

# SPACEPOINT<sup>↑</sup>

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London Office Update  
October 2024

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## Construction pre-let deals agreed earlier

>> Market Update

**Office tenants are now committing to leasing spaces much earlier in the construction process than in the past. Before the COVID-19 pandemic, speculative development spaces would often remain available until near the completion of a building. Typically, pre-completion lettings, or deals where tenants commit to space before it is finished, occurred within the six months leading up to a building's finalization.**

However, the situation has shifted significantly since 2020, with a growing number of tenants securing office space well before construction concludes.

This trend is evident in the fact that nearly two-thirds of pre-completion deals in recent years have been signed more than six months ahead of the building's completion. This marks a substantial change from previous years.

During the first half of this year alone, pre-completion lettings accounted for 52% of total office take-up, a notable increase from the 40% recorded last year.

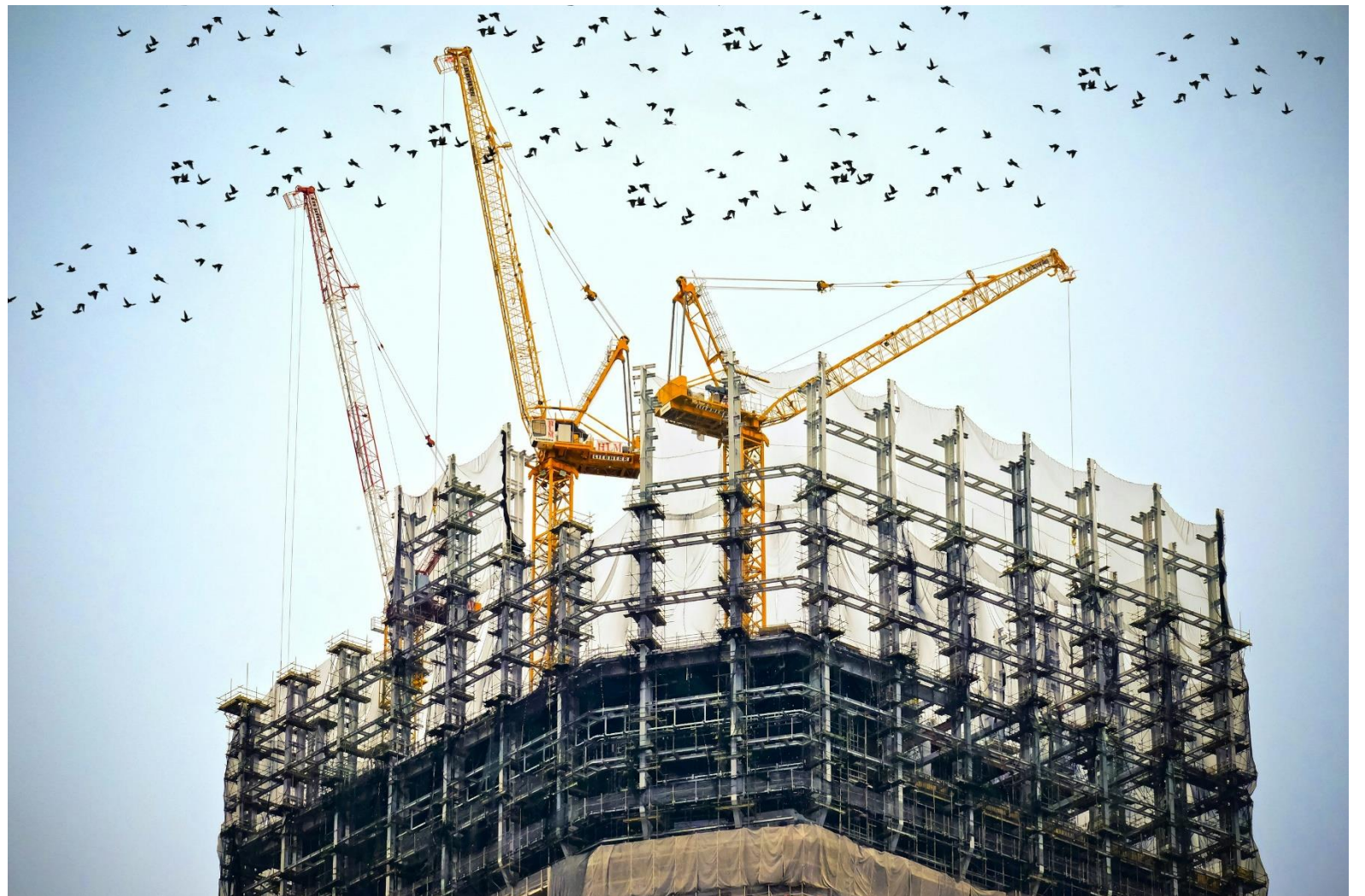
Some high-profile deals highlight this shift. For instance, the accounting firm BDO has leased 220,000 square feet at The M Building on Oxford Street, which is scheduled for completion towards the end of 2025. Another significant deal involves Citadel, a financial firm, securing over 250,000 square feet at 2 Finsbury Avenue, with completion expected by 2027. These examples underscore a growing trend in which tenants are signing leases well in advance of the buildings being ready for occupancy, largely driven by the increasing demand for top-tier, high-quality office spaces.

