

SPACEPOINT[↑]

London Office Update
June 2024



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London office leasing activity continues at pace

>> Market Update

Market data shows that London's legal sector has over 12 million square feet of lease expiries between now and the end of 2030. By the end of the first quarter of 2024, active requirements for London office space from law firms totalled 1.35 million square feet, up 37% quarter-on-quarter.

Over two-thirds (67%) of demand from the legal sector is focused on the City and Southbank sub-markets, suggesting heightened competition for space in the next generation of modern, sustainable office space in those areas.

There is 5.8 million square feet of speculative Grade A office space under construction in the City and Southbank to be delivered by 2027, which may not be enough to keep up with demand. This dearth of supply is already driving early pre-lets, including the 68,000 sq ft pre-let at 1 Liverpool Street to Dentons.

The legal services provider, Three Crowns, has taken 15,500 square feet at The JJ Mack building in Farringdon, and US firm Cravath, Swaine & Moore has taken an assignment on 21,700 square feet from Goodwin Procter at the LEED Platinum and BREEAM Excellent-accredited 100 Cheapside.

Looking beyond the legal sector, 80 Strand, the landmark Covent Garden building overlooking The Thames, has secured a raft of new Tenants in recent months.

Luxury travel group Abercrombie & Kent has taken 40,000 sq ft on the 5th floor, while yoga and activewear retailer Lululemon has acquired approximately 14,000 sq ft on the mezzanine floor. Managed offices operator Orega have secured 26,000 sq ft on the 1st floor to release back to the market as managed office space.

Other recent lettings in the building include Sharkmob, which acquired 40,000 sq ft, Vitality for 20,000 sq ft, Darktrace for 30,000 sq ft and IK Partners acquired 14,000 sq ft.

80 Strand is a 550,000-square-foot Grade II Listed mixed-use building over basement, lower ground, ground and 10 upper floors, with retail at basement, ground and first floor levels. The building was remodelled in 1930 with a River Thames facade, and the famous clock face fronting the building is the largest in London.

For Tenant-focused, specialised advice on London office space

Call 0203 369 9800



Post-pandemic, what are daily staff occupancy rates doing?

>> Commentary

Well, the numbers are still significantly lower than before the pandemic, according to Remit Consulting, who have been tracking the data. But companies who occupy better quality buildings in prime locations are seeing much higher return rates.

The management consultant's ongoing research over the past 12 months reports that the average office occupancy rate sits at around 33%, with that figure dropping further with the strike action and public holidays. The latest figures, for the week ending 17 May, show a national office occupancy rate of 31.8%, a slight decline compared with April, which also felt the impact of strikes and holidays. The weekly average for the UK peaked at 35.9% in the second week of March 2024, with a similar spike also recorded in April 2023.

As firms establish their new ways of working and begin to implement a minimum number of days in the office, not only has the acronym TWATs (Tuesday, Wednesday, and Thursdays) been born, but occupancy rates are firming up. British Land recently reported that occupancy in their prime buildings on said Tuesday, Wednesday, and Thursdays, is back where it was pre-pandemic (70-80%).

Insight from Landsec reported that London office utilisation was up 18% in the year across their estate and continues to grow, showing confidence in the ongoing need for an office. This was echoed by their Chief Executive, who said: "Pre-COVID it was around 115 square feet per employee, and now it's 150 square feet per employee, and we do not see that trend changing at all. There is a continued squeeze for the very best space in terms of demand. Most people are taking more or the same amount of space across our portfolio."

Remit Consulting said that in the three years since the easing of lockdown restrictions, the return to the office has been a gradual and steady process. "The data indicates that, while there has been no sudden surge, there is a commitment to office attendance, but on a flexible basis. This steady trend suggests that many businesses have accepted and adopted hybrid working patterns. As a result, the traditional office environment is evolving to cater to

remote working flexibility."

The demand for flexibility was evident in a survey done by Remit Consulting, which found 60% of respondents said they would leave their jobs if required to come back to the office full-time. The future of the office lies in creating an inspiring place to work and where staff want to come in. Offices need to evolve past just being a desk in a room; they need to harbour collaboration, well-being, productivity, and engagement. If these boxes can be ticked, staff occupancy and retention will likely improve.

