have increased by circa 2 – 3 months for a 5-10 year lease since Q3 2017, reflecting weaker/demand, but are now broadly static – see map overleaf for details.

KEY NORTH CITY FRINGE LETTINGS REPORTED DURING Q3, 2018

The Ray, 119 Farringdon Road, EC1 – 83,000 sq ft to LinkedIn (technology / media)

One Bartholomew Close, EC1 – 55,000 sq ft pre-let to The Trade Desk (media)

The Smithson, 6-9 Briset Street, EC1 – 35,700 sq ft – Pan Macmillan (media / publishing)

EAST CITY FRINGE

- **Supply -** the east City fringe market has lower levels of vacancy, compared with the neighbouring north City fringe, across all size ranges – a consequence of the loss of the stock of office buildings to higher value residential development, particularly in the Aldgate East and Spitalfields areas. The completion of 1 Braham Street in Q2 2020, comprising 320,000 sq ft, will bring some much needed increased choice for tenants, as will the completion of the 240,000 sq ft refurbishment and extension of Lloyds Chambers at Portsoken Street which is scheduled for completion during Q4, 2019.
- **Demand -** those City-based occupiers that have traditionally migrated to the east City fringe in search of better value space – in terms of both rent and business rates outgoings – are now seeing rents in secondary City of London areas decline to a level that makes the economic case for migrating east marginal. The significant disparity in office occupancy costs is, however, likely to underpin the continued migration of occupiers to the east City fringe from the higher cost Midtown and West End sub-markets.
- **Rents -**Spitalfields rents for new / refitted Grade A space have declined by up to £2.50 per sq ft per annum since Q3, 2017, reflecting rental decline in adjoining secondary City locations. Elsewhere within the east City fringe rents have remained broadly static.
- **Rent free periods -** have increased by 2 – 4 weeks for a 5-10 year lease since Q3 2017 and are currently broadly static. See map overleaf for details.

KEY EAST CITY FRINGE LETTINGS REPORTED DURING - Q3, 2018

The Relay Building, Whitechapel High Street, E1 – 15,897 sq ft let to LADbible (social media)

1 Alie Street, E1 – 18,268 sq ft let to Kuoni (leisure / travel)

WEST END

- **Supply -** vacancy levels continue to decline as new Grade A space in buildings including Nova and Verde in Victoria and 4 Kingdom Street and The Brunel Building in Paddington is taken up. Work has begun on site clearance to make way for the 430,000 sq ft office, retail and leisure Paddington Square development, incorporating 360,000 sq ft offices, which is due for completion at the end of 2021. In Soho, enabling works have started on Derwent's Soho Place, located above Tottenham Court Road Station, which will include 209,000 sq ft of office space and due for completion during H2 2022.
- **Demand -** is sufficient to drive a steady stream of 10,000 sq ft plus lettings across the West End during Q3 2018. Demand appears strongest in Paddington at present – driven by Elizabeth Line connectivity, and because it is one of the few districts in the West End capable of accommodating large scale requirements on floor plates of 15,000 sq ft plus.
- **Rents -** due to the factors above, rents for new Grade A space in Paddington have increased by up to £7.50 per sq ft per annum since Q3, 2017. In Mayfair and St James's rents for new prime located space have fallen by a similar quantum. However, in Marylebone, Soho and Fitzrovia rents have increased by up to £2.50 per sq ft per annum, reflecting accessibility to Crossrail. Premium rents can still, however, be achieved on landmark buildings. At Smithson Plaza (formerly The Economist Tower), St James's, Pelham Capital has reportedly taken the 13th and 14th floors, totalling 7,240 sq ft, at rents of £160 and £170 per sq ft per annum respectively – close to record West End rent levels.
- **Rent free periods -** have increased by circa 1 – 2 months for a 5-10 year lease since Q3 2017 but are currently broadly static. See map overleaf for details.

