

RESEARCH

The London Office Market Q1 2026

A Guide To Rents,
Rent Free Periods
& Market Trends



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Carter Jonas

Back To The 1970s?

It is Harold Wilson (Prime Minister 1964 - 1970 & 1974 - 76) who is credited with coining the phrase “A week is a long time in politics.” He wasn’t wrong.

At the beginning of the year, conditions appeared broadly supportive for the global business community, with greater clarity in relation to US trade policy, easing inflation, expectations of lower interest rates and a tentative improvement in business confidence. Fast forward a couple of months to President Trump’s decision to go to war with Iran and the picture looks rather different – with the spectre of inflation and higher interest rates returning.

The blockade of the Strait of Hormuz by the Iranian regime, and the constraints that it has imposed on international shipping, has illustrated the vulnerabilities of the global economy and its dependence on those most vital of commodities – oil and gas.

The subsequent increase in oil prices – Brent crude up 91.5% in the three months to 31 March 2026 to 118.35 USD per barrel - the price having eased to 94.59 USD per barrel on the recent announcement of the ceasefire - represents an unwelcome shock to the global economy. Energy price shocks are, of course, nothing new. Students of history will be aware of the oil price shock of 1973 when the price of oil rose by 400%, sparked by the Arab / Israeli war, and 1979, following the Iranian revolution. Both led to inflation, higher interest rates and economic stagnation across the North American and European trading blocs.

At the time of writing, it remains to be seen whether the two week ceasefire will result in a lasting resolution to the conflict and the restoration of uninterrupted maritime trade.

A Different Era

So are we back to the 1970s? The price of oil has not quadrupled. Demand for oil as an energy source has declined

as many countries that were once heavily oil-dependent have invested in alternative sources of energy including nuclear, solar, wind and hydro-electric, in a bid to reduce their carbon footprint and enhance their energy security. Oil production is not as geographically

“ The war in the Middle East provides a window of opportunity for footloose tenants to take advantage of short-term market weakness. ”

concentrated as it was in the 1970s. Countries including the USA, Russia, China, Norway and Brazil are significant contributors to world oil production and have, collectively, weakened the influence of the Middle East and the Organisation of Arab Petroleum Exporting Countries (OAPPEC), which had an iron grip on oil prices. The world’s central bankers are, arguably, much more alive to the policies that need to be put in place to avoid a repeat of the economic stagnation that characterised the 1970s. There are, currently, no fuel shortages and no rationing of petrol or diesel. The world is a very different place compared with 1973 and 1979.

Inflation & Interest Rates

However, the inflationary impact of higher oil prices should not be underestimated. In its various forms oil is a key component of a raft of manufactured goods. Oil also plays a vital role in agriculture and food processing and without it the global distribution network would grind to a halt. Oil is therefore inextricably woven into the fabric of our daily lives and any sharp increase in the price of this commodity will eventually be felt by consumers.

The extent to which higher oil and gas prices feed through to inflation, and lead to higher global interest rates, will be influenced by how quickly the conflict in the Middle East can be resolved and the Strait of Hormuz re-opened to maritime trade.

London’s Resilience

However, as previous editions of this publication have highlighted, London stands to weather the economic turbulence better than other capital cities given its status as an established global financial and professional services and technology hub. Indeed, investment in London’s growing artificial intelligence sector has continued during the first quarter of the year. AI business Databricks has entered into a pre-letting agreement on the entire 136,000 sq ft at Derwent’s Network building in Fitzrovia, which is due for completion during the second quarter of the year. It has been reported that the letting represents a three-fold increase in Databricks’ London property footprint, with a commensurate rise in the company’s headcount.

Supply-Side Constraints

Pre-letting activity (see Table 5) is continuing to erode vacancy rates across central London. However, higher financing and construction costs, and tighter planning regulations that require developers to justify demolition, are conspiring to constrain the pipeline supply of new and refurbished office space with good sustainability credentials. Grade A floor space vacancy levels in the key central London business districts are acutely low - and likely to remain that way until the end of the decade - limiting choice for footloose businesses seeking a new home.

In The Short Run

In the short term the uncertainty created by the conflict in the Middle East is likely to boost demand from some small businesses (typically sub-50 employees), for serviced and managed office space, as they adopt a “wait and see approach” before committing to longer term (conventional) office space. Interestingly, larger businesses, particularly international corporates from the technology (AI, in particular) and financial services sectors, are investing in an office move for the long

“ Despite the rise in the price of oil and its impact on inflation and interest rates, London is likely to weather the ensuing economic uncertainty better than other capital cities because of its status as a global financial services and technology hub. ”

term and are pressing on with their relocation plans. In part, this strategy is being driven by the concern of some that they will not find operationally suitable accommodation that falls within budget if they leave things to the last minute.

