

# SPACEPOINT<sup>↑</sup>

London Office Update  
November 2023



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## £300 per sq ft rental values!

>> Market Update

**"Super" prime office rents in London's West End could hit a global record price of up to £300 per square foot by December 2024 as demand continues to outstrip constrained supply, according to a report by BNP Paribas Real Estate, in a bullish update on the UK's most expensive office sub-market.**

Simon Knights, head of West End agency at BNP Paribas Real Estate, explained that banking and finance occupiers in particular continue to steer the direction of the market.

"This activity has seen footprints rocketing in size and discussions around super prime rents move to new heights as the grapple for space becomes increasingly more heated and competitive. My prediction, based upon this activity, is that we could see rents reach highs of up to £300 per square foot by December 2024 as this demand continues to prove the naysayers wrong that believed the end is nigh for the office sector. These occupiers seeking out these new premises are less concerned by physical occupancy and are more much enlivened by location, talent, status and growth."

BNPPRE reports that West End take-up climbed from 520,000 square feet in the second quarter of 2023 to 746,000 square feet in the third quarter, while the vacancy rate stood at just below 6%.

Specifically within the Mayfair and St James's submarkets, the Grade A vacancy rate stands at around 3%.

Rents of more than £150 per square foot have been achieved at the super prime end of the market across buildings like 65 Davies Street (£185 per square foot); 38 Berkeley Square (£180 per square foot); Berkeley Square's Landsdowne House (£175 per square foot); and 75 Grosvenor Street, (£170 per square foot).

Market data last year suggested that 40% of the market would have a lease event in 2023 and 2024, with equally large volumes to follow in 2025-26. So it seems demand may continue to be robust in the coming years.

In November 2020 it was reported that the UK's highest ever office rent had

been achieved at 30 Berkeley Square – an astonishing £277.50 per square foot. It is thought that this may also be the world's highest recorded rent.

The same building had seen Steadview Capital Management (a global hedge fund) pay the previous highest rent, at circa £250 per square foot, which was more than 30% above the £190 per square foot paid by fashion investment tycoon Lawrence Stroll in St James's in 2017 (the then previous high).

**Get in touch if you would like further information on other London sub-markets.**

**Call 0203 369 9800**





## As bankruptcy looms, WeWork may still have a future...

>> Commentary

**On 1<sup>st</sup> November the worlds business news was filled with reports of anticipated plans for WeWork, the global giant of serviced office providers, to file for Chapter 11 bankruptcy proceedings.**

- “WeWork plans to file for bankruptcy as early as next week” – Reuters
- “Is WeWork soon to become WeFailed with office group facing apparent bankruptcy?” – Proactive Investors
- “WeWork (NYSE: WE) stock down 50% on Chapter 11 - this is to shaft the landlords” – Dhaka Tribune

As of June of this year, the company has had net long-term debt of \$2.9bn and more than \$13bn in long-term lease obligations, at a time when rising borrowing costs are hurting the commercial real estate sector.

However, despite the dire financial position that WeWork has maintained throughout nearly all of its existence, it remains a very popular choice for companies seeking flexible office solutions, and benefits from immensely strong brand recognition across the flexible office markets. So, is there a viable business beneath the immense burden of debt?

By looking towards Chapter 11 bankruptcy proceedings WeWork is effectively playing its last hand at negotiations with the Landlords of its buildings. Under Chapter 11, Landlords are only able to claim the greater of either 1 years’ rental value, or 15% of the remaining rent of the lease to a maximum of 3 years. Thus, Landlords have a choice of either negotiating new lease terms with WeWork to enable it to continue, or refuse to negotiate, receive minimal compensation and inherit the challenge of finding new occupiers for enormous swathes of vacant office space.

There is a degree of history repeating itself here. Back in 2003, Regus, another global serviced office provider, was experiencing its own financial pressures, with its US business losing between £2m and £2.6m a month. Filing for Chapter 11 was the “quickest and most reliable route” to return its US business to profitability, said owner Mark Dixon. And

again in 2020, at the height of the corona virus pandemic, Regus returned to the relative safety of Chapter 11 proceedings..

From our perspective, there remains healthy demand for WeWork and its service offerings. If this business were to fail, and no 3<sup>d</sup> parties were there to re-enable their business centres, then the loss to both occupiers and Landlords would be significant.

