RESEARCH

Guide to Rents & Rent Free Periods
Office Occupancy Cost Map
Q3 2019

LONDON OFFICE MARKET OVERVIEW

FEATURES FOLD OUT MAP

Carter Jonas

THE TENANT ADVISOR'S VIEW

WHAT ARE THE KEY ISSUES CURRENTLY AFFECTING LONDON'S OFFICE OCCUPIERS?

The UK is one of the top 10 largest economies in the world, ranked by GDP, and many of Carter Jonas' London based clients seem to be taking the view that, deal or no deal, life beyond if / when it happens, will still go on given the critical mass of the UK economy.

The flight to quality continues as employers increasingly recognise the importance of real estate in implementing effective recruitment and productivity strategies. However, the key issues for London office occupiers are undersupply in the new and refitted Grade A office market, declining choice and increasing upward pressure on rents.

CULTURE, LANGUAGE, TIME ZONE & A FLEXIBLE LABOUR MARKET

The mass exodus of jobs from London's banking and finance sectors, to European financial centres such as Frankfurt, Paris and Dublin, that was forecast following the Brexit vote, has failed to materialise.

Factors that are anchoring a significant number of key international businesses to the UK, and London in particular, include the culture, language, rule of law, the country's position in the international time zone and, very importantly, its flexible labour market.

IMMIGRATION POLICY

Many businesses that I and my Team are advising are less animated about Brexit and are more concerned about an international trade war and post-Brexit UK immigration policy. The ability to recruit a young and highly skilled workforce from the international labour market will be key to the UK's future economic success.

The UK government must make post Brexit immigration policy a priority to ensure that it is sufficiently flexible to support the continued growth of UK based businesses – especially those operating in the technology, creative, life-sciences, finance and engineering sectors.

WHO TOOK ALL THE OFFICE SPACE?

The serviced / flexi-office providers and the technology sector continue to be the key drivers of demand for London office space – see key lettings overleaf.

London is rapidly becoming established as the tech capital of Europe with a strong track record for innovation, particularly in the artificial intelligence, cyber security, financial and health technology sectors.

A well established and 'tech-friendly' venture capital funding market and world-class universities are each playing their part in providing the finance and skills needed to reinforce the UK as a tech hub to rival San Francisco, New York and Beijing. Added to which, global tech giants including Google, Facebook and Netflix, are continuing to expand their UK operations substantially, despite Brexit uncertainty.

THE LONDON SKYLINE – NOT QUITE WHAT IT SEEMS

To the lay observer the plethora of tower cranes that punctuate the London skyline would suggest that there are vast quantities of office space for tenants to pick and choose from. The reality is very different. Many of the office buildings that are currently under construction are either fully or substantially pre-let – where contracts to lease space have been signed before construction of the building is completed.

To illustrate the point, AXA and Lipton-Rogers' 22 Bishopsgate development – which, at 62 storeys / 912 ft will be the tallest in the City, comprising 1.275 million sq ft – is almost 30% pre-let. A further 27% is under-offer – where terms have been agreed, pending exchange of contracts.

This is a remarkable achievement given the huge scale of the building, the political and economic uncertainty associated with Brexit and the fact that the building will not be complete until Q1 2020.

DECLINING CHOICE LEADS TO INCREASED PRE-LETTING ACTIVITY

Across much of central London office vacancy, especially in the new and refitted Grade A market, is at historic lows. This situation has been brought about by a combination of stronger than forecast post-Brexit vote demand, primarily from the technology, media and serviced / co-working sectors, and a reduction in new development starts as developers and investors deferred construction of new schemes, wrongly assuming that demand would weaken dramatically following the EU referendum. It was further incorrectly assumed that office vacancy would rise as a result of banks and financial services businesses relocating to the continent.

Today, the issue for those occupiers that wish to trade up into better quality office space is that choice is becoming more limited, as vacancy levels for new and refitted Grade A space continue to fall in the wake of resilient take-up. The more streetwise occupiers are therefore starting their property searches much earlier and are increasingly entering into pre-letting agreements to guarantee that they have operationally suitable space to move to

Michael Pain
Head of Tenant Advisory Team
020 7016 0722
michael.pain@carterjonas.co.uk

when their current lease expires. See key transactions overleaf.

