RESEARCH

Guide to Rents & Rent Free Periods
Office Occupancy Cost Map
Q2 2019

LONDON OFFICE MARKET OVERVIEW

FEATURES FOLD OUT MAP

Carter Jonas

THE TENANT ADVISOR'S VIEW

The Brexit vote has affected both supply and demand across all areas of the London office market. On the supply side, a significant number of developers and investors reined back their plans for new developments immediately after the referendum in June 2016. The pipeline of new office floor space coming to the market is, consequently, currently at below trend levels, resulting in less choice for those tenants seeking to relocate.

New Grade A floor space vacancy in locations such as Holborn, King's Cross, the South Bank, and throughout much of the West End, is now at acutely low levels. In contrast, the Docklands and City of London office markets, where vacancy rates are marginally higher, offer more choice – and better value (see fold-out office occupancy cost map overleaf).

Demand for office space across London, although weaker since the referendum, has, nevertheless, been remarkably resilient, reflecting the capital's international appeal as a global business hub.

Historically, banking, insurance and business services have been the key drivers of office demand. However, in the wake of both the 2008/09 banking crisis and the Brexit vote, these business sectors have been eclipsed by the fast growing co-working / serviced office and technology, media and creative industries. Firms including WeWork, Google and Facebook have expanded their London operations significantly since the referendum and have been key drivers of demand during the last few years.

RENTS & RENT FREE PERIODS: THE FUTURE

Providing that there is no 'hard' Brexit, and that the UK economy continues to grow, it is very likely that rents for new and refitted Grade A space will begin to increase across most parts of Central London during the first half of 2021, as the stock of available new Grade A floor space continues to decline. See Table 1 which sets out the Carter Jonas Research Team's rent forecast.

In tandem with the resumption of rental growth, it is also very likely that rent free periods will begin to shorten as the landlords of new Grade A space exploit the lack of choice available to tenants. Rent free periods could decline by 2-3 months from their current levels (see map overleaf) for a 5-10 year lease by Q4 2020, particularly in the Midtown, South Bank and West End sub-markets, where vacancy is particularly low.

INFRASTRUCTURE & PUBLIC REALM INVESTMENT

While low vacancy and a greater than forecast rate of job creation have gone a long way to underpin office rents throughout many parts of London since the referendum, investment in infrastructure projects such as the Elizabeth Line (Crossrail), and public realm improvements, have also played an important part in providing a firm foundation for the market.

In those areas served by an Elizabeth Line station, such as Paddington, Soho, Bloomsbury and Farringdon, rents for new Grade A office space are now typically £7.50 - £12.50 per sq ft per annum above their pre-referendum peaks, in contrast to rents elsewhere in London which are now broadly at the same level they were in June 2016, save for rents in the City core and in Mayfair and St James's, which are still below their pre-referendum levels.

ELIZABETH LINE DELAYS

Most occupiers seem undeterred by the short term technical issues affecting the Elizabeth Line and see the longer term benefits of moving into an area served by one of its stations: quick and frequent access to clients, Heathrow Airport and, importantly, the Thames Valley and Essex labour markets. Many of the new office developments located near Elizabeth Line stations, including Derwent's Brunel Building at Paddington (243,200 sq ft) and Soho Place, Oxford Street (285,000 sq ft), have either been fully let or substantially let before completion of the construction programme, and achieving record rents in the process.

CO-WORKING / SERVICED OFFICES

It is estimated that the co-working / serviced office sector occupies circa 8% of the total stock of Central London floor space and the sector is forecast to double in size over the next five years. International corporates, as well as small and mid-size businesses, are becoming increasingly attracted to the ready fitted out 'plug in and go', cashflow friendly co-working / serviced office accommodation model which offers short-medium term lease flexibility without the need to invest working capital in an expensive fit out.

