RESEARCH

Guide to Rents & Rent Free Periods
Office Occupancy Cost Map
Q1 2019

FEATURES FOLD OUT MAP

LONDON OFFICE MARKET OVERVIEW

Carter Jonas

THE TENANT ADVISOR'S VIEW

"FINANCIAL REGULATION AND EMPLOYMENT DEMOGRAPHICS – TWO KEY DRIVERS OF CHANGE IN THE LONDON OFFICE MARKET"

The London office market is continually evolving in response to changes in the patterns of occupier demand. In this market commentary we consider some of the key drivers of change in the London office market and how they will affect occupiers.

INTERNATIONAL FINANCIAL REPORTING STANDARD 16

The new International Financial Reporting Standard 16 became effective at the beginning of this year and requires businesses to declare the extent of real estate liabilities on their balance sheets. Given that property typically represents the second largest fixed cost of most businesses, after staff costs, the practical effect of this new accounting requirement will be profound, ultimately affecting credit ratings and, therefore, the ability to raise funding for investment and expansion.

The introduction of IFRS16 is therefore likely to reinforce two key trends in occupier demand in order to reduce on balance sheet real estate liabilities:

- a continued shift towards a smaller property 'footprint' and the adoption of more efficient operating practices, including agile working and hot desking
- a preference for shorter leases

The co-working / serviced office accommodation model, with its short term leasing structure and ability to offer occupiers more / less space at short notice in response to changing headcount, is therefore well placed to benefit from the introduction of IFRS16.

DEMOGRAPHIC TRENDS – THEIR IMPACT ON REAL ESTATE

The values and expectations of the business community will inevitably change over the next 5-10 years as the Millennial Generation begins to take over the senior management roles left by the retiring Generation X. This new breed of senior managers is more used to the flexi / serviced office accommodation model and, unlike their predecessors, will be less familiar and, in all probability, less comfortable, with the concept of a 10-15 year leasing commitment, and the need to use valuable working capital to fit out office space to render it fit for purpose.

Demographics, therefore, is likely to reinforce the trend towards shorter leases – and not just for small and mid-size businesses. Large corporates including Centrica and Network Rail have recently opted to house some of their operations in co-working space, contracting to lease space in excess of several hundred desks.

Landlords of conventional office space are beginning to get the message: innovate or lose market share. Quoted property companies, including British Land and Land Securities, as well as private estates with large London office holdings, including the Crown and Grosvenor Estates, have, in recent months, each announced plans to develop their own flexible 'plug in and go' office brand to compete. We are witnessing structural change in the office leasing industry and it is being driven by a combination of technological change – agile / mobile working, and demographics.

PEOPLE, PRODUCTIVITY & PROPERTY

The generation of senior managers that were running businesses a decade ago tended to regard real estate as a liability, a cost, that was a drag on profitability. Value for money, at that time, tended to be the pre-eminent property selection criterion. Ten years on and a new generation of workers – the 'Millennials' and 'Gen Zs' – are now exerting their influence in the workforce and, not unreasonably, are demanding a working environment that reinforces 'wellness' and provides an engaging and stimulating place to work.

Recognising this key cultural shift in today's employment market, some of the more savvy employers are using real estate as a key recruitment tool to attract and retain the best, most productive, workers. Cost, although still an important factor, now tends to play a less influential role in property decision making.

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"INCREASINGLY, EMPLOYERS ARE USING REAL ESTATE AS A RECRUITMENT TOOL TO ATTRACT THE MOST PRODUCTIVE AND PROFITABLE WORKERS. PROPERTY COSTS, ALTHOUGH IMPORTANT, ARE INCREASINGLY SUBORDINATE TO BUILD QUALITY, DESIGN, WELLNESS, PUBLIC REALM VIBRANCY AND TRANSPORT CONNECTIVITY IN PROPERTY DECISION MAKING."

Transport connectivity, attractive, light and airy, design, good build quality, "wellness" features and the quality and vibrancy of the public realm around the building are now key variables that will influence an occupier's office leasing decision.

A TWO TIER MARKET

The 'flight to quality', reinforced by the need to attract and retain the most productive and profitable workers in a competitive labour market, has resulted in the emergence of a two tier conventional office leasing market. The market for prime located new and refitted Grade A space throughout Central London has proved to be remarkably resilient since the 2016 EU Referendum. Landlords are securing pre-practical completion of construction lettings at record rents as tenants compete to secure the best space in a market where office vacancy is at historic lows, and declining.