Tenants with expiring leases are eager to secure prime spaces early, concerned that waiting too long might result in a lack of availability. As a consequence, tenants who limit their searches to completed buildings are finding a shrinking supply of available space. By the end of the second quarter of 2024, only 6.5% of Grade-A office space in London was vacant. This is the lowest vacancy rate since before the pandemic

and falls well below the 10-year average of 10.3%.

The growing demand for speculative office stock is expected to persist as tenants aim to lock in the best spaces early. Tenants must act quickly to secure their preferred spaces, as construction timelines slow down and competition for top-tier offices intensifies.

To learn more about how we exclusively specialise in advising Tenants, visit - [Spacepoint](#)





## Global CEO's predict 5 days in the office

>> Commentary

**A recent KPMG survey of 1,300 global CEOs reveals that 83% expect their companies to require five days of office attendance within the next three years. This marks a sharp increase from 64% in 2023.**

The results indicate a clear shift in executive sentiment, with many leaders moving away from hybrid work models. “This year’s findings highlight a widening gap between the expectations of CEOs and their employees,” noted Nhlamu Dlomu, Global Head of People at KPMG International. She emphasized that as the world continues to change rapidly, the employee value proposition is evolving as well.

Age plays a significant role in shaping these expectations. Among CEOs aged 60 to 69, 87% believe hybrid work will disappear within three years, compared to 75% of CEOs aged 40 to 49. This generational divide underscores differing perspectives on the future of work.

The push to bring employees back to the office has been gaining momentum. Amazon CEO Andy Jassy recently announced that the company will return to pre-pandemic office norms by January 2, with corporate employees expected to be in the office every day unless extenuating circumstances arise.

Amazon is not alone in this shift. Financial institutions, including Goldman Sachs, Citigroup, HSBC, Barclays, and JPMorgan Chase, have already mandated full-time office attendance for their staff. Despite these calls, office occupancy continues to fall short of pre-pandemic levels. Many executives have recognized that a hybrid work model may be the best solution in the current labour market, where talent remains scarce.

A CBRE survey released in August found that 64% of office occupiers reported stable usage levels, up from 43% in 2022. Analysts and brokers continue to debate how best to measure office usage, but the overall picture is clear: occupancy remains below pre-pandemic levels.

[Avison Young's Office Busyness Index](#) for August and Kastle's September data both show that U.S. offices are operating at about 60% of their 2019 levels. Nevertheless, the divergence between current occupancy rates and

CEO expectations suggests that more companies, particularly those with annual revenues exceeding \$500 million, may soon adopt stricter in-office policies.

Despite ongoing concerns about the global economy, 92% of CEOs surveyed by KPMG anticipate increasing headcount within the next three years, and it is likely these new hires will be required to work in the office full-time.