RISING RENTS

Evidence is gathering pace of landlords increasing their advertised rents on new and refitted Grade A space – typically by £1.50 - £2.50 per sq ft per annum – in some of the most undersupplied sub-markets including the South Bank, Midtown, West End, City and north and east City fringes. Barring a no deal Brexit, it is likely that rental growth will become a firmly established trend during the first half of 2020 – see rent forecast, Table 1. Over the next 12 months it is also likely that rent free periods will begin to contract in those submarkets with the lowest levels of vacancy.

THE SECONDHAND, REFURBISHED, MARKET

Compared with new and refitted Grade A office space, vacancy levels in the second hand office market are higher and offer more choice – rents are typically over £10.00 per sq ft per annum lower, reflecting lower quality. Vacancy has increased as a consequence of the trend towards businesses trading up into new and refitted space – using the quality of the office environment as a key recruitment tool in a competitive labour market.

While the secondhand market may offer more choice and lower cost, the key drawback is that the quality of secondhand space is less likely to aid the recruitment and retention of a young, talented, and productive workforce which will ultimately be reflected in lower profitability.

NEW OFFICE DEVELOPMENT

With vacancy levels for new Grade A space declining across London and upward pressure on rents increasing, the number of new development starts since the beginning of the year is increasing – as the market commentaries overleaf illustrate. This is good news for those occupiers with lease expiries coming up in 2022-24 but little comfort to those that need to move sooner – given that office developments of scale will typically take 2-3 years to complete.

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

	£ per sq ft per annum		
Location	**Q3 2019**	**Q3 2020**	**Q3 2021**
Mayfair/St James's - Prime	£110.00	£115.00	£120.00
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	£70.00	£72.50	£75.00
Bloomsbury	£85.00	£87.50	£90.00
King's Cross	£85.00	£87.50	£90.00
Covent Garden	£77.50	£80.00	£82.50
Southwark	£70.00	£72.50	£75.00
Battersea / Nine Elms	£62.50	£65.00	£67.50
City Prime - Bank, Leadenhall Street	£68.50	£70.00	£72.50
City Secondary - Blackfriars, Aldgate	£65.00	£67.50	£70.00
Clerkenwell & Shoreditch	£67.50	£69.00	£71.00
Farringdon	£82.50	£85.00	£87.50
Spitalfields	£67.50	£70.00	£72.50
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	£52.50	£55.00
Wood Wharf	£55.00	£55.00	£57.50
Stratford	£49.50	£51.50	£53.00

Source: Carter Jonas Research

REAL ESTATE & THE ENVIRONMENT

Real estate and the environment are the key ingredients for a successful recruitment strategy. Streetwise employers increasingly recognise that to attract the environmentally conscious Millennials and GenZs they must operate from energy-efficient, low carbon emission buildings constructed from sustainable materials as the activities of pressure groups, including Extinction Rebellion, push environmental issues up the international political agenda.

THE ROLE OF THE HR TEAM, WELLNESS & STAFF RETENTION

Wellness is another factor that employers are increasingly recognising as integral to a successful recruitment strategy. Leasing office space with built in wellness features such as good acoustics and natural light, and high water and air quality, should result in easier recruitment, better staff retention, lower absenteeism and increased productivity.

Staff retention is becoming especially important as an increasing number of employment surveys show that many of those below the age of 35 do not intend to stay with their present employer beyond 5 years – preferring, instead, to broaden their skills and experience, and advance their careers with new employers.

Real estate is becoming central to effective recruitment and productivity strategies. For this reason employers are increasingly, and rightly, seeking the advice of their HR Teams to help with defining their property search criteria, the selection of operationally suitable accommodation, and interior design.

'Biophilic' is the new buzzword in office design – the use of 'living walls', plants and trees to surround workers with elements of the natural world, which is understood to boost psychological wellbeing and reduce stress levels. Not a bad idea, given that the assets of any business are, fundamentally, its people.

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 **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

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

The City of London office market has marginally higher levels of new and refitted Grade A space vacancy compared with many of the other London office sub-markets, although it is declining and choice is becoming more constrained.