Our hope is that WeWork remains a part of the future of office space.

**Are you a WeWork member and concerned about your position?**

**Call 0203 369 9800**



## The strategic opportunity that a lease break option presents



Education

**Few people realise that a lease contract can be altered mid-term. But, break clauses provide a potential opportunity for a Tenant to renegotiate the lease terms with their Landlord, and if executed well, meaningful improvements and cost savings can be achieved.**

The desired lease improvement that springs foremost in everyone's mind is, of course, rent savings. In addition to rent reductions there are other angles that deserve consideration. These can include requesting a return of deposit monies, contributions paid by the Landlord for office improvements can be sought, liability caps, and rent-free periods, amongst other things. Every lease is different, so a careful review will be required to identify all areas where improvements may be gained.

Firstly, it is imperative that Tenants appreciate the time scales required to effectively engage in meaningful negotiations around the break clause option. It is likely that your lease will stipulate a required prior notice period should you wish to operate your break option, with 6 months being a common notice period. Thus, you needed to have concluded your renegotiations in advance of your notice period so that you are confident as to whether you should or should not break your lease.

Moving offices is expensive and disruptive, and wily Landlords are well aware of this. To combat this, Landlords must sense that you are prepared, and in a position, to exercise the break clause. Without putting the necessary foundations in place, you will not create leverage and optimise the opportunity.

Before entering break clause discussions, you must explore the market to understand values and identify appealing alternative options. It is imperative to have a fall-back plan as this will give you key leverage. It will also act as a market benchmark to help the break clause negotiations.

Any gains achieved will need to be documented, which is typically by a deed of variation that will be appended to your existing lease.

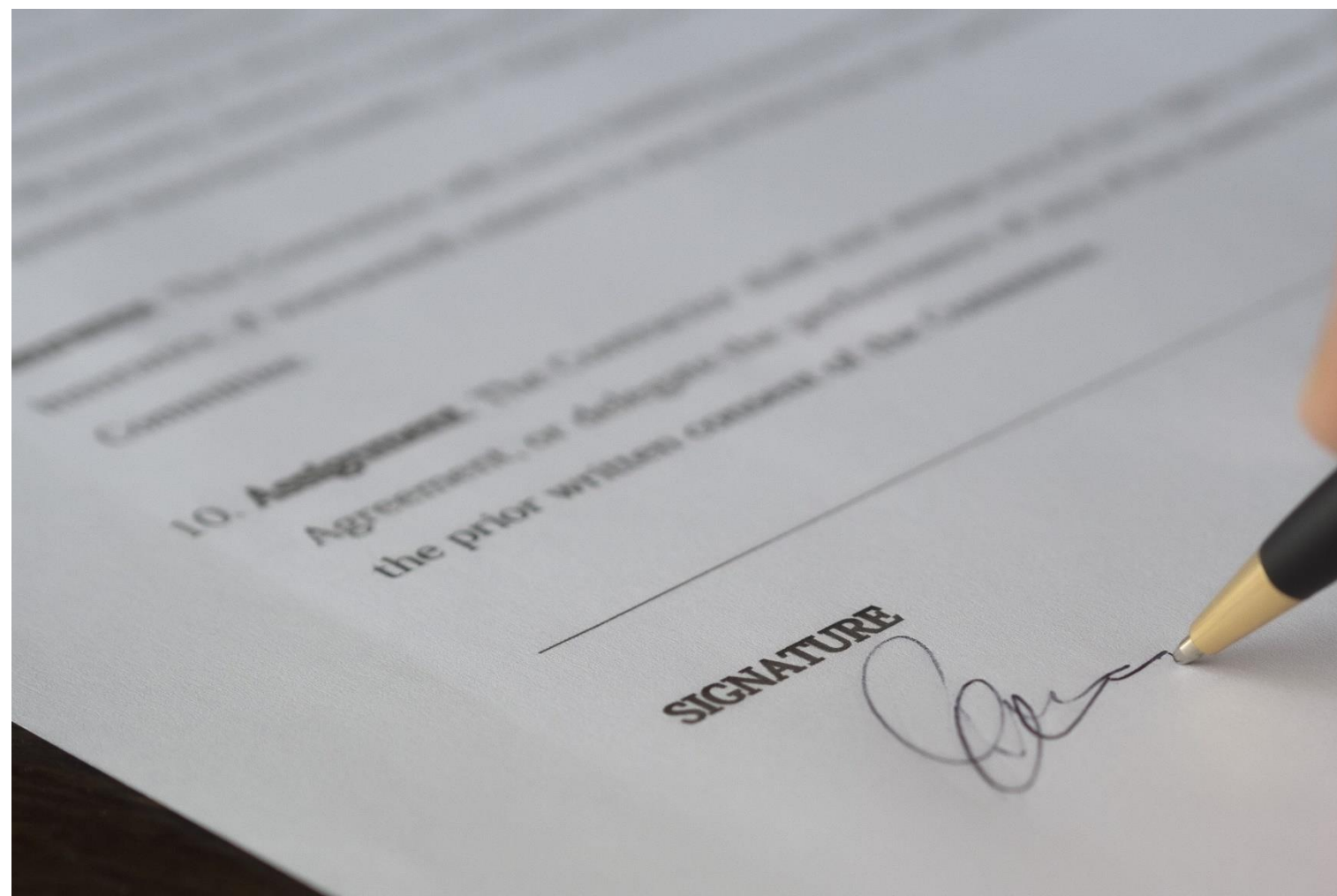
If you decide to break the lease, your solicitor will advise on the process