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## Property repairing obligations – keep means put?



Education

**Tenants are often required by their leases to "keep the property in repair" throughout the lease period. While this may seem straightforward, suggesting only that the tenant must return the property in its initial condition, the obligation can be more onerous. It also includes an expectation to "put and keep" the property in good repair, even if it was not in perfect condition when the lease began.**

This means that if the property is in disrepair at the start, tenants could face significant liabilities. They may be required to carry out repairs during the lease or make a dilapidation payment to cover the cost of repairs if they fail to do so. Landlords are entitled to enforce these obligations, and tenants cannot avoid responsibility by claiming a misunderstanding of the terms.

Prospective tenants should carefully evaluate the property's condition before entering into a lease and explore ways to limit their repair responsibilities, even if they are initially unconcerned about the property's state.

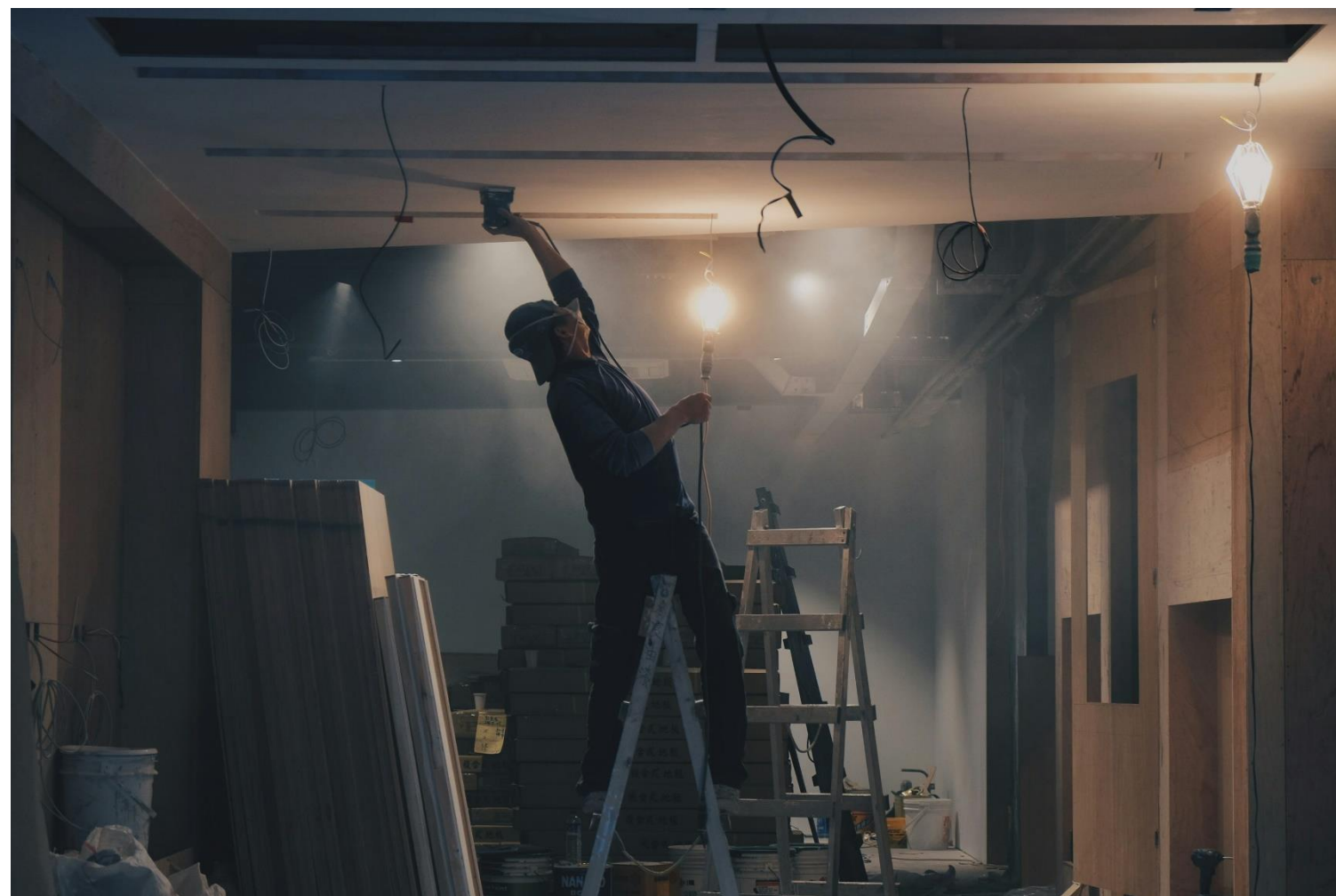
Whether a property is deemed in repair or disrepair depends on factors such as its age, use, and location. To reduce repair obligations, tenants should take the following points into account:

- Schedule of Condition: Including a schedule of condition in the lease can limit the tenant's obligation to return the property in better condition than at the start of the tenancy. This schedule typically includes agreed photos that document the property's condition.
- Definition of the Property: The lease defines which parts of the property the tenant must maintain. Leasing the entire property, rather than just internal, non-structural parts, can impose a greater repair burden. In such cases, it is advisable to conduct surveys, particularly of hard-to-inspect areas, such as roofs, before signing the lease.
- Service Charge: Tenants leasing only part of a property may still be liable for structural repair costs through a service charge. It is crucial to check how these contributions are calculated, whether they are capped, and whether certain costs—such as those for inherent defects—are excluded.

- Repair Obligation Wording: Phrases like "in good repair" or "in good and substantial repair" might not necessarily increase the tenant's responsibilities. However, tenants should be cautious of terms like "good repair and condition" or "repair and renew or replace," as these may require them to carry out improvements or broader work beyond basic repairs.

A strategic approach to repair obligations and dilapidations will help ensure the best possible outcome.

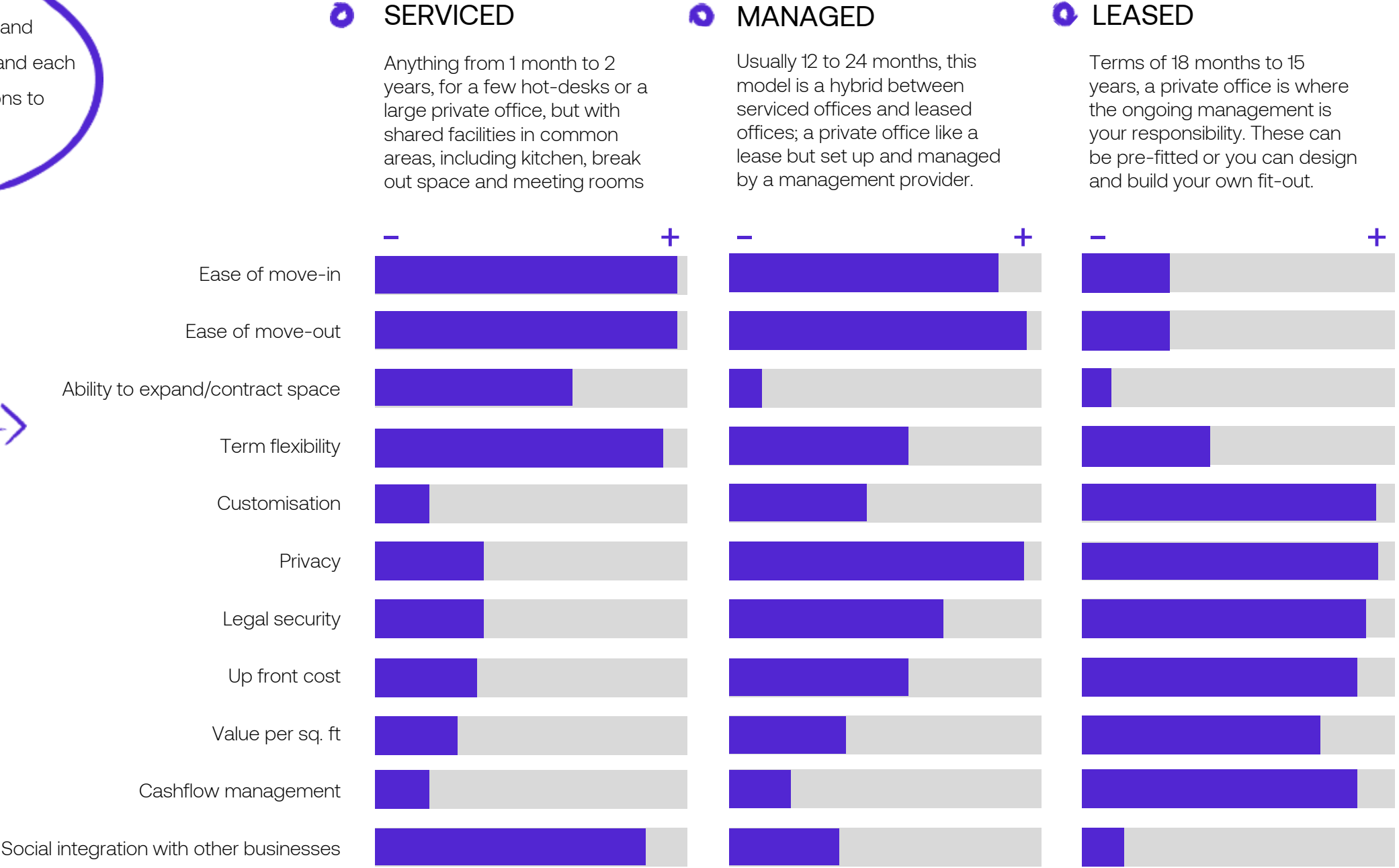
For robust negotiators when considering your next office move visit - [Spacepoint](#)