Opportunities For Footloose Tenants

The war in the Middle East provides a window of opportunity for footloose tenants to take advantage of short-term market weakness. Repeating the trends witnessed during the 2008 / 09 global financial crisis and the 2020 / 21 COVID pandemic, it is quite likely that subdued demand, precipitated by the war, will be reflected by landlords in longer rent free periods, rather than reduced rents. Asset values are fundamentally influenced by the level of rent achieved on the most recent lettings. Landlords

are only likely to start reducing rents on new and refitted Grade A space as a last resort, an unlikely scenario in an already undersupplied market - unless there is a resumption of hostilities following the current ceasefire.

“ To protect investment values, landlords are more likely to reflect subdued demand by granting longer rent free periods, rather than reducing rents. ”

Epilogue

While the war in the Middle East is likely to create inflationary pressures across the global economy, and may lead to higher interest rates, it is anticipated to be a short run phenomenon - providing that the current ceasefire culminates in a peace settlement.

London is well placed to weather the ensuing economic disruption because of its status as a global financial and technology hub. Business leaders therefore have good reason to be optimistic about the future. And, no, we are not back to the 1970s.



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Trends In Office Rents

Table 1 illustrates the changes in rents over 1 and 5 years in each of the various districts that form the London office market. The table features headline rents - which do not take in to account the value of incentives such as rent free periods and landlord's capital contributions.

Table 1 - Changes In Headline Office Rents Over 1 and 5 Years - New & Refitted Mid-Rise Grade A Space Over 5,000 sq ft

Submarket	Q1 2021	Q1 2025	Q1 2026	% Change 5 Years	% Change 1 Year
City of London Prime - Bank, Leadenhall Street	£70.00	£87.50	£90.00	28.57%	2.86%
City of London Secondary - Blackfriars, Aldgate	£63.00	£75.00	£77.50	23.02%	3.33%
City Fringe North - Shoreditch, Clerkenwell	£68.50	£72.50	£72.50	5.84%	0.00%
City Fringe North West - Farringdon, Smithfield	£85.00	£92.50	£92.50	8.82%	0.00%
City Fringe East - Aldgate East	£56.50	£57.50	£57.50	1.77%	0.00%
City Fringe East - Spitalfields	£65.00	£77.50	£77.50	19.23%	0.00%
South Bank - Southwark, London Bridge	£72.50	£85.00	£87.50	20.69%	2.94%
East London - Canary Wharf	£52.50	£55.00	£57.50	9.52%	4.55%
East London - Crossharbour	£35.00	£35.00	£35.00	0.00%	0.00%
East London - Stratford	£47.50	£47.50	£47.50	0.00%	0.00%
Midtown West - Bloomsbury	£85.00	£90.00	£90.00	5.88%	0.00%
Midtown East - Holborn	£70.00	£85.00	£85.00	21.43%	0.00%
Midtown North - King's Cross	£85.00	£90.00	£92.50	8.82%	2.78%
Midtown South - Covent Garden	£77.50	£87.50	£90.00	16.13%	2.86%
West End Central - Mayfair, St James's	£110.00	£160.00	£180.00	63.64%	12.50%
West End North West - Marylebone	£95.00	£105.00	£115.00	21.05%	9.52%
West End North East - Fitzrovia	£92.50	£100.00	£107.50	16.22%	7.50%
West End South - Victoria, Westminster	£77.50	£95.00	£97.50	25.81%	2.63%
West End South West - Knightsbridge	£87.50	£102.50	£105.00	20.00%	2.44%
West End West - Paddington	£77.50	£85.00	£85.00	9.68%	0.00%
West End East - Soho	£92.50	£107.50	£107.50	16.22%	0.00%
West London - Hammersmith	£57.50	£55.00	£55.00	-4.35%	0.00%
West London - White City, Shepherd's Bush	£52.50	£57.50	£60.00	14.29%	4.35%
South West London - Battersea, Nine Elms	£62.50	£65.00	£65.00	4.00%	0.00%

Source: Carter Jonas Research

The 2026 Business Rates Revaluation

In November last year, the government's Valuation Office Agency (VOA) published the new rateable values that have been ascribed to commercial properties in England and Wales. During the Budget, at the end of the same month, the Chancellor announced a new tiered system of business rates multipliers which, from 1 April 2026, will be used in conjunction with the new rateable values to calculate business rates bills.

While the rateable values of many office buildings in prime locations such as Mayfair and St James's have risen following the revaluation, the level at which the business rates multipliers have

been set during the November budget has resulted in rates increases in some areas of the London office market that are not as high as had been forecast.

Please refer to Table 4 of this publication which provides a summary, broken down by district, of the typical business rates that the occupiers of new and refitted Grade A office space in central, west and east London will typically be paying from April this year.