Demand in the sub-5,000 sq ft / 50 employee conventional office leasing market has, in particular, been adversely affected by the growth in the serviced / co-working sector. To compete, some landlords are now offering office space that is already fitted out, or are undertaking to carry out the fit out for the tenant on the basis that the capital cost of the works is reflected in a

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higher rent / shorter rent free period. This trend is likely to gather pace over the next 12 months.

OFFICE SPACE & RECRUITMENT

Low unemployment is creating a challenging environment in which to attract, recruit and retain a productive and talented workforce – the lifeblood of any organisation that aspires to be successful and profitable.

The uncertainty surrounding UK immigration policy post-Brexit is also frustrating some employers' ability to recruit from overseas – technology and creative businesses, which typically rely on labour from Asia and North America, are particularly affected.

Recent research by the Massachusetts Institute of Technology shows that the 'Gen Z' and 'Millennial' generations, in particular, are less concerned about the salary that an employer can offer and are more focussed on the quality of the workplace, wellness, company culture and the ability to work flexible hours both in the office and remotely.

Employers are beginning to respond to these needs by offering more flexible employment contracts and, importantly, by using a lease break option or expiry as an opportunity to relocate to a new, vibrant and engaging working environment in an area that offers a broad range of quality dining and leisure facilities and, importantly, good public transport connectivity.

The shift in workforce demographics is driving the current wave of demand for new and refitted Grade A office space in Central London and has led to increased vacancy in the second-hand office market as employers trade up into new space. This trend is likely to continue over the next few years and has contributed to a two tier market: new and refitted Grade A space, where demand is good, and second-hand, low specification space, which is taking a lot longer to let.

REINVENTION

Some occupiers are choosing hitherto less popular locations, including the City and Docklands, to satisfy their real estate and recruitment needs. Both locations have, until very recently, had a reputation for being rather soulless districts, dominated by international banking and financial services companies and law firms.

Recognising the need to invigorate the economies of these two areas after the 2008/09 banking crisis, and to attract the growing 'tech' sector, local government agencies, in tandem with property investors, have implemented a series of planning and development initiatives to transform both sub-markets into vibrant 24/7 shopping, cultural and leisure districts that co-exist with, and support, the established business communities.

The City of London and Docklands are emerging as districts that address employer's recruitment needs: the provision of a broad range of shopping, cultural and leisure facilities, a vibrant public realm and good transport infrastructure (Elizabeth Line) – all key ingredients to attract members of the 'Gen Z' and 'Millennial' workforce.

In property cost terms both locations also offer significant financial benefits to employers – with rents for new and refitted Grade A floor space typically at a £10-£15 per sq ft per annum discount to comparable space in the West End and parts of Midtown. Docklands has the added advantage of a high level of residential stock – affording employees the option of walking to work – a key selling point to any business that is seeking to recruit a young workforce.

"THE SHIFT IN WORKFORCE DEMOGRAPHICS IS DRIVING THE CURRENT WAVE OF DEMAND FOR NEW GRADE A OFFICE SPACE THROUGHOUT LONDON"