Occupiers seeking space typically in excess of 50,000 sq ft are starting their property searches earlier and are entering into pre-let agreements, ahead of competing tenants, in order to secure operationally suitable office space that will underpin staff recruitment and retention – see key City lettings.

Law firms are currently one of the key drivers of demand for City office space with at least five separate requirements, each over 90,000 sq ft.

Upward pressure on rents is increasing as new Grade A vacancy declines. Rents for new Grade A space in the City core have risen by an average of £2.50 per sq ft per annum since Q3 2018, bringing rents for mid-rise space to, typically, £65.00 – £72.50 per sq ft per annum. The prospect of higher returns is encouraging some developers to press on with their development proposals. Key, large scale, developments implemented since the beginning of the year include:

- 8 Bishopsgate, EC3 – 560,000 sq ft – completion Q4 2022
- 20 Ropemaker Street, EC2 – 425,000 sq ft – completion Q4 2022

KEY CITY LETTINGS REPORTED Q3 2019

22 Bishopsgate, EC2 – pre-lettings to: 74,600 sq ft let to Cooley (legal services) • 102,000 sq ft to Convene (co-working space provider)

City Place House, 55 Basinghall Street, EC2 – 82,000 sq ft to Knotel (serviced office provider)

31-45 Gresham Street, EC2 – 50,000 sq ft pre-let to Numis (banking)

100 Liverpool Street, EC2 – 60,100 sq ft pre-let to the Bank of Montreal

68 King William Street, EC4 – 78,000 sq ft let to IWG / Spaces (serviced office provider)

NORTH CITY FRINGE

SUB-DISTRICTS: Farringdon, Clerkenwell and Shoreditch

Farringdon, Clerkenwell and Shoreditch, with their good transport links and vibrant bar and restaurant culture, are still popular among technology, creative and media companies that are seeking to attract a young, highly skilled, workforce.

The development of the Elizabeth line station at Farringdon has been a catalyst for the regeneration of the Smithfield area. After the success of 1 Bartholomew Close – where record rents for Farringdon of over £80.00 per sq ft per annum were achieved earlier in the year, developer, Helical, will shortly be completing its 88,600 sq ft Kaleidoscope office scheme, located above Farringdon East Elizabeth line station.

Developer HB Reavis is under construction with its ‘Bloom Clerkenwell’ scheme located above the Farringdon West Elizabeth line station. The scheme will incorporate 135,000 sq ft of office space and is due for completion in 2020.

In Shoreditch, developer CIT is redeveloping Finsbury Tower, rebranded HYLO, located at Bunhill Row. Incorporating 261,000 sq ft of office space, the redevelopment is scheduled for completion during Q2 2021 and has been designed with a focus on wellness – incorporating green spaces on 4 floors, and specialist lighting systems, to reinforce positive mental wellbeing, and air filtration that is designed to boost concentration / productivity and physical health.

EAST CITY FRINGE

SUB-DISTRICTS: Spitalfields, Aldgate East and Tower Hill

The east City fringe is starved of new Grade A space. The speculative development of 1 Braham Street, E1, comprising 328,000 sq ft, and due for completion during Q1 2020, would have significantly addressed the undersupply but for the fact that the building has been pre-let in its entirety to British Telecom.

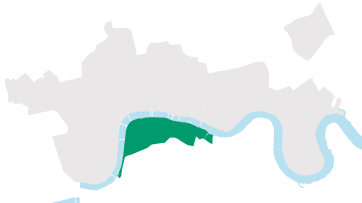
The Hickman Building, 2 Whitechapel Road, E1, located near Aldgate East Underground station, will go some way to plugging the gap in supply. The building will comprise 74,000 sq ft of refitted Grade A office space, with floor plates each of 6,200 – 11,800 sq ft. Completion is scheduled for Q1 next year.

The refitting and extension of Lloyds Chambers, 1 Portsoken Street, which will comprise 240,000 sq ft, will also bring some much needed choice for tenants when complete at the end of 2020. However, the immediate term prospects for occupiers seeking new or refitted Grade A space in the east City fringe are limited.

Surplus tenant space at Aldgate Tower, 2 Leman Street, offers the opportunity to sub-let high quality Grade A accommodation, but the overriding theme continues to be one of undersupply.