The second-hand market, by contrast, has fared less well since the Brexit vote, as tenants trade up into new / refitted space and, in so doing, increase the stock of available second-hand space.

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

	£ per sq ft per annum		
Location	**Q1 2019**	**Q1 2020**	**Q1 2021**
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	£67.50	£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	£77.50
Southwark	£67.50	£67.50	£70.00
City Prime	£65.00	£62.50	£62.50
City Secondary	£60.00	£57.50	£57.50
Clerkenwell & Shoreditch	£65.00	£62.50	£62.50
Farringdon	£75.00	£75.00	£77.50
Spitalfields	£65.00	£62.50	£62.50
Aldgate East	£57.50	£55.00	£55.00
Hammersmith	£57.50	£55.00	£57.50
White City	£52.50	£50.00	£52.50
Canary Wharf	£52.50	£50.00	£50.00
Stratford	£49.50	£47.00	£48.00

Source: Carter Jonas Research

NOT EVERYBODY'S CUP OF TEA

The ready fitted out and data / telecoms enabled, plug in and go, serviced office accommodation model, where minimal rent deposits are required, and short leases are readily available, is a very attractive, cash-flow positive, alternative for small and mid-size businesses, particularly those that are fast growing.

However, not all businesses wish to operate from serviced or co-working space. Concerns over privacy and data security, loss of corporate identity in a densely populated building, a noisy and, in some cases, perceived 'immature' culture / lack of business permanence, are issues that have been cited by some as reasons to stick with the conventional office leasing model.

RENT & RENT FREE PERIOD FORECAST

Office rents for new and refitted Grade A space in many parts of London are forecast to remain broadly static throughout 2019, save for the prime West End (Mayfair and St James's – as occupiers continue to resist paying rents over £100.00 per sq ft per annum), and the City of London, where higher vacancy offers more choice. Rents are forecast to decline by up to £2.50 per sq ft per annum in both areas during 2019.

By contrast, rents for second-hand buildings in locations with poor transport connectivity are likely to decline by £2.50 - £3.50 per sq ft per annum over the next 12 months due to weaker demand and increasing vacancy as tenants continue the trend of trading up into new and refitted Grade A space.

Rent free periods are forecast to remain broadly static across London during 2019 except for second hand space that has been on the market for a prolonged period where rent free periods are likely to increase by 1-2 months for leases in excess of five years duration.

All in all 2019 will be a year of change in the property industry and not all of it will be Brexit-related!

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 and 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 Tenant Representation 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 OF LONDON

SUB-DISTRICTS: St Paul's, Bank, Liverpool Street, Fenchurch Street, Monument, Blackfriars, Old Bailey

- **Supply -** immediately available, prime-located, new Grade A space vacancy is declining as tenants continue to favour quality over cost – to underpin recruitment. The supply of new space in the development pipeline is failing to keep up with demand. The second hand market offers more choice and vacancy levels are likely to rise as tenants trade up into new and refitted Grade A space but the quality of available space is generally poorer.
- **Demand -** more choice, newer, better quality buildings and lower rents and business rates costs continue to attract occupiers from higher cost sub-markets such as Midtown and the West End.
- **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 accommodation ahead of rivals. Over 20% of the 1.275 million sq ft at 22 Bishopsgate, EC2 is either already let or under offer despite the fact that the building is not due for completion until Q4, 2019.
- **Rents -** for new, prime located, Grade A space have remained broadly static since Q1 2018, and are typically £62.50 - £70.00 per sq ft per annum, but are likely to weaken during 2019 by up to £2.50 per sq ft per annum in the wake of Brexit uncertainty. Rents for second hand, poorly located, Grade A space are forecast to decline by £2.50 - £3.50 per sq ft per annum over the next 12 months due to weaker demand, as tenants favour new and refitted space to reinforce their recruitment strategies.