KEY WEST END LETTINGS – REPORTED DURING Q3, 2018

The Brunel Building, North Wharf Road, Paddington, W2
– 77,200 sq ft to Sony Pictures (media)
-20,500 sq ft to Hellman & Friedman (financial services)

123 Buckingham Palace Road, Victoria, SW1 - 40,000 sq ft to WeWork (co-working provider)

33 Foley Street, Fitzrovia, W1 – 11,666 sq ft to Work.Life (serviced office provider)

1 Welbeck Street, Marylebone, W1 – 44,000 sq ft to Ambulatory Surgery International (medical)

30 Broadwick Street, Soho, W1 – 10,500 sq ft to Meyer Bergman (real estate)

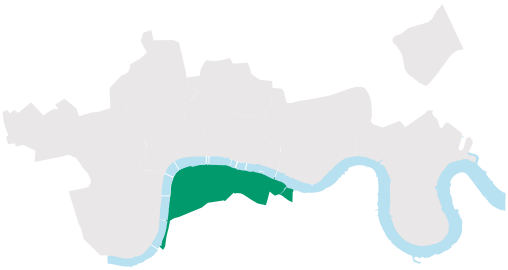
5 Savile Row, Mayfair, W1 – 21,000 sq ft to Cerberus (financial services / private equity)

KEY SOUTH BANK LETTINGS REPORTED DURING Q3, 2018

Battersea Power Station, SW8 – 40,000 sq ft to IWG (serviced office provider)

South Bank Central, Stamford Street, SE1 - 17,500 sq ft to South Western Trains (Transport)

SOUTH BANK



- **Supply -** in common with the Midtown market, the South Bank sub-market has one of the lowest levels of office vacancy – limiting tenant choice and mitigating against a decline in office rents.
- The development pipeline for the next few years is very limited. One of the few schemes of significant scale that could boost availability is the redevelopment of Elizabeth House at York Road, Waterloo. Revised plans for a mixed use retail, restaurant and office scheme, which is proposed to total over 900,000 sq ft, have been prepared and are subject to obtaining planning consent. A date for commencement of the project has yet to be formally announced. Development opportunities that would have traditionally been built out for office use have instead been developed for higher value hotel and residential developments, which has eroded the stock of office buildings in the area. One Southwark Bridge, comprising circa 150,000 sq ft, will become vacant when the Financial Times moves out of the building early next year. Plans for the refurbishment / redevelopment of the building have yet to be announced.
- **Demand -** tenants from the creative and media sectors have been significant drivers of demand in recent years – attracted by the vibrant riverside public realm and associated amenities. Demand is proving surprisingly resilient in the run up to Brexit.
- **Rents -** have remained broadly static since Q3 2017, reflecting low vacancy and are typically £67.50 - £72.50 per sq ft per annum for new and refitted mid-rise Grade A space. Contrast with the upper floors of The Shard where rents above £90.00 per sq ft per annum were achieved during Q2, 2018.
- **Rent free periods -** have increased marginally by 2 – 4 weeks since Q3 2017 for a 5 – 10 year lease. See map overleaf for details.

