BCO

British Council for Offices
September 2025

REDEFINING THE MARKET

Beyond Grade A

ABOUT THE BCO

The British Council for Offices' (BCO) mission is to research, develop and communicate best practice in all aspects of the office sector. It delivers this by providing a forum for the discussion and debate of relevant issues.

Established in 1990, the BCO is Britain's leading forum for the discussion and debate of issues affecting the office sector.

Its members are all organisations involved in creating, acquiring, or occupying office space, whether architects, lawyers, surveyors, financial institutions, or public agencies. The BCO works to advance the collective understanding of its members, enabling them to work together to create more effective office space.

ABOUT THE AUTHOR

This report was written by Elaine Rossall, Hayley Mooney, Barrie David and Vicky Heath of JLL UK offices research.

ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

This report, commissioned by the British Council for Offices (BCO), examines the current state of office grading systems in the UK and proposes guidelines for a more robust framework to define office quality.

The research was conducted through a combination of quantitative data analysis, surveys, and stakeholder workshops involving 89 representatives from 41 organisations across the UK.

KEY FINDINGS

INADEQUACY OF CURRENT GRADING SYSTEMS

There is widespread agreement that existing office grading frameworks, particularly the Grade A designation, are outdated and no longer adequately reflect the evolving standards of office space. The current system lacks clarity and consistency, with too much space classified as Grade A based on subjective assessments.

EVOLUTION OF GRADE A STANDARDS

Post-COVID Grade A buildings are markedly different from those developed before the pandemic. This rapid evolution in office standards has been driven by changing work practices, technological advancements, and a heightened focus on sustainability and well-being.

EMERGING FACTORS IN OFFICE QUALITY

Sustainability, smart technology, and health and well-being have become critical factors in determining office quality. However, these are often overlooked in current grading systems. 96.5% of survey respondents rated sustainability certifications as highly important, followed by energy sources (92.4%) and quality of common areas (91.9%).

NEED FOR STANDARDISATION

There is strong support for a more robust, standardised framework to define office quality. 84% of survey respondents agreed that this would provide greater transparency and uniformity in the market.

LOCATION AND RENT CONSIDERATIONS

While location remains an important factor, there is debate about whether it should be included in grading criteria. The consensus leans towards assessing buildings based on their intrinsic qualities rather than location. Similarly, rent is generally not considered a determinant of grade, as it is influenced by market conditions and deal specifics.

EMERGENCE OF 'SUPER PRIME'

The concept of super prime office space is gaining traction, particularly in core office markets. It is generally understood to exceed Grade A standards, and is often associated with prime locations, superior amenities, and cutting-edge sustainability features.

PHYSICAL CHARACTERISTICS VS PERFORMANCE

While traditional physical characteristics remain important, there is a shift towards emphasising building performance and user experience. How a building operates and feels to occupiers is becoming more critical than rigid adherence to specific dimensional criteria.

PROPOSED FRAMEWORK

Based on the research findings, the report proposes a new grading framework that incorporates the following elements:

- **Scoring matrix –** A point-based system that evaluates buildings across multiple criteria, allowing for a morenuanced assessment of quality.
- **Expanded criteria –** Inclusion of sustainability, smart technology, and health and well-being factors alongside traditional quality indicators (see Table 1).
- **Flexibility –** The framework should be adaptable to different markets and building types (new build vs refurbishment) while maintaining consistency in core criteria.
- **Regular updates –** Provision for periodic reviews to ensure the framework remains relevant as market standards evolve.

TABLE 1
SUMMARY OF SCORING CRITERIA

	Criteria
Physical building	• Building age – date building completed or underwent major retrofit • Natural light • Floor-to-ceiling heights • Floor plate shape • Lifting capacity • Floor space efficiency – ratio of net internal area to gross internal area (NIA/GIA)
Technology	• Building management system (BMS) • WiredScore • Tenant app
Sustainability	• Energy Performance Certificate (EPC) • BREEAM • Net zero carbon (NZC) in operation • Air quality • Energy source • Embodied carbon
Amenity	• Common areas • Tenant amenities – fitness facilities, conference facilities, food and beverages • End-of-trip facilities • Secure cycling spaces • Outdoor spaces

CONCLUSION

The UK office market is at a critical juncture, with current grading systems failing to capture the rapid evolution in office standards and occupier expectations. The proposed framework aims to address this gap by providing a more comprehensive, nuanced, and flexible approach to evaluating office quality. By adopting this new system, the industry can enhance transparency, improve decision-making for investors and occupiers, and better reflect the changing nature of office space in the post-pandemic era.

Implementation of this framework will require collaboration across the industry and a commitment to ongoing refinement. However, the potential benefits in terms of market clarity, improved asset valuation, and alignment with evolving occupier needs make this a worthwhile endeavour for the UK commercial real estate sector. ■

INTRODUCTION

AIMS OF THE REPORT

This report sets out the results of research commissioned by the BCO with the aim of establishing the extent of variation in office grading, together with the benefits that could be derived from a wider availability of standard definitions.

In commissioning this research, the BCO's objectives were to:

- establish a better understanding of how office gradings vary and assess the potential advantages of a consistent framework for different industry stakeholders
- understand how the market has evolved in the post-pandemic period
- provide an agreed framework for defining office quality across the market
- promote greater consistency in how investors, developers, and agents define and market office space
- understand whether variations to definitions should be adapted for different types of market – whether primary, secondary, or tertiary – or whether location is a key determinant of office quality

METHODOLOGY

A mix of quantitative and qualitative information was gathered from primary and secondary sources to identify market practice and provide context in the variations around certain aspects of building quality grading.

- **Phase 1: Definition review, criteria, and matrix development**

  The first phase focused on understanding existing definitions used within the commercial office sector and determining where any commonality in criteria currently exists. This helped to define the market and form the baseline criteria.

- **Phase 2: Data collection and analysis**

  Within this phase, how the market is defining spaces and how these vary was considered. Data was gathered on a sample of existing office buildings available across Central London and key UK regional cities.

  This was used to:

  - analyse the collected data in terms of specification and quality criteria
  - identify trends and patterns within the data

- **Round tables and questionnaires**

  A series of round table discussions and questionnaires were undertaken with key stakeholders, e.g. investors/developers, research houses, and market experts. Workshops were held to discuss and identify the criteria that should be included in any robust definition series. The workshops included a wide range of stakeholders and participants were representative of multiple geographies. In total, discussions were held with 89 representatives from 41 organisations across the UK.

