RESEARCH

The London Office Market Q2 2025

A Guide To Rents, Rent Free Periods & Market Trends

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London Businesses Shrug Off Economic And Geopolitical Uncertainty As Office Rents Continue To Rise

The commentary in the first quarter 2025 edition of this publication focused on the uncertainty associated with US trade and UK economic policies and their likely impact on the London business community and the demand for office space.

Several months on a lot has changed. President Trump has since rowed back on some of his administration's more draconian protectionist US trade policies, reflecting the negative reaction of the US bond and global stock markets. In tandem, and at the time of writing, the UK government has so far succeeded in securing better trade terms with the US than many of the country's competitors, most notably the European Union.

The jury is out on what impact President Trump's public spending and tax cutting "One Big Beautiful Bill" Act and trade policies will have on the US and global economies. Concurrently, the UK Government has run into domestic economic problems concerning its public spending plans, which are at odds with its stated fiscal policy, and is now left with the prospect of having to raise taxes again later in the year.

Geopolitical headwinds persist including the war of attrition in Ukraine, US foreign policy towards Iran, Israel's war with Hamas and China's expansionist aspirations.

What have all these issues to do with the London office market? Unlike the UK's regional markets, the fortunes of the London office market are, fundamentally, driven by the performance of the global, rather than national, economy. An escalation in tensions in the Middle East is likely to push up the oil price, US trade policy towards China will most likely result in fewer, cheaper, Chinese manufactured goods being available in American shopping malls, resulting in higher retail price inflation and a slower rate of decline in US interest rates than forecast before last year's US presidential election.

Higher oil prices and tighter US monetary policy are likely to hold back global economic growth and, importantly, investment in new jobs by international corporations, many of which have their headquarters or European offices based in London.

Employment growth is one of the key drivers of demand for office space, although the correlation between headcount and desk count has been materially weakened in a post-COVID world where the business community has adopted "hybrid" working from home / the office.

> " Take up during Q2 has been powered by international financial and professional services businesses, in particular those drawn from the asset management and legal sectors. "

Office Take-Up

Interestingly, despite the uncertainty created by the various economic and geopolitical issues referred to above, the London business community appears to be in rude health judging by the take-up of office space across the capital during the second quarter of the year – see Table 5 – and the rents that are being achieved on best-in-class space.

Take up during Q2 has been powered by international financial and professional services businesses, in particular those drawn from the asset management and legal services sectors. While some of the second quarter lettings have been driven by the need for more space, reflecting new investment in headcount, others reflect the desire to move to better quality space, with good sustainability credentials, to align with adopted return to the office, recruitment, retention, productivity and environmental policies.

Pre-Letting Activity

The stand-out lettings of the second quarter are, perhaps, the 400,000 sq ft pre-let to global investment manager Squarepoint at 65 Gresham Street in the City and the 115,000 sq ft pre-letting of 7 Brook Street, Mayfair, to US law firm McDermott Will and Emery. The latter represents one of the largest pre-letting transactions in the West End sub-market for a decade and comes close on the heels of the 135,000 sq ft pre-let to international investment bank Evercore at 105 Victoria Street, in Victoria, during the third quarter of 2024.

Rents

Record rents for new Grade A space continue to be set across the West End: super-prime St James's and Mayfair rents are now in excess of £215 per sq ft per annum. In the Fitzrovia and Marylebone districts rents above £130 per sq ft and £140 per sq ft respectively are now established following a number of high-profile lettings, while space of equivalent quality commands rents over £110 per sq ft in Victoria.

The rents being achieved on Grade A space in the West End, and elsewhere across central London, are a product of robust demand and historically low vacancy – see page 4. It is likely that the inexorable rise in rents for new and refitted Grade A space across London will continue at least until the end of this decade, when a more even balance between supply and demand is anticipated to be restored, based on the current pipeline of office developments – see Graphs 1 and 2.

Until then, the rise in rents is likely to fuel the eastward migration of West End occupiers to the City of London where occupancy costs are lower (see Table 4). Interestingly, and for operational reasons, the McDermott Will and Emery letting runs counter to this notion. Once the construction of 7 Brook Street is complete, the firm will be moving in 2028 from its current base at 22 Bishopsgate in the City – where rents for new mid-rise Grade A space are typically £85 - £95 per sq ft (see Table 3).

Rent Reviews & Lease Renewals

The continuing increase in rents for new and refitted Grade A space across much of central London has a knock-on effect for those businesses that are facing a rent review or lease expiry over the course of the next few years, given that rent review and lease renewal settlements will be influenced by the rents being achieved on open market lettings. Tactically, tenants occupying Grade A space that have a forthcoming lease event would be well advised to engage early with their landlord to benefit from current benchmark open market rents that are, arguably, likely to be higher later on.

Moving Out: The Civil Service

In a bid to cut its operating costs, the Government has recently announced that circa 12,000 Civil Service jobs will be relocated from London to the regions to benefit from lower labour and accommodation costs. The highest concentration of Government departments in central London is in the Westminster and Victoria districts of the West End sub-market where the various agencies occupy both leased and Government-owned accommodation.

Recent announcements demonstrate that the Government's strategy is to reduce its exposure to rented accommodation by exercising break options or not renewing leases.

The specification, quality and energy performance ratings of many of the buildings leased by the Civil Service is unlikely to meet the requirements of footloose tenants. Significant investment is likely to be required to refit some of the buildings before they can be brought to the market, while others may well be redeveloped for alternative uses including hotel and residential.

Over the last few years, the Westminster / Victoria area has benefited from the "ripple-effect" as occupiers from the more expensive Mayfair and St James's districts have migrated to the area, which offers more choice at lower cost. The Evercore letting (see above) is a classic example of this trend – the firm will be moving from Mayfair once its accommodation at 105 Victoria Street is ready.

Like much of central London, office vacancy in Westminster / Victoria is at historic lows. The occupancy void that will be created by the relocation of Civil Service jobs will present a much needed opportunity to upgrade some of the area's office stock and offer greater choice to footloose tenants.

AI - The Shape Of Things To Come

Studies conducted by the International Monetary Fund, Goldman Sachs, McKinsey, Gallup and others each confirm the increasing take up of artificial intelligence technologies by the global business community to boost productivity and profitability. This trend is likely to accelerate over the next few years as an ever-increasing array of new AI applications are developed to meet the needs of specific areas of business.

Interestingly, the rise in the use of AI would appear to be affecting the software development and accountancy professions, more so than other business services, based on the latest research conducted by the BBC, with job vacancies down in both sectors – attributed, in part, to the take up of AI technologies.

However, research by Oxford Economics suggests that AI is expected to create higher-value jobs while automating routine tasks which is likely to benefit cities such as London, Paris, and Berlin which are established financial and technology hubs.

> " The London business community appears to be in rude health based on the take-up of office space across the capital during the second quarter of the year – and the rents being achieved on best-in-class space. "

Epilogue

Current market trends suggest that the global business community is taking a long-term view, despite the prevailing global economic and geopolitical uncertainty. International corporates are pressing on with their investment in best-in-class London office accommodation, recognising the importance of the office as a place to collaborate, innovate, transact, and attract and retain a skilled workforce – the pre-requisites to profitability.

The fact that the pipeline supply of properties meeting these operational criteria is at historic lows across the capital is leading to competition among footloose occupiers for the best space which is fuelling the trend in pre-letting activity and higher rents. These trends are likely to continue until the end of the decade when it is anticipated that supply will have begun to catch up with demand, based on the current patterns of take-up and the pipeline supply of new developments.