EAST LONDON

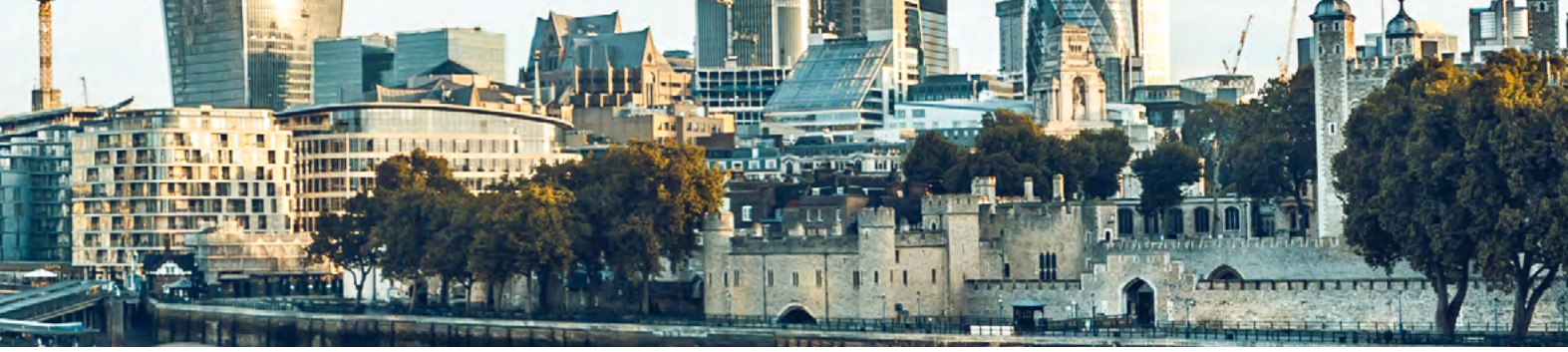
- **Supply -** Canary Wharf Group's decision to develop four buildings speculatively, totalling 758,000 sq ft, at Wood Wharf, located adjacent to Canary Wharf, will increase the supply of new Grade A space in Docklands, notwithstanding that over 145,000 sq ft at 15 Water Street has already been pre-let. At Crossharbour supply is limited to refurbished first generation Docklands buildings where rents are lower than those of Canary and Wood Wharf due to poorer building quality and inferior rail transport connectivity.
- In Stratford, the supply of new, prime located, vacant floor space that is immediately available is limited to 42,870 sq ft at Building S5 at The International Quarter, which is majority occupied by the FCA, and Building S9 where there will be circa 60,276 sq ft available on completion in September 2019.
- **Demand -** the development of a Crossrail station at Canary Wharf has underpinned demand for the Docklands area and has been cited as a key driver in securing pre-lettings at the Wood Wharf development. The majority owner of Canary Wharf, Canary Wharf Group, is actively pursuing a policy of targeting 'fintech', mainstream technology and creative businesses to the Docklands area in order to diversify the occupier base away from banks, financial services and corporate law firms.
- Stratford is similarly located on the Jubilee and Elizabeth lines but rents and business rates costs are lower than Canary Wharf and Wood Wharf. Consequently some large scale lettings to government departments have taken place in the area – the latest being the pre-let of 240,000 sq ft to HMRC at 14 Westfield Avenue, E20.
- **Rents -** typical advertised rents for new Grade A space at Wood Wharf are £50.00 - £55.00 per sq ft per annum with rents at the higher end of the range for upper floors.
- By contrast rents for prime located new space at the International Quarter in Stratford are £45.00 - £47.50 per sq ft per annum and up to £49.50 per sq ft per annum for upper floors.
- The Crossharbour area of Docklands continues to offer refurbished, air conditioned, office space at some of the lowest rents in Central London and peripheral Central London locations – typically £27.50 - £33.50 per sq ft per annum.
- **Rent free periods -** Stratford and Docklands both offer some of the longest rent free periods available in the Central London and peripheral Central London office markets – 24 – 27 months on a 10 year lease and 12 – 14 months on a 5 year lease. See map overleaf for details.

KEY EAST LONDON LETTINGS REPORTED DURING Q3, 2018

The Cabot, 25 Cabot Square, E14 – 105,829 sq ft to The Competition and Markets Authority (Government / regulator)

Boatmans House, 2 Selsdon Way, E14 – 19,500 sq ft to Tower Hamlets Homes (property management)

Here East, Queen Elizabeth Olympic Park, Stratford, E15 – 140,000 sq ft to Victoria & Albert Museum and Research Centre



MIDTOWN

- **Supply -** the Midtown market is one of the most under-supplied although the recently completed "Bureau", 90 Fetter Lane, EC4, comprising 60,859 sq ft will provide marginally more choice for tenants. The King's Cross Central Partnership's decision to commence the speculative construction of Building S1 at Handyside Street, comprising 195,000 sq ft, would have boosted tenant choice in the King's Cross market, which is currently starved of vacant Grade A space, but for the fact that Nike has leased circa 63,000 sq ft and terms have been agreed to lease the remainder of the building to another occupier. Facebook's decision to pre-let 611,000 sq ft at King's Cross Central has also boosted the location as a 'tech' hub which will also be home to Google's UK campus, comprising over 1 million sq ft.
- **Demand -** Midtown occupier demand emanates from a mix of uses, including business services, technology, media, as well as the legal sector, which has traditionally been associated with Holborn. Demand is proving surprisingly resilient in the run up to Brexit.
- **Rents -** for new and refitted Grade A space in all the districts that comprise the 'Midtown' market have remained broadly static since Q3 2017, save for Holborn and Covent Garden, where rents have declined by circa £2.50 per sq ft per annum.
- **Rent free periods -** have increased by 1 – 2 months in Holborn and Covent Garden since Q3 2017 for a 5 – 10 year lease but are now broadly static thoughout Midtown. See map overleaf for details.