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

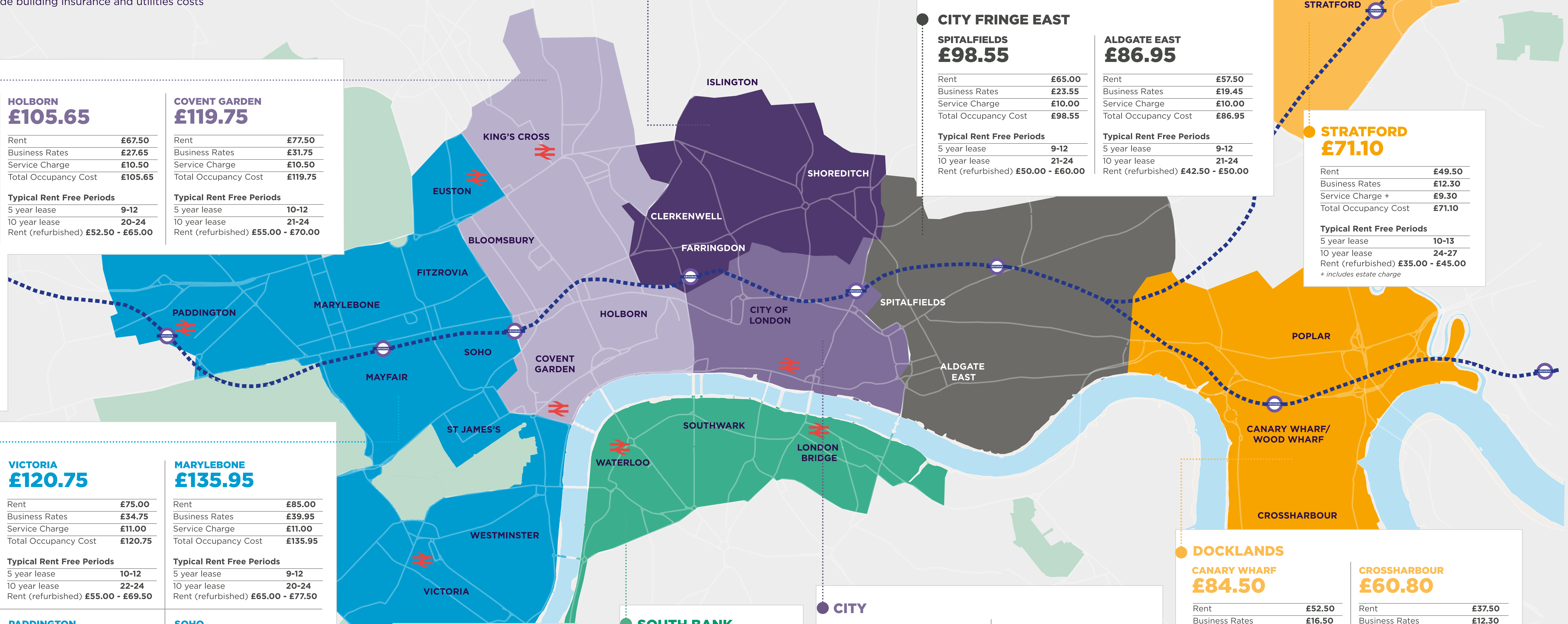
	£ per sq ft per annum		
Location	**Q2 2019**	**Q2 2020**	**Q2 2021**
Mayfair/St James's - Prime	£110.00	£112.50	£115.00
Marylebone	£85.00	£87.50	£90.00
Soho	£92.50	£95.00	£97.50
Fitzrovia	£85.00	£87.50	£90.00
Victoria	£75.00	£77.50	£80.00
Paddington	£75.00	£77.50	£80.00
Holborn	£67.50	£67.50	£70.00
Bloomsbury	£85.00	£87.50	£90.00
King's Cross	£82.50	£85.00	£87.50
Covent Garden	£77.50	£77.50	£80.00
Southwark	£67.50	£70.00	£72.50
City Prime	£62.50	£62.50	£65.00
City Secondary	£60.00	£58.00	£60.00
Clerkenwell & Shoreditch	£65.00	£65.00	£67.50
Farringdon	£75.00	£75.00	£77.50
Spitalfields	£65.00	£65.00	£67.50
Aldgate East	£57.50	£57.50	£60.00
Hammersmith	£57.50	£55.00	£57.50
White City	£52.50	£50.00	£52.50
Canary Wharf	£52.50	£50.00	£51.50
Stratford	£49.50	£49.50	£52.00

Source: Carter Jonas Research

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

Q2 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
Total occupancy costs exclude building insurance and utilities costs



CITY FRINGE NORTH

SHOREDITCH £97.50

Rent	£65.00
Business Rates	£21.50
Service Charge	£11.00
Total Occupancy Cost	£97.50
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£52.50 - £62.50

FARRINGDON £107.55

Rent	£75.00
Business Rates	£22.55
Service Charge	£10.00
Total Occupancy Cost	£107.55
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£55.00 - £62.50

