

ADVISOR'S VIEW

"2020 WILL BE A YEAR OF LOW VACANCY, DECLINING CHOICE, RISING RENTS AND SHORTER RENT FREE PERIODS ACROSS THE LONDON OFFICE MARKET FOR NEW GRADE A SPACE."

INVESTING IN THE FUTURE

With the uncertainty associated with the 2019 General Election and Brexit now out of the way, and the election of a 'business-friendly' government with a significant working majority, I and my Team have, since the beginning of the year, noticed a palpable air of confidence returning to the London business community, notwithstanding that a UK/EU trade deal has yet to be agreed.

A common theme that has been emerging from the conversations that I and my Team have been having recently with the chief executives and finance directors with whom we deal: let's move forward and focus on investing for the future.

Significantly, more and more CEOs and CFOs are viewing real estate as an integral part of their business investment strategy. Real estate has, in recent years, been seen increasingly as key to underpinning corporate recruitment, retention and productivity strategies. With unemployment in London and the South East at historic lows, and a young workforce that is very sensitive to the quality of the environment in which it works, the trend for employers to use a break option or lease expiry as an opportunity to trade up into new or refitted office space continues to gather pace.

VENTURE CAPITAL INVESTMENT, JOB CREATION AND DEMAND FOR OFFICE SPACE

Based on current levels of venture capital investment - a key driver of employment growth - London is set to continue building on its reputation as a global centre of excellence in the fintech, artificial intelligence, augmented reality, clean energy and life sciences sectors. These areas of the economy are, collectively, drawing in record levels of overseas investment capital to London and the UK - up 44% year on year during 2019 to £10.1bn, according to the latest survey from Tech Nation and Dealroom, in contrast to Germany (£5.4bn) and France (£3.4bn). The growth in venture capital funding now puts London on a par with San Francisco, Beijing and New York as one of the world's top cities for venture capital investment.

Continued investment by tech giants such as Google, LinkedIn, Twitter and Facebook is also underpinning the London job market. In January Facebook announced the creation of an extra 1,000 London jobs, mostly in software engineering. We therefore forecast that demand for office space in the capital will remain robust for the forseeable future.

REAL ESTATE, RECRUITMENT, ESG & WELLNESS

While rising investment and a post Brexit boost in business confidence underpin demand for office space, occupiers are being selective and are typically focussing their property searches on new Grade A space that is energy efficient and constructed from sustainable and recyclable materials – to boost their Environmental, Social and Governance (ESG) credentials as a way of attracting and retaining the brightest and the best.

Low grade, poorly located and ventilated second-hand space with a high carbon footprint - much of which will not have any in-built wellness features such as fenestration that offers high levels of natural light and balconies or roof terraces that offer a "freshair" experience - are being shunned by the more progressive employers as the link between the quality of the real estate in which a business operates and employee recruitment, retention and productivity is increasingly recognised.

HISTORICALLY LOW VACANCY

The strategy of focusing property searches on new Grade A, "sustainable" office buildings that many footloose tenants are adopting is, however, becoming increasingly frustrated by the decline in the availability of space meeting their aspirations.

The pipeline of new office developments reaching the market is at historic lows and this is reflected in acutely low vacancy for new Grade A stock across most parts of London. To put this in context, over the last thirty years Central London office vacancy has typically fluctuated between 8-12% of total built stock. Today, Central London office vacancy is down to an average of sub-5%, and below 3% for new grade A space, in some districts such as Mayfair, St James's and parts of Midtown and the South Bank.



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WHAT DOES 2020 HAVE IN STORE FOR OFFICE OCCUPIERS?

Throughout 2020 the London office market is likely to witness the following trends, providing that the UK and world economies do not succumb to any geopolitical or macro-economic shocks:

- declining new Grade A floor space vacancy throughout most parts of London
- limited choice of new Grade A space for those footloose tenants that are seeking to upgrade their working environment
- an increasingly challenging recruitment market against a backdrop of historically low unemployment and tightening UK government immigration policy
- rising demand for new Grade A office space as employers increasingly use the quality of their work environment in the competition to recruit the best and most highly skilled
- a continued shift in the balance of negotiating power in favour of landlords
- an increase in rents for well-located, new and refitted Grade A space of, typically, between £1.50 - £3.00 per sq ft per annum by Q1 2021 - see Table 1
- compression in rent free periods of between 1 - 2 months for 5 -10 year leases
- landlords pressing for longer leasing commitments
- increased competition between tenants to secure the best space leading to a higher incidence of tenants entering into pre-completion of construction letting contracts
- footloose tenants starting their office searches much earlier - to secure the best available space ahead of rivals