For those businesses that are located in a district of London that has witnessed a significant above inflation increase in their business rates bill, a transitional relief scheme has been put in place which will enable the business rates increase to be phased in over three

years. Occupiers also have the right to appeal against the new rateable value that has been ascribed to their premises if they believe that the VOA's assessment is incorrect.

The Carter Jonas Team can provide advice on whether it may be possible to reduce your firm's business rates bill. Further information is available upon request.

“ The impact of the 2026 business rates revaluation has not been as inflationary as many had forecast. Transitional relief is also available to ease the burden of higher rates bills. ”

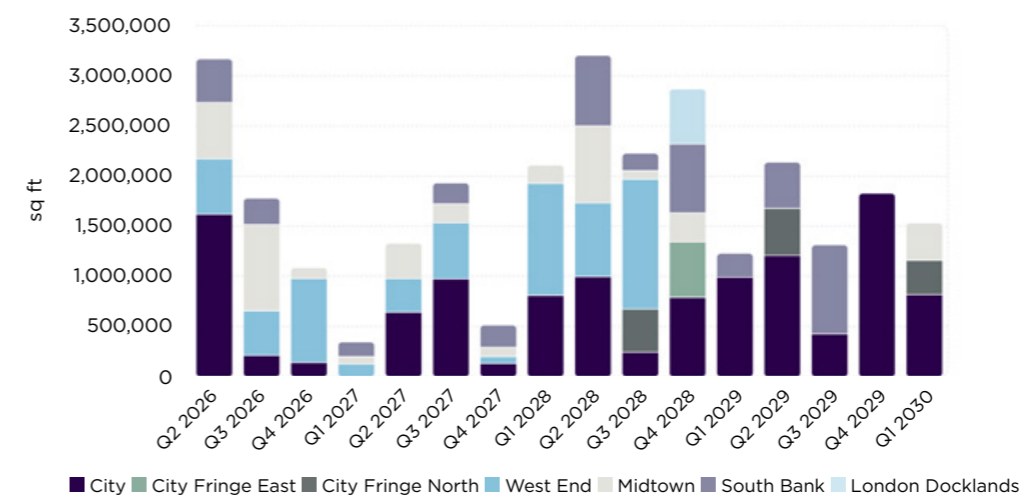
The Supply Pipeline

The tables below show the pipeline of new office developments and refurbishments above 25,000 sq ft in the West End and Midtown and over 50,000 sq ft in the City, City Fringes, South Bank and Docklands (Canary Wharf) for the period from Q2 2026 to Q1 2030.

Graph 1 illustrates the total quantum of floorspace 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

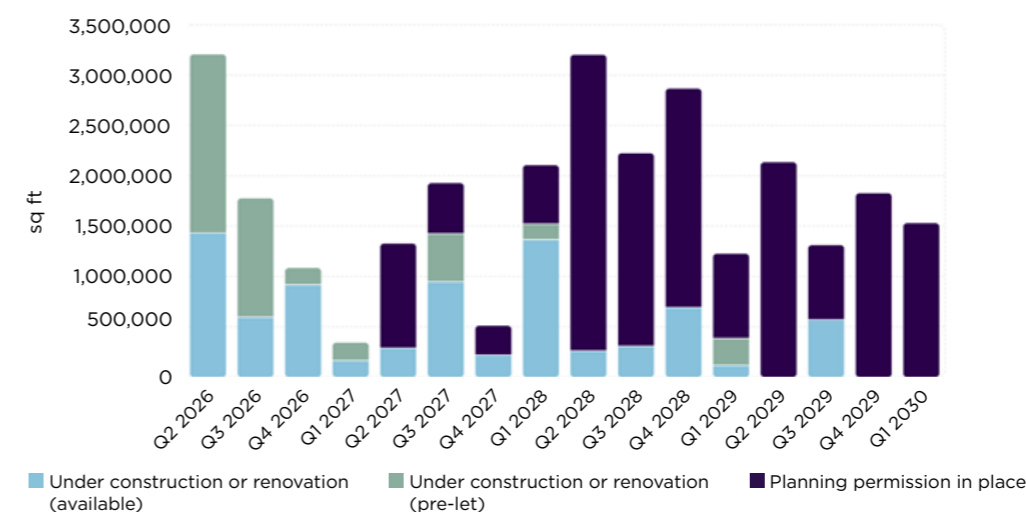
Source: Glenigan, Carter Jonas Research



Graph 2 illustrates the extent to which pipeline floor space has been pre-let, and is therefore no longer available. As at the time of publication of this report (early April 2026), it will be the third quarter of 2027 before any new Grade A floor space of scale will be available to meet demand, providing that it has not been pre-let beforehand, with supply constrained for the remainder of that year. The graph also shows that availability, and choice for footloose tenants, will be limited during 2028 and 2029.