  In parallel, a short survey was sent out via LinkedIn to gather input from a broad range of participants and geographies regarding their understanding of various terminology and their opinions on alternative definitions. Shared through the JLL and BCO LinkedIn pages, the survey received 183 usable responses from a range of stakeholders across several UK locations.

  The survey results were cross-checked against findings from the round table discussions to determine a consensus view of stakeholders regarding the current definitions and their views on alternative frameworks. ■

IDENTIFYING THE ISSUES

Office buildings in the UK, and around the world, are typically divided into three different categories, which form a grading of quality. Most markets divide their office stock into Grade (Class) A, B, or C, but the definitions and approach vary from market to market.

Building specifications change over time as buildings age and market dynamics evolve. The roles of sustainability and smart technology, along with a greater focus on health and well-being, have become more important decision drivers in the post-COVID environment, and yet these factors are still often overlooked in how we categorise our office spaces.

As a result, there is an acknowledgement that current grading definitions are outdated, uninformative, and potentially confusing. An ever-broader range of terms is being used across the industry, with little consistency as to what any of them mean. The rise of the term 'super prime' in this era of 'flight to quality', and what this means for building performance, has caused great debate within the industry but there is no real understanding of what constitutes 'super prime'.

Meanwhile, descriptors become meaningless when virtually all space is marketed as Grade A, and it becomes difficult for tenants to identify the most appropriate space to meet their needs and for property owners to truly understand how their buildings are performing relative to the wider market and the competition. There is a reluctance to quantify spaces as Grade B or C, but there is a place for lower quality Grade B space or more characterful space that doesn't fit into the preconceived ideal of a Grade A building, particularly for certain types of occupiers with, typically, lower price points.

The Grades A, B, and C in the classification system currently used in the UK are loosely defined and typically include a combination of factors such as building specification, location, and, often, rental value. However, the market does not have a robust system for evaluating office buildings based on specific standards, and so these ratings are often subjective.

This was queried in the online survey, which asked to what extent respondents agreed with the following statement:

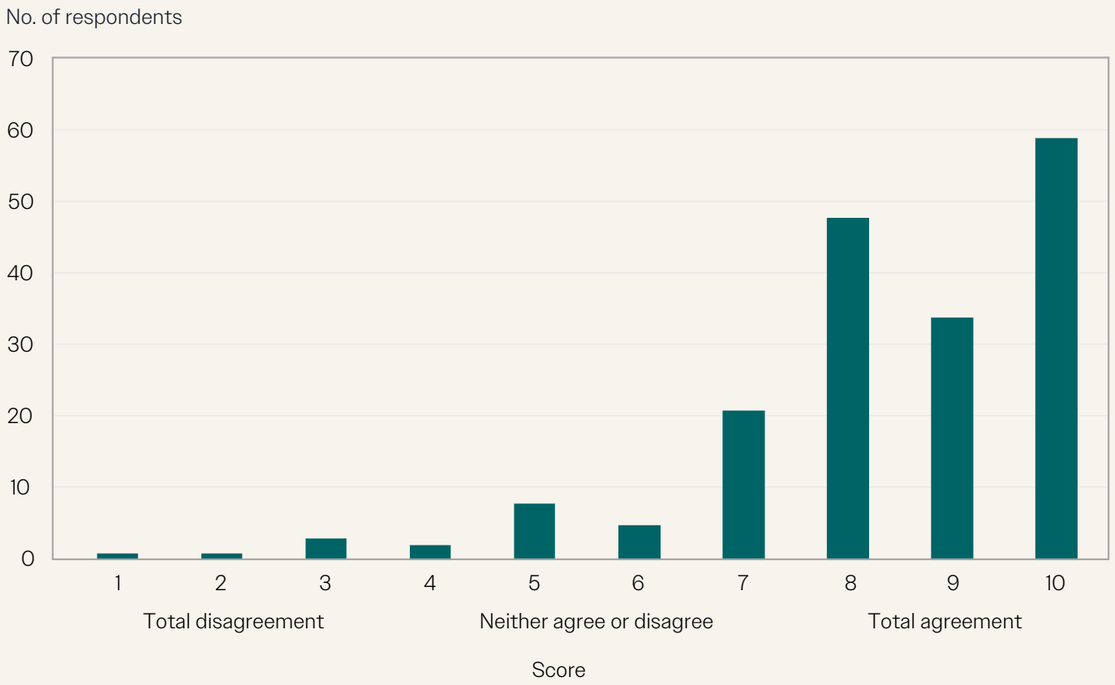
> A more robust framework for defining office quality would provide greater transparency and uniformity in the market.

There was an overwhelming agreement with the statement, with **89% scoring this statement 7 or higher on a 10-point scale** (Figure 1). Such a strong consensus indicates a widespread recognition of the limitations of current frameworks and the potential benefits of a more robust system. ■

FIGURE 1

SURVEY RESPONSES TO THE QUESTION 'TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENT: A MORE ROBUST FRAMEWORK FOR DEFINING OFFICE QUALITY WOULD PROVIDE GREATER TRANSPARENCY AND UNIFORMITY IN THE MARKET?

Average score: 8.3



Source: JLL & BCO online survey

REVIEW OF UK COMMERCIAL DEFINITIONS

The research considered how major office agencies define the quality of buildings. While each firm applies its own classification approach, discussions with research leads during the workshops revealed a shared recognition that these definitions are outdated and in need of modernisation.

Knight Frank research uses three categories to define the universe: new/refurbished space, second-hand Grade A, and second-hand Grade B. It reset its definition of prime in 2024 to accommodate changes in space being delivered.

They identified several qualities that were found to be common in best-in-class offices:

- **Highly sustainable –** Certified BREEAM of Excellent or Outstanding and EPC rated A or B.
- **Amenity rich –** Offices with communal or private terrace floors, open public spaces, rooftop gardens, public realm improvements, gyms, other real estate uses, and top-quality end-of-trip facilities.
- **Ease of access –** Proximity to transportation hubs, with less than five minutes walking time from stations, with multiple connectivity options.

The rest of the market is then subdivided into two further categories.

- **Second-hand A –** Previously occupied space with air-conditioning, some end-of-trip facilities, good floor-to-ceiling heights and a staffed reception area.
- **Second-hand B –** Previously occupied and very basic office space without air-conditioning.