Low vacancy has encouraged landlords to push up the advertised rents on some of the available better located / quality space in the area by £1.50 - £2.50 per sq ft per annum since Q3, 2018. This trend is likely to become more widespread over the next 12 months, barring no hard Brexit.

SOUTH BANK



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

The South Bank sub-market continues to have one of the lowest levels of office vacancy in central London. Waterloo, in particular, has acutely low levels of Grade A space that is available on conventional, non-serviced, lease terms. Rents in the South Bank for new and refitted Grade A space have typically risen by £2.50 per sq ft per annum since Q3 2018 and by £5.00 per sq ft per annum for space with views overlooking The Thames and for space on the upper floors at The Shard.

The re-working of an existing planning consent has delayed the redevelopment of Elizabeth House at York Road, further adding to the issue of undersupply. It is likely to be 2024/2025 before the proposed 1.2 million sq ft mixed use office, retail and leisure development will be complete, assuming that planning consent is granted for the scheme this year.

Other South Bank office development proposals include the following. However, with construction yet to start, and with some schemes contingent on pre-lets to kick-start development, it is likely to be several years before the proposals translate into space that is ready to occupy.

- Embassy Gardens, Nine Elms, SW8 – a planning application has been submitted for a 13 storey 217,000 sq ft building
- Tower Bridge Court, Tower Bridge Road, London Bridge, SE1 – a proposed redevelopment that will provide 110,000 sq ft of office space
- Skipton House, 80 London Road, Elephant & Castle, SE1 – proposed redevelopment to provide circa 450,000 sq ft of office accommodation

KEY NORTH CITY FRINGE LETTINGS REPORTED Q3 2019

The Tower Building, The Bower, Old Street, EC1 - 9,568 sq ft let to Snowflake (technology)

20 Bonhill Street, Shoreditch, EC2 – 51,300 sq ft pre-let to Kingsley Napley (legal services)

KEY EAST CITY FRINGE LETTINGS REPORTED Q3 2019

One Braham Street, E1 – 328,000 sq ft pre-let to British Telecom

1 Alie Street, E1 – 35,800 sq ft let to Samsara (technology)

KEY SOUTH BANK LETTINGS REPORTED DURING Q3 2019

The Shard, 32 London Bridge Street, SE1 - 9,000 sq ft let to Jellyfish (media)

7 Bermondsey Street, SE1 - 7,610 sq ft let to Cityscape Digital (media)

The Glassmill, 1 Battersea Bridge Road, Battersea, SW11 - 9,500 sq ft let to The Royal College of Art

MIDTOWN

WEST END

KEY MIDTOWN LETTINGS REPORTED Q3 2019

52 Bedford Row, WC1 – 28,300 sq ft let to WeWork (co-working space provider)

66 Shoe Lane, EC4 – 78,742 sq ft let to Deloitte (business services)

KEY WEST END LETTINGS REPORTED Q3 2019

16 Great Marlborough Street, Soho, W1 – 105,000 sq ft pre-let to Diageo (beverages)

5 Marble Arch, Marylebone, W1 - 83,000 sq ft, pre-let to Bridgepoint Capital (private equity)

The Media Village, 131-151 Great Titchfield Street, Fitzrovia, W1 – 47,000 sq ft pre-let to The Office Group (serviced office provider)

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

As with the neighbouring West End and South Bank sub-markets, the Midtown office market is similarly suffering from an undersupply of vacant new and refitted Grade A floor space.

Low vacancy is particularly acute in the King's Cross and Bloomsbury districts, although the King's Cross Partnership is considering plans to develop office space speculatively on one of the few remaining undeveloped sites, located off Handyside Street, at the 65 acre mixed use King's Cross Central scheme.

The last new office building of any significant scale in Bloomsbury – The Post Building, comprising 263,000 sq ft, is now fully let with Nationwide Building Society and Rothesay Life taking the last available floors earlier in the year, comprising 88,500 sq ft and 50,000 sq ft respectively.

Buildings that can offer new or refitted Grade A floor space of 10,000 – 20,000 sq ft on one floor are in particularly short supply throughout the Midtown sub-market.