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Table 1 - Changes In Office Rents Over 1 and 5 Years - New & Refitted Mid-Rise Grade A Space Over 5,000 sq ft					
Submarket	Q2 2020	Q2 2024	Q2 2025	% Increase - 5 Years	% Increase - 1 Year
City of London Prime – Bank, Leadenhall Street	£70.00	£75.00	£87.50	25.00%	16.67%
City of London Secondary - Blackfriars, Aldgate	£65.00	£70.00	£77.50	19.23%	10.71%
City Fringe North - Shoreditch, Clerkenwell	£68.50	£70.00	£72.50	5.84%	3.57%
City Fringe North West - Farringdon, Smithfield	£85.00	£90.00	£92.50	8.82%	2.78%
City Fringe East - Aldgate East	£57.50	£57.50	£57.50	0.00%	0.00%
City Fringe East - Spitalfields	£67.50	£75.00	£77.50	14.81%	3.33%
South Bank - Southwark, London Bridge	£72.50	£77.50	£87.50	20.69%	12.90%
East London - Canary Wharf	£52.50	£55.00	£55.00	4.76%	0.00%
East London - Crossharbour	£37.50	£35.00	£35.00	-6.67%	0.00%
East London - Stratford	£49.50	£47.50	£47.50	-4.04%	0.00%
Midtown West - Bloomsbury	£85.00	£90.00	£90.00	5.88%	0.00%
Midtown East - Holborn	£70.00	£75.00	£85.00	21.43%	13.33%
Midtown North - King's Cross	£85.00	£90.00	£90.00	5.88%	0.00%
Midtown South - Covent Garden	£80.00	£82.50	£90.00	12.50%	9.09%
West End Central - Mayfair, St James's	£115.00	£145.00	£167.50	45.65%	15.52%
West End North West - Marylebone	£92.50	£99.50	£115.00	24.32%	15.58%
West End North East - Fitzrovia	£92.50	£97.50	£105.00	13.51%	7.69%
West End South - Victoria, Westminster	£77.50	£92.50	£97.50	25.81%	5.41%
West End West - Paddington	£77.50	£85.00	£85.00	9.68%	0.00%
West End East - Soho	£95.00	£107.50	£107.50	13.16%	0.00%
West London - Hammersmith	£57.50	£56.00	£55.00	-4.35%	-1.79%
West London - White City, Shepherds Bush	£52.50	£55.00	£57.50	9.52%	4.55%
South West London - Battersea, Nine Elms	£62.50	£62.50	£65.00	4.00%	4.00%

Source: Carter Jonas Research

The 2026 Business Rates Revaluation

From 1 April next year the business rates payable on commercial property will be assessed on updated rateable values ascribed to commercial property by the Government's Valuation Office Agency (VOA) which, in turn, are based on rental values prevailing as at April 2024. It therefore follows that those areas of the London office market that have witnessed the highest rates of rental growth since the last rating revaluation, which was based on 2021 rental values, will see higher increases in rateable values compared with other parts of London.

Consequently, occupiers based in the Mayfair and St James's districts of the West End, and the banking and insurance district in the City of London, are likely to see a higher increase in their business rates bills compared with those based in other parts of central London where rental growth has been more modest.

The Agency is expected to publish its new list of rateable values during the autumn when the Government will also be announcing the new business rates multipliers, which will be used to calculate the rates payable by each ratepayer. Any transitional relief arrangements for those businesses facing significant increases in their business rates bills will be announced at the same time. Until then, accurately forecasting the impact of the 2026 business rates revaluation on central London office occupiers will prove challenging.

However, it is very likely that office occupiers in Mayfair, St James's and the City core are likely to see significant above inflation increases in their business rates costs.

> " Historically low vacancy across the capital is leading to competition among footloose occupiers for the best office space which is fuelling the trend in pre-letting activity – and higher rents. "

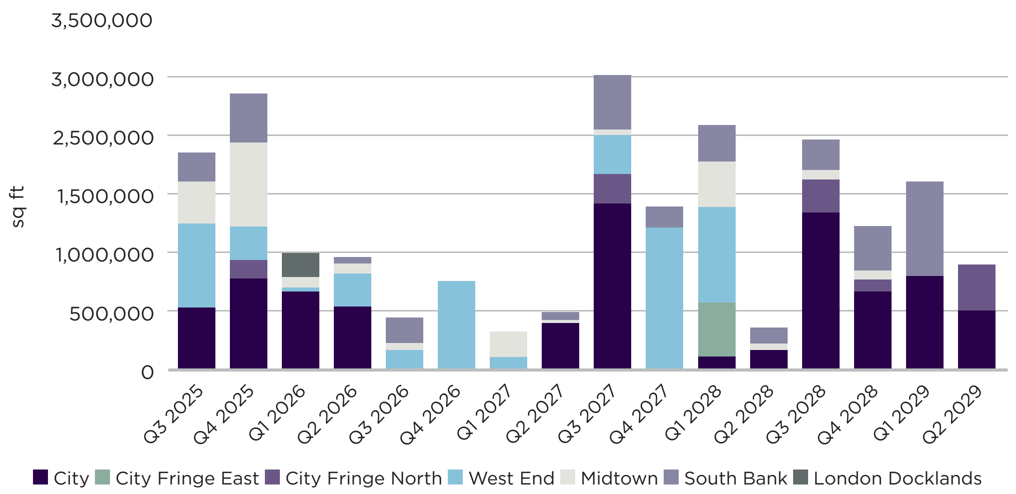
The Supply Pipeline

The graphs below show the pipeline of new office developments and refurbishments above 25,000 sq ft in the West End and Midtown sub-markets, and over 50,000 sq ft in the City, South Bank, City Fringe and Docklands (Canary Wharf), for the period from Q3 2025 to Q2 2029, including the proportion of floor space pre-let ahead of completion of construction, and which will not therefore be available.

Graph 1 illustrates the total quantum of floor space that will be reaching completion in each of the key London office sub-markets and excludes properties that have planning consent and where the developer has yet to decide whether to proceed with construction.

