

Re-Leased



UNITED KINGDOM

# State of Leasing

COMMERCIAL REAL ESTATE

2024-Q1

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Commercial Real Estate

# STATE OF LEASING

**2024-Q1**

This report analyses lease trends using year-over-year data from the first quarter of 2024.

**Tom Wallace**

Re-Leased CEO & Founder

2024 marks a year of cautious optimism in UK commercial real estate. The State of CRE Leasing Report provides essential data to help the industry make informed decisions and benchmark performance.

Our Market Lens team is dedicated to delivering unparalleled value, ensuring our clients thrive in this evolving market.



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# Widespread Lease Recovery Observed Across Asset Classes

In 2024, the UK commercial real estate market is witnessing a notable shift towards longer lease agreements across various asset classes.

Businesses, having experienced the disruptions of short-term leases, are now prioritising continuity to avoid the operational disruptions and costs associated with moving, particularly in the office sector. As we move further away from the pandemic, office tenants also have a clearer understanding of their footprint requirements as

they set their exceptions for flexible working arrangements. Furthermore, landlords are offering attractive terms in this challenging economic environment.

This commitment secures prime locations and locks in favourable terms in a market that is stabilising after years of uncertainty and ongoing challenges such as the cost of living crisis and the war in Ukraine, which have driven up operational costs for businesses.

**69% Increase in  
3-5 Year Office  
Leases**

**32% Increase in  
Average UK Retail  
Lease Lengths from  
2023 to 2024**

**Three-Year  
Steadiness in Industrial  
Lease Durations**

"There are a number of driving forces increasing the shift towards longer lease agreements primarily across office and retail. The UK commercial real estate market is showing signs of stability, with businesses and property owners adapting to new market dynamics.

In the office sector, we see a continued flight to quality as companies are committing to extended leases to secure prime locations. Retail shows optimism with extended leases, signalling a strong commitment to physical stores. The industrial sector remains stable, leaning towards flexible terms. This shift towards longer leases highlights the mutual desire for stability and strategic planning among tenants and landlords."

— Tom Wallace, CEO Re-Leased





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**Office**

**Lease Trends**

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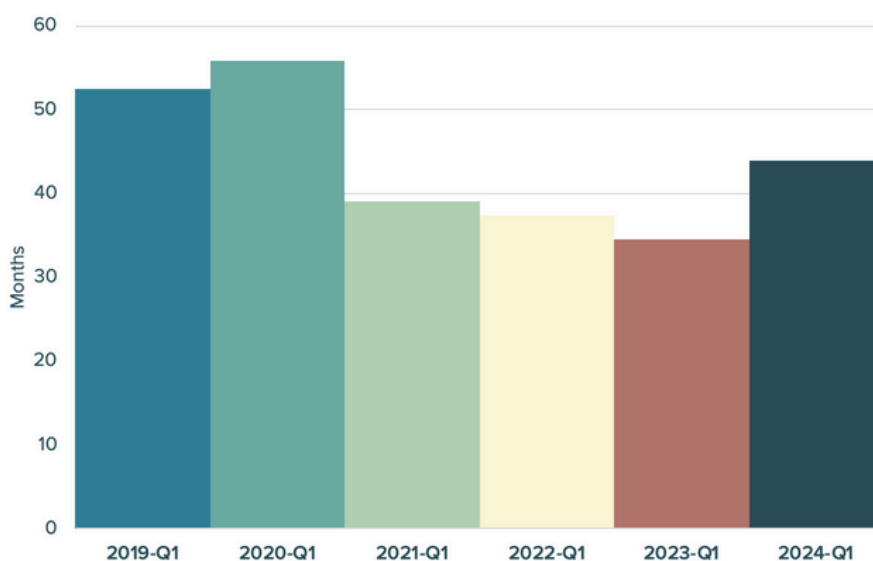
# Office Lease Lengths Grow 27% in 2024, Marking End to Continuous Decline

The first quarter of 2024 has marked a significant shift in the trend of office lease lengths, which have stabilised after a period of continuous decline. The average lease length increased to 44 months (3.7 years) in Q1 2024 from 34.5 months (2.9 years) in Q1 2023, representing a 27% rise. This follows the pandemic's impacts, which caused a 30% drop from 4.7 years in Q1 2020 to 3.3 years in Q1 2021. 2024 marks a healthy turnaround from the prior three-year decline.

The widespread adoption of flexible work models is significantly influencing leasing trends, with companies now favouring stable leases to maintain consistent workspaces for employees who split their time between home and the office.

There is a noticeable increase in demand for high-quality prime office spaces and green buildings. This surge in demand drives longer lease commitments to secure prime locations.