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

The West End office market continues to have one of the lowest levels of office vacancy in both the new / refitted Grade A and refurbished sectors. The pipeline supply of new office developments under construction is also one of the lowest compared with the other Central London office sub-markets.

Pre-letting activity in the West End is continuing as occupiers compete for new Grade A space in a market where availability is declining. Bridgepoint Capital has taken a pre-let on 83,000 sq ft at 5 Marble Arch, Marble Arch Place, construction of which is scheduled to complete during H2, 2020.

At the opposite end of Oxford Street, developer Derwent is understood to have placed the remaining 100,000 sq ft of Soho Place under offer. The office space totals 209,000 sq ft and is due for completion during Q1, 2022.

Both proposed pre-lettings are understood to have been agreed at rents above £100.00 per sq ft per annum, which is underpinning Marylebone and Soho as high value office locations – on a par with Mayfair and St James's – as the homogenisation of the various districts that form the West End sub-market continues. This trend has been brought about by a combination of under-supply and the geographical shift in demand northwards to those areas served by an Elizabeth Line station.

Office rents for well located new and refitted Grade A space are edging up by £2.50 - £5.00 per sq ft per annum in some areas of Mayfair, Marylebone, Soho, and Paddington, with rental growth likely to become widespread during the first half of next year, as vacancy continues to fall.

EAST LONDON

WEST LONDON

KEY EAST LONDON LETTINGS REPORTED Q3 2019

30 Churchill Place, Canary Wharf, E14 – 284,700 sq ft let to WeWork (co-working space provider)

14 Westfield Avenue, Stratford, E20 – additional letting of 58,000 sq ft to HM Revenue & Customs

1 Westfield Avenue, Stratford, E20 – 21,282 sq ft let to The Insolvency Service (UK Government agency)

KEY WEST LONDON LETTINGS REPORTED Q3 2019

Building 7, Chiswick Park, W4 – 13,998 sq ft let to Venture X (co-working provider)

Avon House, Avonmore Road, West Kensington, W14 - 28,500 sq ft let to WeWork (co-working provider)

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

The Docklands sub-market continues to represent one of the lowest peripheral central London office cost locations for both new / refitted Grade A and refurbished space – see map overleaf.

The development of an Elizabeth Line station at Canary Wharf is changing the perception of Docklands which is now becoming increasingly seen as a viable relocation option among occupiers that are based in more central business districts. When Crossrail becomes operational at the end of 2020 / early 2021, travel distances to Canary Wharf from Paddington and Tottenham Court Road, for example, will be 17 and 12 minutes respectively.

The Canary Wharf Group's decision to press on with the first phase of construction of the mixed use office, retail, leisure and residential Wood Wharf scheme, located adjacent to Canary Wharf, was influenced by imminent Elizabeth Line connectivity. The first phase of the scheme, comprising four buildings totalling 765,000 sq ft will be completed between mid-2020 and 2022.

Stratford continues to attract interest from government agencies and occupiers from the not for profit sector because of its competitive rent and business rates costs – the lowest of all the established central and peripheral central London sub-markets for new Grade A space – see map overleaf. However, vacancy levels are acutely low, providing occupiers with limited choice.

SUB-DISTRICTS: Hammersmith, White City and Chiswick

The White City office market is dominated by the former BBC TV Centre campus, much of which has been redeveloped for a mix of housing and office space. The majority of the non-BBC occupied office space, totalling circa 566,000 sq ft, has now been let, principally to businesses in the pharmaceutical, retail and media sectors, leaving increasing less choice for footloose occupiers. L'Oreal is rumoured to be close to signing a pre-let agreement for over 100,000 sq ft on one of the sites capable of accommodating new build.

Imperial College, a major White City landowner, is close to securing planning consent for a mixed use office, residential and research and development scheme comprising over 2 million sq ft adjacent to its Wood Lane campus, which is scheduled to be developed in phases. It is, however, likely to be several years before office space will be available to occupy.