KEY MIDTOWN LETTINGS REPORTED DURING Q3, 2018

11 & 21 Canal Reach & P2 Lewis Cubitt Square, Kings Cross Central, N1 – 611,000 sq ft pre-let to Facebook (media)

S1, Handyside Street, N1 – 63,000 sq ft to Nike (sportswear)

Summit House, 12 Red Lion Square, WC1 – 42,000 sq ft to The Office Group (serviced office provider)

1 Waterhouse Square, EC1 – 74,958 sq ft to WeWork (co-working provider)

Fetter Yard, 86 Fetter Lane, EC4 – 30,000 sq ft pre-let to Marriott Hotels International (leisure)

15 Fetter Lane, EC4 – 21,000 sq ft to Marks and Clerk (legal services)

KEY WEST LONDON LETTINGS REPORTED DURING Q3, 2018

Media Works Building, White City Place, Wood Lane, W12 – 33,000 sq ft to Autolus (Biopharmaceuticals)

Waterfront, Hammersmith Embankment, W6 – 26,000 sq ft to Juice Plus (food industry)

3 Shortlands, Hammersmith, W6 – 11,276 sq ft let to Formula E Operations (motorsport)

WEST LONDON

- **Supply -** Hammersmith has a new competitor for the title of 'capital of the West London office market' as the former BBC and Imperial College office campuses located off Wood Lane at White City undergo redevelopment and attract occupiers. The recent letting of circa 212,000 sq ft to Publicis Media at 2 Television Centre has taken a significant element of supply out of the White City office market. There is, however, still sufficient vacancy in the area to pose serious competition to Hammersmith. L&G's 245 Hammersmith Road, comprising 242,477 sq ft will also heap pressure on the Hammersmith office market as vacancy levels rise and landlords compete for tenants.
- **Demand -** the West London office market is still quite active – as the Publicis letting demonstrates, although competition from Elizabeth Line connected areas such as Slough, Maidenhead and Reading – where rents and business rates costs are significantly lower – could pose a threat to the longer term health of the West London office market.
- **Rents -** in Hammersmith for new and refurbished Grade A space have fallen, typically by circa £2.50 per sq ft per annum since Q3 2017. This trend is likely to continue for the reasons set out above. Rents in White City have held up better, by contrast, although it is likely that increased discounts on advertised rents could materialise over the next 12 – 18 months, particularly once Elizabeth Line services commence – boosting competition from the Thames Valley market.
- **Rent free periods -** have increased in Hammersmith and White City since Q3 2017 by circa 1 – 2 months for a 5 – 10 year lease and may increase by another 1 – 2 months over the next 12 months. See map overleaf for details.

Typical Costs of New Office Space – Key European Cities - Q3, 2018

	Prime office rent	Service charges	Real estate taxes	Total Occupancy costs
Dublin	€646 -700/sq m pa	€54 - 86/sq m pa	€54 -65/sq m pa	**€753 -850/sq m pa**
Amsterdam	€400/sq m pa	€50 /sq m pa	Negligible	**€450/sq m pa**
Paris	€480 - 780/sq m pa	€40 - 100 /sq m pa	€50/sq m pa	**€570 - 930/sq m pa**
Frankfurt	€483/sq m pa	€55 - 90/sq m pa	Included in service charges	**€538 - 573/sq m pa**
Munich	€438/sq m pa	€45 - 75/sq m pa	Included in service charges	**€483 - 513/sq m pa**
Brussels	€300/sq m pa	€30-65/sq m pa	€20-30/sq m pa	**€350 - 395/sq m pa**
Luxembourg	€ 560/sq m pa	€30-65/sq m pa	€20-30/sq m pa	**€610 – 655/sq m pa**

THE TENANT ADVISORY TEAM

Our tenant representation services include:

- Stay put/relocate cost appraisals
- Office search & relocation management
- Relocation budgeting & planning
- Lease & rent review negotiation
- Repairs/dilapidations cost assessment & negotiation
- Building, air conditioning & passenger lift surveys
- Business rates analysis & appeal
- Service charge audit

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

OUR EXPERIENCE

Lease negotiations and relocations 10,000 sq ft+

43,000 sq ft
UK Payments Administration
2 Thomas More Square, E1

39,000 sq ft
Care Quality Commission
151 Buckingham Palace Road, SW1

28,000 sq ft
Warner Bros/Shed Media
85 Grays Inn Road, WC1

23,000 sq ft
Nursing & Midwifery Council
Two Stratford Place, E20

17,500 sq ft
Hackett Limited
The Clove Building, SE1

16,000 sq ft
Circle Housing
Two Pancras Square, N1

15,000 sq ft
Hitachi Rail Europe
40 Holborn Viaduct, EC1

11,000 sq ft
Salamanca Group
50 Berkeley Street, W1

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Carter Jonas

TYPICAL COSTS FOR NEW/REFITTED MID-RISE GRADE A OFFICE SPACE OVER 5,000 SQ FT

Q3 2018

Costs = £ per sq ft per annum
Rent Free Periods = Months
Business rates cost estimates include the Crossrail levy but take no account of any transitional relief that may be available
Rents are landlord's advertised rents which will be negotiable, typically by 2.5%-5.0%
Rent (refurbished) = typical rent for refurbished Grade A space