THE SECOND HAND OFFICE MARKET

The rents for well located, second-hand, office space that has been refurbished to a high standard and upgraded to meet the image, environmental and wellness criteria of employers, are likely to increase by £1.00 - £2.00 per sq ft per annum during 2020 as some tenants, frustrated by their inability to find new and refitted Grade A space

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

	£ per sq ft per annum		
Location	Q1 2020	Q1 2021	Q1 2022
Mayfair/St James's - Prime	£115.00	£120.00	£125.00
Marylebone	£92.50	£95.00	£97.50
Soho	£95.00	£97.50	£100.00
Fitzrovia	£92.50	£95.00	£97.50
Victoria	£77.50	£80.00	£82.50
Paddington	£77.50	£80.00	£82.50
Holborn	£70.00	£72.50	£75.00
Bloomsbury	£85.00	£87.50	£90.00
King's Cross	£85.00	£87.50	£90.00
Covent Garden	£80.00	£82.50	£85.00
Southwark	£72.50	£75.00	£77.50
Battersea / Nine Elms	£62.50	£65.00	£67.50
City Prime - Bank, Leadenhall Street	£70.00	£72.00	£74.00
City Secondary - Blackfriars, Aldgate	£65.00	£67.00	£69.00
Clerkenwell & Shoreditch	£68.50	£71.00	£73.50
Farringdon	£85.00	£87.50	£90.00
Spitalfields	£67.50	£69.50	£71.50
Aldgate East	£57.50	£60.00	£62.50
Hammersmith	£57.50	£57.50	£59.50
White City	£52.50	£55.00	£57.50
Canary Wharf	£52.50	£53.50	£55.00
Wood Wharf	£55.00	£56.00	£57.50
Crossharbour	£37.50	£37.50	£39.50
Stratford	£49.50	£51.00	£52.50

Source: Carter Jonas Research

that falls within budget, switch their attention to leasing second hand space.

Poorly refurbished second hand space, in secondary and tertiary locations is, however, likely to be challenging to re-let – as the more 'streetwise' tenants recognise that cheap, ESG credentials and space will do nothing to enhance their recruitment and productivity strategies.

RENT REVIEWS & LEASE RENEWALS

Rising office rents across London will also have a knock-on effect on those tenants with tenancies that will be subject to a rent review, or renewal, during 2020 and 2021.

As is market practice, the rent and rent free period letting packages that are being agreed on open market lettings of office space that is comparable in terms of size, location, quality and specification will be used as a benchmark to set the new rent where a tenancy is subject to a rent review or renewal

However, where rent reviews are concerned, commercial property leases

will typically permit the value of rent free periods, and other inducements, on the letting of comparable premises to be taken into account when assessing the rent – which will have the effect of limiting the extent to which a landlord can increase the rent. A good knowledge of the rent and rent free periods, and other inducements, that are currently being agreed on the lettings of comparable properties will therefore be critical in minimising a rent increase at review.

SECURING THE BEST LEASING TERMS - QUALITY OF ADVICE & MARKET KNOWLEDGE

In short, the mismatch between supply and demand will, during 2020, lead to a less tenant friendly environment in the London office market. The quality of advice that a tenant receives from its appointed property consultant, and the consultant's market knowledge, will therefore be critical in securing the best rent and leasing terms.

THE LONDON OFFICE MARKET - Q1 2020

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

Costs = £ per sq ft per annum

Rents are landlord's advertised rents which will be negotiable, typically by 1.5 - 3.5%

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

Rents for the upper floors of tower buildings, and office space with terraces and views of the River Thames/the London

skyline, will typically be circa 15-25% higher than those illustrated in this map.

MIDTOWN •

KING'S CROSS £127.25

Rent	£85.00
Business Rates	£31.75
Service Charge	£10.50
Total Occupancy Cost	£127.25

Typical Rent Free Periods

5 year lease	8-11
10 year lease	19-23
Rent (refurbished) £60.00 -	£72.50

BLOOMSBURY £126.20

Rent	£85.00
Business Rates	£30.70
Service Charge	£10.50
Total Occupancy Cost	£126.20

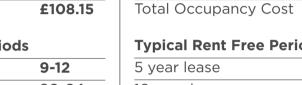
Typical Rent Free Periods

5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£60.00 - £72.50

HOLBORN £108.15

Rent	£70.00
Business Rates	£27.65
Service Charge	£10.50
Total Occupancy Cost	£108.15