A variation of these defintions was used in a recent report authored by Knight Frank and Arup. *

Term	Definition
Best in Class (Grade A+)	New or refurbished space that is Grade A+ in the BCO Office Specification. Additional services added to enhance the tenant offering. Typical building ratings including BREAAM Outstanding, EPC A, Well Platinum, Cycling Score Platinum, NABER 5*+.
Grade A	New or refurbished space that meets the criteria of the BCO Office Specification. Typical building ratings include EPC B, WiredScore Platinum, and BREEAM Excellent.
Grade B or Second-Hand	Previously occupied office space that either does not meet the Grade A specification, or it does, but wear and tear has triggered a need for substantial refurbishment.

Source: Knight Frank & Arup (2023)

* City of London Corporation (2023) *Future of Office Use.* https://www.cityoflondon.gov.uk/assets/Services-Environment/city-of-london-future-of-office-use-city-plan-2040.pdf

Savills has a global standardisation for defining quality and considers both prime and Grade A space.

- **Prime –** The very top tier of Grade A office space in a market, typically demanding the highest 5–10% of rents in that market. The term is more commonly used in EMEA and APAC countries, with the term 'trophy' preferred to describe the same space in North American markets.
- **Grade A –** The most modern offices, typically brand-new space or very recently refurbished offices that offer the highest amenities and facilities, strong sustainability credentials, advanced infrastructure, and a central location.

Cushman & Wakefield adopts a similar definition for Grade A – space that is newly built or refurbished within the last 10 years, featuring outdoor space, desirable amenities, and top sustainability ratings. Grade B relates to buildings that are between 10-30 years old, have typically been occupied, and need some upgrading to meet current occupier and environmental requirements. Buildings over 30 years old that have not been renovated in the last 10 years are typically qualified as Grade C.

Colliers defines Grade A as buildings with high-quality specification, including air-conditioning and raised floors, that have been redeveloped within the last five years. Age is a key differentiator: Grade B relates to buildings that are over five years old, with good-quality specification, including air-conditioning; and Grade C relates to buildings that are at least 15 years old, and generally of lower grade, with centrally heated floorspace, and in need of refurbishment/updating.

In addition, **CoStar,** the commercial real estate platform, has developed its own grading system. Like the system used for hotels, quality is denoted by a star rating, and standards are largely consistent across the country.

The system makes it easy for occupiers to identify space that meets their needs and provides owners with a set of basic criteria that they need to achieve.

CoStar considers six main categories in assessing the overall quality of an office building:

- architectural design
- structure/systems
- amenities/management
- site/landscaping
- exterior spaces
- certifications.

The research community was generally in agreement that there should be greater consistency in how the real estate market is defined, and that there is a need to reset the definition of 'prime' and how it relates to Grade A. As a community, it was generally agreed that we should be aiming for industry-leading metrics that provide greater clarity.

What stakeholders really want is to know the difference between an A and an A+ building.

There was debate over whether grade related only to available space or to the overall building characteristics, which was not an issue that was discussed by other stakeholder groups. This was in part influenced by the availability (or historic capture) of detailed data. However, the discussion leaned towards the overall building, which was in line with other workshops that took place.

KEY DETERMINANTS OF QUALITY

Sustainability	Well-being
Amenity	Building age

Location was a contentious factor, with some arguing it should be considered separately from building quality. It was agreed that location was more nuanced, and that there should be some consideration of the amenity and connectivity within a radius of the building. This was deemed to be of greater relevance to some of the regional and out-of-town markets, as well as smaller-scale buildings.

The group recognised the challenges in creating uniform criteria across different UK office markets due to varying standards and expectations, alongside the potential need for different criteria for new-build versus retrofitting. Furthermore, a fluid framework would be increasingly important, as the next cycle of developments will be more heavily weighted towards retrofitting than new-build.

Age was seen as a good proxy for assessing quality, with new buildings generally meeting higher standards due to evolving planning requirements and greater awareness of developers. However, age in isolation was not the answer, and the timeframe around obsolescence, essentially the shift from a Grade A to a Grade B building, was something that could vary from market to market.

Concern was raised that several potential parameters would be dependent on how the tenant uses the space, and whether buildings where owners have gained accreditation from one or more of the wealth of schemes available are better than those where the owner has chosen not to pursue certification.

Perception of the building was also discussed, and whether market opinion should have a place in determining the quality of the building. It was generally believed that perception would be reflected in the rents achieved, regardless of location.

The clearest way of measuring market perception of the building is based on the rents that are achieved.

The question of whether this was a structural shift or was a conversation based on where we are in the market cycle was raised. There were some reservations that this was a cyclical discussion, due to higher vacancy rates and that owners were justifying portfolio performance based on different market strata. However, standards were generally seen as improving in the post pandemic era, in part via the planning system but also through developer awareness, and that there was a **strong structural argument** for redefining the market. ■

If we have a different definition for each and every place, it erodes the relevance of having a definition.

REVIEW OF INTERNATIONAL GRADING SYSTEMS

There are no consistent definitions across markets regarding a typical Grade A quality office building. Considering market practice around the world, grading systems are broken down into two main types:

- generic definitions
- matrix
  - scoring
  - majority criteria.

GENERIC DEFINITIONS

Generic definitions of Grade A space readily translate across markets, but the standard of office space that this relates to is very much determined by local practice. What was observed is that, in a few cities, additional quality categories of office space have been introduced to reflect the increasing diversification and stratification of the office market, in part to avoid the downgrading of existing stock.

Established markets such as the USA and Canada have written definitions, such as the Class A standard defined by the National Association of Industrial and Office Properties (NAIOP) in the USA[1] and the building classification guidance from Building Owners and Managers Association International (BOMA) in Canada. The Rating and Valuation Department of Hong Kong also has established definitions for office quality. The broad definitions for these markets are set out below.

USA

- **Class A building –** Office buildings with a Class A rating compete for the market's premier office users and command the highest relative rents in the local office market. Class A buildings are well-located in major employment centres and typically have good transit, pedestrian access, and/or vehicular access. Class A buildings usually have high-quality finishes, state-of-the-art systems, and high-quality management.
- **Class B building –** Office buildings with a Class B rating compete for a wide range of users and command rents near the mean of the market. Locations range from excellent to secondary. Finishes, systems, and management range from fair to good.
- **Class C building –** Office buildings with a Class C rating compete based on their low price. The finishes, systems and management meet minimum standards. Class C buildings may be in less desirable locations relative to the needs of major tenant sectors in the marketplace[2].

These definitions are subjective, and the final designation is relative to the local market. Buildings must exhibit more than one criterion in each category (see Appendix), but they need not exhibit them all to obtain the classification. The designations are determined primarily based on the building systems and finishes, building upkeep and services and location. This is not a mandatory definition and is not necessarily applied across the market.

