

SPACEPOINT[↑]

London Office Update
April 2024



Contents

- 🔗 **Market Update:** The Big Apple vs The Big Smoke
- 🔗 **Commentary:** Slip on the headset, straight into the office
- 🔗 **Education:** 2024 office fit-out costs
- 🔗 **Types of Office:** Explanations for and availability of Serviced, Managed & Leased offices
- 🔗 **Case Study:** ProMeritum / Mayfair



The Big Apple vs The Big Smoke: Office Vacancies

>> Market Update

The gap between vacancy rates in two of the biggest office markets in the world has reached a record high in recent weeks, according to CoStar data.

Vacancy in both New York and London has risen sharply since the pandemic began and continued to rise during 2023, as firms continued to reassess their space needs in a world of increased hybrid working.

But vacancy in New York has risen at a faster pace, thanks to 40 million square feet of lost demand over the past four years, as measured by net absorption, or the change in occupied stock. Nine million square feet of this has come in the past 12 months, as job losses in the tech sector have contributed to a further shedding of unwanted office space in an environment of ongoing weak leasing.

London has also recorded significant demand losses in recent years, pushing vacancies upwards. However, they have levelled off more recently in London amid improved take-up and a more widespread return to the office.

At 14%, New York's office vacancy rate is now 480 basis points above London's 9.2% - the widest spread in more than two decades. Conversely, vacancy rates in the two cities were almost identical going into the financial crisis in 2008.

The picture varies by submarket. Vacancy rates have barely moved in some parts of London in recent years, especially those in the West End, and sit below 5% in the likes of Knightsbridge, Westminster and Paddington. By contrast, rates are around 15% in Docklands and Hammersmith to the east and west of central London, and above 10% in parts of the City.

Some parts of New York have also suffered disproportionately. Vacancy rates are now above 15% in 20 submarkets, including traditional Manhattan hotspots like Chelsea and SoHo, and 20% or more in the likes of Murray Hill and the Financial District.

Looking ahead, the vacancy gap between the two gateway cities is likely

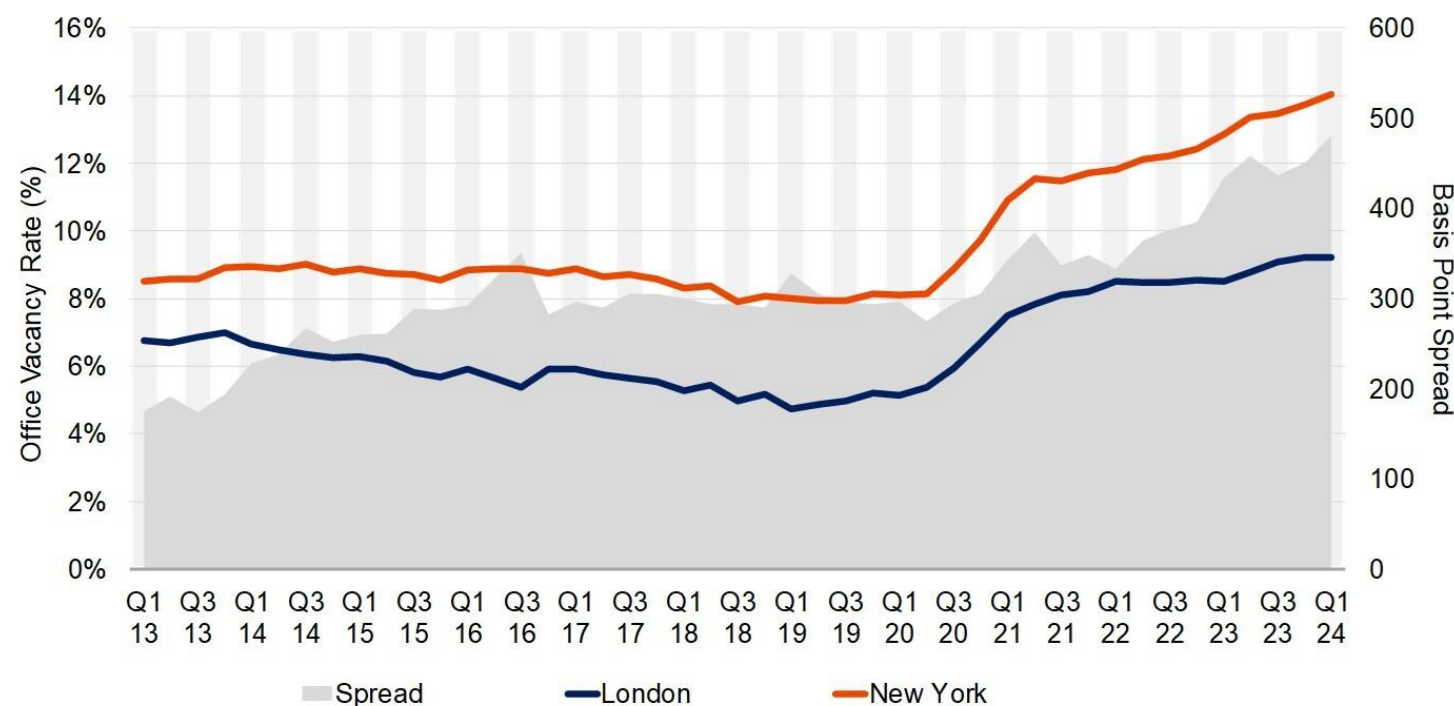
to widen further in the coming years. While vacancy rates in both markets are forecast to continue rising, demand losses are projected to be greater in New York, where the rate is forecast to rise above 18% in 2026. Despite London having more space under construction, London's vacancy rate is likely to peak at just over 12% at about the same time.

