SPACEPOINT

London Office Update
October 2023

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Landsec 100% let in Victoria

Landsec has told investors that occupier demand for prime office space has "remained strong" since its last year end on 31 March.

In an update ahead of its latest markets day, the group said that over the first five months of its current financial year occupancy in the company's central London portfolio increased by 100bps to 96.9%.

The property giant added that during the period £17m of lettings we had been signed or were in solicitors' hands, on average 3% ahead of estimated rental value.

Landsec boss Mark Allan told investors that demand "remains resilient" for prime office space

In the Victoria district of the capital, which makes up nearly half of Landsec's central London business, the company's existing office portfolio is now 100% let.

In addition, its recently completed development at n2 is now 80% let with the remaining 20% in solicitors' hands - up from 66% let and 6% in solicitors' hands in May.

Its Lucent scheme is 62% let with a further 14% or in solicitors' hands - up from 19% and 53% in May.

With rents continuing to grow and its office estate in Victoria 100% full, Landsec has now committed to the start of Thirty High, formerly known as Portland House.

Mark Allan, chief executive of Landsec, said: "Over the past year, we have been decisive in positioning the business for a higher for longer interest rate environment.

"Our disposal of £2.2bn of mature, mostly single-let offices, predominantly in the City, before the start of this financial year has proven very timely.

"As such, we have flexibility to respond to the opportunities that will start to arise from the adjustment to a higher rate reality, as it remains clear that customer demand for the most sustainable, high-quality space in the best locations remains resilient."

Colm Lauder, an analyst at Goodbody, said the update followed a 'similar theme to recent updates from its peers" such as British Land.

"High quality office space continues to perform as occupiers chase a diminishing pipeline of new, energy efficient buildings," added Lauder.

Get in touch if you'd like some further information on other London sub-markets.

Call 0203 369 9800

The latest push to get employees back

With many companies increasing efforts to get employees back to the office with mixed results, the social media platform TikTok is trying a more bullish approach: an attendance-tracking app.

The tech firm, owned by the Chinese company ByteDance, introduced its MyRTO app — or my return to office. It's part of TikTok's latest mandate requiring its U.S. workforce to commute to a physical office at least three times a week, with some workers expected for a full five-day workweek.

The global company employs about 7,000 people in the United States and told them that "any deliberate and consistent disregard may result in disciplinary action" that could "impact on performance reviews," according to a TikTok memo obtained by The New York Times.

The MyRTO app monitors badge swipes in an aim to monitor the company's attendance policy. Employees that aren't commuting to the office as frequently as required will need to explain their "deviations," or absences on a mandated in-person day, the Times reported.

TikTok dumped many of its pandemic-era bonuses shortly after unveiling its return-to-office policy in July 2022. The initial policy required employees be in an office a minimum of two days per week, even though they were encouraged to come in more frequently. Workers were given about a month to relocate closer to a corporate hub, if necessary.

Similar to other tech companies such as Google, Amazon, Meta and Apple, however, TikTok appears to be ditching the enticement approach in favour of a more assertive one as employees continue to push back on in-person mandates. Within the past several months, companies from Goldman Sachs to Snapchat have clamped down on in-person work requirements that are now viewed as being linked with a company's strong financial performance.

That said, many organisations are continuing to hold on to some remote work policies that provide employees with a level of flexibility that didn't exist before the pandemic. As a result, office occupancy remains stubbornly stuck below 50 percent of pre-pandemic levels.

In London, the West End outperformed the national average weekly occupancy rate with 45.9%. The City and Docklands markets were lower than average, with occupancy rates at 28.5% and 40.9% respectively. Midweek continues to be the favoured choice for office attendance, with national rates peaking at an average of 37.7% from Tuesday to Thursday, whilst Friday's fall to just 18.7%.

Thinking of reducing (or increasing) your office footprint?

Call 0203 369 9800

13 costs to consider when moving to a leased office

Moving office is an expensive, and timely, process where some costs are not always understood or appreciated. In this article we highlight the main costs you need to be aware of when moving to a leased office.

Below is a brief summary list of the costs you are likely to need to account for, but more in-depth detail can be found at this post on our website:

[13 costs to consider when moving to a leased office]

Upfront costs

1. Agents
2. Solicitors, Searches and Surveys
3. Fit-out
4. Deposit
5. Stamp Duty
6. Internet, Telecoms and IT Set Up
7. Removals
8. Dilapidations

Ongoing Costs

1. Occupational Costs (Rent, Business Rates, Service Charges & Estate Charges)
2. Cleaning
3. Utilities
4. Internet
5. Insurance

Hopefully this guide and the greater detail in the website post has provided a beneficial introduction to the breadth of costs that may need to be accounted for when relocating to, and occupying, a leased office.

