

PRESS RELEASE

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LONDON LANDLORDS AMONG EUROPE'S MOST GENEROUS

Incentives on new office leases in the UK capital exceed European counterparts

As European office markets begin to resume activity following the hiatus of 2020, landlords are making increased concessions in a bid to secure and retain occupiers. A recent study by of the [Society of Industrial & Office Realtors](#) (SIOR), reveals that London's landlords are the most generous when it comes to granting rent-free periods.

For a ten-year lease in London, occupiers could reasonably expect to receive a rent free period of around 25–29 months, whereas the equivalent deal in Dublin would be subject to between 12 and 18 months, Frankfurt around 6–9 months and Paris 10-12 months. The stark variations in rent free period incentives reflect the different supply and demand dynamics of these global office markets.

Michael Pain, head of Carter Jonas' Tenant Representation Team commented: *"Landlords' advertised rents for new Grade A office space in London have moved little since the outbreak of the pandemic last year. But this comes at the expense of rent free periods which have typically expanded by 3–5 months over the same period for leases in excess of five years, representing an increase of up to 33%."*

In a normalised post-Covid market and in the absence of recent transactions to benchmark against, rent free periods may be the best indicator of the relative strength of any given market. Given the ongoing uncertainty surrounding many of Europe's prime office markets, there is a corresponding increase in rent free periods and incentives to support headline rents.

“The one thing the real estate market can’t do is manufacture demand. Concessions don’t create demand, but they can incentivise occupiers to make a decision in favour of one building – or location - over another”, says Nick McCalmont-Woods of property consultancy McCalmont-Woods Real Estate.

“We know that landlords will be reluctant to drop headline rents at the risk of impacting capital values, so occupiers will receive their ‘value’ via concessions and lease flexibility. Ideally, it would be easier for occupiers if letting agents and landlords spoke in terms of net effective rents, which is the true rent payable after the value of rent free periods and other concessions are factored in. However, that is unlikely in the near term. In the current market context, the quantum of rent free periods provided serves as a good market barometer”, adds James Mulhall of Murphy Mulhall.

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