For Tenant-focused, specialised advice:

Call 0203 369 9800

This story was originally reported by Costar, 27th February 2024.

London's Vacancy Rate Comfortably Below New York's



Source: CoStar Group, February 2024

Slip on the headset, straight into the office

>> Commentary

Envision a quintessential Monday morning scenario. Rather than engaging with your colleagues around you over a coffee, instead you seamlessly transition into your digital workspace, courtesy of a virtual reality headset or desktop application.

Welcome to Clockwise Campus, the world's first flexible workspace in the metaverse.

In seizing the potential of the metaverse, Clockwise endeavours to bridge its physical network of flexible workspaces with a dynamic digital solution conducive to hybrid working methodologies.

"A huge part of our offering at Clockwise goes beyond bricks-and-mortar," said Alexandra Livesey, Chief Operating Officer. "Connection and community is a key element that often leads to real business results, including partnerships, investment or mentorship. There was an obvious use case for the metaverse to help us join up our existing members and grow the community beyond our buildings."

Spanning an impressive digital footprint of 150,000 square feet, Clockwise Campus comprises four primary rooms and various zones catering to diverse work patterns, meticulously crafted to mirror the physical locales synonymous with the Clockwise brand. Each user is represented by a personalized avatar, entering via a VR headset or desktop app, with communication and collaboration through voice chats or direct messages.

Crafted by the esteemed architecture and design studio MoreySmith, Clockwise Campus draws inspiration from natural elements, creating an environment reminiscent of a tranquil dawn. This utopian digital landscape transcends spatial limitations, encapsulating the stimulating yet calming ambiance characteristic of Clockwise's physical hubs while accommodating the unique needs of all users.

Initial feedback from members and Clockwise personnel with regards to the execution of the digital design and the immersive avatar experience has been positive. Clockwise Campus serves as an alternative platform to conventional communication tools, fostering closer interaction and a

heightened sense of community.

As Clockwise continues to expand its physical presence, plans are underway to enhance Clockwise Campus and its amenities, offering members access to an array of curated events featuring industry experts, mental health workshops, and digital innovators. Our unwavering commitment remains steadfast in fostering a dynamic community and empowering members to thrive amidst evolving work paradigms.

Looking for a digital space? We can't help. But a physical office?

Call 0203 369 9800



2024 office fit-out costs

A thoughtfully planned office fit out holds significant potential to enhance your business operations. It can serve as a magnet for top talent, elevate productivity levels, and foster a conducive work atmosphere. Investing in an office fit out is, essentially, an investment in the future prosperity of your enterprise.