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What's this about a peppercorn in my lease?



Education

In the world of UK commercial property leases, the concept of peppercorn rent has an intriguing history dating back to the 16th and 17th centuries.

The term "peppercorn rent" originates from a time when actual peppercorns—those tiny black seeds used in cooking—were considered valuable. In those days, leases sometimes stipulated that the rent be a single peppercorn per year. Peppercorns were a rare and precious spice, making this token payment meaningful yet minimal.

Historical accounts suggest that there were instances where employees, as a reward for their hard work, were granted temporary use of a piece of property. However, to remind them that they did not own the land, they were charged a peppercorn rent. This arrangement served as a symbolic gesture to acknowledge the service and loyalty of the employee while maintaining the landlord's ownership rights.

By the late 18th century, the term peppercorn rent had evolved to signify anything of insignificant value. It was no longer about the actual spice but rather a nominal payment to fulfill legal requirements without imposing a financial burden. This symbolic rent ensured that leases remained legally binding even when no substantial monetary exchange was involved.

Peppercorn rents are particularly prevalent in modern UK commercial office leases, especially during rent-free periods. For instance, when a company leases new office space, the landlord might offer an initial period where the rent is either drastically reduced or nominal—a peppercorn rent. This rent-free period can last for several months, allowing the tenant to settle in, renovate, or manage cash flow without the immediate pressure of significant rental payments. The official lease might specify a peppercorn rent during this time, maintaining the legal framework of the lease without imposing financial strain on the tenant.

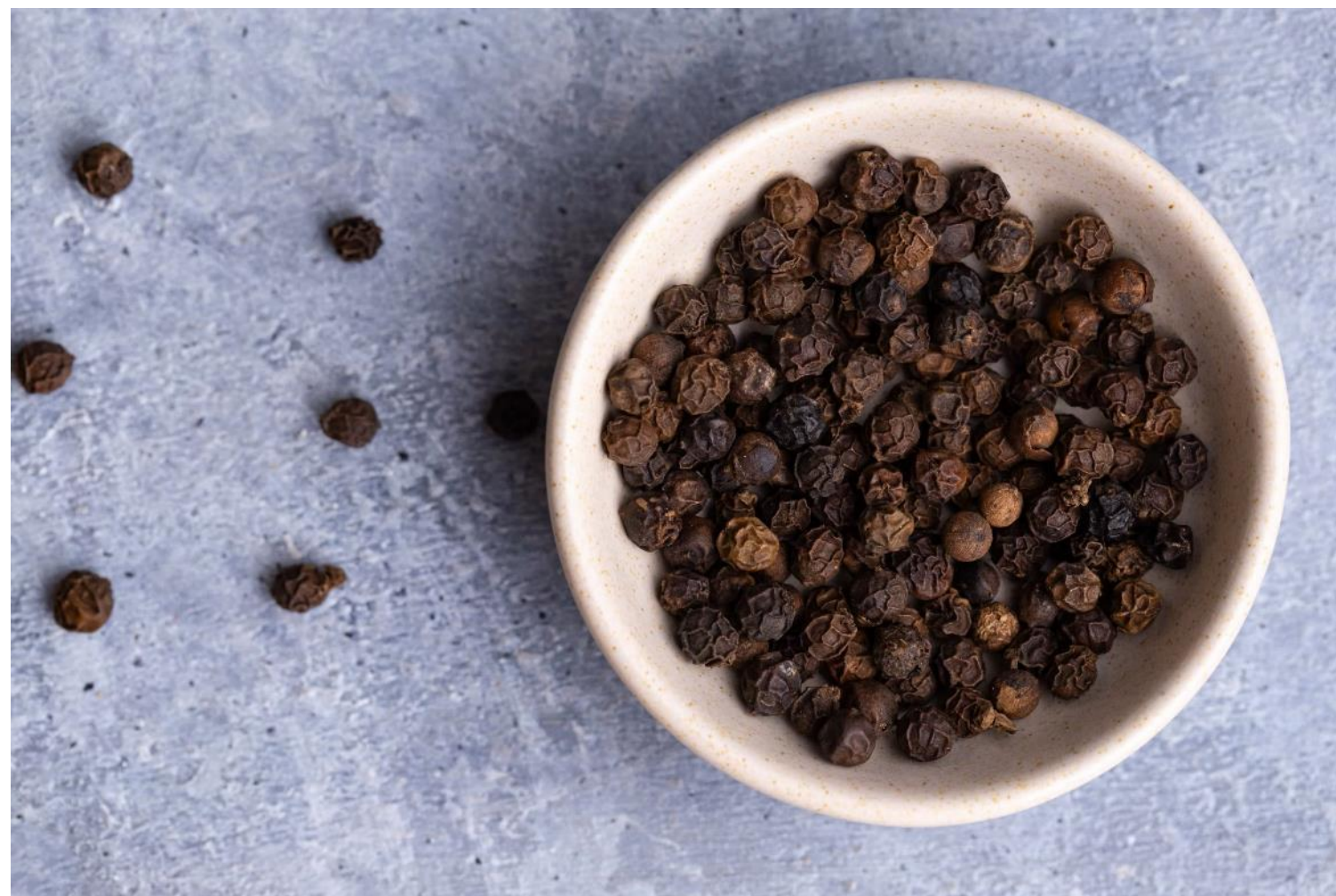
Similar symbolic rents have also existed historically, such as "rose rent," where tenants would give a single rose as rent. These terms reinforced the idea of a token payment, maintaining the lease's legal standing with minimal