Graph 1
London Office Development / Refurbishment Completions By Sub-Market

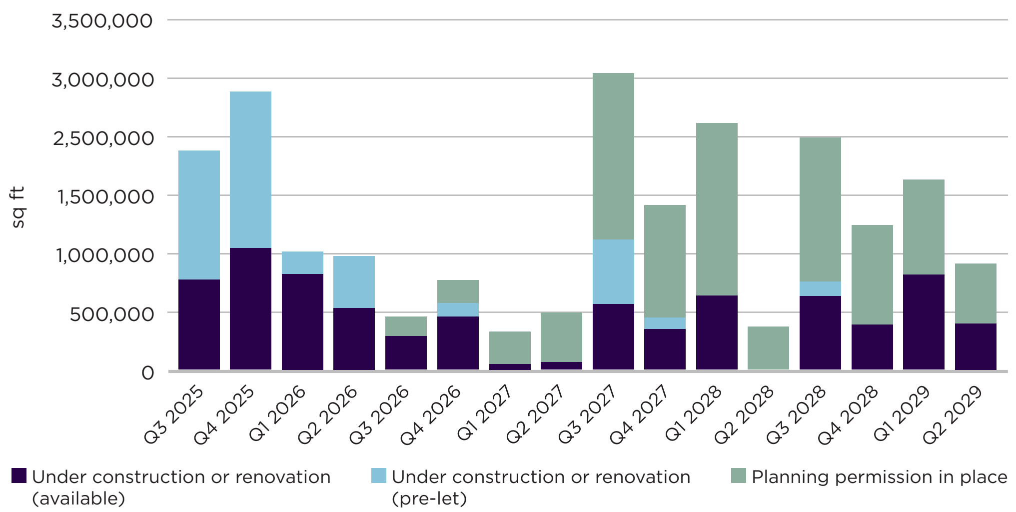
Source: Carter Jonas Research

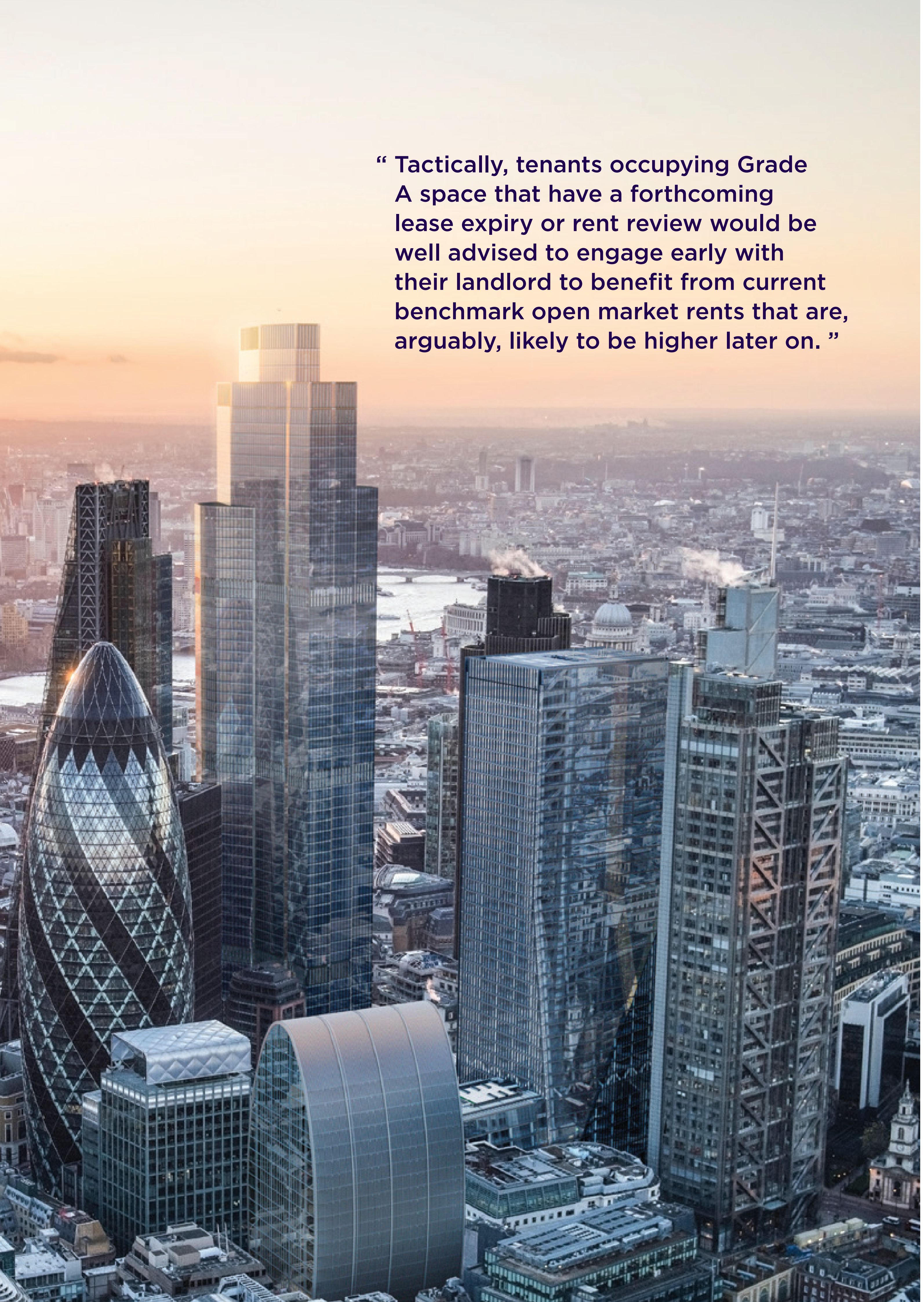


Graph 2 illustrates the extent to which pipeline floor space has been pre-let (and is therefore no longer available). A significant proportion of the office space that is due to be delivered during 2025 has already been pre-let – a trend that is likely to continue given the shortage of space across central London that can accommodate office requirements in excess of 50,000 sq ft.

Graph 2
The London Office Development / Refurbishment Pipeline

Source: Carter Jonas Research





“ Tactically, tenants occupying Grade A space that have a forthcoming lease expiry or rent review would be well advised to engage early with their landlord to benefit from current benchmark open market rents that are, arguably, likely to be higher later on. ”

Rents and Rent Free Periods

Rent Free Periods and Rent Discounts

Table 2 – Typical Rent Free Periods & Rent Discounts By Sub-Market – Q2 2025
New / Refitted & Refurbished Grade A Space (Not fitted plug-in-and-go)

Location	Typical Rent Free Period (lettings over 5,000 sq ft)		Typical Rent Discount (%)
	5-year lease	10-year lease	
City of London - St Paul's, Bank, Liverpool Street, Cannon Street	10 - 12 months	22 - 24 months	2.5 - 3.5
City Fringe North & North West - Shoreditch, Clerkenwell, Farringdon	11 - 13 months	24 - 26 months	2.5 - 4.0
City Fringe East - Aldgate East, Spitalfields	12 - 13 months	24 - 26 months	3.0 - 5.0
Midtown - Bloomsbury, Holborn, King's Cross, Covent Garden	9 - 12 months	22 - 24 months	1.5 - 3.5
West End - Mayfair & St James's	8 - 12 months	20 - 24 months	0 - 3.0
West End - Marylebone, Fitzrovia, Soho, Victoria, Paddington	9 - 12 months	20 - 24 months	1.5 - 3.0
South Bank - Waterloo, Southwark, London Bridge	9 - 12 months	21 - 24 months	2.0 - 3.5
East London - Docklands - Canary Wharf, Wood Wharf	13 - 16 months	26 - 32 months	4.0 - 7.0
East London - Stratford	13 - 15 months	25 - 28 months	3.5 - 6.5
West London - Hammersmith, White City, Chiswick	12 - 15 months	24 - 28 months	3.5 - 6.5
South West London - Vauxhall, Battersea	12 - 15 months	24 - 26 months	3.0 - 6.0

Source: Carter Jonas Research

Advertised Rents

During the second quarter of 2025 landlords' advertised rents for best-in-class Grade A space have remained broadly static, save for the “super-prime” market in the Mayfair and St James's districts of the West End where the acute shortage of available stock is underpinning rental growth.

Please refer to Table 3 which provides an overview of current typical landlords' advertised rents for the various London office sub-markets.

“ Advertised rents for new and refitted best in class Grade A space across most parts of central London are at historic highs, reflecting supply-side constraints. ”

Rent Discounts & Rent Free Periods

Despite the fact that advertised rents for new and refitted Grade A space in many parts of the central London office market are at historic highs, it is still possible to secure rent discounts in many areas, albeit that the discounts have narrowed over the last 18 months. See Table 2.

Because the value of commercial property investments is more sensitive to the level of rent payable under a lease compared with the quantum of rent free period or other financial concessions, the current imbalance between supply and demand in the central London office market is being reflected by landlords in higher rents rather than shorter rent free periods.