CBRE recently undertook an assessment of office markets across 57 US cities to identify the highest quality buildings in recognition of changing occupier requirements[3]. The top tier—reclassified as Prime (or Grade A+)—represented just 8% of total office stock by volume and only 2% by number of buildings.

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This compares with over 61% of the US office stock that are classed as Grade A. JLL data also shows that US definitions for Grade A can be applied to a large proportion of the market with a similar national average to CBRE (60%), with percentages ranging from 73% in Atlanta to just 44% in Washington DC. This suggests that there is no consistent approach to classifying quality within the US.

According to CBRE, these prime office buildings are considered best in class in terms of design and offerings, with an emphasis on occupant productivity and well-being. They are typically newly constructed or extensively renovated and offer highly sought-after amenities, including ample parking, strong security measures, fitness centres, social lounges, outdoor spaces, coworking areas, diverse dining options, touchless technology, and sustainability features. Prime buildings are strategically located in desirable neighbourhoods and often near public transit or major thoroughfares, providing easy access to walkable amenities and supporting shorter commutes.

CANADA

Grading is assessed relative to other properties in a market, and so a Grade A building in a small town will not be comparable to one in a central business district (CBD), for example. The market is divided into Grade A, B, and C, but Grade A can be further subdivided into Prestige, AAA, and AA. The definitions cover both new and existing buildings, and a range of factors including age, location and access, construction and architecture, property management, tenants, rents, environmental, building systems, lifts, security, parking, services, and amenities. The BOMA Office *Building Classification Guide* should be reviewed as needed, although it has not been updated since its publication more than 10 years ago[4].

HONG KONG

Offices are divided into three grades:

- **Grade A –** Modern with high-quality finishes; flexible layout; large floor plates; spacious, well-decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.
- **Grade B –** Ordinary design with good-quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services; good management; parking facilities not essential.
- **Grade C –** Plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally, without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities.

In Hong Kong, location is not a feature of grade, but the categories are subjective and open to interpretation.

[1] NAIOP Research Foundation Commercial Real Estate Terms and Definitions April 2024

[2] https://www.naiop.org/education-and-career/industry-terms-and-definitions/#defC

[3] https://www.cbre.com/press-releases/cbre-analysis-prime-office-buildings-are-dramatically-outplacing-the-rest-of-the-market

[4] https://bomacanada.ca/wp-content/uploads/2023/04/building_classification14ang-3.pdf

SCORING MATRIX

Several Asian markets use a matrix system to assess the quality of spaces. This is based either on an absolute score, as outlined below, or on meeting a certain number of criteria.

VIETNAM-SAVILLS

Grade is determined by how a project performs compared to 19 criteria related to urban development level, development quality, and tenant experience. These include factors such as commercial density, public transportation, accessibility, safety and security, ceiling height, Environmental, Social, and Governance (ESG), age, and management services (see Appendix). The guidelines do not include rental levels as a criterion on which to assess the building quality, while location is related to commercial density and proximity to public transport rather than a strict geographical location. Buildings are scored from 1 to 100, with a Grade A building needing a score of 85–100, Grade B 65–84, and Grade C at least 35.

SINGAPORE

The market is categorised into Grades A, B, and Other, which relate to both new and existing spaces. Grading includes an assessment of 13 broad categories, which are scored between 1 and 10. The categories are size, floor plate, age, air-conditioning type, electricity, cable management, lifts, floor-to-ceiling height, car parking, accessibility, floor plate design, sustainability, and amenity.

MAJORITY CRITERIA

AUSTRALIA

Australia has one of the most comprehensive guides to office building quality, which is published by the Property Council of Australia. It provides separate tools for assessing new buildings and existing buildings. The new building matrix applies to buildings where a development application was submitted after 1 July 2019 and the previous building matrix applies to all other office buildings. The market is divided into Premium, Grade A, Grade B, and Grade C.

The matrices provide a guide to the typical features of different quality grades of office space. They cover 13 broad features, with over 60 parameters considered (see Appendix). **It is not necessary to achieve every parameter** to qualify for a grade, but it is anticipated that a building **will overwhelmingly** meet the stated criteria of the grade.

The same parameters are used for both new and existing buildings, but the assessment can vary between the two building types. For example, the energy rating required for a new premium building is NABERS Office Energy 5.5 star whereas for an existing premium building it is 5 star, and the guide assumes an occupational density of 1:10 sq m for new buildings and 1:12 sq m for existing buildings.

The council states that the guide will be reviewed not less than every three years, as perceptions of quality change over time. However, the guide has not been updated since 2019, but at that time it was acknowledged that several emerging quality issues would need to be considered “in the next few years”: quality indoor environments and wellness factors, carbon neutrality, sustainability, urban resilience, workspace strategy, and integrated technology.

SOUTH AFRICA

South Africa also defines grading on a range of features including services, amenities, building age, car parking, technology, and public environment. Each criterion is defined for the three grades of space – Prime, Grade A, and Grade B – and 80–90% of the criteria must be met to qualify for each grade.

> 80–90% of the criteria must be met to qualify for each grade.

The definitions are published by the South Africa Property Owners Association (SAPOA) and should be reviewed annually.

EUROPE

There appear to be no standardised definitions used across European countries, with grading definitions often a mix of quality parameters and building specification on the one side and aspects of location and access to infrastructure on the other. These have often been agreed in accordance with a consortium of agents in the geographical area or within the organisation. ■

Billiter Restaurant, G/F, 40 Leadenhall, London
Courtesy of M&G

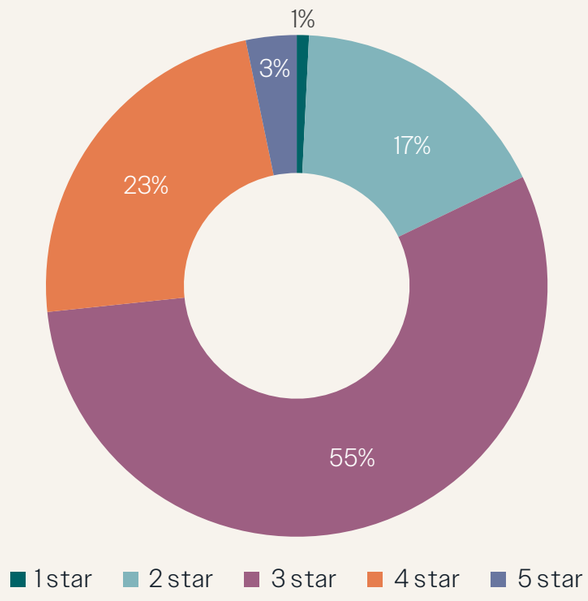
DATA ANALYSIS

The research analysed several datasets to see whether there are any major contradictions in terms of how buildings are graded and how factors such as location and rent are considered when defining quality.