Typical Rent Free Periods	
5 year lease	9-12
10	20.24





£80.00

£31.75

£10.50

£122.25

£92.50

£39.95

£11.00

9-12

20-24

£143.45

MARYLEBONE

MAYFAIR

COVENT GARDEN

£122.25

Business Rates Service Charge

KING'S CROSS

BLOOMSBURY

EUSTON

FITZROVIA

£68.50

CITY FRINGE NORTH

SHOREDITCH

£101.00

business Rates	E21.50
Service Charge	£11.00
Total Occupancy Cost	£101.00

5 year lease	8-11
10 year lease	19-23
Rent (refurbished)	£55.00 - £65.00

ISLINGTON

CLERKENWELL

ASSESSED VIEW

HOLBORN

WATERLOO

GRADE B

"REFITTED"

COVENT

GARDEN

FARRINGDON

SOUTHWARK

CITY OF

LONDON

LONDON BRIDGE

Typical Rent Free Periods

FARRINGDON £118.00

Rent	£85.00
Business Rates	£23.00
Service Charge	£10.00
Total Occupancy Cost	£118.00

Typical Rent Free Periods

SHOREDITCH

5 year lease	8-11
10 year lease	19-23
Rent (refurbished)	£58.50 - £70.00

SPITALFIELDS

ALDGATE

EAST

£70.00

£27.65

£10.50

£108.15

HACKNEY

CITY FRINGE EAST

SPITALFIELDS £101.05

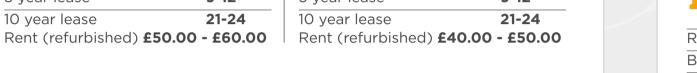
Rent	£67.50
Business Rates	£23.55
Service Charge	£10.00
Total Occupancy Cost	£101.05

Typical Rent Free Periods	
5 year lease	9-12
10 year lease	21-24

ALDGATE EAST, WAPPING £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



£71.10 £49.50

STRATFORD

STRATFORI

POPLAR

CANARY WHARF

WOOD WHARF

CROSSHARBOUR

2 10100
£12.30
£9.30
£71.10

Typical Rent Free Periods 5 year lease

CROSSHARBOUR

£60.80

Business Rates

Service Charge

5 year lease

10 year lease

Total Occupancy Cost

Typical Rent Free Periods

Rent (refurbished) **£27.50 - £32.50**

Rent

COSSAN

£37.50

£12.30

£11.00

£60.80

12-14

24-27

10 year lease Rent (refurbished) **£35.00 - £45.00** + includes estate charge

WEST END

MAYFAIR & ST JAMES'S £178.20

Rent	£115.00
Business Rates	£51.20
Service Charge	£12.00
Total Occupancy Cost	£178.20

Typical Rent Free Periods

71	
5 year lease	9-12
10 year lease Rent	20-24
Rent (refurbished) £87.50	- £105.00

FITZROVIA PADDINGTON

Rent	£92.50
Business Rates	£35.35
Service Charge	£11.00
Total Occupancy Cost	£138.85

Typical Rent Free Periods

SUBMARKETS

City Fringe North

■ City Fringe East

Docklands & Stratford

South Bank

West End

Midtown

City

T O TIME T

£138.85

* 1	
5 year lease	9-12
10 year lease	20-24
Rent (refurbished)	£65.00 - £80.00

£114.10

Business Rates

Service Charge

Total Occupancy Cost

ELIZABETH LINE ROUT

£123.25

Rent	£77.50
Business Rates	£34.75
Service Charge	£11.00
Total Occupancy Cost	£123.25

Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24

Typical Rent Free Periods	
5 year lease	9-12
10 year lease	20-24
Death (see Coole's least) CETEO	670 FO

Rent (refurbished) **£57.50 - £72.50**

5 year lease 10 year lease Rent (refurbished) **£67.50 - £80.00**

£77.50

£25.60

£11.00

£114.10

SOHO

	Rent
-	Business Rates
	Service Charge
	Total Occupancy Cost

ypical Rent Free Periods	
year lease	9-12
) vear lease	20-24

Rent (refurbished) **£55.00 - £66.50**

£145.95

MARYLEBONE

Business Rates Service Charge

£143.45

Total Occupancy Cost

Typical Rent Free Periods

Rent	£95.00
Business Rates	£39.95
Service Charge	£11.00
Total Occupancy Cost	£145.95