Several pivotal factors come into play when gauging the potential costs and budgetary needs, varying depending on the building itself and your unique business requisites:

- 1. Whether it's a mere aesthetic makeover or entails substantial architectural modifications such as new partitions and entryways, the complexity of the changes significantly influences the costs involved.
- 2. Integrating technology seamlessly into the workplace layout is now integral rather than extraneous. These systems not only dictate your adaptability and productivity but also your capacity for collaboration in today's competitive market landscape.
- 3. Choosing the right furniture ensures safety, comfort, and equips your staff with the necessary tools to excel. Recent trends indicate a growing emphasis on overlooked aspects like ergonomic furniture, task lighting, and acoustic enhancements, underscoring a heightened focus on employee well-being.
- 4. Consider your timeline for implementation. Shorter timelines typically necessitate more out-of-hours and weekend work, directly impacting costs. While a standard fit-out for a 10,000 sq ft project spans 10-12 weeks, flexibility exists to tailor the schedule to align with your specific requirements.
- 5. Determine the optimal office space size. While the instinctual response might be to replicate your current space, it's prudent to delve deeper. Factors such as growth aspirations, current spatial needs, and market dynamics all play a role in determining the ideal office size.
- 6. Decide between traditional or design and build approaches.

Traditional methods involve engaging multiple experts, including interior designers, builders, workspace planners, and furniture suppliers. Alternatively, the design and build (D&B) model offers a comprehensive turnkey solution encompassing design, consultation, project management, and construction services all under one roof. Industry trends indicate a growing preference for the D&B approach, particularly for projects valued under £1,000,000, owing to its efficiency and streamlined execution.

Are you considering renewing or relocating your office space?
Call **0203 369 9800**

