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London Office Update
March 2024



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Knight Frank hikes London rents by £10psf

>> Market Update

Central London prime office rental guidance should be lifted by £10 per square foot across the board, to £150 in the West End, £80 in Midtown and £87.50 in the City, in response to a booming increase in demand, Knight Frank said.

KF is forecasting office take-up in London to increase 12% year-on-year to hit 12 million square feet in 2024 (a 10-year high), driven by high active requirements, lease expiries and competition to secure new or refurbished office space.

The global property consultancy's 2024 London Series has analysed net absorption trends for large leasing deals – higher than 20,000 square feet – since 2021. Crucially the results find a large proportion of companies sought to expand, rather than reduce, the amount of office they occupy. Overall, the transactions show a net increase of 1.1 million square feet in the amount of space occupiers have leased compared with their previous occupancy, something Lee Elliott, head of global occupier research at Knight Frank, said flew in the face of widespread "negative reports".

The City of London has seen 25 leasing deals at prices exceeding £90 per square foot over the past two years, compared with just six in the preceding four years. The West End has seen 142 deals over £100 per square foot in the previous 24 months, compared to 112 in the four prior years, KF points out.

Abby Brown, partner in the London Office leasing team, said prime rents had adjusted to include sustainability measures, outdoor space and other elements. As such Brown said a "change of approach" to prime rental guidance is also needed in the market. Dan Gaunt, partner and co-head of London office leasing, added that "fresh thought" and data was now needed on the London market in the face of restricted choice and the "evolution of prime rents".

Lee Elliott said the "blinkers of COVID-19 were clearly being removed" with 55% of occupiers it has recently surveyed globally looking to increase their global footprint over the next three years. Deals will also be

fuelled by leases ending or reaching break clauses, across 28.3 million square feet of office space in London between now and 2026, as more companies secure future workspace requirements earlier due to the lack of new office schemes being delivered.

This story was originally reported by Costar, 1st February 2024.

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IWG – the world’s largest serviced office provider

>> Commentary

Hybrid work specialist IWG has reported a slightly larger pretax loss for 2023 despite its highest-ever revenues and restarting dividend payouts.

[IWG, whose brands include Regus, Spaces, HQ and Signature](#), to name a few, said it had delivered its highest earnings in its 25-year history, up 8% to £3.5B, although it cautioned about prospects for the year ahead as it looked to keep costs under control.

The flexible office provider's pretax losses from continuing operations widened to £189M for the year, up from a deficit of £105M the previous year, according to its preliminary results. The loss was related to one-off costs from closing locations and write-offs associated with a telephone system.

The group said it had doubled its rate of expansion compared to 2022, spending a total of £55M on new centres with 37,000 rooms opened while maintaining “cost discipline with revenue growth higher than costs.” IWG CEO Mark Dixon said cost control would be a major focus for 2024.

“We enter 2024 continuing our momentum from 2023 as we continue to grow our customer base, our global partnerships and our best-in-class network,” Dixon said in a statement. “While 2023 was a record year for both revenue and network size, we continue to see significant growth potential.

“With 1.2 billion white-collar workers globally and a potential audience valued at more than \$2T, there is substantial room for growth and as a company, we have a laser-like focus on capturing more of this market over the coming months and years.”

IWG added that demand for hybrid work continued to grow as businesses looked for ways to reduce costs and respond to the need for greater flexibility.

The company operates from about 4,000 locations worldwide, 400 of those in the UK. It recently announced plans to open another 2,000 in the UK over the next five years, having signed a long-term lease for 73,000 sq ft of the office space at the £1.3B regeneration of the Olympia exhibition and conference venue in west London.

Additionally, IWG has been active in acquiring ex-WeWork leases throughout London and the US. “We have taken over quite a few defunct WeWorks and maybe there will be more of those to come,” Dixon said. IWG’s ongoing expansion has mostly been through management agreements with landlords, rather than making long-term lease commitments, which are one of several problems that industry professionals have pointed to for WeWork’s demise.