By contrast, serviced and managed offices will see nearly all of these costs brought together within one monthly "rent" charge, thereby making cashflow management substantially easier.

Do you need to search for a new office?

Call 0203 369 9800

Which type of office is right for you?

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

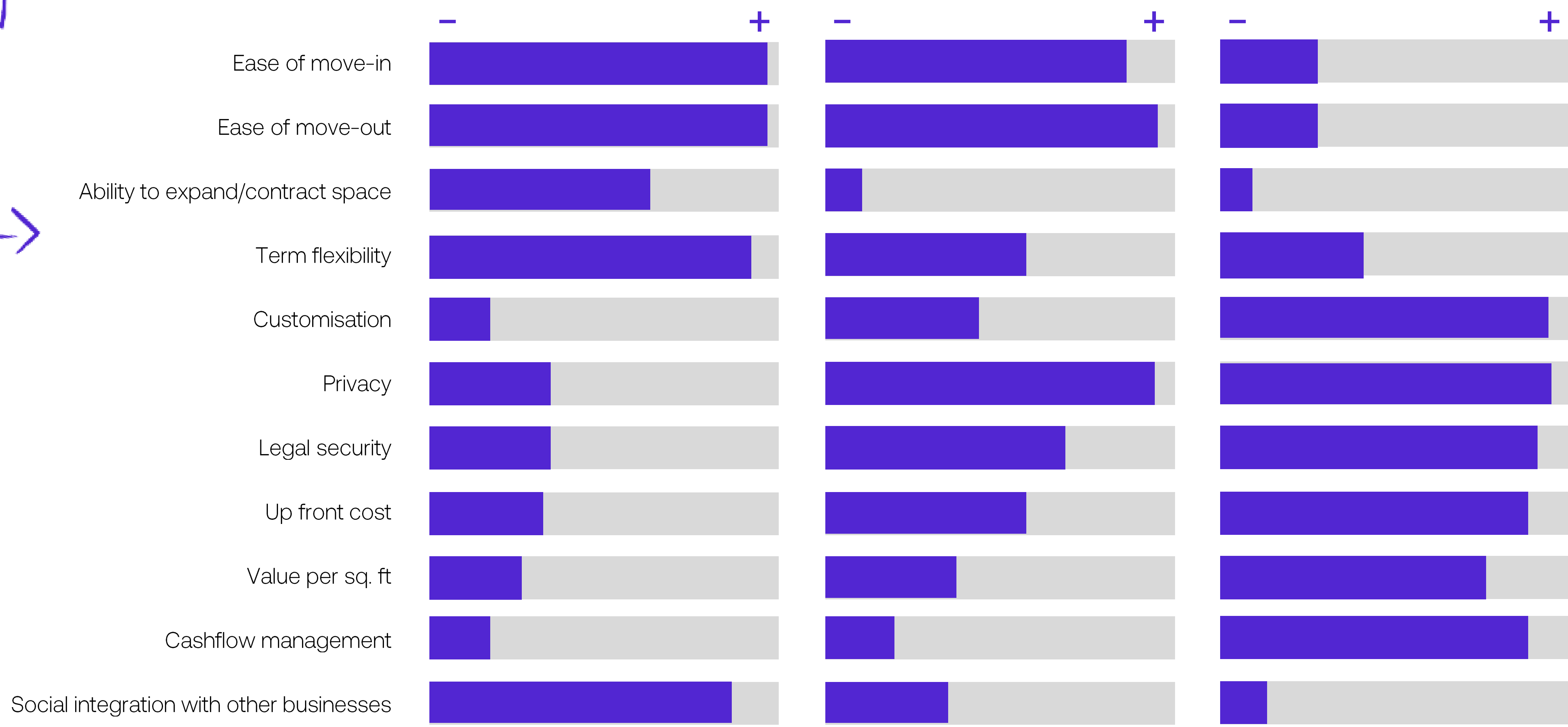
Anything from 1 month to 2 years, for a few hot-desks or a large private office, but with shared facilities in common areas, including kitchen, break out space and meeting rooms

MANAGED

Usually 12 to 24 months, this model is a hybrid between serviced offices and leased offices; a private office like a lease but set up and managed by a management provider.

LEASED

Terms of 18 months to 15 years, a private office is where the ongoing management is your responsibility. These can be pre-fitted or you can design and build your own fit-out.