MIDTOWN

KING'S CROSS
£124.00

Rent	£82.50
Business Rates	£31.00
Service Charge	£10.50
Total Occupancy Cost	£124.00
Typical Rent Free Periods	
5 year lease	8-11
10 year lease	19-23
Rent (refurbished)	£60.00 - £70.00

HOLBORN
£102.50

Rent	£65.00
Business Rates	£27.00
Service Charge	£10.50
Total Occupancy Cost	£102.50
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	21-24
Rent (refurbished)	£52.50 - £62.50

BLOOMSBURY
£125.50

Rent	£85.00
Business Rates	£30.00
Service Charge	£10.50
Total Occupancy Cost	£125.50
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£60.00 - £72.50

COVENT GARDEN
£119.00

Rent	£77.50
Business Rates	£31.00
Service Charge	£10.50
Total Occupancy Cost	£119.00
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	21-24
Rent (refurbished)	£55.00 - £70.00

CITY FRINGE NORTH

SHOREDITCH
£97.00

Rent	£65.00
Business Rates	£21.00
Service Charge	£11.00
Total Occupancy Cost	£97.00
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20 -24
Rent (refurbished)	£52.50 - £62.50

FARRINGDON
£107.00

Rent	£75.00
Business Rates	£22.00
Service Charge	£10.00
Total Occupancy Cost	£107.00
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£55.00 - £62.50

CITY FRINGE EAST

SPITALFIELDS
£98.00

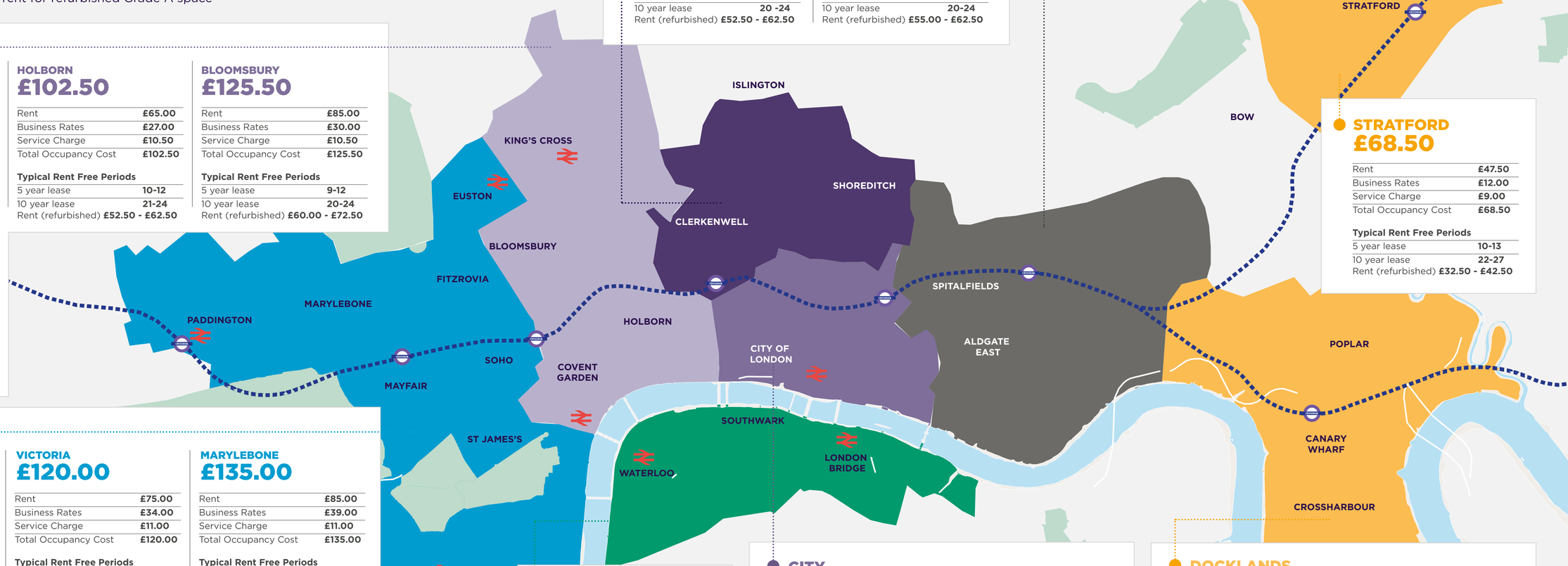
Rent	£65.00
Business Rates	£23.00
Service Charge	£10.00
Total Occupancy Cost	£98.00
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	22-24
Rent (refurbished)	£50.00 - £60.00