for serving the notice in accordance with your lease. This can sometimes be a complex and time-sensitive process which, if mishandled, will result in you being unable to exercise the break option!

Hopefully this brief summary has highlighted that a break clause option is not simply a juncture for whether to remain or relocate. Given the right approach, it can be a strategically beneficial opportunity to obtain improvements for your continued occupation.

**Are you approaching a break option in your lease?**

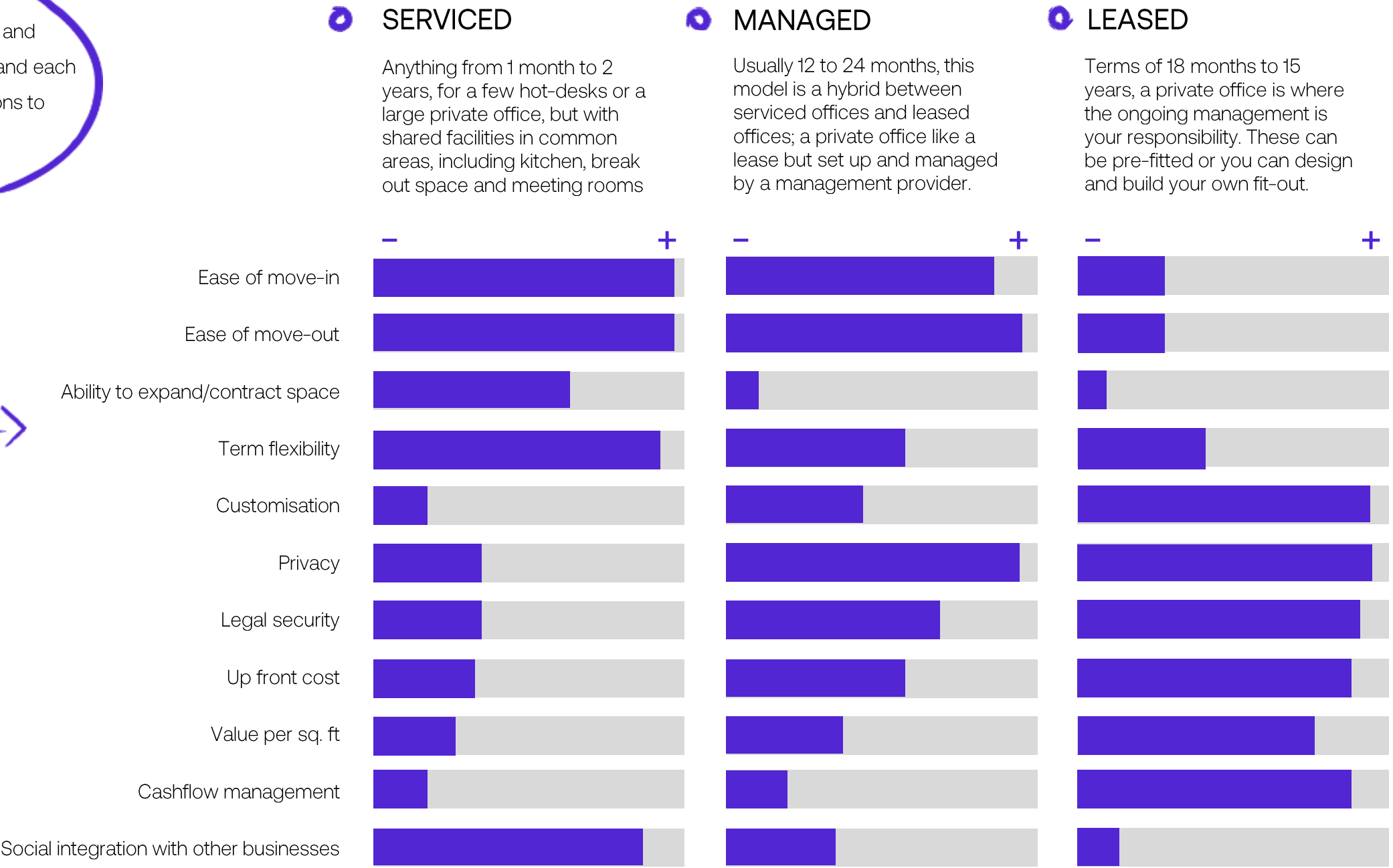
**Call 0203 369 9800**



# Which type of office is right for you?

>> Types of office

Each business has differing needs and priorities for their staff and clients, and each office type offers alternative solutions to cater for those requirements:





# Serviced offices

## What is a serviced office?

A simple analogy is to think of a serviced office as a hotel for businesses. You turn up, and everything you need in an office is there and ready to go. Serviced offices are fully managed, set up and equipped to enable you to start work immediately, with all costs wrapped up into one monthly bill. The concept of the serviced office revolves around a combination of hospitality and flexibility. It delivers all the office amenities required to run a business, on a contract length of your choice and served with a smile.



## The benefits of serviced offices



**Flexibility** – you can occupy a serviced office for any period of time from a few months to a few years. As your company grows or your needs change, you will be able to scale accordingly.

**Simplicity** – you arrive, you plug in, and you go. The offices are fully furnished, internet is installed, and telephone can be at the ready. Set up is absolutely minimal.