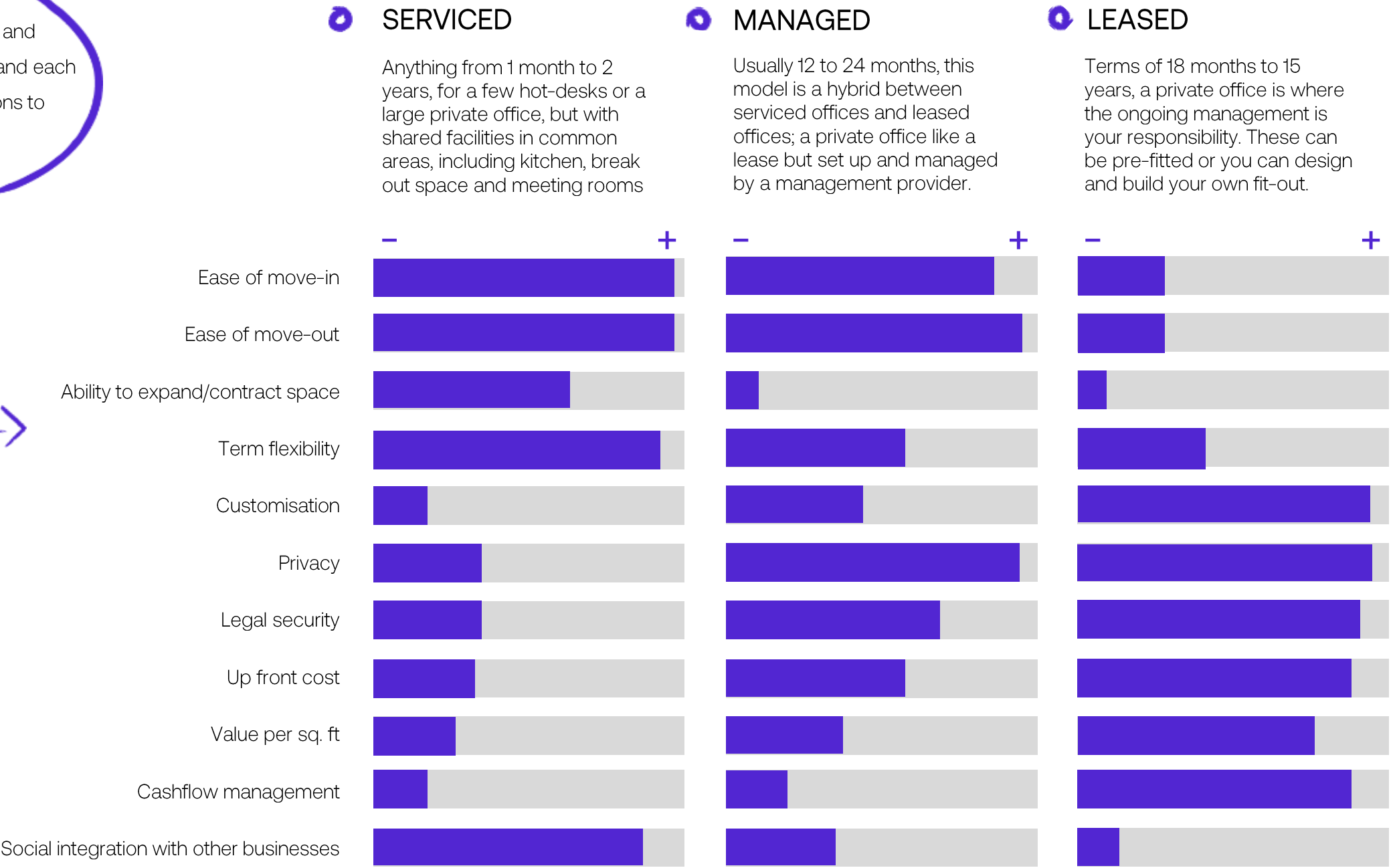
2024 office fit-out costs

Costs per sq ft (Typical)	Low	Mid	High
Construction	£70	£90	£120
Furniture	£20	£30	£50
AV & IT	£5	£10	£15
Dilapidations	£15	£18	£20
Security	£1	£2	£3
Total	£111	£150	£208

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.

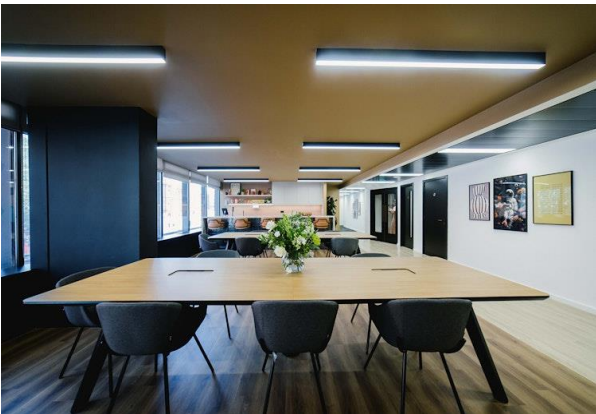
Overflow – if your current office proves to be too small but you are tied into it for another year or so, then serviced can act as excellent overflow space.

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



Holborn **High Holborn, WC1**

Desks 7

Monthly Total £4,015

[Click here for more details](#)



Shoreditch **Great Eastern St, EC2**

Desks 49

Monthly Total £25,725

[Click here for more details](#)



Victoria **Eccleston Sq, SW1**

Desks 30

Monthly Total £27,750

[Click here for more details](#)



Camden **Camden Lock Place, NW1**

Desks 18

Monthly Total £6,300

[Click here for more details](#)



Greenwich **Mitre Passage, SE10**

Desks 3

Monthly Total £1,200

[Click here for more details](#)



Hammersmith **Hammersmith Road, W6**

Desks 14

Monthly Total £7,000

[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



King's Cross **Crinan Street**

Size (sq ft) 2,334 sq. ft
Monthly Total **£18,477**

[Click here for more details](#)



St. James **Jermyn Street**

Size (sq ft) 2,491 sq. ft
Monthly Total **£29,206**

[Click here for more details](#)



St. James **King Street**

Size (sq ft) 3,000 sq. ft
Monthly Total **£41,875**

[Click here for more details](#)



Mayfair **Bolton Street**

Size (sq ft) 2,437 sq. ft
Monthly Total **£38,910**

[Click here for more details](#)



Barbican **Aldersgate**

Size (sq ft) 10,727 sq ft
Monthly Total **£88,542**

[Click here for more details](#)



Shoreditch **Old Street**

Size (sq ft) 5,616 sq ft
Monthly Total **£42,440**

[Click here for more details](#)

Case Study



PROMERITUM

Investment Management LLP

Location
Mayfair

Sector
Finance

A previous client who outgrew the first office we placed them into, and now required an upgrade!

“This is the second time we have worked with the Spacepoint Team for an office relocation, and each time we have been more than pleased. They are quick to understand our needs and, consequently, present opportunities that are relevant. Their advice is excellent, with clear strategy and intent behind it, all designed to improve our position. They clearly know the market inside and out, and therefore know what to push for. We are very pleased with the commercial and legal terms they managed to agree for us and would not hesitate to recommend them to anyone seeking guidance around an office relocation project. “

Richard Mendhe

Finance Director – ProMeritum



propertyperfected ✓



Mark O'Neill

Director

07985 966 136

moneill@spacepoint.co.uk



Rafe Harris

Senior Surveyor

07808 555 329

rharris@spacepoint.co.uk



Laurie Thomasson

Director

07723 086 502

lthomasson@spacepoint.co.uk



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LinkedIn



Silver House,
31-35 Beak Street,
Soho,
London
W1F 9SX