ALDGATE EAST
£84.00

Rent	£55.00
Business Rates	£19.00
Service Charge	£10.00
Total Occupancy Cost	£84.00
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	22-24
Rent (refurbished)	£42.50 - £47.50

STRATFORD
£68.50

Rent	£47.50
Business Rates	£12.00
Service Charge	£9.00
Total Occupancy Cost	£68.50
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-27
Rent (refurbished)	£32.50 - £42.50



WEST END

MAYFAIR & ST JAMES'S
£167.00

Rent	£105.00
Business Rates	£50.00
Service Charge	£12.00
Total Occupancy Cost	£167.00
Typical Rent Free Periods	
5 year lease	9-12
10 year lease Rent	20-24
Rent (refurbished)	£85.00 - £97.50

VICTORIA
£120.00

Rent	£75.00
Business Rates	£34.00
Service Charge	£11.00
Total Occupancy Cost	£120.00
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	22-24
Rent (refurbished)	£55.00 - £69.50

MARYLEBONE
£135.00

Rent	£85.00
Business Rates	£39.00
Service Charge	£11.00
Total Occupancy Cost	£135.00
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£65.00 - £77.50

FITZROVIA
£130.50

Rent	£85.00
Business Rates	£34.50
Service Charge	£11.00
Total Occupancy Cost	£130.50
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£62.50 - £75.00

PADDINGTON
£111.00

Rent	£75.00
Business Rates	£25.00
Service Charge	£11.00
Total Occupancy Cost	£111.00
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£55.00 - £65.00

SOHO
£142.50

Rent	£92.50
Business Rates	£39.00
Service Charge	£11.00
Total Occupancy Cost	£142.50
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£69.50 - £82.50

SOUTH BANK
£100.75

Rent	£67.50
Business Rates	£22.75
Service Charge	£10.50
Total Occupancy Cost	£100.75
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	21-24
Rent (refurbished)	£52.50 - £66.50

CITY

CITY PRIME
£102.50

Rent	£65.00
Business Rates	£27.00
Service Charge	£10.50
Total Occupancy Cost	£102.50
Typical Rent Free Periods	
5 year lease	11-13
10 year lease	23-26
Rent (refurbished)	£50.00 - £60.00

CITY SECONDARY
£93.00

Rent	£60.00
Business Rates	£22.50
Service Charge	£10.50
Total Occupancy Cost	£93.00
Typical Rent Free Periods	
5 year lease	11-13
10 year lease	23-26
Rent (refurbished)	£45.00 - £55.00

DOCKLANDS

CANARY WHARF
£81.00

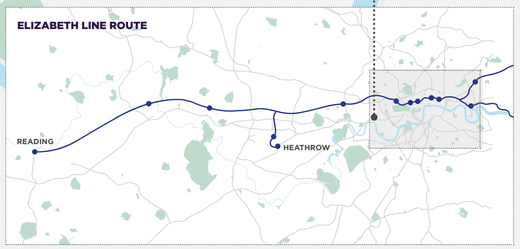
Rent	£50.00
Business Rates	£16.50
Service Charge	£14.50
Total Occupancy Cost	£81.00
Typical Rent Free Periods	
5 year lease	12-14
10 year lease	24-27
Rent (refurbished)	£37.50 - £42.50

CROSSHARBOUR
£60.50

Rent	£37.50
Business Rates	£12.00
Service Charge	£11.00
Total Occupancy Cost	£60.50
Typical Rent Free Periods	
5 year lease	12-14
10 year lease	24-27
Rent (refurbished)	£27.50 - £33.50

SUBMARKETS

- West End
- Midtown
- City
- City Fringe North
- City Fringe East
- South Bank
- Docklands & Stratford



WEST LONDON

HAMMERSMITH
£88.50

Rent	£57.50
Business Rates	£21.50
Service Charge	£9.50
Total Occupancy Cost	£88.50
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£42.50 - £52.50

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.

Carter Jonas