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

VICTORIA

Rent	£57.50
Business Rates	£22.00
Service Charge	£9.50
Total Occupancy Cost	£89.00

WESTMINSTER

Typical Rent Free Periods

5 year lease	10-13
10 year lease	22-25
Rent (refurbished) £4	0.00 - £50.00

WHITE CITY £81.20

•		
•	Rent	£52.50
•	Business Rates	£18.50
	Service Charge	£10.20
	Total Occupancy Cost	£81.20

Typical Rent Free Periods

71	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished) £40.00) - £45.0

SOUTH BANK £107.00

Rent £72.	
Business Rates	£24.00
Service Charge	£10.50
Total Occupancy Cost	£107.00

Typical Rent Free Periods	
5 year lease	8-12
10 year lease	10-24
Rent (refurbished) £52.50	- £67.50

GRADES OF OFFICE ACCOMMODATION

	£72.50
ness Rates	£24.00
ce Charge	£10.50
Occupancy Cost	£107.00

Typical Rent Free Periods	
5 year lease	8-12
O year lease	10-24

• CITY **CITY PRIME** £108.15

Busin	ess Rates
Servi	ce Charge
Total	Occupancy Cost

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

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, nstead 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.

ncluding 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.

t renewed, the building services, such as the air conditioning and passenger lift facilities.

Typical Rent Free Periods	3
5 year lease	10-12
10 year lease	22-25
Rent (refurbished) £52.50	- £65.00

CITY SECONDARY £98.50

Service Charge £10.50 Total Occupancy Cost £98.50		al Occupancy Cost #99 F
Service Charge #10 50		vice Charge Elo.30
	Business Rates	vice Charge £10 5 0

5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£45.00 - £57.50

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	- £42.5

10 year lease	24-27
Rent (refurbished) £35.0	00 - £42.5
+ includes estate charge	

WOOD WHARF £83.60

Rent	£55.00
Business Rates	£16.60
Service Charge +	£12.00
Total Occupancy Cost	£83.60

Typical Keller ree reliev	43
5 year lease	12-14
10 year lease	24-27
Rent (refurbished)	-
+ includes estate charge	

Carter Jonas

SUB-MARKET

"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 **preferably at least 22 months beforehand** 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



NORTH CITY FRINGE



KEY CITY LETTINGS REPORTED Q4 2019 & Q1 2020

Broadwalk House, Appold Street, EC2 - 120,000 sq ft let to Monzo (banking and financial services)

22 Bishopsgate, EC2 -156,000 sq ft pre-let to Apple (technology)

80 Fenchurch Street, EC3 - 70,000 sq ft pre-let to Convene (flexi-offices provider)

KEY NORTH CITY FRINGE LETTINGS REPORTED Q4 2019 & Q1 2020

Wenlock Works, Shepherdess Walk, N1 - 63,874 sq ft let to Checkout.com (fintech)

1 Bartholomew Close, Farringdon, EC1 – 19,609 sq ft let to finnCap (financial services)

The Bower, 207 Old Street, EC1 - 11,331 sq ft let to Brilliant Basics / Infosys (design)

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

Notwithstanding a skyline punctured by a host of tower cranes associated with new office developments, demand for new Grade A space in the City is such that much of the space under construction is already committed – as tenants compete to secure the best available space by entering into precompletion of construction leasing contracts.

The latest example of this trend is US software firm, Salesforce, reportedly agreeing terms to lease 120,000 sq ft at YardNine's 80 Fenchurch Street, EC3 scheme, scheduled for completion in June 2020.

Rents for new, mid-rise, Grade A office space in the City core rose, typically, from £65.00 - £70.00 per sq ft per annum during 2019 in response to declining vacancy and increasingly limited choice for footloose tenants.

Developers and investors are responding to the resumption of rental growth by bringing forward their office development proposals. Ground preparation works are well advanced for M&G Prudential's 40 Leadenhall Street, dubbed 'Gotham City' which will comprise 890,000 sq ft of offices when completed in 2023.

The Clothworkers Company has also unveiled plans for a 670,000 sq ft, 36 storey office tower at 50 Fenchurch Street, EC3, which will include over two thirds of an acre of public realm. Plans have also been worked up by Hong Kong developer Tenacity for the redevelopment of 70 Gracechurch Street, EC3, which will comprise 33 storeys, totalling 600,000 sq ft of office and retail space.

SUB-DISTRICTS: Farringdon, Clerkenwell, Shoreditch

One of London's first 'intelligent' office buildings, 160 Old Street, EC1, has been developed by Great Portland Estates in the north City fringe.