**Speed** – as the agreement is by license rather than lease, solicitors do not typically need to be involved. This means agreements can be finalised in a few days, allowing an almost immediate move.

**Low set up costs** – you won't incur solicitors fees, fit out costs, there is no need to purchase any furnishings or pay any IT instalment costs. The office is plug and play. Unlike a leased office, all these aspects are already in hand.

**Facility management** – the operator will manage the office to ensure it runs smoothly, dealing with everything, from call handling, meeting and greeting visiting clients, overseeing the cleaning, and to supplying teas and coffees.

**Leverage their portfolio** – A lot of providers have multiple locations situated across London and other parts of the country, and you can use their facilities across all locations.

## Will serviced suit my business?



Serviced offices appeal to companies of all shapes and sizes, from small start-ups to large corporates. Serviced really comes into its own when companies require flexibility.

**Scaling companies** – If your head count is expected to grow quickly and you want your office to scale in line with your headcount, then serviced is worth considering.

**Start-ups** – you don't have to commit to a long lease length, which will allow you to adapt with your business in which ever direction it takes.

**Project space** – if you only require the space to last for the duration of a certain project, that is no problem.

**Overflow** – if your current office proves to be too small but you are tied into it for another year or so, then serviced can act as excellent overflow space.

**Between offices** – whilst you wait for your new dream space to come to fruition, you can keep the doors open and occupy a serviced office as a stop gap.