Declining vacancy in White City should bode well for the competing Hammersmith office market. Legal and General has just completed construction of its 242,477 sq ft, striking red landmark office scheme at 245 Hammersmith Road. Terms are already understood to have been agreed on four floors totalling over 66,500 sq ft, including two, comprising 28,200 sq ft, to serviced office operator Hana. Office vacancy in Hammersmith has increased over the last few years, providing occupiers with more choice, although much of the space is secondhand and of average quality.

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

KEY CONTACTS

Michael Pain Partner,
Head of Tenant Advisory
020 7016 0722
michael.pain@carterjonas.co.uk

Greg Carter Partner
020 7518 3303
greg.carter@carterjonas.co.uk

Frederic Schneider Partner,
International Corporate Real Estate
020 7518 3243
frederic.schneider@carterjonas.co.uk

Ed Caines Associate Partner
020 7016 0724
ed.caines@carterjonas.co.uk

Luke Wild Associate Partner
020 7016 0725
luke.wild@carterjonas.co.uk

Georgia Eckert Senior Surveyor
020 7062 3092
georgia.eckert@carterjonas.co.uk

One Chapel Place, London W1G 0BG

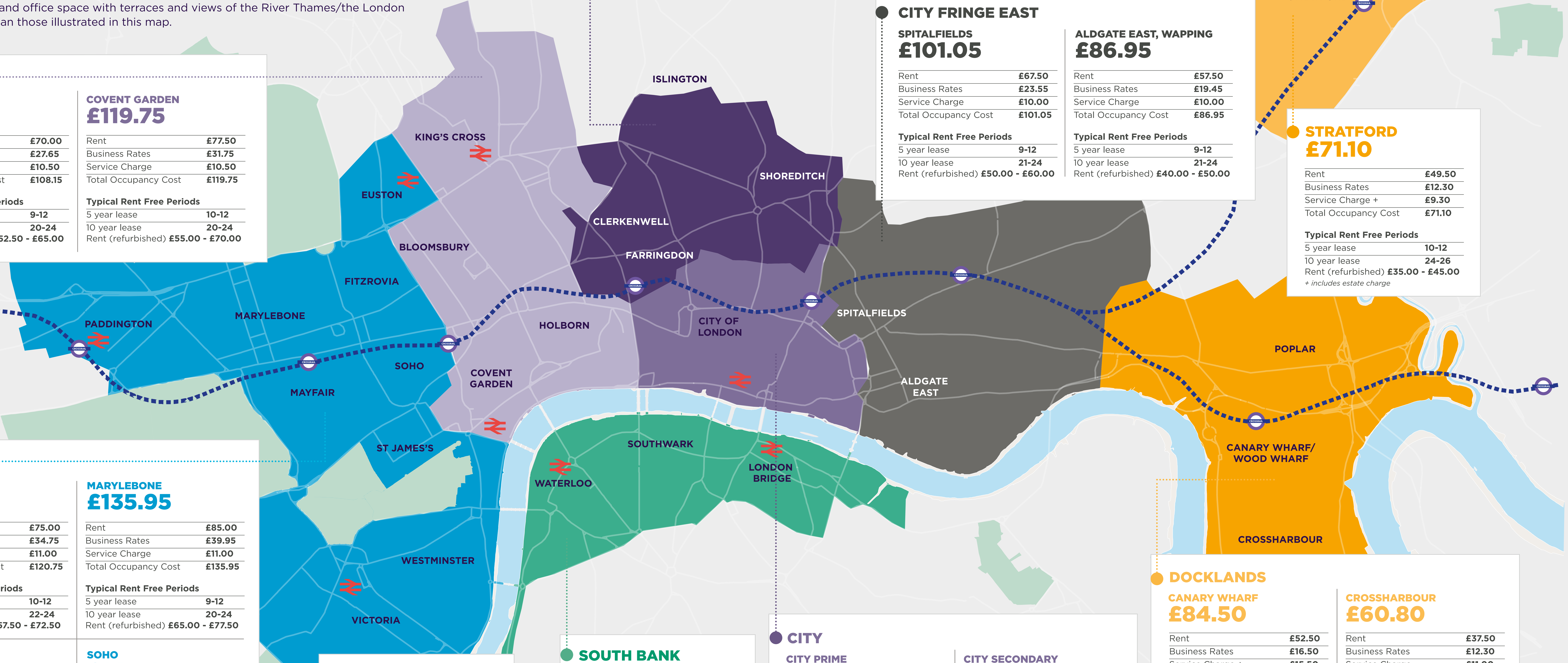
Follow us on Twitter, LinkedIn and Instagram