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

Shepherds Bush **Shepherds Bush Road, W6**

Desks	48
Monthly Total	**£35,450**

Click here for more details

Kensington **Priory House, W8**

Desks	26
Monthly Total	**£24,480**

Click here for more details

Westminster **Horseferry Road, SW1**

Desks	8
Monthly Total	**£3,500**

Click here for more details

Bermondsey **Tanner Street, SE1**

Desks	10
Monthly Total	**£6,600**

Click here for more details

Spitalfields **Folgate Street, E1**

Desks	11
Monthly Total	**£8,525**

Click here for more details

Clerkenwell **Clerkenwell Road, EC1**

Desks	46
Monthly Total	**£35,000**

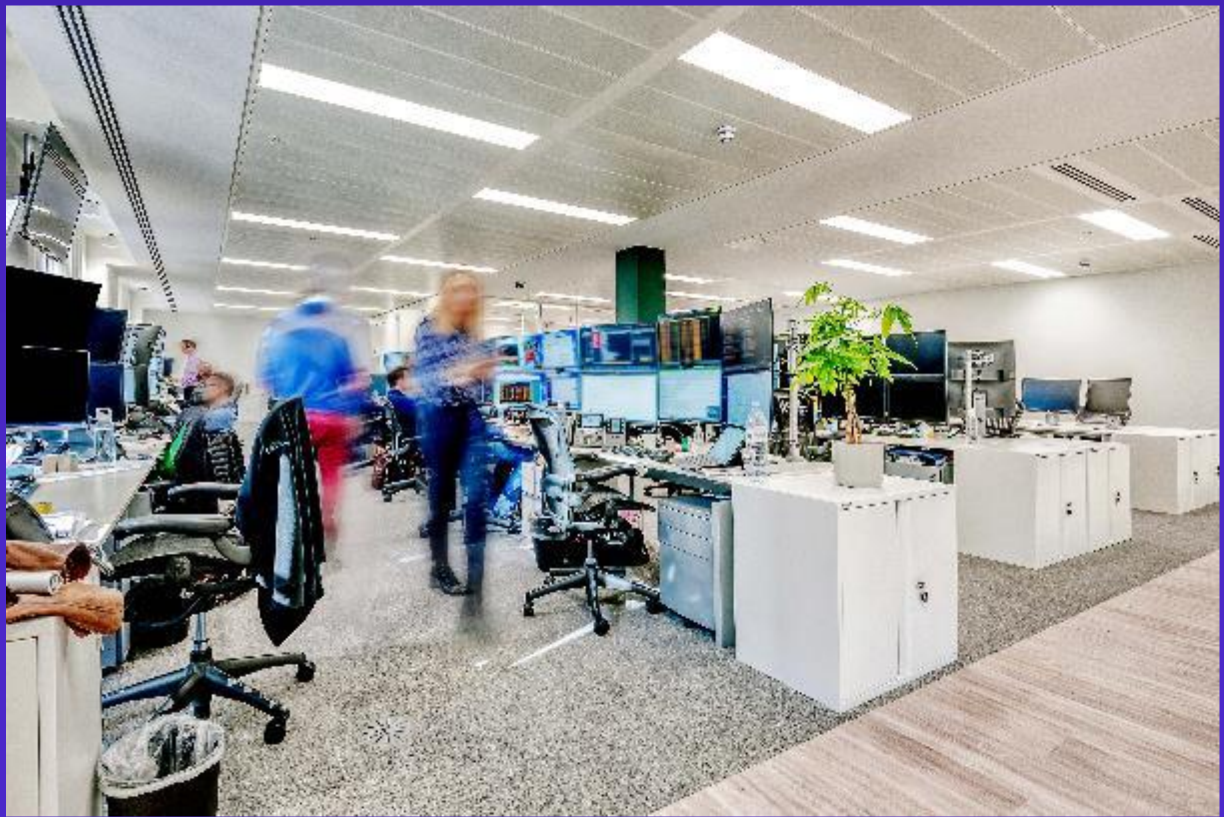
Click here for more details

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

Clerkenwell	Vine Hill, EC1
Size (sq ft)	3,150
Monthly Total	**£29,906**

Click here for more details

Hammersmith,	Hammersmith Grove, W6
Size (sq ft)	17,595
Monthly Total	**£135,833**

Click here for more details

Kensington	Charecroft Way, W14
Size (sq ft)	5,555
Monthly Total	**£35,427**

Click here for more details

City	Appold Street, EC2
Size (sq ft)	1,972
Monthly Total	**£15,973**

Click here for more details

Fitzrovia	Stephen Street, W1T
Size (sq ft)	3,150
Monthly Total	**£34,650**

Click here for more details

Midtown	High Holborn, WC1
Size (sq ft)	2,579
Monthly Total	**£22,182**

Click here for more details

Case Study

QOMPLX:

Location
City

Sector
Tech

We were appointed by our long-term client to assist with the disposal of their lease as the space became superfluous to their needs.

Our client was initially told by their Landlord that their lease did not contain rights allowing them to dispose of it. Our own review identified the clauses that clearly defined the disposal rights, and thus we embarked upon a wide-reaching marketing campaign which resulted in the eventual surrender of their existing lease, removing them entirely of the lease liabilities, and realising a saving in excess of £1million.

property perfected

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