Serviced office availability

\* For a bespoke search, please click here 

SEARCH



**Old Street**      **Great Eastern St, EC2**

Desks                      11

**Monthly Total      £7,315**

[Click here for more details](#)



**Farringdon**      **Saint Johns Lane, EC!**

Desks                      6

**Monthly Total      £3,900**

[Click here for more details](#)



**Kings Cross**      **Euston Road, NW1**

Desks                      18

**Monthly Total      £15,300**

[Click here for more details](#)



**Fitzrovia**      **Foley Street, W1W**

Desks                      14

**Monthly Total      £9,800**

[Click here for more details](#)



**Marylebone**      **George Street, W1U**

Desks                      30

**Monthly Total      £31,080**

[Click here for more details](#)



**Notting Hill**      **Pembroke Road, W11**

Desks                      20

**Monthly Total      £14,300**

[Click here for more details](#)



# Leased offices

## What is a leased office?

A conventional leased office is the predominant method for companies occupying office premises. A company (the Tenant) will agree a lease contract to rent an office space for a period of time (usually a number of years) from a Landlord.

It is a more complex arrangement than that of the simplicity of a serviced office, but, with it, comes substantially more freedom to create exactly the space you want, as well as greater privacy, and significantly more security from a legal rights perspective.



## The leased office market is comprised of:

**New leases** - offered by the building owner, are typically on contractual terms of 5 -20 years, and incorporating lease break opportunities within those periods. These are often presented in a condition known as CAT-A; meaning heating, lighting, ventilation and power are all supplied to the space, but the incoming Tenant will need to install their own fixtures, fittings and furnishings, etc. Although, it is becoming more frequent for Landlords to install a “speculative fit-out” (known as CAT-A+) that offers most elements of what a business may need from a space.

**Sub-leases** - offered by Tenants who no longer need some or all of their space. This will be an office that is typically offered with the existing fit-out in place, although larger spaces with many years left on the lease may be stripped out and offered as CAT-A space. By taking out a sub-lease, it is the current Tenant who becomes your Landlord, and they themselves retain their Tenant relationship with their original Landlord, the Superior Landlord. Sub-leases may be short term, such as 12 months, or sometimes up to 10 years.

**Assignments** - are existing lease contracts that are being offered to the market by the outgoing Tenant. Unlike a sub-lease, which can offer part or all of the demised area on new contractual terms, an assignment of a lease is the trading of an existing lease on its prescribed terms, though it is possible to latterly make amendments to the prescribed terms, to a certain degree. Assigning their lease, for the most part, absolves the assignor Tenant from their contractual obligations to the premises, and the assignee Tenant becomes entirely responsible. Much like sub-leases, assigned office premises are frequently offered with the existing fit-out in situ, and are often for terms from 12 months – 5 years.

## Preparing for the end of your lease:

When approaching the end of your contract in a conventional lease space, a lot of planning is required to ensure your exit from your current space and transition into your new space goes as smoothly as possible. Some elements are simply organisational good practice, but other considerations are those of your legal obligations contained within your lease which, if not appropriately managed, then it could cost your organisation significant amounts of money and turmoil.



Leased office availability

\* For a bespoke search,  
please click here



SEARCH



**Mayfair**      **Grosvenor Street**

Size (sq ft)      1,960

**Monthly Total**      **£27,603**

[Click here for more details](#)



**Soho**      **Air Street**

Size (sq ft)      4,360

**Monthly Total**      **£59,659**

[Click here for more details](#)



**Old Street**      **Old Street Yard**

Size (sq ft)      1,899

**Monthly Total**      **£17,600**

[Click here for more details](#)



**Aldgate**      **Middlesex Street**

Size (sq ft)      2,777

**Monthly Total**      **£21,318**

[Click here for more details](#)



**Kings Cross**      **Pentonville Road**

Size (sq ft)      841

**Monthly Total**      **£7,300**

[Click here for more details](#)



**Fitzrovia**      **Wells Street**

Size (sq ft)      4,367

**Monthly Total**      **£57,640**

[Click here for more details](#)



## Case Study



# 90NORTH

Location	Sector
Marylebone	Real Estate

### A global real estate investor switches to serviced offices as they adapt post-covid.

“Finding new office space can be difficult especially navigating the hybrid way of working since covid but Spacepoint helped us at every step along the way and after we decided to go for a serviced office, they very quickly were able to provide a large selection of options for us to consider. Spacepoint were extremely diligent throughout the number of viewing tours and secured us an excellent space with very attractive terms. We will continue to use Spacepoint for any future property needs and thank them for all their efforts.”

Clara Bailey  
Senior Manager, Operations



# propertyperfected ✓



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