Graph 2
The London Office Development / Refurbishment Pipeline

Source: Glenigan, Carter Jonas Research



“ The artificial intelligence sector is likely to be a significant driver of demand for London office space throughout 2026, reflecting the increasing application of AI for business and domestic use. ”



Rents and Rent Free Periods

Table 2 – Typical Rent Free Periods & Rent Discounts By Sub-Market – Q1 2026
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	9 - 12	21 - 24	2.5 - 3.5
City Fringe North & North West - Shoreditch, Clerkenwell, Farringdon	11 - 13	24 - 26	2.5 - 4.0
City Fringe East - Aldgate East, Spitalfields	12 - 13	24 - 26	3.0 - 5.0
Midtown - Bloomsbury, Holborn, King's Cross, Covent Garden	9 - 12	22 - 24	1.5 - 3.5
West End - Mayfair & St James's	8 - 12	20 - 24	0 - 3.0
West End - Marylebone, Fitzrovia, Soho, Victoria, Paddington	9 - 12	20 - 24	1.5 - 3.0
South Bank - Waterloo, Southwark, London Bridge	9 - 12	21 - 24	2.0 - 3.5
East London - Docklands - Canary Wharf, Wood Wharf	13 - 16	26 - 32	4.0 - 7.0
East London - Stratford	13 - 15	25 - 28	3.5 - 6.5
West London - Hammersmith, White City, Chiswick	12 - 15	24 - 28	3.5 - 6.5
South West London - Vauxhall, Battersea	12 - 15	24 - 26	3.0 - 6.0

Source: Carter Jonas Research

Advertised Rents

The first quarter of 2026 saw some developers of prime located schemes in the West End and City of London exploit the limited choice available to footloose tenants by pushing up advertised rents.

Rents of over £250 per sq ft per annum excluding business rates, building service charge and all other outgoings are now being quoted on several developments that are currently under construction in Mayfair and St James's – London's most prestigious office locations. In the City of London, guide rents of £100 - £120 per sq ft are not uncommon for low / mid-rise floors on new developments located in the City core, while the advertised rents for the top floors of City tower buildings are now typically over £150 per sq ft.

It should be stressed, however, that these rents are not currently representative of the wider West End and City of London markets but they serve to demonstrate the strength of developer optimism in the London office market, underpinned by low vacancy.

The business community's focus continues to shift towards new and refitted Grade A floor space with good environmental credentials that is capable of providing an attractive, engaging, healthy workplace to reinforce recruitment, retention, productivity, wellness and sustainability objectives.

It is possible that in areas of acutely low vacancy including, for example, Mayfair and St James's, advertised rents may be higher by the end of the year. However, advertised rents for non-prime new and refitted Grade A space are likely to remain broadly flat across much of central London for at least the next two quarters, reflecting the uncertain economic climate created by the war in the Middle East.

Rent Discounts & Rent Free Periods

There is a wide variation across central London in the discounts that can be negotiated on landlords advertised rents for new and refurbished Grade A space reflecting the disparity in the supply and demand dynamics of each district.

Prior to the outbreak of the war with Iran, landlords were reflecting the mismatch between supply and demand in the central London office market by raising advertised rents (see Table 1) and reducing the level of discount that they are willing to agree.

In districts where there is an acute shortage of good quality office space with good sustainability credentials, it may not be possible to secure any discount – this point is particularly relevant in the case of the Mayfair and St James's districts where competition among occupiers to secure the best space can be quite intense.

Similarly, the length / value of rent free periods that can be negotiated across central London will vary reflecting the different supply and demand dynamics of each district. While the fortunes of Canary Wharf in east London have picked up since the middle of last year, reflecting the limited availability of good value space in the more central districts, the levels of rent free periods that can be negotiated on lettings in this district are appreciably more generous than those that can be agreed in areas such as Mayfair and St James's - see Table 2.

Summary of Forecast Market Trends

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



Demand

- subdued demand across London for good-quality Grade A office space at least for the next two quarters as the business community assesses the economic impact of the war in the Middle East and higher oil and gas prices
- the AI business sector is likely to become an increasingly important driver of demand during 2026



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 accommodation that is available for immediate occupation reaching the market for the foreseeable future



Advertised rents

- for new prime-located best-in-class Grade A space in areas of acutely low vacancy are likely to edge up by the end of the year, reflecting the mismatch between supply and demand
- rents for the remainder of the Grade A office market are likely to remain broadly flat for at least the next two quarters reflecting global economic uncertainty



Discounts on advertised rents

- for Grade A space are likely to remain broadly static for at least the next two quarters - underpinned by low vacancy
- discounts on lower quality, refurbished, Grade A space in secondary locations are likely to widen modestly