Carter Jonas

THE LONDON OFFICE MARKET - Q3 2019

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 - £70.00

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 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	20-24
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 - £100.00

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)	£57.50 - £72.50

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 - £77.50

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

CITY FRINGE NORTH

SHOREDITCH £100.00

Rent	£67.50
Business Rates	£21.50
Service Charge	£11.00
Total Occupancy Cost	£100.00
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£52.50 - £65.00

FARRINGDON £115.50

Rent	£82.50
Business Rates	£23.00
Service Charge	£10.00
Total Occupancy Cost	£115.50
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	20-24
Rent (refurbished)	£58.50 - £70.00

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
Rent (refurbished)	£50.00 - £60.00

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
Rent (refurbished)	£40.00 - £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	10-12
10 year lease	24-26
Rent (refurbished)	£35.00 - £45.00

+ includes estate charge

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)	£40.00 - £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	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£40.00 - £45.00

SOUTH BANK £104.50

Rent	£70.00
Business Rates	£24.00
Service Charge	£10.50
Total Occupancy Cost	£104.50
Typical Rent Free Periods	
5 year lease	8-12
10 year lease	10-24
Rent (refurbished)	£52.50 - £67.50

CITY

CITY PRIME £106.65

Rent	£68.50
Business Rates	£27.65
Service Charge	£10.50
Total Occupancy Cost	£106.65
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£52.50 - £65.00

CITY SECONDARY £98.50

Rent	£65.00
Business Rates	£23.00
Service Charge	£10.50
Total Occupancy Cost	£98.50
Typical Rent Free Periods	
5 year lease	10-13
10 year lease	22-25
Rent (refurbished)	£42.50 - £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 - £42.50

+ 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

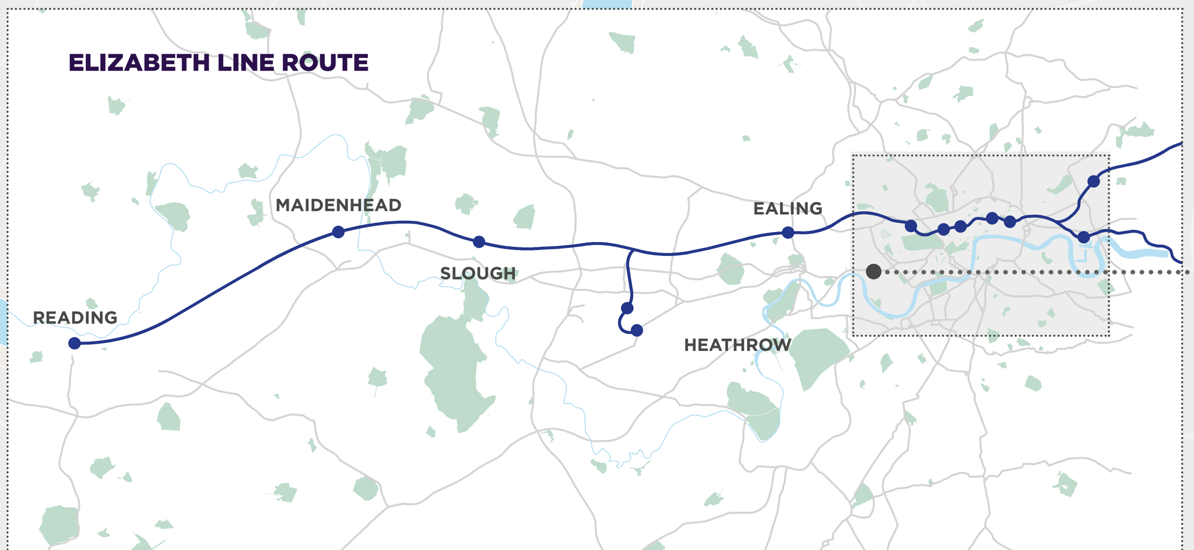
WOOD WHARF £83.60

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



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