## Office | United Kingdom Average Lease Lengths



Term Start Qtr	Months	% Change
2024-Q1	44.0	27%
2023-Q1	34.5	-8%
2022-Q1	37.4	-4%
2021-Q1	39.1	-30%
2020-Q1	55.8	6%
2019-Q1	52.4	

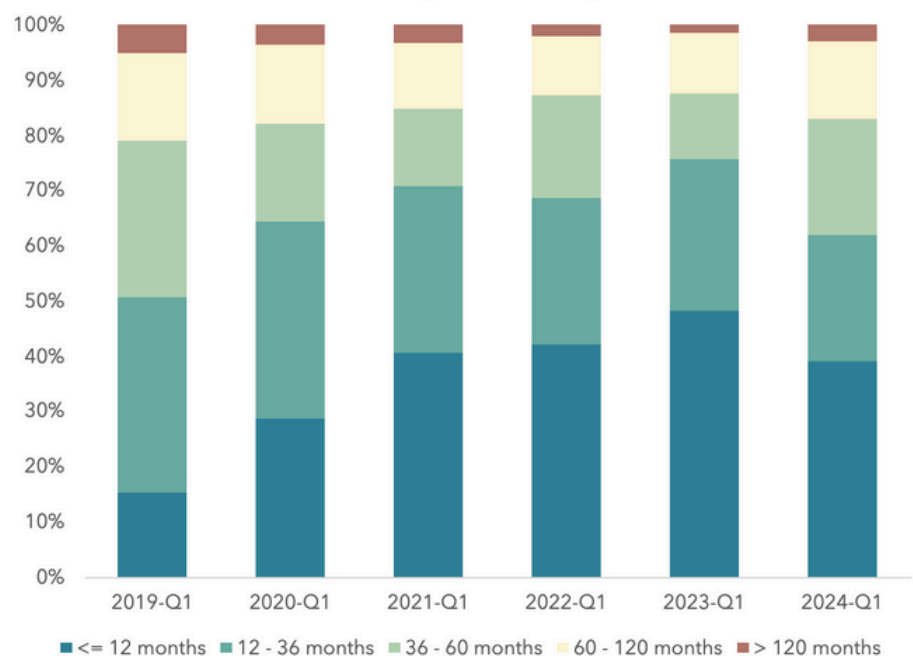
## Office Term Length

# 69% Increase in 3-5 Year Leases Indicates Preference for Stability

Notably, leases with a duration of between 3-5 years surged by 69% in Q1 of 2024 compared to the same period in 2023. Leases lasting 5-10 years increased by 28%, and leases of 10+ years more than doubled from Q1 2023. This trend underscores a growing preference for stability and long-term occupancy.

Conversely, while short-term flexible leases remain popular, representing 39% of new leases, they have experienced a decline, with a 15% decrease in 1-3 year leases and an 19% reduction in leases under 12 months.

## Office | UK Leases by Term Length, Q1



## UK Office Lease Market Shows 18% Drop in Leases Under 12 Months

	<=12 Months	12 - 36 months	36 - 60 months	60 - 120 months	> 120 months
2024-Q1	39.0%	23.5%	19.9%	14.1%	3.4%
2023-Q1	48.0%	27.8%	11.8%	11.0%	1.5%
2022-Q1	42.2%	26.4%	18.8%	10.7%	1.9%
2021-Q1	40.4%	30.5%	13.8%	12.1%	3.2%
2020-Q1	28.5%	35.7%	18.0%	14.1%	3.7%
2019-Q1	15.2%	35.5%	28.3%	16.0%	5.0%





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Retail

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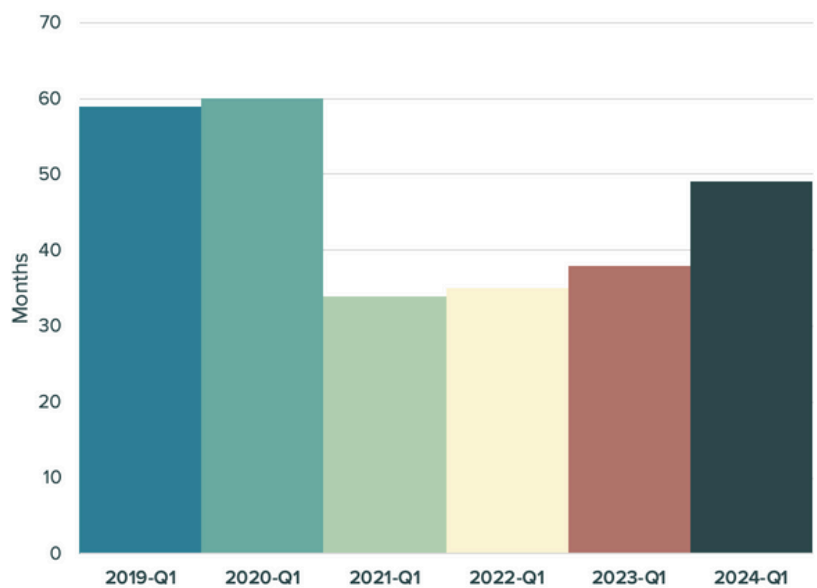