financial exchange.

In essence, the charming relic of peppercorn rent has found a practical place in contemporary property leasing. It symbolizes flexibility and mutual benefit between landlords and tenants, enabling deals that might otherwise be constrained by financial limitations.

For more inspiring peppercorn information:

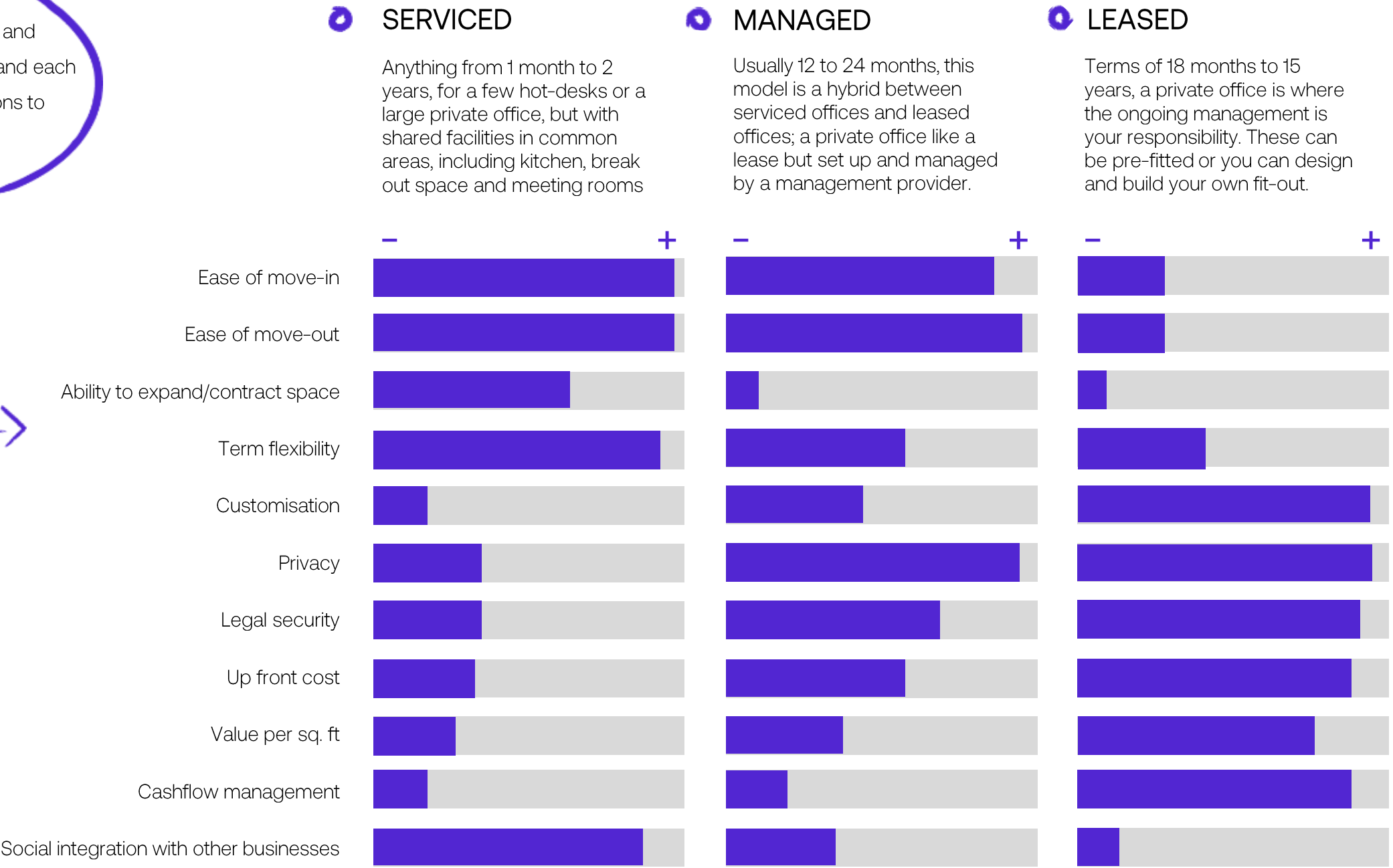
[Wiki - Peppercorn](#)