“ The imbalance between supply and demand in the London office market is being reflected in higher rents rather than shorter rent free periods in order to flatter real estate investment values. ”

Summary of Forecast Market Trends

A summary of the key current and forecast trends in the London office market is provided below:

Pre-letting activity

- a continuing trend for footloose tenants to start their property searches early, reflecting declining vacancy / choice, and a rise in occupiers committing to pre-let leasing agreements on space that is under construction / refurbishment to secure operationally suitable space that falls within budget, ahead of rivals

Supply

- declining levels of immediately available new and refitted Grade A space across the West End, Midtown, South Bank and City of London sub-markets for the foreseeable future
- the continued pre-letting of space that is under construction will reduce the pipeline supply of unlet, available, floor space reaching the market for the foreseeable future

Demand

- stable demand across London for well-located Grade A space during the rest of 2025

Advertised rents

- for new and refitted Grade A space across central London are likely to remain broadly flat for the remainder of 2025
- upward pressure is likely to continue on rents for super-prime space in the West End sub-market and the upper floors of landmark City tower buildings
- reductions in advertised rents are likely for some lower quality, refurbished, Grade A buildings in secondary locations

Discounts on advertised rents

- for both new and refitted Grade A space are likely to remain broadly static during the next few quarters
- discounts on lower quality, refurbished, Grade A space in secondary locations are likely to widen modestly during the rest of the year, reflecting subdued demand

Rent free period incentives

- for new and refitted best in class Grade A space are likely to remain broadly static during the remainder of 2025
- rent free periods for refurbished Grade A space in secondary locations may expand slightly reflecting weaker demand

Lease length / break options

- Landlords of new and refitted best-in-class space are likely to press for longer leasing commitments reflecting the imbalance between supply and demand
- Tenants are likely to secure greater lease flexibility - shorter leases / more frequent break options – when negotiating on refurbished space of average quality in secondary locations

Bargaining position in lease negotiations

- the balance of bargaining power in lease negotiations is likely to remain biased in favour of landlords for well-located new and refitted Grade A space in most areas of central London during the remainder of 2025
- the bargaining position of tenants will be stronger in lease negotiations on lower quality, refurbished, space in secondary locations

Office leasing activity

- below trend letting activity across London during the remainder of 2025 reflecting global economic uncertainty associated with US trade policy and geopolitical risks

Serviced offices

- demand likely to remain resilient for the remainder of 2025 for serviced office space from start-ups and established businesses that value lease flexibility to hedge against economic uncertainty or to accommodate rapid changes in headcount

Assessing A Building's Sustainability Credentials

Research demonstrates that real estate consumes circa 40% of global energy annually and contributes to approximately 20% of carbon emissions. Operating from energy-efficient, sustainable, accommodation is therefore one of the key ways that a business can ameliorate its impact on the environment and boost it's "green" and corporate social responsibility credentials.

To assist footloose tenants in their quest to identify accommodation that will align with their adopted environmental policies a number of building certifications have been developed.

Energy Performance Certificates

Introduced under the UK Government's Minimum Energy Efficiency Standards (MEES) legislation, energy performance certificates (EPCs) are helpful in demonstrating whether a building is well insulated and fitted with building services, including lighting systems and heating and air conditioning plant, that are energy-efficient.

The Government's proposed phased tightening of the existing MEES regulations will mean that from 1 April 2027 landlords, and tenants with surplus space, will not be able to let or derive rental income from accommodation that has an EPC rating below C (or else be faced with a fine). At present a property must have an EPC rating that falls within categories A to E inclusive before it can be offered to let. With effect from 1 April 2030, under the Government's proposals, it will be necessary for commercial properties to have an EPC rating of A or B.

It is, however, intended that some exemptions to the proposed new regulations will apply, providing that certain qualifying criteria are met. For example, some listed buildings will be exempt if the works to upgrade the energy efficiency rating of the property will adversely affect the architectural features of the building. Listed and non-listed buildings may also be exempt if the cost of the works to upgrade the property to render it compliant with MEES regulations exceeds any savings in energy costs over a seven year period. The switch to using energy generated from renewable resources, instead of fossil fuels, can sometimes be sufficient to boost a building's EPC rating sufficiently to render it compliant with the proposed tighter energy performance regulations.

Despite the fact that the proposed tighter energy performance regulations have yet to be introduced, the mere fact that they have been proposed is already having an impact on the office market. Footloose tenants that are currently seeking alternative premises are typically focussing their property searches on buildings that will be compliant with the new proposals, ahead of their introduction, to future-proof their ability to assign / transfer their lease or sub-let space that may later be surplus to requirements.

Energy performance certificates have a ten year life-space from the date of issue. It is a legal requirement for those leasing office space to maintain a valid, in-date, EPC and to include in the marketing material details of the energy performance rating of the accommodation, which should assist footloose occupiers in avoiding properties that will be non-compliant when the new MEES regulations come in to force.

BREEAM & LEED

Other real estate environmental accreditations include BREEAM (British) and LEED (American), which are gradually being adopted internationally by property developers and investors, each of which include an assessment of a building's design and use of materials to benchmark its sustainability credentials.

Buildings that incorporate environmentally-friendly features such as roof gardens, solar panels, wind turbines, bike racks and shower facilities (to discourage the use of motor- based commuting), energy saving devices and mechanisms to harness and recycle rainwater will score high ratings. The use of recycled and recyclable building materials and materials derived from sustainable sources will also boost a building's BREEAM and LEED scores.

NABERS

In Australia, the NABERS real estate accreditation has been developed and is, similarly, being adopted internationally by real estate owners and developers to complement BREEAM and LEED accreditations. Unlike the latter, NABERS is an annually renewable accreditation and measures the environmental performance of a building and how efficiently it is being managed, with particular emphasis on energy and water consumption and waste recycling.

Landlords are responding to the structural shift in demand for sustainable accommodation by obtaining the aforementioned accreditations, details of which will typically be included in marketing material.

WELL

The WELL standard is another real estate accreditation that is complementary to the BREEAM, LEED and NABERS certifications. With its emphasis on the wellbeing of the users of real estate, a building's WELL accreditation will be concerned with the following:

- air and water quality (including drinking water)
- building design in so far as it affects / promotes the wellbeing of its occupants
- lighting levels and light quality
- the existence of any hazardous materials

> " The impact of the European Union's Corporate Sustainability Reporting Directive on those based outside the EU, that trade with EU businesses, is likely to reinforce demand for environmental-friendly Grade A office space in non-EU countries. "