SIZE BAND

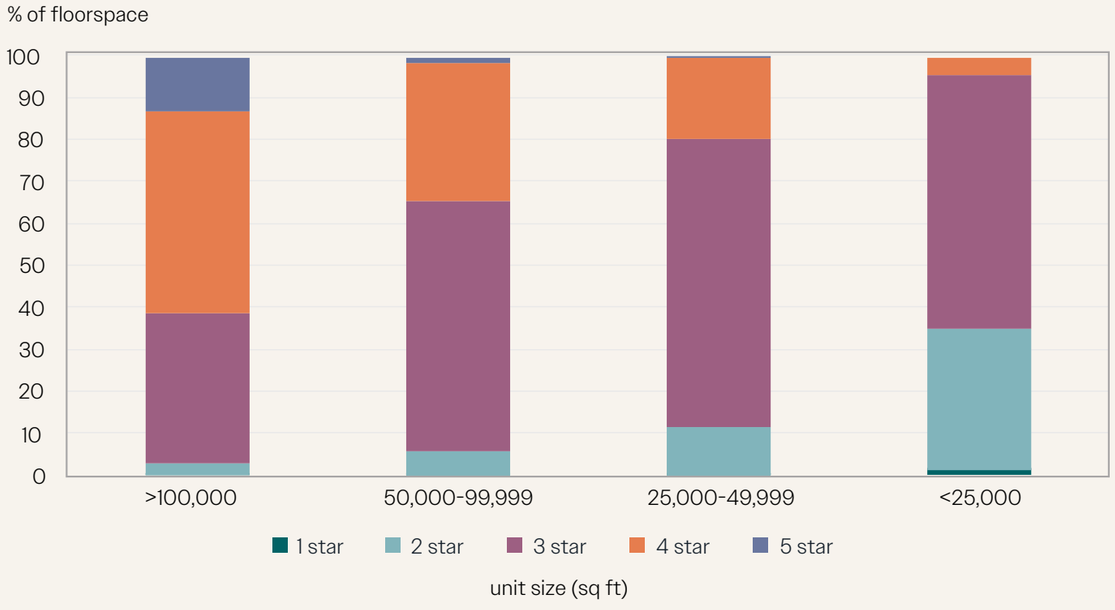
The size of a building is a factor that could be considered in a grading definition, but this may preclude smaller buildings from ever achieving the best quality rating. To be equitable, any rating system should be applicable to a range of building sizes, but there should be an acceptance that smaller buildings may face inherent limitations. Again, using CoStar data, it can be seen quite clearly how the best-in-class spaces are more prevalent, but not exclusively in larger buildings (Figure 3). As we note later in the report, larger buildings have the critical mass to include amenity and wellness facilities, which are not possible in smaller schemes.

FIGURE 2
UK OFFICE STOCK BREAKDOWN – COSTAR RATING SYSTEM



Source: JLL Research based on CoStar data

FIGURE 3
UK OFFICE STOCK BREAKDOWN BY SIZE – COSTAR RATING SYSTEM



Source: JLL Research based on CoStar data

Analysis of UK CoStar data, which has not been verified, suggests that most of the office stock is 3 star, but with a skew towards the upper-rated spaces (Figure 2), a pattern that has not changed significantly over the last 10 years. Examining CoStar's definitions for the 4 and 5 star ratings suggests that these are more aligned with wider Grade A definitions, while 3 star would seem to be in alignment with Grade B definitions. The more forensic approach taken by CoStar would seem to support the theory that the current application of Grade A in the market is overly generous.

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61% of buildings over 100,000 sq ft are rated 4 or 5 star

10 x more buildings below 25,000 sq ft are rated 1 or 2 stars compared to buildings over 100,000 sq ft

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LOCATION

As noted from several definitions in use, location can be a key determinant of grade, with buildings in prime locations generally seen as better quality than those in secondary locations. This was an area that we explored in the workshops and in the survey.

The survey asked to what extent the respondents agreed with the following statement.

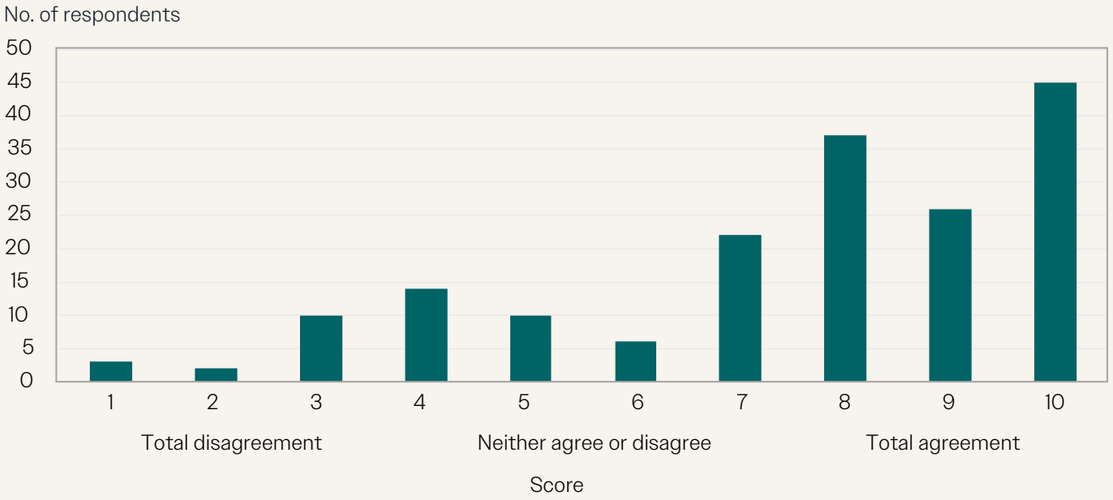
> The quality of an office building should be assessed on the same criteria regardless of geographical location?

The responses to the question were mixed but with a leaning towards agreement. Nearly three-quarters rated the statement 7 or higher on a 10-point scale (Figure 4). This suggests that, while there is general support for standardised criteria, there is also recognition of the potential need for some level of regional differentiation. This was explored further in the workshops.