NORTH CITY FRINGE

SUB-DISTRICTS: Farringdon, Clerkenwell, Shoreditch

- **Supply -** the supply of available new and refitted Grade A space is gradually being eroded as space becomes let. The pipeline of new buildings coming to the market over the next 12 months is unlikely to boost choice significantly.
- **Demand -** initiatives by the City of London Corporation to promote the City of London as a rival hub for businesses drawn from the technology, media and creative industries is likely to undermine demand for space in the Shoreditch and Clerkenwell areas. The strategy of rendering the City less reliant on the banking and financial services sectors is working - aided by good transport connectivity, architecturally interesting, good quality, buildings and competitive rent and business rates costs – as can be seen by the diverse range of businesses that have chosen to lease City office space during 2018.
- **Rents -** buildings located near the Elizabeth Line station at Farringdon are setting record rents for new Grade A space in the north City fringe sub-market – up to £85.00 per sq ft per annum for the upper floors of One Bartholomew Close, EC1. A record rent of over £90.00 per sq ft per annum has reportedly be achieved on the "penthouse" floors of The Tower Building, located off Old Street roundabout.

  Rents for new and refitted Grade A space are forecast to remain broadly static during 2019 for space located near Farringdon Crossrail station but are likely to decline by up to £2.50 per sq ft per annum elsewhere in the north City fringe due to Brexit uncertainty and competition from the City of London office market.

KEY CITY OF LONDON LETTINGS REPORTED DURING Q4 2018 & Q1 2019

135 Bishopsgate, EC2 – 148,000 sq ft to McCann World Group (media), 123,000 sq ft to TP ICAP (financial services)

Premier Place, Devonshire Square, EC2 – 145,000 sq ft to Jane Street Capital (financial services)

18 Finsbury Circus, EC2 – 80,000 sq ft to IWG (business members club)

155 Bishopsgate, EC2 – 78,000 sq ft to Bulb (energy)

22 Bishopsgate, EC3 – 49,700 sq ft to Beazley (insurance)

The Walbrook Building, 23-29 Walbrook, EC4 – 49,200 sq ft to DAC Beachcroft (legal services)

KEY NORTH CITY FRINGE LETTINGS REPORTED DURING Q4 2018 & Q1 2019

The Farmiloe Building, 34-36 St John Street, EC1 – 63,400 sq ft to Live Nation (media)

Linen Court, 10 East Road, N1 – 40,000 sq ft to WeWork (co-working provider)

Herbal House, 10 Back Hill, EC1 – 30,000 sq ft to Adidas (sports wear)

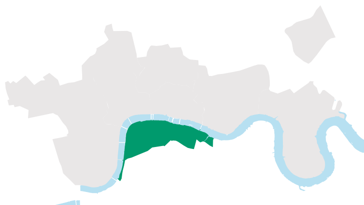
Bond Works, 77 Farringdon Road, EC1 – 21,817 sq ft to Spaces (serviced office provider)

EAST CITY FRINGE

SUB-DISTRICTS: Spitalfields, Aldgate East, Tower Hill

- **Supply –** low vacancy is constraining choice for those tenants seeking new or refitted Grade A space across all size ranges, reflecting the loss of sites formerly allocated for employment uses that have since been developed for higher value residential use.
  The completion of 1 Braham Street in Q1 2020, (320,000 sq ft) will improve choice, as will the refurbishment and extension of Lloyds Chambers at Portsoken Street, (240,000 sq ft – completion Q4, 2019).
- **Demand –** the City of London, with rent and business rates costs that are on a par with parts of the east City fringe, offers occupiers more choice, higher quality space, a more attractive public realm and better transport connectivity than the east City fringe. Demand is therefore likely to be undermined until such time as rents in the City rise to a point that erodes its competitiveness. It is likely to be late 2021 before City rents reach a point that triggers a fresh migration of occupiers to the east City fringe.
- **Rents –** the east City fringe office market comprises two separate districts: Spitalfields, located on the eastern City boundary and Aldgate East.
  The rental disparity between the two districts is significant – see map overleaf – reflecting differences in the quality of the public realm, proximity to the City core and transport connectivity.
  Rents for refitted and new Grade A space in both districts are forecast to decline by £1.50 - £2.50 per sq ft per annum during 2019, notwithstanding low vacancy, reflecting occupier preference for the better connected, neighbouring, City market which offers a wider choice of better quality office buildings.