The London Office Market

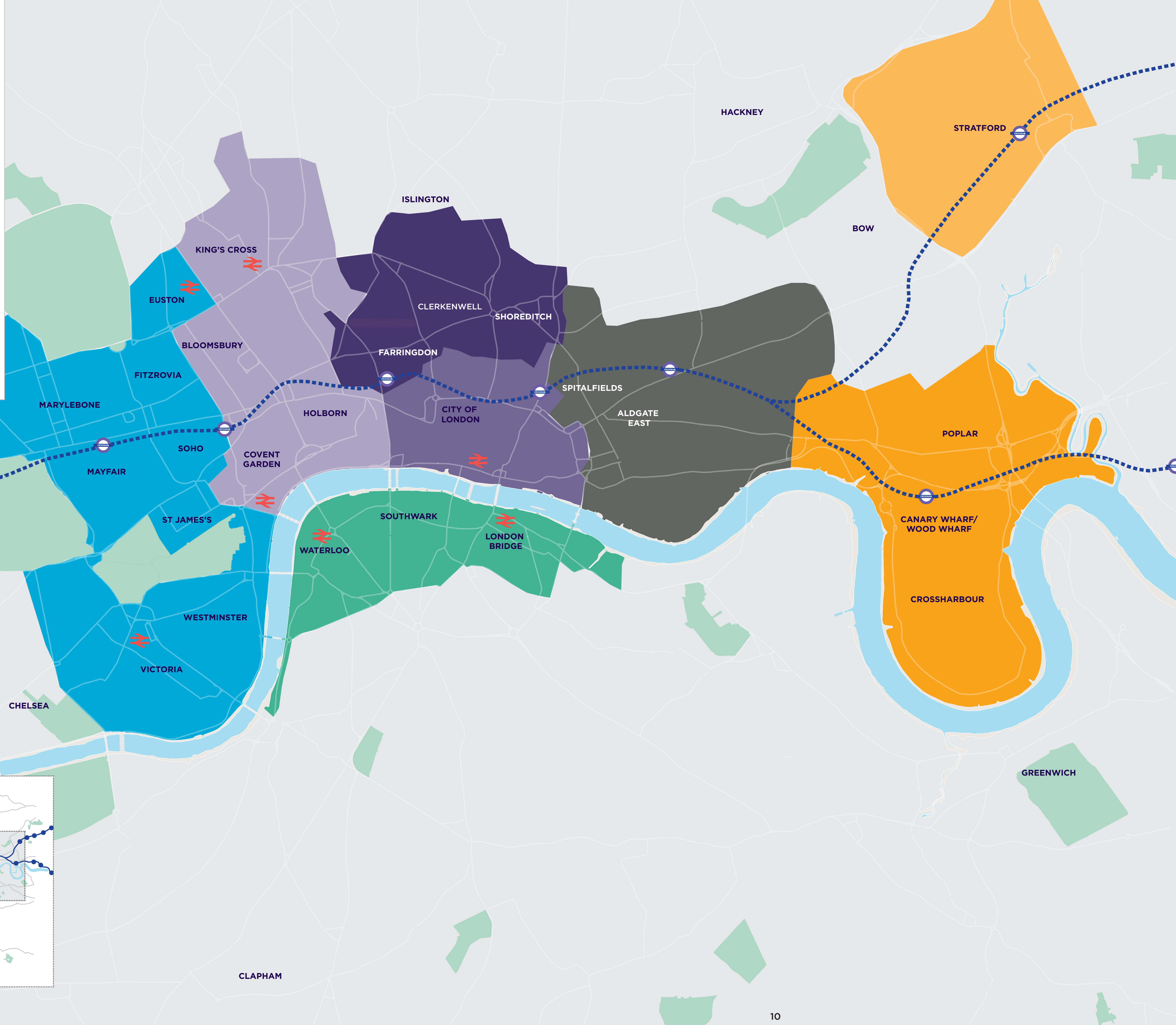
The London office market is formed of a series of sub-markets each having quite different supply and demand dynamics, which are reflected in the differing levels of rent and rent free periods that characterise each location.

Office Occupancy Costs

Table 3 of this document provides a summary of the typical rent, business rates and service charge occupancy costs associated with each sub-market for new and refitted, mid-rise, Grade A office space, with good sustainability credentials, over 5,000 sq ft.

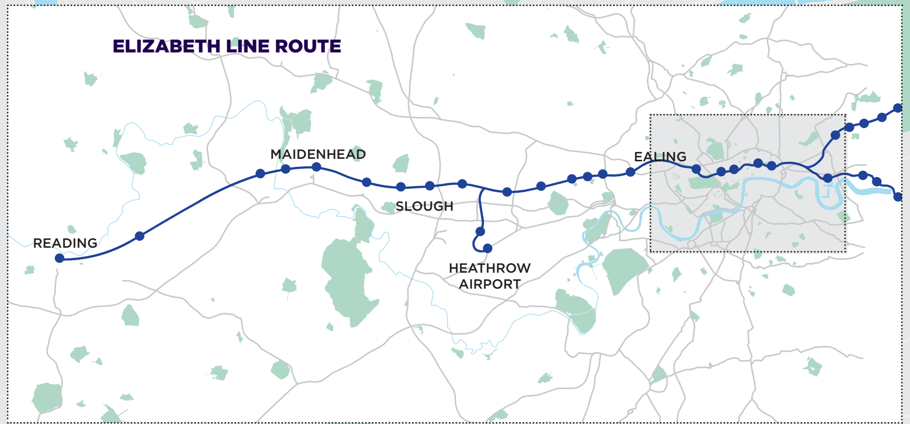
Rent Free Periods

Table 1 of this document provides a summary of typical rent free periods for 5 and 10 year leases, by sub-market.



Sub-markets & Postcodes

- **West End** W1, W2, SW1, NW1
- **Midtown** WC1, WC2, Part N1/EC1/EC4
- **City** EC2, EC3, Part EC1/EC4
- **City Fringe North** Part EC1/N1
- **City Fringe East** E1, E2
- **South Bank** SE1, SW8
- **London Docklands** E14
- **Stratford** E15, E20
- **Elizabeth Line/Crossrail** route
- Denotes **National Rail** station



“ Despite geopolitical and economic uncertainty, and based on Q2 take-up data, it would seem that international corporates are pressing on with their investment in best-in-class London office accommodation, recognising the importance of the office as a place to collaborate, innovate, transact, and attract and retain a skilled workforce – the pre-requisites to profitability. ”

Table 3 – The London Office Market – Typical Advertised Rents Q2 2025

£ per sq ft per annum | space over 5,000 sq ft | UF= Upper Floors | RV = River Views (Not fitted plug-in-and-go)

Location	Grade A		Grade B
	New/Refitted	Refurbished	Refurbished
City			
Prime - Bank, Leadenhall Street	£79.50 - £97.50 (UF = £115.00 - £150.00)	£65.00 - £77.50 (UF = £87.50 - £112.50)	£47.50 - £57.50
Secondary - Blackfriars, Aldgate	£69.50 - £87.50 (UF = £92.50 - £120.00)	£55.00 - £67.50 (UF = £72.50 - £87.50)	£40.00 - £50.00
City Fringe			
North - Shoreditch, Clerkenwell	£67.50 - £77.50 (UF = £80.00 - £90.00)	£55.00 - £65.00	£40.00 - £50.00
North West - Farringdon, Smithfield	£80.00 - £92.50 (UF = £97.50 - £115.00)	£67.50 - £77.50	£47.50 - £60.00
East - Spitalfields	£72.50 - £87.50 (UF = £90.00 - £97.50)	£57.50 - £70.00	£40.00 - £50.00
East - Aldgate East, Wapping	£55.00 - £60.00 (UF = £62.50 - £67.50)	£42.50 - £52.50	£35.00 - £37.50
South Bank			
Waterloo, Southwark, London Bridge	£75.00 - £92.50 (UF/RV = £95.00 - £115.00)	£62.50 - £72.50 (UF = £75.00 - £87.50)	£47.50 - £57.50
East London			
Docklands Prime - Canary Wharf & Wood Wharf	£47.50 - £60.00 (UF = £62.50 - £70.00)	£32.50 - £42.50 (UF = £45.00 - £50.00)	£27.50 - £35.00
Docklands Secondary - Crossharbour	£32.50 - £39.50	£27.50 - £32.50	£22.50 - £27.50
Stratford	£45.00 - £52.50	£35.00 - £42.50	£22.50 - £29.50
West End			
Central - Mayfair, St James's (Prime)	£150.00 - £205.00 (UF = £215.00 - £230.00)	£97.50 - £140.00	£80.00 - £90.00
Central - Mayfair, St James's (Secondary)	£115.00 - £145.00	£90.00 - £110.00	£75.00 - £85.00
North - Euston	£77.50 - £92.50	£62.50 - £75.00	£45.00 - £55.00
North East - Fitzrovia	£95.00 - £135.00 (UF = £140.00 - £150.00)	£82.50 - £92.50	£57.50 - £75.00
North West - Marylebone	£97.50 - £140.00 (UF = £150.00 - £180.00)	£85.00 - £95.00	£65.00 - £77.50
South - Victoria, Westminster, Haymarket	£82.50 - £110.00 (UF = £112.50 - £120.00)	£65.00 - £77.50 (UF = £82.50 - £92.50)	£42.50 - £57.50
South West - Knightsbridge	£92.50 - £115.00	£77.50 - £89.50	£62.50 - £72.50
East - Soho, Regent Street, Leicester Square	£92.50 - £115.00 (UF = £117.50 - £125.00)	£72.50 - £89.50	£55.00 - £67.50
West - Paddington	£75.00 - £88.50 (UF = £90.00 - £95.00)	£62.50 - £72.50	£42.50 - £52.50
Midtown			
North - King's Cross	£79.50 - £95.00 (UF= £100.00 - £110.00)	£67.50 - £77.50	£47.50 - £57.50
South - Covent Garden, Strand	£79.50 - £95.00 (UF/RV = £97.50 - £125.00)	£67.50 - £77.50	£52.50 - £62.50
East - Holborn	£75.00 - £90.00 (UF = £95.00 - £115.00)	£57.50 - £72.50	£45.00 - £52.50
West - Bloomsbury	£82.50 - £95.00 (UF = £97.50 - £125.00)	£67.50 - £79.50	£47.50 - £57.50
South West London			
Chelsea	£85.00 - £115.00	£67.50 - £82.50	£50.00 - £62.50
Battersea, Nine Elms, Vauxhall	£57.50 - £67.50 (UF = £70.00 - £80.00)	£45.00 - £55.00	£37.50 - £43.00
West London			
South Kensington	£80.00 - £115.00	£67.50 - £77.50	£45.00 - £57.50
Olympia	£57.50 - £80.00	£42.50 - £55.00	£35.00 - £40.00
Hammersmith	£52.00 - £58.50	£40.00 - £50.00 (UF = £55.00 - £57.50)	£32.50 - £42.50
White City	£52.50 - £60.00 UF = £62.50 - £65.00	£42.50 - £50.00	£32.50 - £40.00
Chiswick	£48.50 - £55.00	£37.50 - £47.50	£32.50 - £37.50
Ealing	£47.50 - £55.00	£36.50 - £45.00	£29.50 - £36.50