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A Lease vs a license



Education

When considering the utilization of commercial space, it is imperative for businesses to fully understand the legal foundations of occupation in order to mitigate operational challenges, disputes, and unforeseen repercussions in the future.

A prevalent notion suggests that for smaller premises, shorter occupancy periods, or lower rental rates, less emphasis needs to be placed on legal matters, and agreements between landlords and tenants can be relatively informal. However, this belief is misguided, as even seemingly inconspicuous occupations can give rise to complications.

Various contractual options exist for agreeing occupation of commercial space, such as a lease, licence, or informal agreements without written documentation. Excluding the unadvised option of informal agreements, this discussion will delve into the pros and cons of leasing versus licensing.

A commercial lease grants the tenant a legal interest in the property, allowing occupation for a specified term, with key considerations including:

- A lease provides certainty by delineating responsibilities for repairs, maintenance, and budgeting for property-related costs;
- It imposes obligations on the landlord to ensure uninterrupted enjoyment of the premises and may require the provision of specific services;
- The Landlord and Tenant Act 1954 offers tenants security of tenure, subject to stipulations and exclusions as detailed within the lease agreement;
- Break clauses in the lease offer flexibility while maintaining certainty.

In contrast, a commercial premises licence authorizes the occupant to use a property, or part thereof, temporarily and is typically suitable for short-term occupancy or shared arrangements like serviced offices and coworking spaces. Licenses do not grant 'exclusive use' rights and

occupiers must be aware that “their space” is not actually “*their space*”. Additionally, they cannot transfer their licence to others, unlike a lease which can be bought/sold/transferred/assigned to others.

The wording of the document is key – it does not matter what you and the landlord call the agreement, as the Court can look beyond this to see what is happening in practice and decide that, whilst called a licence, what has been granted is, in fact, a lease.

Are you considering renewing or relocating your office space?