# 44% Increase in Retail Lease Lengths Since Lows of 2021

Before COVID, UK retail lease lengths averaged 5 years. The impacts of the pandemic saw a reduction in lease terms to 34 months (2.8 years) in 2021, a 42% decrease. The retail sector has trended towards shorter lease terms with market uncertainty, influenced by changing consumer habits, the rise of e-commerce, and a challenging economic environment.

Since 2021, a steady recovery has been observed. Q1 2024 increased 32% from 2023, with a 44% increase from the lows of 2021. This rise reflects longer commitments for prime retail spaces, and landlords' willingness to offer favourable terms to avoid an increase in vacant space.

### UK Retail Average Lease Lengths



**32% Increase in  
Average UK Retail  
Lease Lengths from  
2023 to 2024**

Term Start Quarter	Months	% Change
2024-Q1	49	32%
2023-Q1	37	6%
2022-Q1	35	3%
2021-Q1	34	-43%
2020-Q1	60	2%
2019-Q1	59	





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# Industrial Lease Trends

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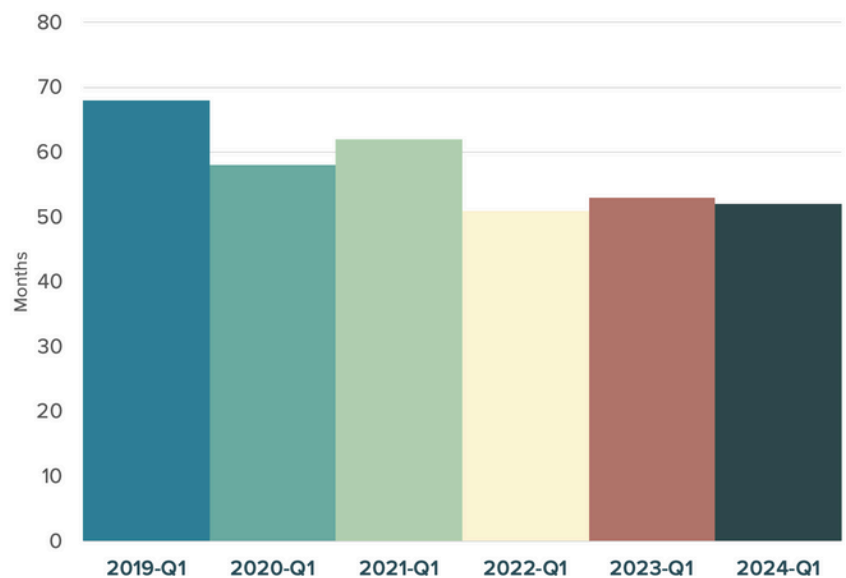
# Steadiness in Industrial Lease Durations Reflects Resilience of Asset Class

The industrial sector remains robust, despite a drop in average lease lengths post COVID. For the last three years industrial leases remain steady at 4.3 years in 2024 Q1.

The demand for prime industrial and logistics space in the UK remains strong, particularly in locations near major transport hubs.

Sustainability and green building practices are becoming increasingly important, with more developments incorporating eco-friendly features.

### UK Industrial Average Lease Lengths



Stability in Industrial Lease Lengths Continues for Third Consecutive Year, at 52 Months in 2024-Q1

Term Start Quarter	Months	% Change
2024-Q1	52	-2%
2023-Q1	53	4%
2022-Q1	51	-18%
2021-Q1	62	7%
2020-Q1	58	-15%
2019-Q1	68	





## State of Leasing Report 2024

The Re-Leased dataset comprises of approximately ~150,000 active properties globally, with a significant presence in United Kingdom, accounting for ~95,000 active tenancies. This aggregated and anonymised dataset is distinctive in its coverage, with a well-balanced distribution across the UK. This broad geographical reach enables Re-Leased to analyse countrywide trends effectively. The dataset encompasses a diverse range of asset classes, with a focus on industrial, office, and retail properties of varying sizes.

All data that has been aggregated for this report is in line with the following Re-Leased Terms and Conditions as at the time of publishing.

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