Rent free period incentives

- for new and refitted Grade A space are likely to widen during the next two quarters, reflecting the economic uncertainty created by the war in the Middle East, and subdued demand



Landlords bargaining position in lease negotiations

- the bargaining power of landlords in lease negotiations on vacant floor space is likely to weaken during the next two quarters reflecting subdued demand
- landlords bargaining power in lease renewal negotiations might, in some cases, improve over the same period reflecting the reluctance of some tenants to commit to a relocation in times of economic uncertainty



Lease length / break options

- landlords of new and refitted best-in-class space are likely to press for longer leasing commitments reflecting declining choice for footloose tenants
- tenants are likely to secure greater lease flexibility - shorter leases / more frequent break options - when negotiating on refurbished Grade A space in secondary locations



Office leasing activity

- below trend letting activity across London for at least the next two quarters reflecting economic uncertainty associated with the war in the Middle East



Serviced & managed offices

- demand is likely to remain resilient for the foreseeable future for serviced and managed 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 its "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 proposed tighter regulations, ahead of them being introduced, to future-proof the 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-span 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

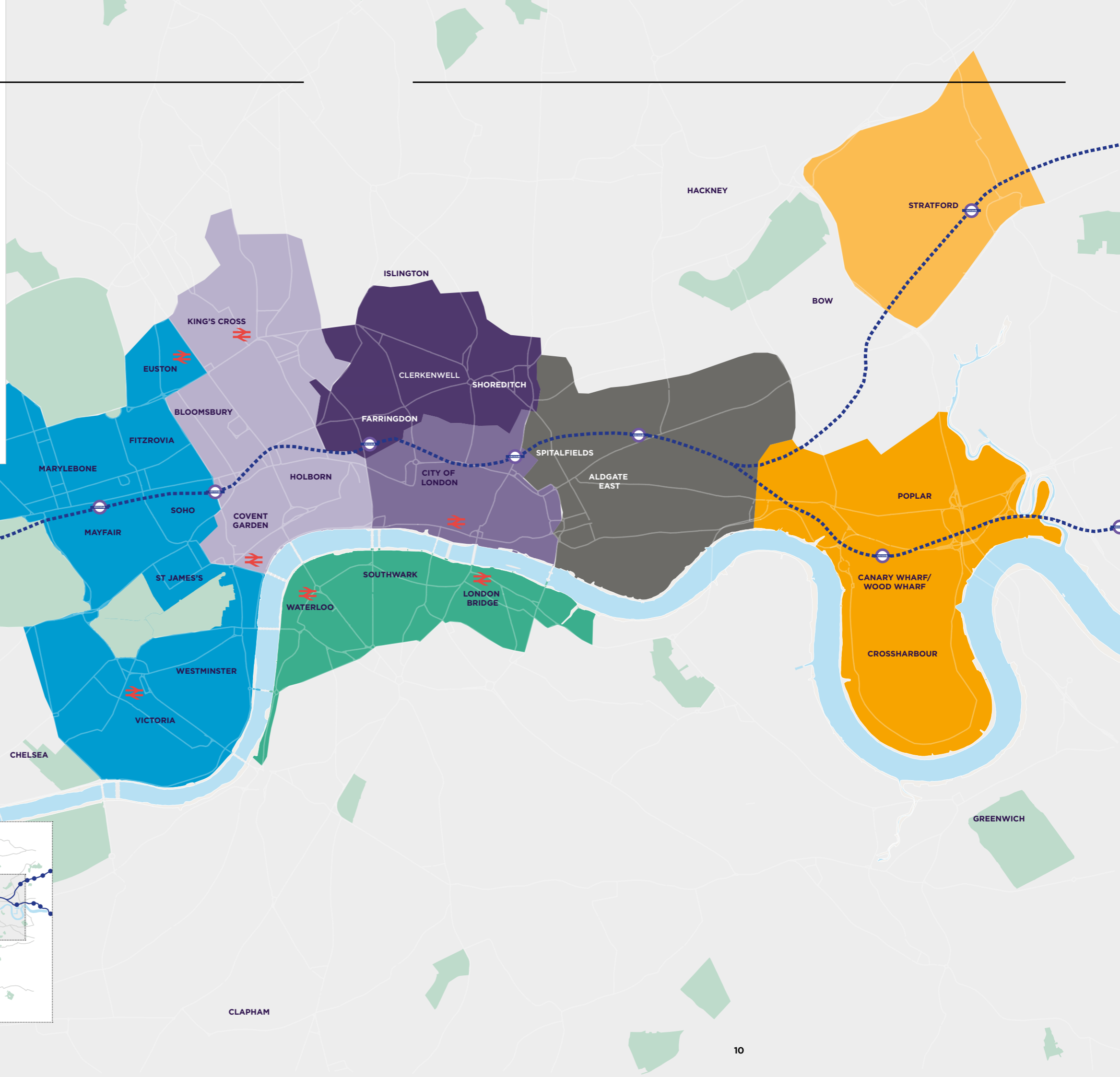
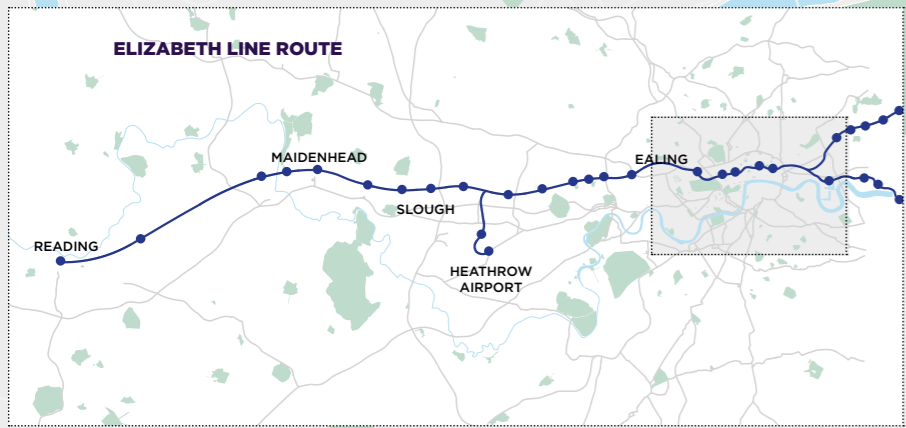
Table 4 of this document provides a summary of the typical rent, business rates and service charge occupancy costs associated with each sub-market for new and refitted, mid-rise, Grade A office space, with good sustainability credentials, over 5,000 sq ft.

