Altis

HOW LONDON WORKS

Three things you need to know before opening an office in London

London remains the deepest, most liquid office market in Europe, but 2026 has made it unmistakably two-speed.

Prime rents in the West End and City core are climbing toward record levels on genuinely scarce new-build supply, while several secondary submarkets still carry double-digit vacancy and long incentive packages.

For a company opening an office, the question is no longer just “what is the headline rent?”, but how to weigh postcode prestige, fit-out spend and lease flexibility against a regulatory timeline that has just been eased, not removed.

SUBMARKET	VACANCY	PRIME (£/SQFT/YR)	TENANT LEVERAGE
West End (Mayfair, St James’s)	5.8%	£185 - 200	Minimal
City Core	6.1%	£95 - 102.50	Limited
King’s Cross / Euston	2.7%	£90 - 97.50	Limited
Canary Wharf / Docklands	12.8%+	£55 - 62.50	Very strong

Sources: JLL Central London Office Q2 2026 . Savills Central London Office Market Watch 2026 . K2 Space 2026 . indicative asking rents

THE MARKET CONTEXT

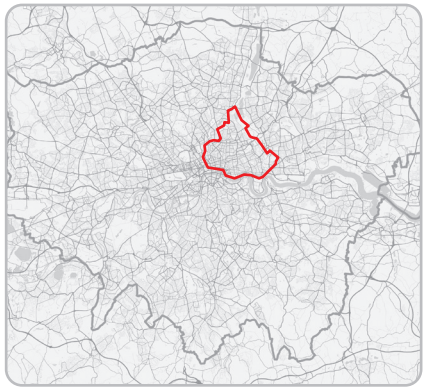
Central London take-up reached 2.6m sq ft in Q2 2026, up 15% quarter-on-quarter, pulling overall vacancy down to 8.6% for a third consecutive quarterly contraction. The pipeline under construction is at its lowest point since Q3 2021, and vacancy in new-build stock alone stands at just 1.6%, against 4.4% in refurbished space.

Demand is increasingly concentrated: AI-related occupiers leased 0.7m sq ft in H1 2026 alone, more than double the whole of 2025. That concentration is pulling prime rents up fastest in the newest, most sustainable buildings, while older stock competes on price.

01 Location:
Not one market, but three

THE WEST END

Mayfair and St James's: the address of choice for private equity, hedge funds and luxury brands. Prime rent at £185-200/sq ft and rising, availability at 5.8% and effectively nil for the best buildings.
Advantages: prestige, proximity to Mayfair capital.
Trade-offs: highest cost in Europe, minimal negotiating room, long pre-lets needed for scale.



THE CITY & MIDTOWN

The historic financial core plus the King's Cross / Euston knowledge quarter behind it. Prime City rents around £95-102.50/sq ft headline, up to £160 on premium tower floors; King's Cross at £90-97.50 and rising fastest of all.
The right fit for scale-ups wanting a modern, well-connected address without West End pricing.

CANARY WHARF & DOCKLANDS

Large efficient floorplates purpose-built for finance and now diversifying into tech. Vacancy above 12.8% and rent-free periods stretching to 27-30 months keep prime rent near £55-62.50/sq ft, a third of the West End.
Strong tenant leverage and, since the Elizabeth line, a nine-minute run to the West End.

INSIDER TIP

With the development pipeline at its lowest point since 2021 and 47% of what remains in Central London being refurbishment rather than new-build, genuinely new Grade A space is becoming the scarce commodity, not just the West End postcode.

Occupiers who can commit to newly refurbished, certified buildings now are locking in tomorrow's scarcity pricing at today's terms.

02 Fit-out cost: near the top of the European ranking

Fit-out is the transformation of a shell-and-core space into a fully operational office: partitions, raised floors, ceilings, M&E services, IT/AV, lighting, finishes, furniture and wellness features.

On top of this come design fees, project management and permitting costs, plus dilapidations at lease expiry.

Turner & Townsend's 2026 global benchmarks put London's average high-spec fit-out at about US$5,932/sqm, the second most expensive market worldwide, and still ahead of every other European capital.

Labour is the dominant cost driver. For a typical 10-year lease, total fit-out capex at medium-to-high spec can equate to one to two years of headline rent, more again in the West End.

Indicative all-in budgets for London, by specification:

Fit-out level	Cost (£ / sqm)	What it includes
LOW	100	Conventional layout, standard finishes, Cat B refresh
MEDIUM	150	Open plan + meeting rooms, basic branding, collaboration areas
HIGH	210+	Custom design, premium finishes, advanced AV, extensive shared areas

Sources: Turner & Townsend 2026 . K2 Space 2026 . JLL Fit-Out Guide 2026. Indicative.

DILAPIDATIONS & INCENTIVES

Budget for reinstatement from day one: under a standard UK lease, tenants must return the premises to shell-and-core condition, or agree a cash settlement, at expiry. Terms typically run 10-15 years with a break, and rents on longer leases are usually indexed.

In higher-vacancy submarkets such as Canary Wharf, a landlord contribution to fit-out and an extended rent-free period, now often 27-30 months, can be negotiated to partially offset capex.

03 ESG, retrofit and the regulatory dimension

- National regulation eased, not removed: in June 2026 the UK government cancelled the proposed EPC C milestone for 2027 and pushed the EPC B requirement for large privately rented buildings (over 1,000 sqm) to 2031.
  Smaller buildings remain subject to the existing EPC E minimum under MEES.

- The market is running ahead of the law: despite the relaxed timeline, 63% of space acquired in April 2026 was in buildings rated BREEAM Excellent or Outstanding, showing occupier-led demand for quality independent of statutory deadlines.

- Flight to quality keeps sharpening: vacancy in new-build space is just 1.6%, against 4.4% for refurbished and higher again for unmodernised stock. Certified, well-located buildings command a clear rental premium and let fastest.

- Cat A+ and fitted space is winning: over two-thirds of sub-10,000 sq ft West End deals in 2026 were let fitted or Cat A+, meaning early engagement with a workplace design partner is now part of the leasing timeline.

Image vs budget

How critical is an iconic address (Mayfair, St James's) versus optimising total occupancy cost in the City, King's Cross or Docklands?

Space vs quality

Given hybrid work, is it better to reduce area and target certified Grade A space with strong amenities, or keep generous floor area in a more affordable location?

Stability vs flexibility

What is the planning horizon and headcount visibility?
This determines the balance between traditional 10-15 year indexed leases and flexible solutions (managed offices, coworking), increasingly common around King's Cross and Canary Wharf.

In conclusion

- Always compare effective rents, not headline ones: UK quotes are typically net of service charge and, where a landlord has opted for VAT, the 20% is non-recoverable for VAT-exempt occupiers such as financial and some professional services.
  Compare submarkets on a like-for-like basis.

- Check the building's EPC rating and decarbonisation plan before committing, even though the 2027/2031 deadlines have moved. Size the fit-out budget deliberately at low/medium/high spec and negotiate landlord contributions, especially in higher-vacancy submarkets.

- Commission a dilapidations and technical due-diligence survey before heads of terms on any building over ten years old. The gap between a striking London facade and the condition of its M&E can be larger than it looks.

Opening an office in London means navigating a market that rewards preparation and moves fast once it decides you fit. Altis works with local partner teams across EMEA.

If you are considering opening a new office in London, we are happy to start the conversation.

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