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



Wimbledon Wimbledon Village, SW1

Desks 8
Monthly Total £4,800

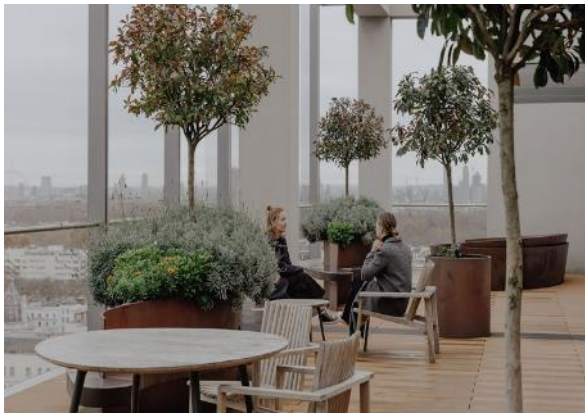
[Click here for more details](#)



Kensington Wrights Lane, W8

Desks 34
Monthly Total £36,094

[Click here for more details](#)



Paddington Eastbourne Terrace, W2

Desks 7
Monthly Total £6,300

[Click here for more details](#)



Oxford Circus Cavendish Sq, W1G

Desks 5
Monthly Total £3,750

[Click here for more details](#)



Old Street Hoxton Square, EC1

Desks 28
Monthly Total £19,040

[Click here for more details](#)



Bank King William Street, EC4

Desks 20
Monthly Total £12,000

[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



Shoreditch **Worship Street**

Size (sq ft) 2,026sq. Ft
Monthly Total **£12,676**

[Click here for more details](#)



Farringdon **Laystall Street**

Size (sq ft) 4,384 sq. ft
Monthly Total **£37,479**

[Click here for more details](#)



Shoreditch **Old Street**

Size (sq ft) 5,615 sq. ft
Monthly Total **£41,036**

[Click here for more details](#)



City **Dominion Street**

Size (sq ft) 4,482
Monthly Total **£31,560**

[Click here for more details](#)



John Adam St. **Covent Garden**

Size (sq ft) 2,488 sq. ft
Monthly Total **£30,716**

[Click here for more details](#)



Marylebone **George Street**

Size (sq ft) 1,855
Monthly Total **£22,151**

[Click here for more details](#)

Case Study



A rapidly growing tech company, scaling in serviced office space.