Rent Free Periods

Table 2 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





“ Pre-letting activity is likely to continue for the foreseeable future, reflecting low Grade A office vacancy across much of central London, as footloose occupiers compete for the best space. ”

Table 3 - The London Office Market - Typical Advertised Rents Q1 2026

£ per sq ft per annum | space over 5,000 sq ft | UF= Upper Floors | RV = River Views

Location	Grade A		Grade B
	New/Refitted	Refurbished	Refurbished
City			
Prime - Bank, Leadenhall Street	£82.50 - £105.00 (UF = £115.00 - £150.00)	£65.00 - £80.00 (UF = £85.00 - £112.50)	£47.50 - £57.50
Secondary - Blackfriars, Aldgate	£72.50 - £88.50 (UF = £92.50 - £120.00)	£55.00 - £69.50 (UF = £72.50 - £87.50)	£42.50 - £52.50
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	£50.00 - £62.50
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/RV = £77.50 - £90.00)	£47.50 - £59.50
East London			
Docklands Prime - Canary Wharf & Wood Wharf	£47.50 - £60.00 (UF = £62.50 - £72.50)	£35.00 - £45.00 (UF = £47.50 - £52.50)	£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)	£155.00 - £210.00 (UF = £220.00 - £250.00)	£97.50 - £145.00	£80.00 - £90.00
Central - Mayfair, St James's (Secondary)	£120.00 - £150.00	£92.50 - £115.00	£75.00 - £87.50
North - Euston	£79.50 - £95.00 (UF = £100.00 - £110.00)	£65.00 - £77.50	£47.50 - £57.50
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	£80.00 - £110.00 (UF = £115.00 - £125.00)	£67.50 - £78.50 (UF = £82.50 - £92.50)	£45.00 - £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	£77.50 - £90.00 (UF = £92.50 - £102.50)	£65.00 - £75.00	£45.00 - £57.50
Midtown			
North - King's Cross	£82.50 - £97.50 (UF = £100.00 - £110.00)	£67.50 - £77.50	£47.50 - £57.50
South - Covent Garden, Strand	£80.00 - £97.50 (UF / RV = £100.00 - £125.00)	£70.00 - £80.00	£55.00 - £65.00
East - Holborn	£77.50 - £92.50 (UF = £95.00 - £115.00)	£62.50 - £75.00	£47.50 - £60.00
West - Bloomsbury	£82.50 - £95.00 (UF = £97.50 - £125.00)	£67.50 - £79.50	£50.00 - £62.50
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	£49.50 - £58.50	£40.00 - £47.50 (UF = £55.00 - £57.50)	£32.50 - £42.50
White City	£55.00 - £65.00	£42.50 - £52.50	£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 Occupation Costs by Sub-Market - Q1 2026