FIGURE 4

SURVEY RESPONSES TO THE QUESTION 'TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENT: THE QUALITY OF AN OFFICE BUILDING SHOULD BE ASSESSED ON THE SAME CRITERIA REGARDLESS OF GEOGRAPHICAL LOCATION?

Average score: 7.5

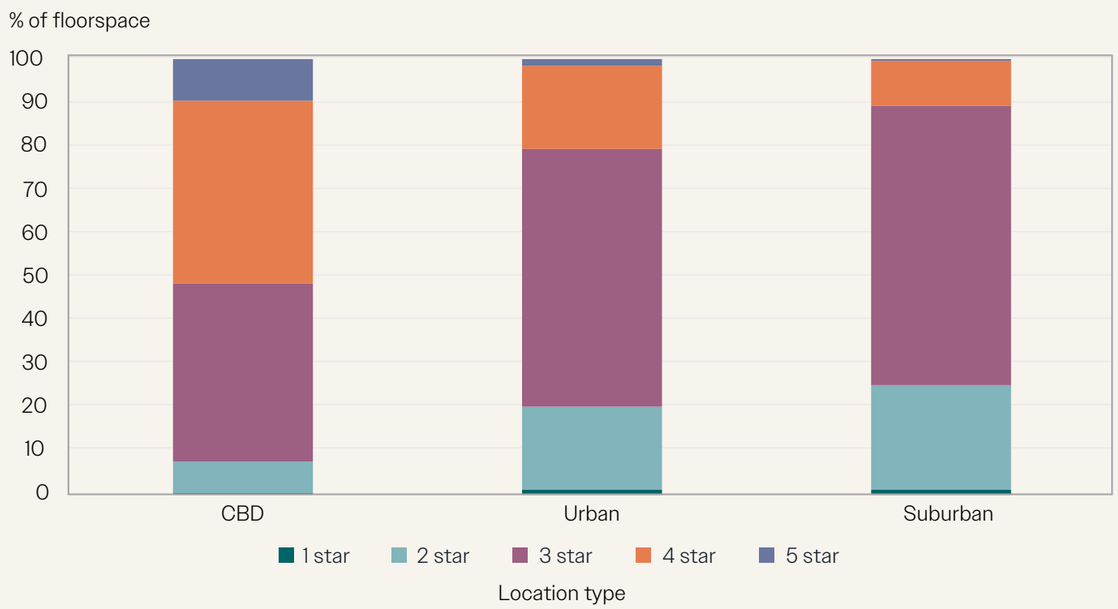


Source: JLL & BCO online survey

The CoStar system is consistent in terms of quality, and applies the same criteria to a building regardless of where the space is located. The data clearly shows a skew to the better-quality spaces being in urban areas, while the lower-rated spaces are more likely to be found in suburban locations (Figure 5). However, what the analysis of CoStar grading shows is that it is possible to have a highly rated space in a non-core location.

FIGURE 5

2024 RATINGS BY LOCATION TYPE (SQ FT) – COSTAR RATING SYSTEM



Source: JLL Research based on CoStar data

CASE STUDY

5–7 CATHEDRAL WALK, 1 THE FORUM, GLOUCESTER

NON-CORE 'BEST-IN-CLASS' SCHEME

5–7 Cathedral Walk, Gloucester
Courtesy of Reef Group

5–7 Cathedral Walk is an 85,121 sq ft seven-storey, new-build office. It is part of The Forum in Gloucester, a new city-centre digital and technology mixed-use campus developed by Reef Group in partnership with Gloucester City Council, that is located adjacent to Gloucester's bus terminal and train station.

5–7 Cathedral Walk's building specification and accreditations match best-in-class developments across the core regional markets. It is net zero carbon in operation, WiredScore Platinum, BREEAM Excellent, has extensive end-of-journey facilities with 135 cycle spaces, roof terraces, and space reserved for a gym and café. The all-electric building has typical floor-to-ceiling heights of 3.7m. A skybridge at level 4 connects the building to the 400-space multistorey car park (managed by Q-Park) and the 130-bed 4* Hotel Indigo, which includes a rooftop restaurant and bar. ■

RENTS

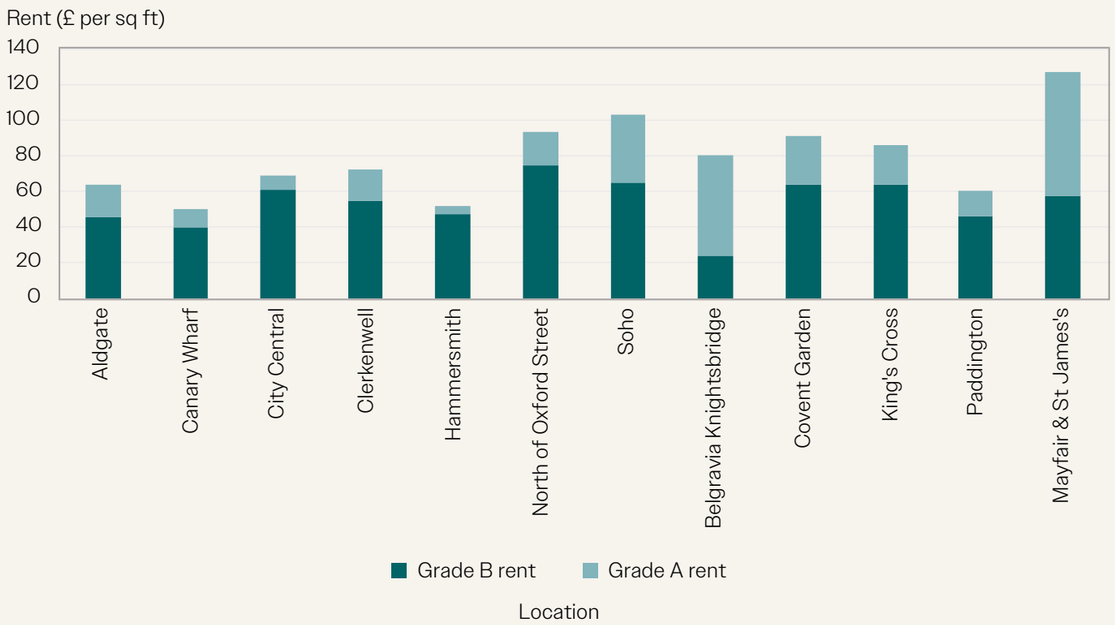
In many definitions of grading, rent is used as a key determinant of quality, and to a certain extent, that is correct. Better-quality buildings will typically command higher rents, but there are several other factors that can influence rent, including location, vacancy, and competition among occupiers. Even within buildings, different floors command different rental levels, which suggests that the rental performance is more nuanced.