Grades of Office Accommodation

For marketing purposes office accommodation is generally categorised into Grades which are defined as follows:

Grade A

Space fitted with air conditioning & passenger lift facilities & fully accessible raised floors for data / telecoms cable management

Grade B

Accommodation that typically incorporates under floor or perimeter trunking for data / telecoms cable management, rather than raised floors, and / or air cooling facilities, instead of an air conditioning system that dehumidifies & draws fresh air in to the building

Refitted space

Accommodation where the entire building, including the common parts, has been refitted and is “as new”, incorporating new building services, including lighting, air conditioning and passenger lift facilities

Refurbished space

Premises where the existing building services have been overhauled, rather than replaced with new systems

Source: Carter Jonas Research

Table 3 rents are for space that is not being offered to let on a ready fitted out “plug-in-and-go” basis.

Principal Office Occupation Costs

Rent, business rates and building service charge costs form the principal office occupancy overheads.

Value Added Tax

Where a property has been opted to tax by the landlord, the tenant will be required to pay VAT on the rent and service charges payments due under the lease. Charities, banks, insurance companies and some businesses operating in the medical profession will typically wish to avoid properties that have been opted to tax given their inability to recover 100% of their VAT costs.

Table 4 – Comparison of Rent, Business Rates and Service Charge Office Occupancy Costs by Sub-Market - Q2 2025

(Typical costs per sq ft per annum for new and refitted mid-rise Grade A space over 5,000 sq ft, non-ready fitted out, excluding VAT)

Sub-market	Rent	Business Rates	Service Charge	Total
City of London Prime – Bank, Leadenhall Street	£87.50	£34.55	£15.00	£137.05
City of London Secondary - Blackfriars, Aldgate	£77.50	£30.50	£15.00	£123.00
City Fringe North - Shoreditch, Clerkenwell	£72.50	£27.30	£13.50	£113.30
City Fringe North West - Farringdon, Smithfield	£92.50	£30.50	£13.50	£136.50
City Fringe East - Aldgate East	£57.50	£25.40	£13.50	£96.40
City Fringe East - Spitalfields	£77.50	£28.70	£13.50	£119.70
South Bank - Southwark, London Bridge	£87.50	£29.00	£13.50	£130.00
East London - Canary Wharf	£55.00	£18.10	*£19.00	£92.10
East London - Crossharbour	£35.00	£13.00	£13.50	£61.50
East London - Stratford	£47.50	£17.90	*£13.50	£78.90
Midtown West - Bloomsbury	£90.00	£35.75	£13.50	£139.25
Midtown East - Holborn	£85.00	£33.50	£13.50	£132.00
Midtown North - King's Cross	£90.00	£37.90	£13.50	£141.40
Midtown South - Covent Garden	£90.00	£37.90	£13.50	£141.40
West End Central - Mayfair, St James's	£167.50	£58.80	£14.50	£240.80
West End North West - Marylebone	£115.00	£45.00	£13.50	£173.50
West End North East - Fitzrovia	£105.00	£42.30	£13.50	£160.80
West End South - Victoria, Westminster	£97.50	£41.70	£13.50	£152.70
West End West - Paddington	£85.00	£29.25	£13.50	£127.75
West End East - Soho	£107.50	£43.90	£13.50	£164.90
West London - Hammersmith	£55.00	£26.00	£13.00	£94.00
West London - White City, Shepherds Bush	£57.50	£24.40	£13.00	£94.90
South West London - Battersea, Nine Elms	£65.00	£23.90	£13.00	£101.90

Source: Carter Jonas Research

Please refer to the map overleaf which illustrates the various London office sub-markets.

Notes

- Rents are typical landlords' advertised rents for space that is not ready fitted out (plug-in-and-go) and exclude the value of rent free periods
- Business rates cost estimates are from 1 April 2025 and include the Crossrail levy
- * includes estate charge
- Total costs are estimates and exclude building insurance and tenant's own utilities costs
- Rents for the upper floors of tower buildings will typically command a premium of circa 20 – 35% above those illustrated in the table
- The cost estimates in the table are provided for guidance only. Actual occupancy costs and will vary from building to building

Business Rates Relief

Business rates relief of up to 80% is typically available to organisations with charitable status providing that certain qualifying criteria are met.

Mitigating Real Estate Costs

Real estate typically comprises the second highest operating cost of most businesses after staff salaries. The efficient management and control of real estate costs should therefore have a positive impact on profitability.

A lease expiry or break option presents an ideal opportunity for a business to mitigate its real estate costs by enabling:

- new lease terms to be negotiated - including a revised rent and a rent free period
- potential downsizing of the floor area occupied at the existing premises
- a relocation to smaller / lower cost / better quality, environmentally-friendly, premises

Negotiating A Cost-Effective, Tenant-Friendly, Lease

The principal terms set out below should form the bedrock of the lease negotiations, in order to cap future lease liabilities and to achieve the objective of securing a cost-effective, tenant-friendly, tenancy:

- a rent that reflects the current economic climate
- a rent free period, including additional post break option rent free periods
- landlord's capital contributions towards any refurbishment / fitting out works
- a service charge cap – to limit future increases in real estate costs
- the inclusion of regular tenant-only break options – to build in lease flexibility
- a cap on the tenant's repairing and removal of fixtures and fittings exit obligations
- tenant-friendly rent review valuation provisions (leases of 5 years, or longer)

Reducing The Property Footprint

Shrinking the property footprint occupied is another effective way of reducing exposure to rent, business rates and service charge costs.