CITY FRINGE EAST

SPITALFIELDS £98.55

Rent	£65.00
Business Rates	£23.55
Service Charge	£10.00
Total Occupancy Cost	£98.55
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	21-24
Rent (refurbished)	£50.00 - £60.00

ALDGATE EAST £86.95

Rent	£57.50
Business Rates	£19.45
Service Charge	£10.00
Total Occupancy Cost	£86.95
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	21-24
Rent (refurbished)	£42.50 - £50.00

STRATFORD £71.10

Rent	£49.50
Business Rates	£12.30
Service Charge +	£9.30
Total Occupancy Cost	£71.10
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	24-27
Rent (refurbished)	£35.00 - £45.00

+ includes estate charge

MIDTOWN

KING'S CROSS £124.75

Rent	£82.50
Business Rates	£31.75
Service Charge	£10.50
Total Occupancy Cost	£124.75
Typical Rent Free Periods	
5 year lease	8-11
10 year lease	19-23
Rent (refurbished)	£60.00 - £70.00

HOLBORN £105.65

Rent	£67.50
Business Rates	£27.65
Service Charge	£10.50
Total Occupancy Cost	£105.65
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£52.50 - £65.00

COVENT GARDEN £119.75

Rent	£77.50
Business Rates	£31.75
Service Charge	£10.50
Total Occupancy Cost	£119.75
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	21-24
Rent (refurbished)	£55.00 - £70.00

BLOOMSBURY £126.20

Rent	£85.00
Business Rates	£30.70
Service Charge	£10.50
Total Occupancy Cost	£126.20
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£60.00 - £72.50

WEST END

MAYFAIR & ST JAMES'S £173.20

Rent	£110.00
Business Rates	£51.20
Service Charge	£12.00
Total Occupancy Cost	£173.20
Typical Rent Free Periods	
5 year lease	9-12
10 year lease Rent	20-24
Rent (refurbished)	£85.00 - £97.50

VICTORIA £120.75

Rent	£75.00
Business Rates	£34.75
Service Charge	£11.00
Total Occupancy Cost	£120.75
Typical Rent Free Periods	
5 year lease	10-12
10 year lease	22-24
Rent (refurbished)	£55.00 - £69.50

MARYLEBONE £135.95

Rent	£85.00
Business Rates	£39.95
Service Charge	£11.00
Total Occupancy Cost	£135.95
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£65.00 - £77.50

FITZROVIA £131.35

Rent	£85.00
Business Rates	£35.35
Service Charge	£11.00
Total Occupancy Cost	£131.35
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£62.50 - £75.00

PADDINGTON £111.60

Rent	£75.00
Business Rates	£25.60
Service Charge	£11.00
Total Occupancy Cost	£111.60
Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£55.00 - £65.00

SOHO £143.45

Rent	£92.50
Business Rates	£39.95
Service Charge	£11.00
Total Occupancy Cost	£143.45
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£69.50 - £82.50

WEST LONDON

HAMMERSMITH £89.00

Rent	£57.50
Business Rates	£22.00
Service Charge	£9.50
Total Occupancy Cost	£89.00
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£42.50 - £52.50

WHITE CITY £81.20

Rent	£52.50
Business Rates	£18.50
Service Charge	£10.20
Total Occupancy Cost	£81.20
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£40.00 - £45.00

SOUTH BANK £101.30

Rent	£67.50
Business Rates	£23.30
Service Charge	£10.50
Total Occupancy Cost	£101.30
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£52.50 - £67.50

CITY

CITY PRIME £103.15

Rent	£65.00
Business Rates	£27.65
Service Charge	£10.50
Total Occupancy Cost	£103.15
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£52.50 - £62.50

CITY SECONDARY £93.50

Rent	£60.00
Business Rates	£23.00
Service Charge	£10.50
Total Occupancy Cost	£93.50
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
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 £60.80

Rent	£37.50
Business Rates	£12.30
Service Charge	£11.00
Total Occupancy Cost	£60.80
Typical Rent Free Periods	
5 year lease	12-14
10 year lease	24-27
Rent (refurbished)	£27.50 - £32.50

WOOD WHARF £83.60

Rent	£55.00
Business Rates	£16.60
Service Charge +	£12.00
Total Occupancy Cost	£83.60
Typical Rent Free Periods	
5 year lease	12-14
10 year lease	24-27
Rent (refurbished)	-

+ includes estate charge

SUBMARKETS

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

ELIZABETH LINE ROUTE

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.

