

RENT & RENT FREE PERIOD GUIDE Q3 2018

LANDLORD'S ADVERTISED RENTS & RENT DISCOUNTS

The bargaining power in lease negotiations has moved towards tenants, post Brexit vote, reflecting weaker demand for London office space. In many cases it is possible to negotiate discounts on landlord's advertised rents of, typically, 2.5 - 5%.

The advertised rents on some Grade B warehouse-style office space in locations such as Farringdon, Clerkenwell and Shoreditch 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% and the upper floors of tower buildings that provide panoramic views of London will attract a rental premium of up to 35%.

THE ELIZABETH LINE EFFECT

New/refitted and refurbished Grade A office space located near an Elizabeth Line station in areas such as Paddington and Bloomsbury have seen advertised rents increase, typically by up to £7.50 per sq ft per annum since Q3 2017, reflecting the vastly improved accessibility to markets and labour supply that Crossrail will bring.

RENT FREE PERIODS

Table 2 overleaf illustrates the typical rent free periods that can currently be negotiated on office space throughout London.

NEGOTIATING A LEASE - THE KEY ISSUES

While rent discounts and rent free periods will form the key components of any lease negotiations it is also important to 'future-proof' the tenancy 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 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

London Office Market - Typical Advertised Rents - Q3 2018 (space over 5,000 sq ft)

Source: Carter Jonas Research

Location	Grade A		Grade B
	New/Refitted	Refurbished	Refurbished
<i>UF: Upper Floors</i>			
City			
Prime - Insurance District	£62.50 - £70.00 (UF = £75.00 - £88.50)	£50.00 - £60.00 (UF = £62.50 - £80.00)	£40.00 - £47.50
Secondary - Blackfriars, Aldgate	£55.00 - £67.50 (UF = £70.00 - £80.00)	£45.00 - £55.00 (UF = £62.50 - £75.00)	£37.50 - £42.50
City Fringe			
North/North West - Farringdon, Shoreditch	£62.50 - £75.00 (UF = £77.50 - £87.50)	£52.50 - £62.50	£39.50 - £55.00
East - Spitalfields	£60.00 - £65.00	£50.00 - £60.00	£37.50 - £47.50
East - Aldgate East	£50.00 - £57.50 (UF = £62.50 - £65.00)	£42.50 - £47.50	£37.50 - £40.00
South Bank			
Waterloo, Southwark, London Bridge & Wood Wharf	£67.50 - £72.50 (UF = £75.00 - £93.00)	£52.50 - £66.50	£42.50 - £50.00
East London			
Docklands Prime - Canary Wharf & Wood Wharf	£47.50 - £52.50 (UF = £54.00 - £57.50)	£37.50 - £42.50 (UF = £45.00 - £50.00)	£30.00 - £35.00
Docklands Secondary - Crossharbour	£35.00 - £38.50	£27.50 - £33.50	£22.50 - £27.50
Stratford	£40.00 - £49.50	£32.50 - £42.50	£20.00 - £28.00
West End			
Central - Mayfair, St James's (Prime)	£102.50 - £125.00 (UF = £130.00 - £135.00)	£85.00 - £97.50	£67.50 - £77.50
Central - Mayfair, St James's (Secondary)	£87.50 - £97.50	£75.00 - £85.00	£62.50 - £72.50
North - Euston	£67.50 - £75.00	£57.50 - £65.00	£42.50 - £55.00
North East - Fitzrovia	£80.00 - £87.50	£65.00 - £79.50	£50.00 - £60.00
North West - Marylebone	£77.50 - £87.50	£65.00 - £77.50	£50.00 - £60.00
South - Victoria, Westminster	£70.00 - £80.00 (UF = £82.50 - £90.00)	£55.00 - £69.50	£45.00 - £52.50
South West - Knightsbridge	£85.00 - £95.00	£65.00 - £79.50	£60.50 - £70.00
East - Soho, Regent Street	£85.00 - £97.50	£69.50 - £82.50	£55.00 - £67.50
West - Paddington	£67.50 - £77.50 (UF = £80.00 - £90.00)	£55.00 - £65.00	£42.50 - £52.50
Midtown			
North - King's Cross	£75.00 - £85.00	£60.00 - £70.00	£47.50 - £57.50
South - Covent Garden	£72.50 - £80.00 (UF = £82.50 - £85.00)	£55.00 - £70.00	£47.50 - £55.00
East - Holborn	£62.50 - £70.00 (UF = £72.50 - £77.50)	£52.50 - £62.50	£39.50 - £52.50
West - Bloomsbury	£75.00 - £90.00	£60.00 - £72.50	£45.00 - £55.00
South West London			
Chelsea	£77.50 - £90.00	£65.00 - £75.00	£47.50 - £60.00
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	£52.50 - £57.50	£42.50 - £52.50	£35.00 - £42.50
White City	£45.00 - £55.00	£40.00 - £45.00	£32.50 - £40.00
Chiswick	£48.50 - £55.00	£39.50 - £47.50	£35.00 - £40.00

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 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, ceilings and sanitary ware. The specification of works will comply with the latest health and safety and building regulations 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:

- Stay-put/relocate cost appraisals
- Lease and rent review negotiation
- Office search and relocation management
- Relocation budgeting and planning
- 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 – Q3 2018

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	11 - 13	23 - 26
City - Secondary - Blackfriars, Aldgate	11 - 13	23 - 26
City Fringe - North/North West - Farringdon, Shoreditch	9 - 12	20 - 24
City Fringe - East - Spitalfields, Aldgate East	10 - 12	23 - 24
South Bank - Waterloo, Southwark, London Bridge	9 - 12	21 - 24
Docklands - Canary Wharf & Crossharbour	12 - 14	24 - 27
Stratford	10 - 13	24 - 27
West End - Central - Mayfair, St James's	9 - 12	20 - 24
West End - West - Paddington	9 - 12	20 - 24
West End - East - Soho	8 - 12	20 - 24
West End - North East - Fitzrovia	9 - 12	20 - 24
West End - North West - Marylebone	9 - 12	20 - 24
West End - South - Victoria, Westminster	10 - 12	22 - 24
Midtown - West - Bloomsbury	9 - 12	20 - 24
Midtown - East - Holborn	10 - 12	21 - 24
Midtown - South - Covent Garden	10 - 12	21 - 24
Midtown - North - King's Cross	8 - 11	19 - 23
West London - Hammersmith & White City	10 - 13	22 - 25

TOTAL OFFICE OCCUPANCY COSTS: The Carter Jonas London office occupancy costs map provides a geographical summary of rent, business rates and building service charge costs. If you would like a free copy of the map, please contact a member of our Team.

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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