(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	£90.00	£37.00	£16.00	£143.00
City of London Secondary - Blackfriars, Aldgate	£77.50	£32.50	£16.00	£126.00
City Fringe North - Shoreditch, Clerkenwell	£72.50	£27.30	£14.50	£114.30
City Fringe North West - Farringdon, Smithfield	£92.50	£34.50	£14.50	£141.50
City Fringe East - Aldgate East	£57.50	£26.75	£14.50	£98.75
City Fringe East - Spitalfields	£77.50	£30.00	£14.50	£122.00
South Bank - Southwark, London Bridge	£87.50	£29.00	£14.50	£131.00
East London - Canary Wharf	£57.50	£17.25	*£19.50	£94.25
East London - Crossharbour	£35.00	£12.75	£14.00	£61.75
East London - Stratford	£47.50	£17.90	*£15.00	£80.40
Midtown West - Bloomsbury	£90.00	£40.00	£14.50	£144.50
Midtown East - Holborn	£85.00	£36.50	£14.50	£136.00
Midtown North - King's Cross	£92.50	£41.00	£14.50	£148.00
Midtown South - Covent Garden	£90.00	£40.00	£14.50	£144.50
West End Central - Mayfair, St James's	£180.00	£67.00	£15.50	£262.50
West End North West - Marylebone	£115.00	£46.50	£14.50	£176.00
West End North East - Fitzrovia	£107.50	£45.00	£14.50	£167.00
West End South - Victoria, Westminster	£97.50	£41.00	£14.50	£153.00
West End West - Paddington	£105.00	£45.45	£14.50	£164.95
West End East - Soho	£85.00	£40.00	£14.50	£139.50
West London - Hammersmith	£107.50	£45.00	£14.50	£167.00
West London - White City, Shepherds Bush	£55.00	£26.00	£14.00	£95.00
South West London - Battersea, Nine Elms	£65.00	£30.00	£14.00	£109.00

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

Source: Carter Jonas Research

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 2026 and include the Elizabeth Line / Crossrail levy but exclude any transitional relief
- * 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.



Minimising 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 Q1 2026

As was the case throughout much of 2025, first quarter lettings during 2026 demonstrate the dominance of pre-letting activity. The roll call of Q1 lettings also serves to highlight the continuing trend of footloose occupiers to focus on new and refitted Grade A floor space as the business community uses the quality of the work environment as a tool to underpin recruitment, retention, productivity and environmental policies. The artificial intelligence (AI) sector also continues to make its presence felt in the London office market.

Table 5 - Key Office Lettings - Q1 2026

Sub-market	Tenant	Business Sector	Property	Floor Area (sq ft)
City of London	Herbert Smith Freehills Kramer	Legal Services	1 Appold Street, EC2 (pre-let)	238,000
City of London	Gibson Dunn	Legal Services	One Exchange Square, 175 Bishopsgate, EC2 (pre-let)	155,000
City of London	Ripple	Financial Services	One Leadenhall Street, EC3	90,000
City of London	Pacific Life Re	Financial Services	One Exchange Square, 175 Bishopsgate, EC2 (pre-let)	84,000
City of London	RPC	Legal Services	10 Devonshire Square, EC2	67,000
City of London	Landmark	Flexi Offices	1 Great St Helens, EC3	52,000
City Fringe - North - Clerkenwell	Incident.io	Technology (AI)	The Bower, 207 - 211 Old Street, EC1	19,600
City Fringe North West - Farringdon	Inizio	Technology	The Waterman, 151 Farringdon Road, EC1	39,881
City Fringe East - Aldgate East	Uber	Transport	Aldgate Tower, 2 Leman Street, E1	20,000
Midtown North - King's Cross	Scale AI	Technology (AI)	2 Pancras Square, NIC	11,000
Midtown West - Bloomsbury	Runway East	Flexi Offices	Corinthian House, 270 Tottenham Court Road, W1	22,000
West End - North East - Fitzrovia	Databricks	Technology (AI)	Network, 10 Howland Street, W1 (pre-let)	136,300
West End - South - Westminster	Formula One	Leisure / Sport	40 Broadway, SW1 (pre-let)	98,000
West End - North - Euston	Gilead Sciences	Life Sciences	One Triton Square, NW1	50,000
West End - North East - Fitzrovia	Dr Martens	Retail (Fashion)	20 Whitfield Street, W1 (pre-let)	40,410
West End - Central - Mayfair	Sona Asset Management	Financial Services	Pegasus, 41-46 Piccadilly, W1 (pre-let)	31,300
West End - East - Soho	Ares Management	Financial Services	25 Argyll Street, W1	21,041
South Bank - Southwark	British Petroleum	Energy	The Ink Building, Timber Square, SE1 (pre-let)	192,000
South Bank - London Bridge	Quantexa	Technology (AI)	The Delft, 3-5 Montague Close, SE1 (pre-let)	52,293
South Bank - Waterloo	Currys	Retail	10 York Road, SE1	11,500
East London - Stratford	Nuova Accademia di Belle Arti	Education	Here East Campus, Stratford, E20	17,047
West London - White City	Onder	Flexi Offices	Mediaworks, White City Place, W12	30,000
South West London - Battersea	Industrious	Flexi Offices	Osmo, Nine Elms Lane, SW8	29,144
South West London - Battersea	O2 Daisy	Telecommunications	Osmo, Nine Elms Lane, SW8	14,615