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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

The City of London Corporation, keen to reduce the Square Mile's dependence on the banking, insurance and finance sectors post 2008/09 banking crisis, has introduced a series of initiatives to turn the City from a dormitory business district to a vibrant, attractive, mixed use retail, leisure and cultural area of Central London, with an active nightlife that will attract footfall seven days a week.

New town planning policies are promoting mixed use retail, leisure, office and residential development, helping to transform the City into a credible alternative hub for the technology, creative and media industries. Initiatives include the City Corporation's 'Culture Mile' incorporating a Centre for Music and the new Museum of London; a pedestrianisation programme; 'urban greening' measures to increase the number of landscaped areas with public access; the promotion of more residential development; and the 'floodwiring' of the City streets to enhance broadband speeds and connectivity.

An analysis of the types of occupier that have moved into the City over the last 18 months shows that these initiatives are achieving their objective of securing a more diverse occupier base.

NORTH CITY FRINGE

SUB-DISTRICTS: Farringdon, Clerkenwell, Shoreditch

The construction of the Farringdon Elizabeth Line station has catalysed the regeneration of the area, including the adjoining Smithfield district. The sympathetic refurbishment and conversion of former Victorian warehouses and the construction of new Grade A office space, including One Bartholomew Close, are transforming a once run-down, dowdy, area on the edge of the City into a new, vibrant and well connected business quarter. Rents for the upper floors of new Grade A space are now on a par with comparable quality space located in Bloomsbury, Soho, Fitzrovia and Paddington – it is no coincidence that all these locations are also served by an Elizabeth Line station (see map overleaf).

Elsewhere in the north City fringe, locations such as Clerkenwell and Shoreditch, that have become synonymous with the technology, media and creative industries, are now having to compete with the adjoining City office market where the City of London Corporation and property developers and investors are making a concerted, and successful, effort to turn the Square Mile into London's premier technology and 'fintech' hub.

Rents for new Grade A space in Clerkenwell and Shoreditch are broadly at parity with those of the City (see map overleaf), notwithstanding that the City has superior transport connectivity and is becoming increasingly more attractive to the 'Gen Z' and 'Millennial' workforce – see City of London commentary.

KEY CITY LETTINGS REPORTED DURING H1 2019

25 Cannon Street, EC4 – 115,000 sq ft pre-let to Brewin Dolphin (financial services)

40 Gresham Street, EC2 – 90,000 sq ft pre-let to Smith and Williamson (financial services)

100 Liverpool Street, EC2 – • 70,000 sq ft pre-let to Milbank Tweed Hadley (legal services) • 40,000 sq ft to Peel Hunt (financial services)

100 Bishopsgate, EC2 – 40,164 sq ft to Regus (serviced office provider)

KEY NORTH CITY FRINGE LETTINGS REPORTED DURING H1 2019

1 Bartholomew Close, Farringdon EC1 – 43,245 sq ft to University of Chicago Booth School of Business • 19,609 sq ft to Infra Red Capital Partners

KEY EAST CITY FRINGE LETTINGS REPORTED DURING H1 2019

3 Thomas More Square, E1 – 8,200 sq ft to Ipsos MORI (market research)

International House, St Katherine Docks, E1 – 18,100 sq ft let to QA (training organisation)

42 – 46 Princelet Street, Spitalfields, E1 – 32,205 sq ft pre-let to Fora (serviced office operator)

EAST CITY FRINGE

SUB-DISTRICTS: Spitalfields, Aldgate East, Tower Hill

Regeneration initiatives in the east City fringe – in Aldgate East and the Whitechapel area, in particular, have been biased towards the development of residential tower buildings. Save for the development of the 320,000 sq ft 1 Braham Street, which is due for completion during Q1, 2020, there have been no new office developments in the east City fringe of scale for several years.