Whether staying-put and downsizing or relocating to smaller premises, the most effective floor area reduction strategies will typically incorporate:

- the adoption of new operating practices such as "hybrid" working from home and the office, adopting a rota system - to reduce desk-count
- a greater emphasis on use of the office as a "drop-in when required" collaboration hub
- the use of smaller desks and less office furniture
- a move to "cloud" based data storage and the digitisation of documents – to negate the need to allocate floor space for a server room and archive storage

Minimising Relocation Costs

If the decision is taken to move a relocation cost saving plan can be devised to preserve working capital and minimise the negative impact of the office move on cashflow.

" The efficient management of real estate costs should flatter profitability given that property typically forms the second highest operating cost of most businesses after staff salaries. "

A relocation cost saving plan would typically include:

- focusing the property search on "plug-in-and-go" ready fitted out space that includes meeting rooms, senior manager's offices, kitchen facilities, data / telecoms infrastructure and furniture
- where non-ready fitted out space is to be leased, tendering the fitting out contract to drive down interior design and construction costs
- making use of HMRC capital allowances tax breaks (where paying UK corporation tax) to reduce fit out costs
- employing a suitably experienced building surveyor to challenge, and negotiate, the landlord's lease exit liabilities claim relating to the existing premises
- developing a detailed relocation timetable to benchmark and regulate the speed of the project, to synchronise the move, so that overlap rent, business rates and service charge costs are minimised

The Carter Jonas Tenant Representation Team can provide further advice on the various issues outlined above.

Key Leasing Transactions During Q2 2025

Second quarter lettings across London have been dominated by the financial and business services (including legal services) sectors – trends that were also prominent during the first quarter of 2025.

The second quarter lettings data also demonstrates the ongoing trend for tenants to favour new and re-fitted Grade A space with good sustainability credentials and illustrates the extent of pre-letting activity.

Table 5 – Key Office Lettings – Q2 2025

Sub-market	Tenant	Business Sector	Property	Floor Area (sq ft)
City of London	Squarepoint	Financial Services	65 Gresham Street, EC2 (pre-let)	400,000
City of London	State Street	Financial Services	100 New Bridge Street, EC4 (pre-completion sale)	195,000
City of London	London Stock Exchange Group	Financial Services	St Martin's Court, 10 Paternoster Row, EC4	100,000
City of London	Knight Frank	Business Services	1 Liverpool Street, EC2 (pre-let)	72,400
City of London	Huckletree	Flexi Offices	40 Leadenhall Street, EC3	50,000
City Fringe - North - Shoreditch	Adobe	Technology	The White Collar Factory, 1 Old Street Yard, EC1	13,400
City Fringe East - Whitechapel	Koba	Flexi offices	The Rowe, 60 Whitechapel High Street, E1	24,548
West End - Central - Mayfair	McDermott Will & Emery	Legal Services	7 Brook Street, W1 (pre-let)	115,000
West End - North West - Marylebone	Union Bancaire Privee	Financial Services	Marylebone Place, 1 Wyndham Street, W1	75,000
West End - Central - St James's	Clayton Dubilier & Rice	Financial Services	30 Duke Street, SW1 (pre-let)	62,500
West End - North East - Fitzrovia	TBC	TBC	214 Oxford Street, W1	47,000
West End - North East - Fitzrovia	Industrious	Flexi Offices	15 Fitzroy Street, W1	25,683
West End - North - Euston	Numerator	Technology	Mainframe, 24 Eversholt Street, NW1	12,022
Midtown - South - Covent Garden	HiBob	Business Services	Space House, 1 Kemble Street, WC2	19,000
Midtown - South - Covent Garden	Immersive Everywhere	Leisure	Arclight, 60 Short's Gardens, WC2	13,300
Midtown - West - Bloomsbury	First Quantum Minerals	Mining	The Heal's Building, 196 Tottenham Court Road, W1	12,500
Midtown - West - Bloomsbury	LifeArc	Life sciences	Kova KX, 105 Judd Street, WC1	70,000
Midtown - East - Holborn	Macfarlanes	Legal Services	Edenica, 100 Fetter Lane, EC4	11,000
Midtown - East - Holborn	Direct Ferries	Transport	High Holborn House, 52-54 High Holborn, WC1	7,881
South Bank - Southwark	The Lego Group	Leisure	76 Southbank, 76 Upper Ground, SE1	192,000
South Bank - Southwark	PayPal	Financial Services	76 Southbank, 76 Upper Ground, SE1	40,000
South Bank - Southwark	Charles Tyrwhitt	Retail	The Forge, 105 Sumner Street, SE1	18,680
South Bank - London Bridge	Czarnikow	Business Services	2 More London Riverside, SE1	14,400
East London - Stratford	Arden University	Education	The Turing Building, Stratford Cross, E20	94,000

Source: Carter Jonas Research

Stay vs Go Cost Appraisal

The existence of a lease break option or expiry presents a tenant with an opportunity to assess its real estate options which could include:

- using the existence of the break option / expiry, and the option of relocating, as a bargaining counter to negotiate a new tenancy that offers better value and more tenant-friendly lease terms
- relocating to alternative premises – which may offer better value and the ability to downsize, or operate from larger premises to accommodate growth, as well as the opportunity to create a new, vibrant and engaging work environment which will underpin ESG policies and return to the office, workforce wellbeing, recruitment, retention and productivity strategies

Stay-put / Relocate Property Options Cost Appraisal

In order to assess and compare the costs of staying put or relocating, and to assist with obtaining Board approvals for budgets, it would be prudent to undertake a stay put / relocate property options cost appraisal. The appraisal will also identify where the largest cost savings can be made.

A property options cost appraisal would typically include an analysis of the following, taking into account the value of any rent free periods and landlord's capital contribution incentives that can be negotiated as part of the letting package:

- **the one-off capital expenditure associated with staying put including:**
    - transaction costs – solicitor's and property consultant's fees and stamp duty land tax
    - refurbishment costs – the costs of any upgrade / reconfiguration works that the tenant may wish to make to its existing office space
    - the cost of funding the capital expenditure
- **the capital costs associated with moving – including:**
    - the exit costs associated with the existing premises – repairs / dilapidations
    - fitting out costs at the selected premises, including furniture and any upgrades to data / telecoms hardware, in the absence of finding suitable ready fitted out space
    - the overlap rent, business rates and service charge costs payable from the date of commencement of the lease on the selected premises to the date of expiry of the lease on the existing accommodation
    - transaction costs – solicitor's, property consultant's and building surveyor's fees and stamp duty land tax
    - the cost of funding the capital expenditure
- **the annual running costs of the existing premises, subject to the new lease, which will include:**
    - the negotiated rent
    - business rates
    - building service charge and insurance premium contribution
    - utilities costs
- **the annual running costs of alternative premises –** which will account for the same variables, as detailed above

Further information on carrying out a stay put / relocate property options cost appraisal is available on request from the Carter Jonas Tenant Representation Team.

The Flexi Office Leasing Market

As the commentary in this document sets out, the global business community is currently contending with a raft of economic and geopolitical issues. Large corporations with external shareholders are, arguably, better able to ride out the volatility in world trading patterns than smaller, owner-managed, or fledgling businesses.

Commercial real estate is typically the second highest operating cost of most businesses after salaries, often requiring a relatively long, typically 5 – 10 year, leasing commitment.

Flexi offices - serviced and managed offices - are therefore an attractive proposition for start-ups, established small businesses and those that are growing quickly – offering both lease flexibility, typically between 6 – 36 months, and a low capital expenditure, cashflow-friendly accommodation solution.