If rents are reflected in how the market determines grading, there should be a clear gap between rents for Grade A and Grade B spaces. Analysis of supply marketed across Central London shows that there is no direct correlation between asking rents and grading.

The average weighted Grade B rent was around 75% of the average weighted Grade A rent at the end of Q3 2024[5]. Taking location into consideration shows a wide variation, with Grade B rents as a proportion of Grade A rents ranging from around a third to virtual parity depending on the submarket. If rent were reflected in building grade, the averages should be more consistent than suggested by space currently on the market, and there should be a wider differential between Grade A and Grade B rents.

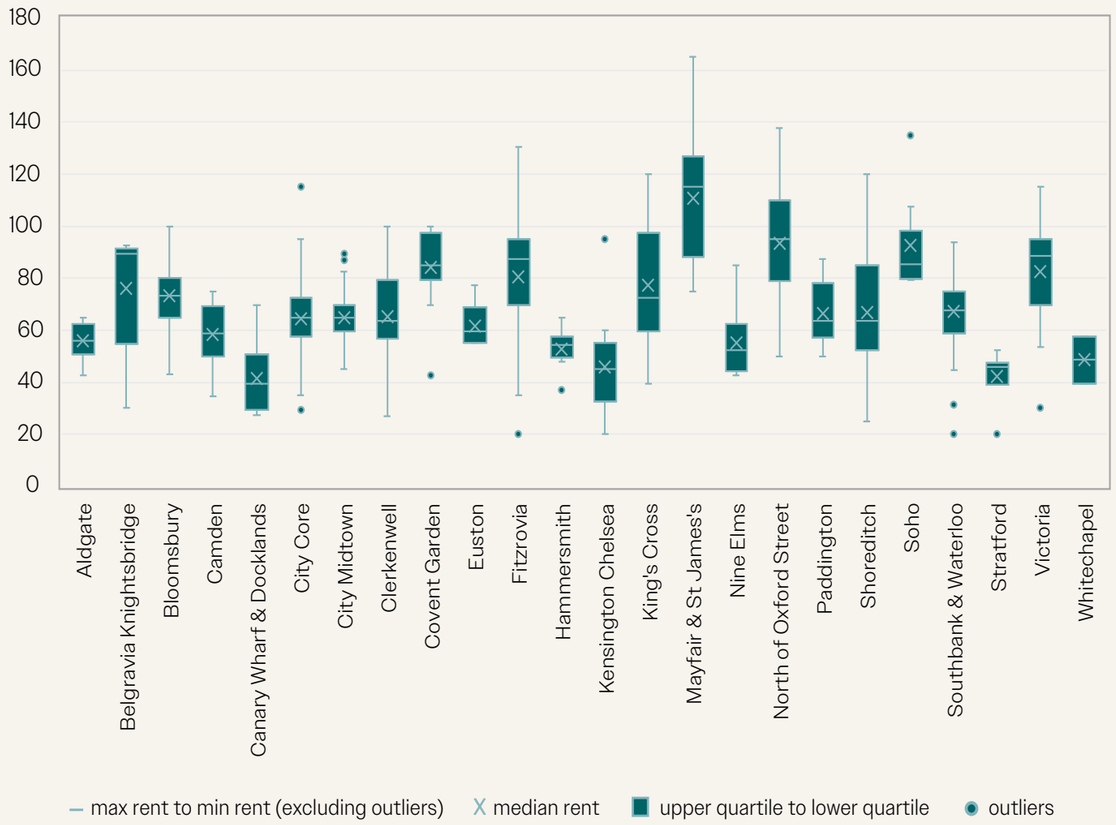
Even among buildings marketed as Grade A space, there is a wide range of asking rents (Figure 7), which suggests that rent and grade are not closely aligned. ■

FIGURE 6
CENTRAL LONDON RENTAL ANALYSIS BY GRADE



Source: JLL Research

FIGURE 7
CENTRAL LONDON GRADE A RENT RANGES



Source: JLL Research

[5] On an unweighted basis this increases to 81%.

HOW HAVE DEVELOPMENTS EVOLVED?

KEY TRENDS

The office market has undergone significant disruption since the COVID-19 pandemic, with working from home becoming a default option during the crisis. While the pandemic is now a distant memory, its impact on the office market remains clearly visible. As hybrid working has become the norm for the majority, the nature of office buildings has changed, with the pandemic potentially accelerating changes in what constitutes a Grade A building. The survey asked respondents to what extent they agreed with the following statement:

> Grade A buildings developed in the post-COVID years are not comparable with Grade A buildings that are more than five years old.

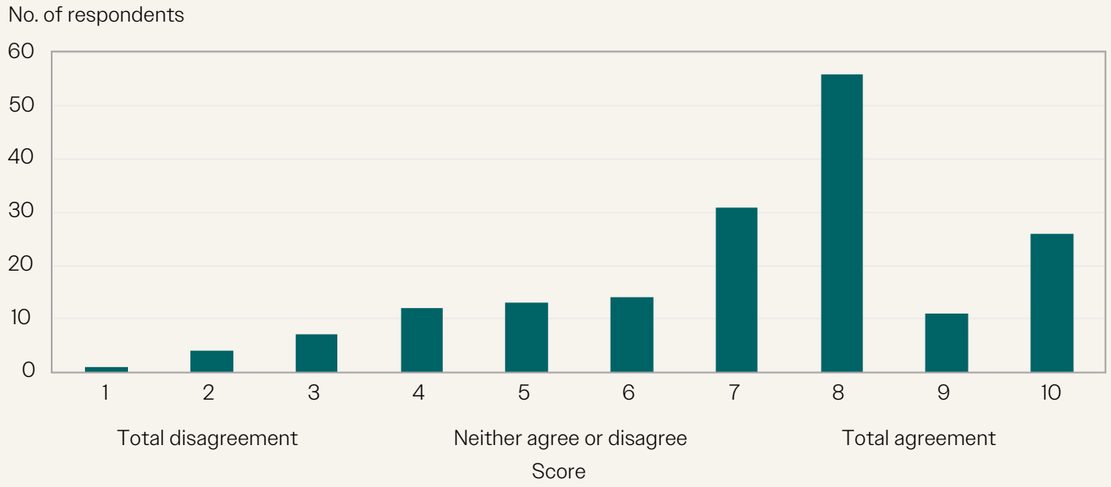
The responses indicate a strong agreement with the statement, suggesting a significant shift in office building standards over the past few years.