SOUTH BANK



SUB-DISTRICTS: London Bridge, Borough, Southwark, Waterloo, Vauxhall, Battersea

- **Supply –** the South Bank has one of the lowest levels of office vacancy – limiting choice and underpinning rents.
  The development pipeline for the next few years is limited. One of the few schemes of significant scale that would boost vacancy is the redevelopment of Elizabeth House at York Road, Waterloo. Revised plans for a proposed mixed use retail, restaurant and office scheme, comprising over 900,000 sq ft, have been prepared but have yet to secure planning consent. The scale of the proposed development means that it will be several years before there will be space ready to occupy.
  Sites that would have traditionally been built out for office use, have instead been developed for higher value hotel and residential developments. This trend has eroded the stock of office buildings in the area. The Financial Times building, One Southwark Bridge (210,000 sq ft), would have increased vacancy but has been pre-let to international media company, WPP.
- **Demand –** is resilient – eminating from indigenous occupiers and those migrating from higher cost areas of the West End and Midtown.
  Businesses 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.
- **Rents –** are forecast to remain flat during 2019, underpinned by 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 over £90.00 per sq ft per annum were achieved during 2018.

KEY EAST CITY FRINGE LETTINGS REPORTED DURING Q4 2018 & Q1 2019

21-23 Plumbers Row, Whitechapel, E1 – 9,286 sq ft to Little Dot Studios (media)

KEY SOUTH BANK LETTINGS REPORTED DURING Q4 2018 & Q1 2019

1 Southwark Bridge, SE1 – 210,000 sq ft pre-let to WPP (media)

Friars Bridge Court, 41-45 Blackfriars Road, Southwark, SE1 – 99,800 sq ft to WeWork (co-working space provider)

The Blue Fin Building, 110 Southwark Street, SE1 – 40,000 sq ft to Informa (publishing)

KEY MIDTOWN LETTINGS REPORTED DURING Q4 2018 & Q1 2019

Athene Place, 73 Shoe Lane, EC4 – 80,000 sq ft pre-let to Deloitte (business services)

7 Savoy Court, Covent Garden, WC2 – 30,200 sq ft to Harbottle and Lewis (legal services)

8 Salisbury Square, EC4 – 25,700 sq ft to The Health Foundation (healthcare)

40 Bernard Street, Bloomsbury, WC1 – 15,000 sq ft to Landmark (serviced office provider)

MIDTOWN

SUB-DISTRICTS: King's Cross, Bloomsbury, Holborn and Covent Garden

- **Supply –** as with the South Bank, the Midtown office market continues to have one of the lowest levels of office vacancy in Central London.

  Of the various districts that form the Midtown area, King's Cross is one of the most under-supplied. The decision by the King's Cross Central Partnership to proceed with the speculative construction of Building S1 at Handyside Street, comprising 195,000 sq ft, has been vindicated. The building is about to be fully let, with Nike having taken 63,000 sq ft and Sony Music understood to be leasing the remainder before completion of the construction programme in Q1 2020.

  While there are pockets of new office development in Holborn, many offer small floor plates, typically sub 6,000 sq ft, and will not cater for the operational needs of large scale occupiers employing in excess of 100 employees.

- **Demand –** for office space in the Covent Garden, Holborn and Bloomsbury districts continues to be driven by a mix of business sectors, including business and financial services, technology, media, creative and legal – with a significant proportion of that demand emanating from those migrating from higher cost areas of the West End.

  It is likely that the combination of Brexit uncertainty and the City of London – with its greater choice, architecturally interesting buildings and lower rent and business rates costs – will conspire to undermine demand for Midtown office space during 2019.

- **Rents –** despite a forecast weakening in demand, rents for new and refitted Grade A space in the various Midtown districts are predicted to remain broadly flat during 2019, underpinned by low vacancy.

WEST END

SUB-DISTRICTS: Mayfair, St James's, Victoria, Westminster, Paddington, Marylebone, Fitzrovia and Soho

- **Supply –** new and re-fitted Grade A space vacancy continues to decline to the point where some tenants are entering leasing contracts on buildings that are still in the course of construction. The Brunel Building in Paddington (243,000 sq ft), is one example, which is due for completion in Q2, 2019 and is already over 64% pre-let.

  Even in Victoria, where the availability of new Grade A space with large floor plates in excess of 15,000 sq ft was quite plentiful a couple of years ago, choice in all size ranges is now limited.

  In the core West End markets – Mayfair, St James's and Marylebone, restrictive planning policies aimed at preserving the historic streetscapes, and the lack of sites capable of supporting buildings with floor plates in excess of 10,000 sq ft, are conspiring to undermine supply.