There is no lengthy and complicated lease to sign, no requirement to tie-up working capital in an expensive fit out or to purchase office furniture, there are usually no dilapidations liabilities and the flexi office operator can typically provide data / telecoms services and support.

During the second quarter of the year, demand for flexible office space has continued to be fuelled by a combination of drivers including start-up businesses, fast growing enterprises that need the flexibility to be able to move to larger accommodation at short notice and those organisations serving a short-term business contract. Demand is further being boosted by those businesses that are reluctant to commit to a long-term lease in the wake of the current uncertain economic and geopolitical climate.

Typical Rents

Typical rents for serviced office accommodation range between £750 - £1,250 per desk per month in the West End and £600 - £950 per desk per month in The City, depending upon quality, scope of services being provided by the landlord and micro-location.

Serviced / Co-working Office Space - The Pros & Cons

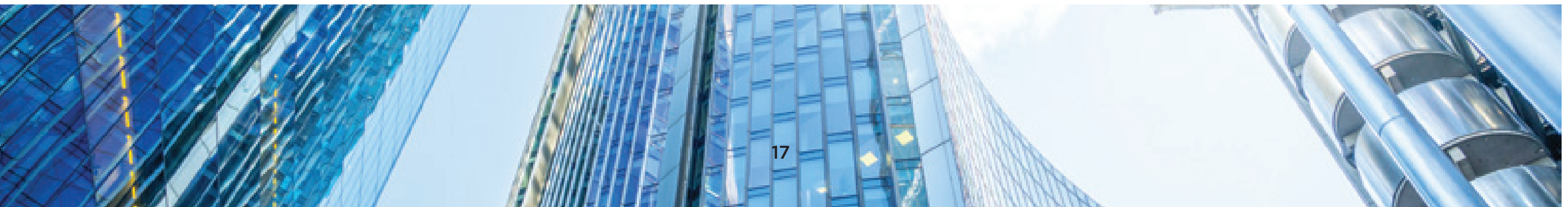
The key advantages of serviced / co-working office space are that it is "cash-flow friendly" (virtually no capital expenditure required) and offers a high degree of lease flexibility – enabling a relocation to more permanent accommodation to be effected at short notice.

In detail, serviced / co-working space offers the following advantages:

- Ready fitted out with data / telecoms infrastructure and furniture – therefore little or no capital expenditure
- Enables the level of working capital available for investment in the business to be maximised
- Cashflow-friendly
- A quick, plug in and go, accommodation solution
- typically no dilapidations / repairing / exit costs – a contribution to which is usually reflected in the rent payable
- Short form service agreement that can be issued and signed within a matter of hours – no complicated, lengthy, real estate lease requiring the advice of a real estate lawyer
- The ability to expand and contract quickly in response to changes in market conditions
- No stamp duty land tax payable on the grant of the service agreement

However, serviced / co-working office space is not suitable for all businesses, especially those that require a high degree of data security such as private client wealth managers and law firms, or those businesses that wish to stamp their own brand on their office space.

> " Economic and geopolitical uncertainty is the friend of the flexi-office leasing market which offers risk averse businesses a minimal / nil capital expenditure, cashflow-friendly, accommodation solution at short notice, until more certain trading conditions are restored. "



Ready Fitted Out & Non-Fitted Office Space

Traditionally, landlords have typically developed and refurbished office space and left it ready for the incoming tenant to fit out with data / telecoms infrastructure, furniture, meeting rooms, private offices, video call / pod rooms, reception, break out, kitchen and storage areas, to render it operational for the tenant's particular needs.

Creating An Attractive, Cost-Effective, Work Environment

Well informed organisations understand the importance of providing a bright, attractive, environmentally sustainable workplace in order to underpin recruitment, retention, productivity, wellness and corporate social responsibility policies. Creating that environment – whether relocating or staying put and refurbishing / reconfiguring – requires significant financial investment and careful design and procurement.

Costs / Tax Relief

Inflation in building materials and labour costs has, over the last couple of years, seen the cost of fitting out office accommodation rise substantially.

While those businesses that pay corporation tax can make use of capital allowances tax relief to offset some of the expenditure associated with fitting out, or reconfiguring / upgrading existing workspace, fitting out and refurbishment costs nonetheless represent a very significant drain on a business' working capital and cashflow.

"Plug-In-And-Go" Office Space

To minimise their exposure to letting voids increasing numbers of landlords were, prior to the pandemic, offering vacant space on a ready fitted out "plug-in-and-go" basis. This trend was typically confined to the sub-5,000 sq ft lettings market as landlords sought to compete for tenants against the providers of serviced office accommodation. Today, it is not uncommon for office space of up to 20,000 sq ft to be offered in CAT A+ fit out, either on a "plug-in-and-go" or on a bespoke basis – the latter forming part of the negotiated letting package.

However, when leasing "plug-in-and-go Cat A+" floorspace care should be taken to ensure that data service line connections have been installed within the accommodation. If not, it can often take 12 weeks or more to procure a dedicated, leased, data service line connection.

Bespoke Fit Out

Where office space is being marketed without it having been ready fitted out, increasing numbers of landlords are offering to fit the space out for the incoming tenant, on a bespoke basis. The key advantage for footloose tenants is that landlords will typically bear all the costs of the fitting out works, including the cost of providing data / telecoms infrastructure and furniture, on the basis that the landlord's costs will be recouped by way of a shorter rent free period and / or higher rent.

Either way, a landlord-funded bespoke fit out represents a lower capital expenditure, cashflow-friendly, accommodation solution for footloose tenants with the added advantage of avoiding the distractions associated with the tenant having to procure and manage a fitting out contractor.

Dilapidations

Where office accommodation that is being offered ready fitted out by the landlord is to be leased, and where the landlord is funding the fit out in return for a shorter rent free period and / or higher rent, it should be possible to negotiate the letting on the basis that the tenant's future lease exit / dilapidations liabilities will be zero, or significantly reduced.

A zero / reduced dilapidations liability will also flatter the tenant's financial accounting because the provisions associated with lease exit obligations can be reduced.

Break Options & Bespoke Fit Outs

As well as increasing the prospects of securing a letting, offering office space on a bespoke fitted out basis has another, more subtle, advantage for a landlord. By charging a rental premium to reflect the cost of the fitting out works a landlord can often enhance the valuation of its property asset. Rental premiums of between £5.00 and £10.00 per sq ft per annum are quite typical depending upon the specification, quality and scale of the fitting out works and the length of lease to be granted / timing of tenant break options.

If the letting of bespoke fitted out accommodation is to include a break option, the landlord's amortisation period for the cost of the fitting out works will typically be up to the break option date. Tenants should not therefore continue paying any rental premium associated with the landlord's fitting out works capital expenditure beyond the break option date, should the tenant decide not to exercise its break option and continue in occupation past the break date.

The Tenant Representation Team

Our tenant representation services include:

- Stay / go property options cost appraisals
- Office space search & cost appraisal
- Break option linked lease re-negotiation
- Workplace design & floorspace re-configuration
- Marketing & leasing services – surplus space
- Serviced & co-working property searches and negotiations
- Office move management
- Fitting out contractor procurement, supervision and project management
- Lease renewal negotiation
- Relocation budgeting & planning
- Lease & rent review negotiation
- Repairs/dilapidations cost assessment & negotiation
- Building, air conditioning & passenger lift surveys
- Business rates analysis & appeal
- Service charge audit

For more data on the London office market, office availability, rents & rent free periods, market trends & information on budgeting & planning for a lease renewal, rent review or office relocation please contact one of the team.

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