The building has been designed with the 'tech-savvy' Millennial and Gen-Z office occupier in mind. The inclusion of thousands of sensors in the building, which can be controlled through a mobile phone app, enables employees working at the building to remotely, and while on the move, book meeting rooms, control air temperature, humidity, check in visitors, report building services malfunctions, as well as take advantage of discounts that the landlord has negotiated with local shops, gyms, cinemas and restaurants.

The app brings one step closer the concept of office space being provided by landlords as an all-inclusive business service. This will underpin the attractiveness of the floorspace to those occupiers that are keen to provide a vibrant, engaging and cost efficient working environment for their employees which should reinforce staff recruitment, retention and productivity strategies.



EAST CITY FRINGE



KEY EAST CITY FRINGE LETTINGS REPORTED Q4 2019 & Q1 2020

10 Bishops Square, Spitalfields, E1 - 44,912 sq ft let to Adecco (recruitment)

91 Brick Lane, E1 -23,532 sq ft let to Little Dot Studios (media)

4 Thomas More Square, Wapping, E1 - 19,988 sq ft let to Generali (insurance)

KEY SOUTH BANK LETTINGS REPORTED DURING Q4 2019 & Q1 2020

240 Blackfriars Road,
Southwark, SE1 - 24,091 sq ft
let to Square Enix (media /

49 Southwark Bridge Road, SE1 - 11,600 sq ft let to Knotel (flexi-office provider)

Counting House, 53 Tooley Street, SE1 - 10,183 sq ft let to BuzzFeed (media)

SUB-DISTRICTS: Spitalfields, Aldgate East and Wapping

Historically low vacancy continues to be a challenge for those occupiers seeking new Grade A office space in the east City fringe, especially in the Spitalfields district which tends to be favoured over Aldgate East and Wapping – due to its closer proximity to the City of London and broader array of better quality shopping, café and restaurant facilities.

The refitting and extension of Lloyds Chambers, 1 Portsoken Street, E1, which will comprise circa 246,000 sq ft when complete in Q4 this year, will do much to redress the current imbalance between supply and demand.

SOUTH BANK



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

The South Bank office market continues to have one of the lowest levels of Grade A office vacancy compared with the other London office sub-markets.

Developers have focussed on higher value residential and hotel development, especially on those sites located immediately along the Thames embankment, that would previously have been in office or warehouse use.

Scope for large-scale office development in the South Bank that can offer floor plates in excess of 10,000 sq ft is limited - save for the Vauxhall / Nine Elms / Battersea area where regeneration initiatives have opened up sites for large scale development. Ballymore's 1 Embassy Gardens, at Nine Elms, comprising 156,000 sq ft, is almost fully let and the developer is now considering the speculative construction of an adjoining 13 storey tower which will total 217,000 sq ft.

The developer of Battersea Power Station is also reported to be bringing forward plans for the development of 200,000 sq ft of office space above the new Northern Line underground station. Scheduled for completion in 2023 – in response to demand.

Developer HB Reavis secured a revised planning consent in October 2019 for the redevelopment of Elizabeth House at York Road, Waterloo. The mixed-use retail, leisure and office scheme will comprise circa 1.2 million sq ft of office space – bringing some much-needed supply to an area of the South Bank that has been starved of available Grade A office space for more than a decade. It is, however, likely to be 2024/25 before the scheme will be ready to occupy.



MIDTOWN



KEY MIDTOWN LETTINGS REPORTED Q4 2019 & Q1 2020

Athene Place, Holborn, EC4 - 78,700 sq ft let to Deloitte (business services

110 High Holborn, WC1 -42,750 sq ft let to Knotel (flexi-office provider)

20 Red Lion Street, Holborn, WC1 - 14,600 sq ft let to Work Life Holdings (flexi-office provider)

KEY WEST END LETTINGS REPORTED Q4 2019 & Q1 2020

1 Soho Place, W1 - 83,100 sq ft pre-let to Apollo Management Ltd (financial services)

30 Cleveland Street, Fitzrovia, W1 - 39,800 sq ft let to Take-Two Interactive (media / software)

Zig Zag Building, Victoria Street, Victoria, SW1 - 41,800 sq ft let to Neuberger Berman (financial services)

62 Buckingham Gate, Victoria, SW1 - 37,000 sq ft
let to Baringa Partners
(business services)

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

The Midtown office market embraces King's Cross, Bloomsbury, Holborn and Covent Garden. All four districts have one thing in common: historically low new Grade A office vacancy and a limited pipeline of new developments under construction.