- **Demand –** for office space above 5,000 sq ft / over 50 desks is driven by the media, business services and serviced office sectors, with interest particularly strong in those areas served by a Crossrail station – Paddington, Marylebone, Soho and Fitzrovia.

- **Rents –** for new and refitted Grade A space above 5,000 sq ft are forecast to remain broadly flat in all the districts forming the West End during 2019, underpinned by low vacancy, despite Brexit uncertainty, save for the Mayfair and St James's market where rents are forecast to decline by up to £2.50 per sq ft pa as occupiers resist paying rents over £100.00 per sq ft per annum.

  The West End office market below 5,000 sq ft is likely to witness a continued decline in rents over the next 12 months as the serviced office sector increases market share.

KEY WEST END LETTINGS REPORTED DURING Q4 2018 & Q1 2019

5 Merchant Square, Paddington, W2 – 159,000 sq ft to WeWork (co-working)

25 Wilton Road, Victoria, SW1 – 85,000 sq ft to IWG (serviced office provider)

21 St James's Square, SW1 – 50,000 sq ft to Cinven (private equity)

40 Grosvenor Place, Victoria, SW1 – 28,800 sq ft to Cleveland Clinic (healthcare)

KEY EAST LONDON LETTINGS REPORTED DURING Q4 2018 & Q1 2019

5 Churchill Place, Canary Wharf, E14 – 130,000 sq ft to BCG Partners (financial services)

KEY WEST LONDON LETTINGS REPORTED DURING Q4 2018 & Q1 2019

West Works Building, White City Place, W12 – 12,000 sq ft to Gamma Delta (life sciences), 54,000 sq ft to Novartis (pharmaceuticals)

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

The Foundry, Fulham Palace Road, Hammersmith, W6 – 42,000 sq ft to Spaces (serviced office provider)

1 Lyric Square, Hammersmith, W6 – 40,000 sq ft to The Office Group (serviced office provider)

EAST LONDON

SUB-DISTRICTS: Docklands (Canary Wharf, Wood Wharf and Crossharbour) and Stratford

- **Supply** – Buildings under construction at Wood Wharf: 20 Water Street (211,000 sq ft – completion mid 2020), Frameworks (217,500 sq ft) and The Market Building (192,000 sq ft) - both due to complete in 2022 while 15 Water Street (145,000 sq ft) has been pre-let.

  At the adjoining Canary Wharf, 5 Bank Street (700,000 sq ft) is due for completion this summer – 280,000 sq ft has been pre-let to Societe Generale.

  In Stratford new Grade A space is limited to 21,474 sq ft at Building S5, at The International Quarter, and Building S9 (circa 59,700 sq ft – completion July 2019).

- **Demand** – occupier interest in Stratford and Docklands has been boosted by the Elizabeth Line which will enhance connectivity with the Central London business districts.

  The rent and business rates costs for new Grade A space in both districts are significantly lower than rival Central London locations which has attracted several government agencies including HMRC (Stratford) and the Government Property Agency (Docklands).

- **Rents** – for new and refitted Grade A space at Canary Wharf and Wood Wharf are £50.00 – £55.00 per sq ft pa and £57.50 – £60.00 per sq ft pa for upper floors.

  Rents for refitted, air conditioned, office space at Crossharbour, in Docklands, are some of the lowest rents in peripheral Central London locations – typically £35.00 – £38.50 per sq ft per annum, reflecting poorer transport connectivity.

  Rents for new Grade A space at the International Quarter in Stratford are £45.00 – £47.50 per sq ft pa and up to £49.50 per sq ft pa for upper floors.

WEST LONDON

SUB-DISTRICTS: Hammersmith and White City

- **Supply –** the availability of new Grade A space in Hammersmith will be boosted in Q2 this year by the completion of L&G's 245 Hammersmith Road, comprising 242,477 sq ft.

  Notwithstanding a series of recent large scale lettings at the former BBC campus at White City (see below), there is still sufficient vacancy to represent significant competition to the Hammersmith market.

- **Demand –** the establishment of a translation and innovation hub at Wood Lane by Imperial College, and its promotion as an international centre of excellence for the sciences, is establishing White City as a hub for the pharmaceuticals and life science sectors. This trend is underpinned by the availability of good quality, large scale, buildings in the area at rents that are at a significant discount to other rival peripheral central London locations such as Vauxhall / Battersea, Paddington and King's Cross.