The refitting and extension of Lloyds Chambers, at Portsoken Street, comprising 240,000 sq ft, and due for completion during Q4 2019 will, together with 1 Braham Street, go some way to ease the supply shortage in the area. Notwithstanding the imminent availability of these two developments, in the short to medium term the choice of new and refitted available Grade A space in the east City fringe is set to remain low resulting in limited choice for tenants.

SOUTH BANK

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

New and refitted Grade A office vacancy in the South Bank is at historically low levels, in common with the West End and Midtown sub-markets, resulting in limited choice for tenants.

It has, however, been recently announced that a new office building at Embassy Gardens, Vauxhall, comprising 217,500 sq ft, is to be developed speculatively, with completion due in Q4 2020 / Q1 2021.

Other proposals in the pipeline include the redevelopment of Elizabeth House, York Road, adjacent to Waterloo station. Developer, HB Reavis, has recently submitted a revised planning application for a mixed use development comprising 1.2 million sq ft of office space plus retail and restaurant accommodation. Waterloo has been starved of new Grade A office stock for over a decade and this much needed new development will go some way to addressing the acute supply shortage in the area. However, assuming that planning consent is granted this year, it is likely to be 2024 / 2025 before the building is ready for occupation.

KEY SOUTH BANK LETTINGS REPORTED DURING H1 2019

155-171 Tooley Street, SE1 - 24,000 sq ft to The Body Shop (retailer)

20 St Thomas Street, SE1 - 27,265 sq ft to Runway East (co-working space provider)

KEY MIDTOWN LETTINGS REPORTED DURING H1 2019

The Post Building, Museum Street, Bloomsbury, WC1 – 50,000 sq ft pre-let to Rothesay Life (financial services) • 88,500 sq ft pre-let to Nationwide Building Society

4 Handyside Street, King's Cross Central, N1 – 80,000 sq ft pre-let to Sony Music (media)

KEY WEST END LETTINGS REPORTED DURING H1 2019

Soho Place, Oxford Street, W1 – 102,600 sq ft pre-let to G Research (research and technology)

The Brunel Building, 2 Canalside Walk, Paddington, W2 – 49,600 sq ft pre-let to Splunk (technology)

10 Brock Street, Regents Place, Euston, NW1 – 175,000 sq ft to Facebook (social media)

18-19 Hanover Square, Mayfair, W1 – 54,000 sq ft pre-let to Glencore (commodities / mining)

MIDTOWN

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

Midtown, in common with the West End and South Bank sub-markets, has some of the lowest levels of new and refitted Grade A office vacancy. Some occupiers are therefore resorting to extending their areas of search to the adjoining, larger, City office market which offers more choice.

Bloomsbury and Holborn will benefit from Elizabeth Line services via Tottenham Court Road and Farringdon stations respectively, when services commence in 2020/21. This key infrastructure improvement has underpinned demand for both districts.

King's Cross has established itself as one of London's key 'tech' hubs. Google is developing its 1 million sq ft campus at King's Cross Central, and already occupies several hundred thousand square feet in several buildings on the estate. Another tech giant, Facebook, has signed a pre-letting agreement with the developer of the same estate for 611,000 sq ft in three buildings which are due for completion in 2021.

WEST END

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

The West End office market has one of the lowest vacancy rates of all the London office sub-markets – a consequence of restrictive planning policies geared to conserving the streetscape of historic areas including Mayfair and St James's. The loss of floor space to higher value residential redevelopment has been another factor that has resulted in historically low West End office vacancy. There are also limited opportunities for developers to assemble sites of sufficient scale to construct buildings with floorplates over 10,000 sq ft that are typically required by today's office occupiers.