With an upcoming IPO and high growth targets, flexibility was an intrinsic element for their new office search.

Having worked with Freshworks previously on three other projects, we were quick to match them with suitable space.

We placed them into a serviced office where we could achieve that all-important flexibility. The office needed a pull factor, to be a motivating place to be, and so Waterhouse Square was a perfect match.

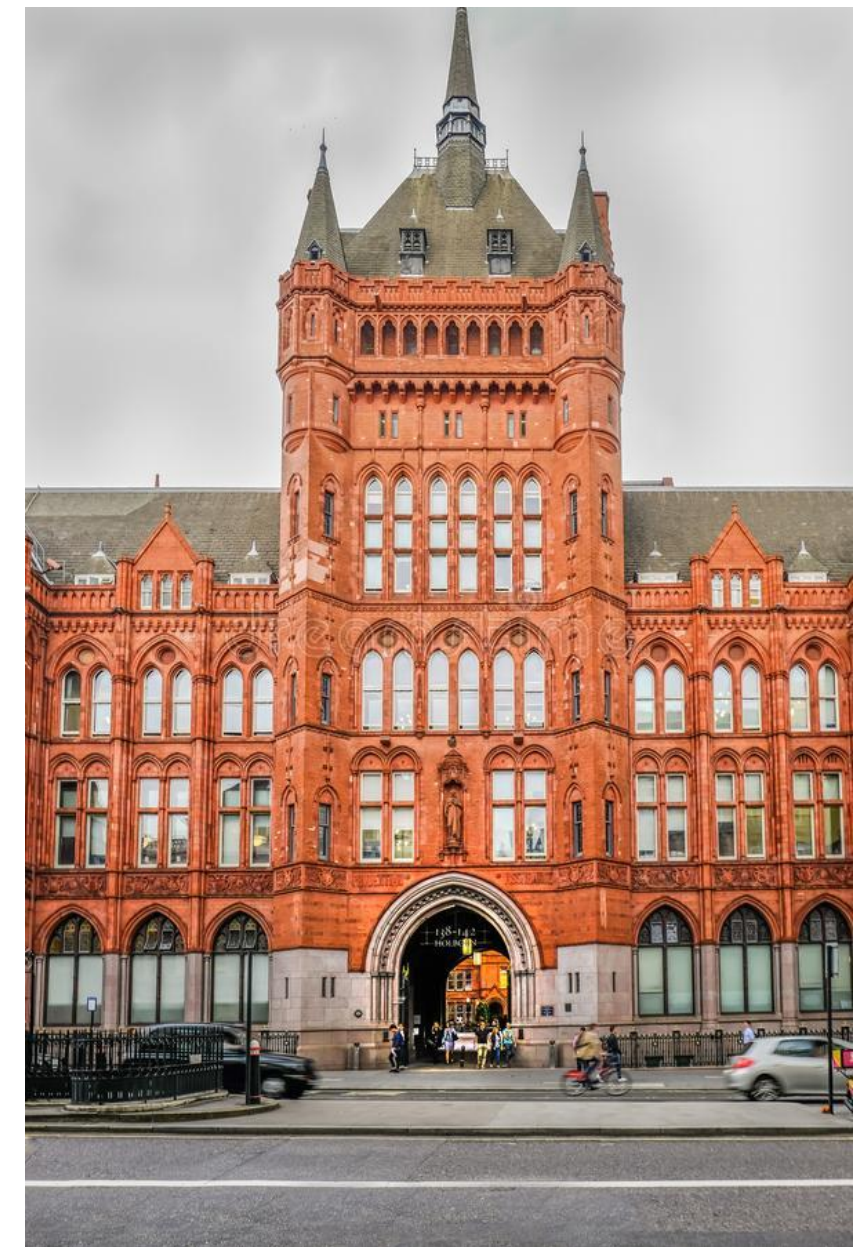


Location

Holborn

Sector

Tech



propertyperfected✓



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