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 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

The flexi office leasing market, principally comprising the serviced and managed accommodation models, continues to expand in central London. Both offer businesses a flexible, cashflow-friendly, office solution with no requirement for the tenant to tie up working capital in an expensive fit out.

Conventional Office Space

However, compared with conventional office space, occupiers will pay a significant rental premium for the benefit of short-term lease flexibility and the services being offered by the flexi-office provider under a serviced or managed office agreement. Businesses that are willing to commit to a 3 – 5 year leasing commitment may, instead, wish to consider conventional ready-fitted “plug-in-and-go” (Cat A+) accommodation which provides the twin advantages of minimal capital expenditure and a lower rent.

Serviced & Managed Offices

Serviced and managed office space each offer similar advantages over office space that is not ready fitted out and is being offered to let on a conventional commercial property lease, including:

- no requirement to fit the premises out with meeting rooms, kitchen / break out / collaboration facilities, office furniture or data / telecoms infrastructure – thus representing a cashflow-friendly, ‘plug-in and go’, accommodation solution that enables tenants to invest their working capital in their business
- as is market practice, the tenant’s property consultant’s fee will usually be paid by the landlord
- greater certainty associated with future exit / repairing obligations – costs are usually fixed on lease commencement and indexed linked or else accounted for in the all-inclusive rental

- no requirement to deal with maintenance or facilities issues or pay business rates, building service charge and other occupancy costs separately

Serviced Offices

There are, however, a number of additional features that serviced offices can offer over the managed accommodation model, including:

- the ability to hire meeting rooms when needed – no need to pay rent, business rates and service charge overheads on meeting rooms that may be used infrequently
- short form, simplified, service agreement rather than a lengthy and complex real estate lease that requires review by a solicitor
- it is possible to sign up to and move into serviced office space within a matter of hours / days after selecting the preferred option
- greater service contract length flexibility from, typically, 3 months – 24 months
- where a landlord seeks to document a managed office letting by way of a real estate lease, stamp duty land tax will be payable to HMRC by the tenant - there is no SDLT payable on the grant of a serviced office contract because such agreements are classified as business service contracts that do not confer a property interest on the occupier
- unlike serviced offices, managed offices do not always offer shared facilities such as meeting rooms, kitchen and reception facilities

Managed Offices

For those businesses that are willing to commit to a longer leasing commitment of 2 – 5 years, managed offices offer the following benefits over serviced accommodation:

- greater ability to ‘brand’ the accommodation in keeping with the tenant’s corporate image

- rental costs tend to be lower than serviced offices, reflecting the typically longer leasing commitment
- the look and feel of the accommodation will usually convey a higher degree of “permanence” to visitors and employees – with letting agreements typically relating to whole floors in a building, as opposed to a suite located on part of a floor that is shared with other tenants.
- greater privacy given that managed office occupiers will usually occupy whole floors in their entirety
- serviced office occupiers cannot dictate the types of business that may occupy an adjacent office suite - some may be noisy or direct competitors
- typically, managed offices offer greater security of tenure compared with serviced offices - some serviced office providers will reserve the right to relocate tenants to a different office suite where the provider wishes to accommodate the expansion needs of an adjoining occupier
- serviced offices can potentially represent a higher risk to data security, associated with buildings being shared with a high proportion of third parties and shared IT infrastructure
- some serviced office environments can feel cramped, with small desks to maximise revenue, as serviced office providers seek to enhance the returns from each office suite - leading to a claustrophobic atmosphere and inadequate ventilation



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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Our Experience

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28,000 sq ft
Warner Bros/Shed Media
85 Grays Inn Road, WC1



27,000 sq ft
Reinsurance Group of America
22 Bishopsgate, EC2



17,500 sq ft
Hackett Limited
The Clove Building, SE1



16,000 sq ft
Circle Housing
Two Pancras Square, N1



15,000 sq ft
Hitachi Rail Europe
40 Holborn Viaduct, EC1



11,000 sq ft
Salamanca Group
50 Berkeley Street, W1

The data in this document is provided to illustrate the key trends in the London office market. We recommend that the advice of an experienced property consultant is sought where a specific property transaction is being contemplated before any irreversible decisions are made.

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