Occupiers seeking office space in Midtown, especially those with requirements over 10,000 sq ft on one floor, for up to 100 employees, are being forced to look east to the neighbouring City of London sub-market if they require new Grade A space. This trend has, in turn, boosted demand for City office space where rents were typically at a discount of £2.50 - £5.00 per sq ft per annum a year ago compared with those of its immediate neighbour, Holborn, but are now broadly at parity - see office occupancy cost map overleaf.

WEST END



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

Two key trends appear to be emerging in the West End office market:

- occupiers are starting their property searches much earlier, and are increasingly entering into pre-completion of construction programme pre-letting contracts in order to secure new Grade A space, ahead of rivals, in an increasingly under-supplied market (see key West End lettings box)
- rents for Grade A office space in "superprime" locations including Berkeley Square, St James's Square and Hanover Square are at a significant premium, typically £10.00 -£20.00 per sq ft per annum above those for equivalent quality space located in other, less prominent, Mayfair and St James's locations

The pipeline of new developments under construction in the West End, and that have yet to be pre-let, is at historic lows. Restrictive planning policies that are biased towards conserving historic streetscapes, and that prohibit high rise development in many areas of the West End, are contributing to the dearth of available office space.

The Crown Estate and Oxford Properties have recently secured planning consent for the second phase of St James's Market, comprising 200,000 sq ft of mixed use leisure and office space which should help redress the imbalance between supply and demand.



EAST LONDON



KEY EAST LONDON LETTINGS REPORTED Q4 2019 & Q1 2020

25 Canada Square, Canary Wharf, E14 – 25,000 sq ft let to Water Aid (charity)

1 Canada Square, Canary Wharf, E14 – 42,700 sq ft to Fisher Investments

7 Westferry Circus, E14 - 32,200 sq ft to Revolut

KEY WEST LONDON LETTINGS REPORTED Q4 2019 & Q1 2020

Gateway Central, White City Place, W12 - 120,000 sq ft let to L'Oreal (cosmetics)

The Metro Building, 1
Butterwick, Hammersmith,
W6 - 34,500 sq ft let to
Mindspace (flexi-office
provider)

245 Hammersmith Road, Hammersmith, W6 - ?? sq ft let to Hana (flexi-office provider)

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

The key, established, East London office districts comprise Docklands and Stratford. Both will benefit from direct access via the Elizabeth Line when it becomes fully operational – scheduled for H2 2021 - which will significantly shorten journey times to the City of London, West End and Heathrow Airport, underpinning the attraction of both districts for those occupiers that are seeking new Grade A office space with large floor plates, typically in excess of 15,000 sq ft, at rents of sub-£55.00 per sq ft per annum.

The nearest competitor sub-market, in terms of quality and floor plate size, is the City of London, where rents for comparable office space are typically £10.00 - £15.00 per sq ft per annum higher, with correspondingly higher business rates costs – see office occupancy cost map overleaf.

WEST LONDON



SUB-DISTRICTS: Hammersmith, White City and Chiswick

Hammersmith's pre-eminence as the premier West London office location is being challenged by other districts that are establishing themselves as competitors. These include:

- Ealing where several new office developments have recently been completed / are about to complete – the area has attracted significant new investment because of the development of an Elizabeth Line station at Ealing Broadway
- White City boosted by the development of Imperial College's Translation and Innovation Hub and the redevelopment of the former BBC television centre complex at Wood Lane, which has attracted several large space occupiers, in excess of 50,000 sq ft. The area is rapidly becoming an established life sciences hub associated with Imperial College
- Chiswick in particular the key office scheme, Chiswick Park, which has attracted an array of big brand international businesses which have located their national and regional headquarters at the estate, including: Unisys, Sony and Pernod Ricard

As a consequence, rents for new Grade A space in Hammersmith have remained stagnant throughout 2019 and that trend is likely to continue during 2020, while rents for poorly located, second-hand, space in the district are likely to decline by £1.50 - £3.00 per sq ft per annum by the end of the year.

Typical Costs of New Office Space - Key European Cities - Q1, 2020

	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 Repairs/dilapidations cost
- Office search & relocation management
- Relocation budgeting & planning
- <u>Lease & rent review</u> 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 sa 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 sa ft

Hitachi Rail Europe 40 Holborn Viaduct, <u>EC1</u>

11,000 sq ft

Salamanca Group 50 Berkeley Street, W1

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