  Demand for office space in Hammersmith has been dented as White City emerges as a new, competing, West London business district where rents are typically £2.50 - £5.00 per sq ft per annum lower for space of equivalent quality.

- **Rents –** rents for new and refitted Grade A space in Hammersmith, White City and Chiswick are forecast to decline by up to £2.50 per sq ft per annum during 2019, reflecting weaker demand, post Brexit, and a relatively good choice of available space, compared with many of the Central London sub-markets.

Typical Costs of New Office Space – Key European Cities - Q1, 2019

	Prime office rents	Service charges	Real estate taxes	Total Occupancy costs
Dublin	€ 646 sq m pa	€ 54 - 86 sq m pa	€ 54 - 65 sq m pa	**€ 754 - 797 sq m pa**
Amsterdam	€ 450 sq m pa	€ 48 - 50 sq m pa	Negligible	**€ 498 - 500 sq m pa**
Paris	€ 850 sq m pa	€ 40 - 100 sq m pa	€ 48 - 50 sq m pa	**€ 938 - 1,000 sq m pa**
Frankfurt	€ 504 sq m pa	€ 55 - 90 sq m pa	Included in service charges	**€ 559 - 594 sq m pa**
Munich	€ 456 sq m pa	€ 45 - 75 sq m pa	Included in service charges	**€ 501 - 531 sq m pa**
Brussels	€ 305 sq m pa	€ 30 - 65 sq m pa	€ 20 - 30 sq m pa	**€ 355 - 400 sq m pa**
Luxembourg	€ 600 sq m pa	€ 30 - 65 sq m pa	€ 20 - 30 sq m pa	**€ 650 - 695 sq m pa**

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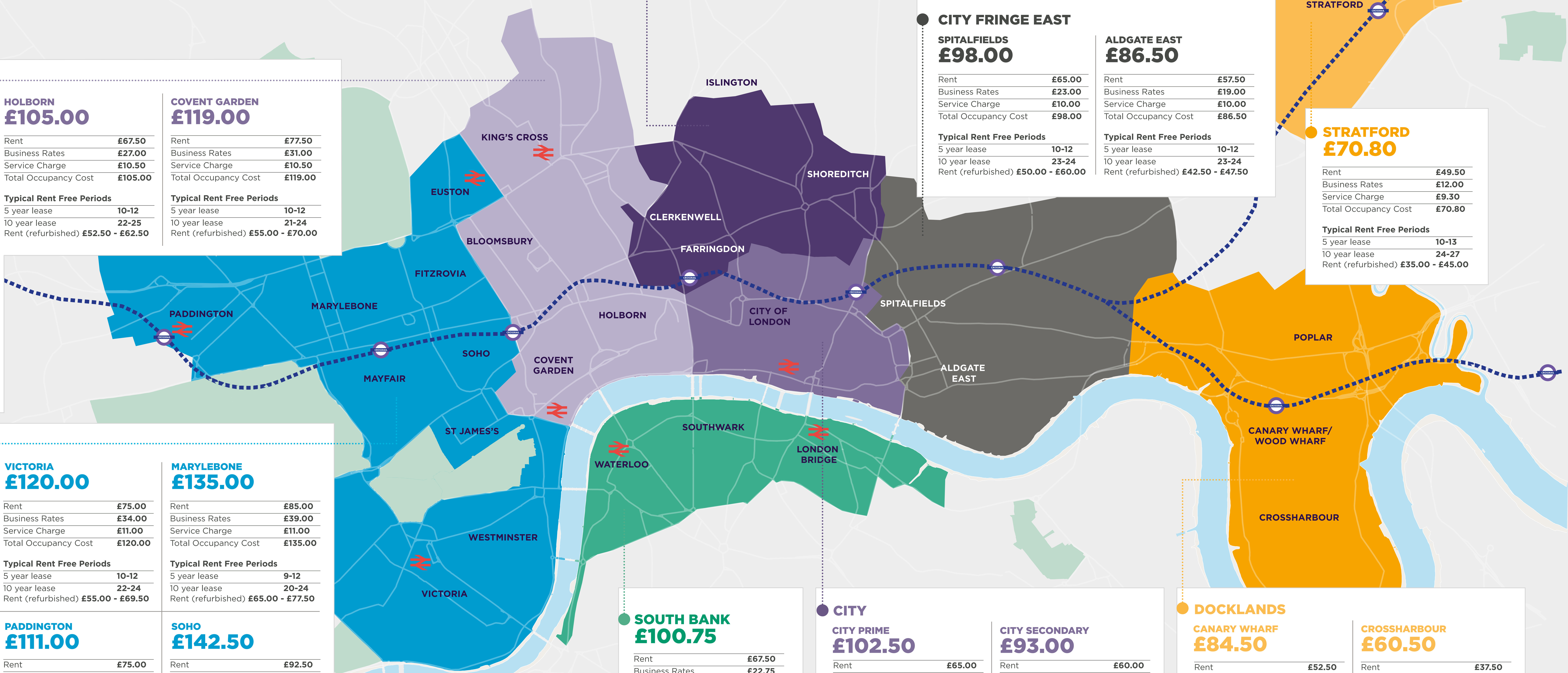
TYPICAL COSTS FOR NEW/REFITTED MID-RISE GRADE A OFFICE SPACE OVER 5,000 SQ FT