Victoria and Paddington have, over the last few years, witnessed significant investment by property developers. However, many of the new developments including Land Securities' Nova in Victoria (550,000 sq ft) and Derwent's Brunel Building in Paddington (243,200 sq ft, due for completion imminently) are now fully let. Occupiers seeking new Grade A office space in excess of 10,000 sq ft on one floor in the West End therefore have limited options.

Recognising the limited availability of well-located, new and refitted Grade A space, some tenants are signing up to leases on buildings that are still under construction to secure operationally suitable space that falls within budget, ahead of rivals. Most of the key West End lettings during H1 2019 have been pre-lets - see West End lettings box.

KEY EAST LONDON LETTINGS REPORTED DURING H1 2019

1-5 Bank Street, Canary Wharf, E14 – 365,000 sq ft to the European Bank for Reconstruction and Development

The Cabot, 25 Cabot Street, Canary Wharf, E14 – 21,000 sq ft pre-let to Spaces (serviced office provider) • 21,450 sq ft pre-let to The Office of Rail and Road (government agency)

One Westfield Avenue, International Quarter, Stratford, E15 – 21,000 sq ft to The Nursing and Midwifery Council

KEY WEST LONDON LETTINGS REPORTED DURING H1 2019

Beaumont House, Avonmore Road, West Kensington, W14 – 50,000 sq ft to Arrival (automotive technology)

MediaWorks, White City Place, W12 – 30,000 sq ft to Ralph & Russo (luxury retail)

Clockwork Building, 45 Beavor Lane, Hammersmith, W6 – 25,183 sq ft to London Borough of Hammersmith & Fulham

3 Shortlands, Hammersmith, W6 – 45,335 sq ft to London Borough of Hammersmith & Fulham

EAST LONDON

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

Like the City of London, Docklands has been reliant, historically, on the banking and finance sectors, and has also had a reputation for being a 'dormitory' five day a week business district with little to attract people to the area outside working hours.

To counteract this, Canary Wharf Group, the developer of Canary Wharf and the adjoining Wood Wharf, has been implementing a policy of promoting retail, leisure and cultural uses in the area. It has also been developing landscaped areas to 'soften' the public realm and make it feel less urban.

The master plan for the redevelopment of Wood Wharf is significantly different from the adjoining Canary Wharf. The scheme, which is currently under phased construction, incorporates a healthy mix of landscaped public green space and low rise, mixed use, buildings of varying architectural styles. Wood Wharf is unashamedly aimed at attracting a different type of occupier to Docklands; namely the technology, creative and media sectors.

When the final phases of the 23 acre Wood Wharf scheme are complete, it will comprise 2 million sq ft of office space, 3,300 homes and 490,000 sq ft of retail and restaurant space.

The first phase of the scheme, comprising four buildings totalling 765,000 sq ft, has already attracted its first lettings despite the fact that phase one will not be fully completed until 2022.

The development of an Elizabeth Line station serving both Canary Wharf and Wood Wharf has also been a significant factor in attracting new occupiers to the area.

WEST LONDON

SUB-DISTRICTS: Hammersmith and White City

Much of Hammersmith's available office stock comprises refurbished space dating from the 1980s and 1990s. Legal and General's 245 Hammersmith Road, circa 242,477 sq ft, which is due to complete imminently, and The Assembly, incorporating 250,000 sq ft offices, located at Fulham Palace Road, are the two key developments in Hammersmith offering new Grade A space.

Although the advertised rents for new and refitted Grade A space in Hammersmith have changed little since Q2 2018, the rent discounts that can be negotiated have widened to, typically, £2.50 - £3.50 per sq ft per annum. This is in response to weaker demand, post Brexit vote, and to competition from available space at the former BBC campus at White City, where rents are typically £2.50 - £5.00 per sq ft per annum lower than Hammersmith for equivalent quality space.

Typical Costs of New Office Space – Key European Cities - Q2, 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

27,000 sq ft
Reinsurance Group of America
22 Bishopsgate, EC2

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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