# 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



London Bridge    The Shard

Desks                    24  
Monthly Total    £28,410

[Click here for more details](#)



City                    Birchin Lane

Desks                    38 desks  
Monthly Total    34,200

[Click here for more details](#)



City                    Liverpool Street

Desks                    34 desks  
Monthly Total    £32,145

[Click here for more details](#)



Farringdon            Giltspur Street

Desks                    11  
Monthly Total    £7,000

[Click here for more details](#)



Soho                    Ingestre Court

Desks                    18  
Monthly Total    £17,000

[Click here for more details](#)



Mayfair                Mayfair Place

Desks                    15  
Monthly Total    £18,000

[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



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

Size (sq ft)      954 sq. ft  
**Monthly Total      £8,894**

[Click here for more details](#)



**Mayfair**      **Grosvenor Street**

Size (sq ft)      3,469 sq. ft  
**Monthly Total      £46,982**

[Click here for more details](#)



**Hackney**      **Vyner Street**

Size (sq ft)      2,113 sq. ft  
**Monthly Total      £9,500**

[Click here for more details](#)



**Covent Garden**      **Strand**

Size (sq ft)      1,991 sq. ft  
**Monthly Total      £19,910**

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**City**      **Aldermanbury Square**

Size (sq ft)      7,889 sq. ft  
**Monthly Total      £64,288**

[Click here for more details](#)



**Marylebone**      **Baker Street**

Size (sq ft)      2,354 sq. ft  
**Monthly Total      £35,310**

[Click here for more details](#)



Case Study



PARUS  
FINANCE

Location	Sector
St. James'	Finance

Approaching the end of their 10-year lease, Parus wanted to explore the wider market whilst also keeping a renewal of their current space as a viable option.

With no increase or decrease in size required, and an office that was still in superb condition, the easy option would have been to simply engage with their Landlord for a new lease.

Instead, Parus instructed us to explore the potential market options as well as negotiating new terms for a lease renewal.

Following our negotiations successfully achieving outstanding financial terms with their current Landlord, the conclusion was a continued stay at their existing premises



# property perfected ✓



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