Q1 2019

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



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	23-24
Rent (refurbished)	£50.00 - £60.00

ALDGATE EAST £86.50

Rent	£57.50
Business Rates	£19.00
Service Charge	£10.00
Total Occupancy Cost	£86.50
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	23-24
Rent (refurbished)	£42.50 - £47.50

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 £105.00

Rent	£67.50
Business Rates	£27.00
Service Charge	£10.50
Total Occupancy Cost	£105.00
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	22-25
Rent (refurbished)	£52.50 - £62.50

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

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

STRATFORD £70.80

Rent	£49.50
Business Rates	£12.00
Service Charge	£9.30
Total Occupancy Cost	£70.80
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	24-27
Rent (refurbished)	£35.00 - £45.00

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 - £67.50

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 £84.50

Rent	£52.50
Business Rates	£16.50
Service Charge	£15.50
Total Occupancy Cost	£84.50
Typical Rent Free Periods	
5 year lease	12-14
10 year lease	24-27
Rent (refurbished)	£35.00 - £42.50

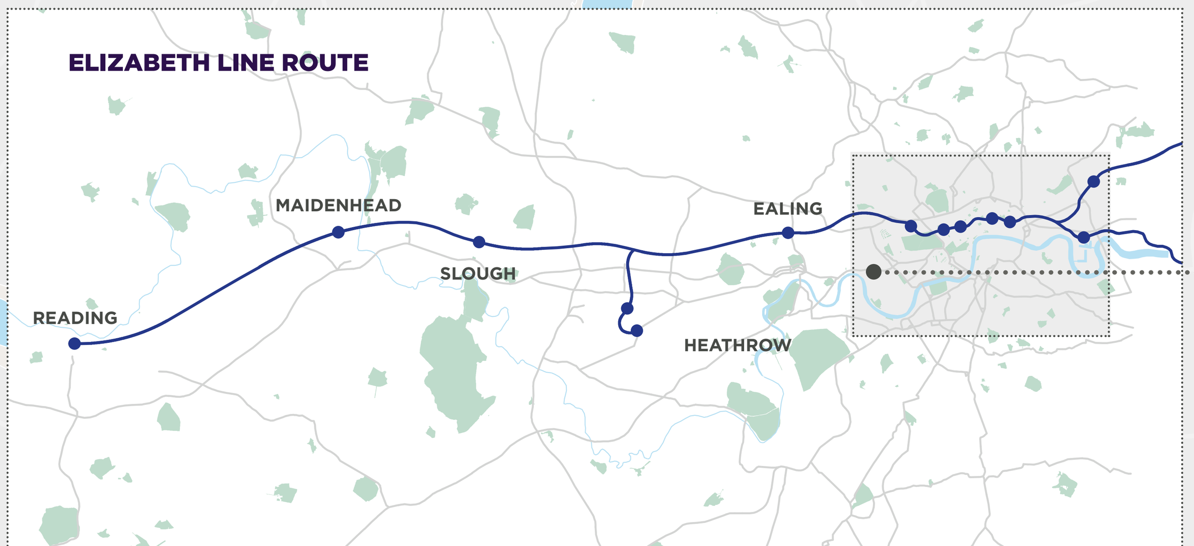
+ includes estate charge

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