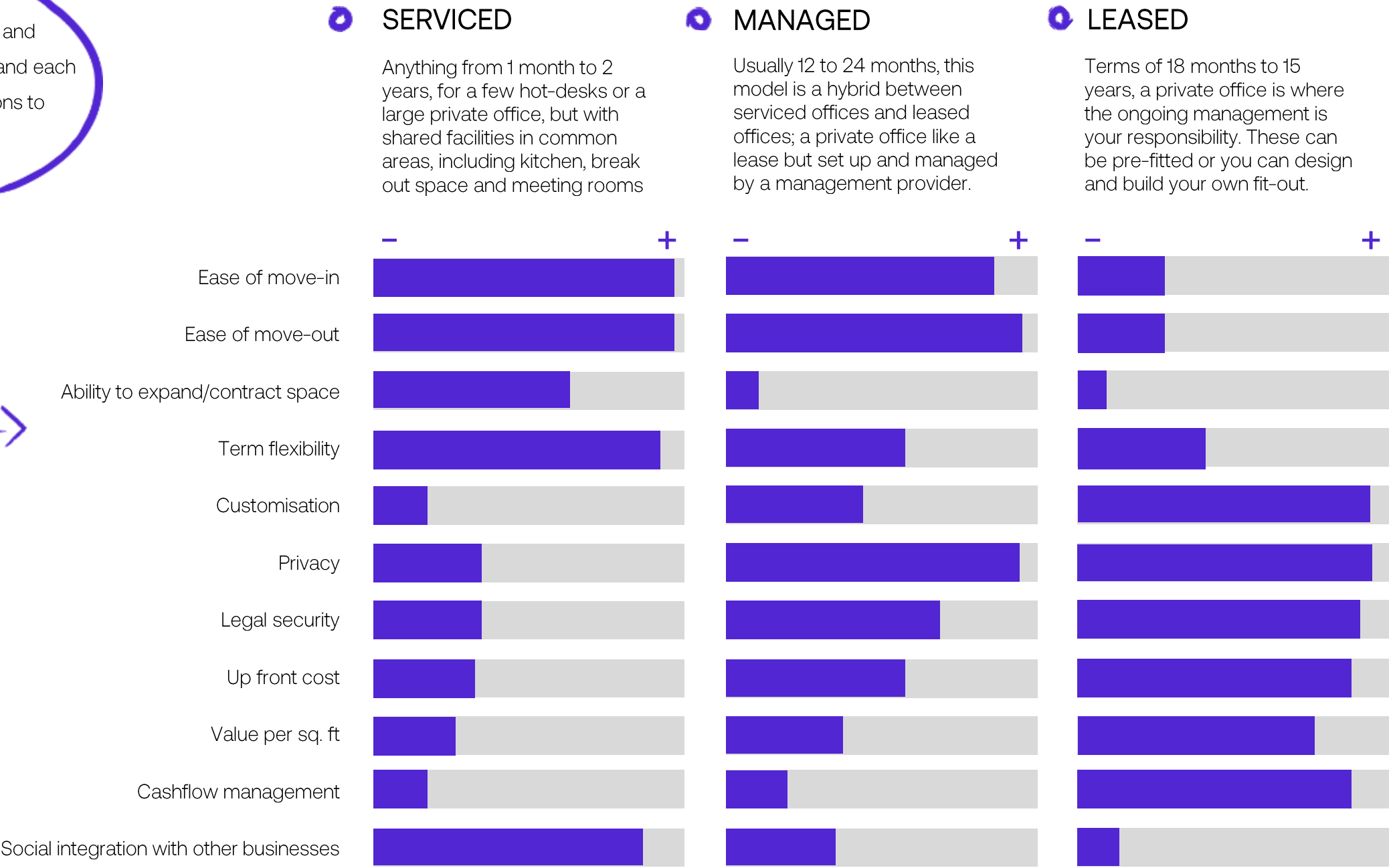
Call 0203 369 9800



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](#)

Marylebone **Melcombe Place, NW1**

Desks 18
Monthly Total £8,365

[Click here for more details](#)

Camden **Rocester Mews, NW1**

Desks 36
Monthly Total £23,000

[Click here for more details](#)

Covent Garden **Slingsby Place, WC2**

Desks 16
Monthly Total £12,720

[Click here for more details](#)

Borough **Long Lane, SE1**

Desks 7
Monthly Total £5,250

[Click here for more details](#)

Hammersmith **Butterwick, W6**

Desks 26
Monthly Total £12,350

[Click here for more details](#)

Spitalfields **Huguenot Place, E1**

Desks 46
Monthly Total £16,800

[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



Southwark **Loman Street**

Size (sq ft) 4,386 sq ft
Monthly Total **£30,491**

[Click here for more details](#)



Kings Cross **New Wharf Road**

Size (sq ft) 20,444 sq ft
Monthly Total **£163,520**

[Click here for more details](#)



Fitzrovia **Tottenham Court Road**

Size (sq ft) 850 sq ft
Monthly Total **£75,960**

[Click here for more details](#)



Bloomsbury **Tottenham Court Road**

Size (sq ft) 5,788 sq ft
Monthly Total **£58,386**

[Click here for more details](#)



St. James **Regent Street**

Size (sq ft) 4,591 sq ft
Monthly Total **£49,296**

[Click here for more details](#)



Marylebone **Baker Street**

Size (sq ft) 2,605 sq ft
Monthly Total **£29,414**

[Click here for more details](#)

Case Study



Location
Spitalfields

Sector
Leisure

Location, location, location;
but in commercial property
equal, or greater, importance
may be placed on
architectural style aligning
with a brand's image.

An ambitious new yoga start-up
sought a building that met their
exacting requirements: optimal
location, character, generous floor-
to-ceiling heights, exceptional natural
light, and economical pricing.
Spacepoint conducted an exhaustive
search over several months before
identifying the perfect solution in the
Eastern City Fringes.

The result is the successful
acquisition of a property that
perfectly aligns with the client's
aspirations for their business.



propertyperfected ✓



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