Looking at the data, the majority scored this statement 7 or higher (Figure 8). This indicates a clear perception that newer Grade A buildings are indeed different from those built or refurbished more than five years ago. The high level of agreement across various sectors of the real estate industry (including agents, developers, occupiers, and researchers) suggests that this is not just a perception limited to one group but a widely acknowledged change in the market.

FIGURE 8

SURVEY RESPONSES TO THE QUESTION 'TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENT: GRADE A BUILDINGS DEVELOPED IN THE POST-COVID YEARS ARE NOT COMPARABLE WITH GRADE A BUILDINGS THAT ARE MORE THAN FIVE YEARS OLD?

Average score: 7.1



Source: JLL & BCO online survey

There was also strong agreement with this statement across different geographic locations (from London to regional cities), which suggests that this is a widespread shift in office building standards. However, it is worth noting that, while the majority agree, there is still a range of opinions. Some respondents, particularly those in secondary markets, showed less strong agreement. This could indicate that the pace of change is not uniform across all locations, with prime markets potentially seeing more rapid evolution in building standards.

The responses to this question support the hypothesis that the definition of Grade A needs to be reassessed, with a more nuanced grading system that considers these new standards.

> 78% scored this statement 7 or higher, with an average score of 7.9

The survey asked to what extent the respondents agreed with the following statement:

> Existing grading frameworks do not adequately reflect essential factors such as sustainability, smart technology, and health and well-being?

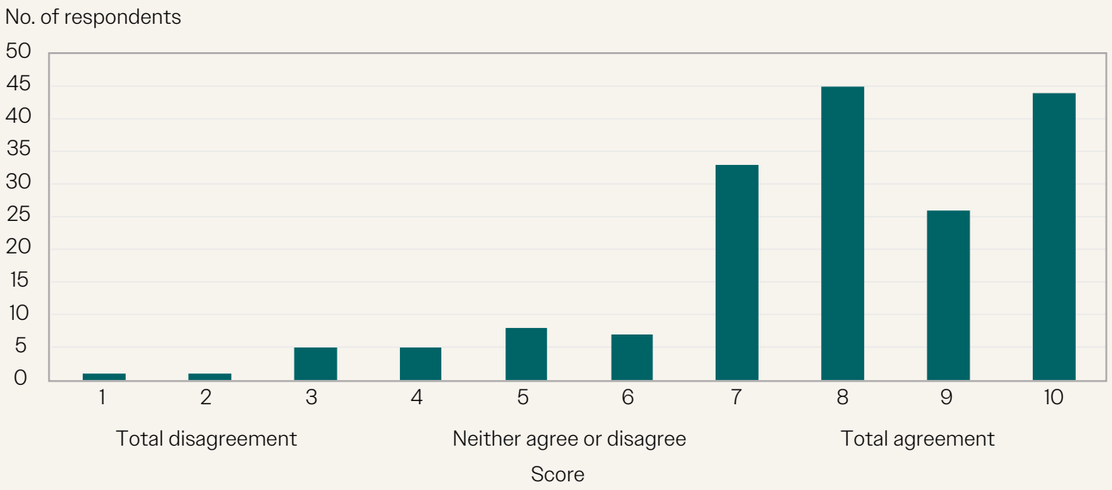
The responses to this question revealed a strong consensus that existing grading frameworks are falling short in capturing crucial aspects of contemporary office spaces.

Analysing the data, 78% scored this statement 7 or higher, with an average score of 7.9 (Figure 9). Agreement was evident across a wide range of stakeholders and across geographies.

FIGURE 9

SURVEY RESPONSES TO THE QUESTION 'TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENT: EXISTING GRADING FRAMEWORKS DO NOT ADEQUATELY REFLECT FACTORS SUCH AS SUSTAINABILITY, SMART TECHNOLOGY, AND HEALTH AND WELL-BEING?

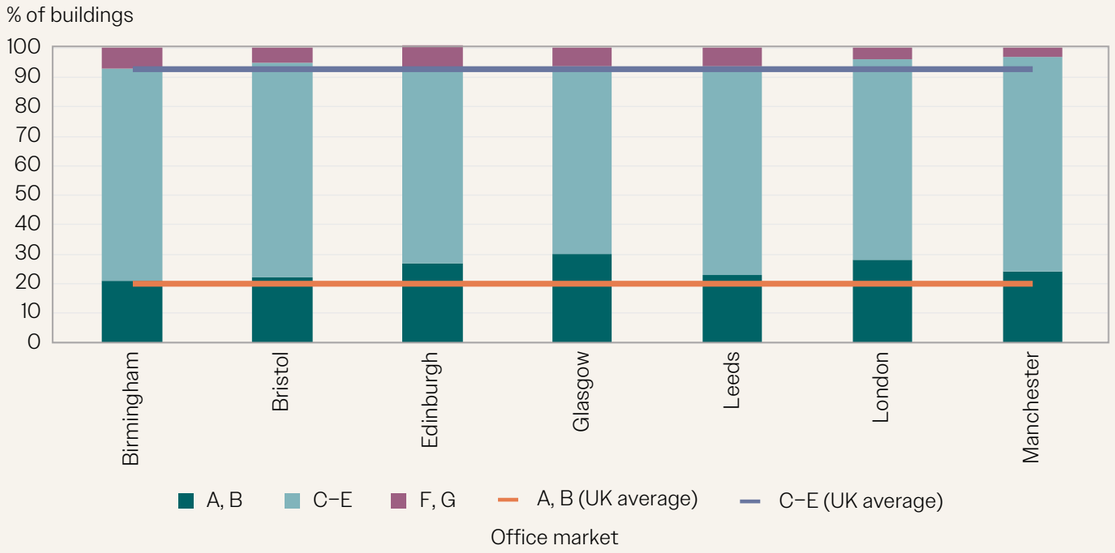
Average score: 7.9



Source: JLL & BCO online survey

FIGURE 10

OFFICE EPCS LODGED OVER THE LAST 10 YEARS



Source: JLL & Gov.UK

ENVIRONMENTAL CONSIDERATIONS

Sustainability is now a mainstream issue in the property industry and is an intrinsic part of the process of commissioning, designing, building, operating and, increasingly, refurbishing office buildings. Occupier awareness is increasing, and with more firms publicly committing to stringent carbon reduction targets, this will be reflected in the types of buildings that are demanded by occupiers.

Analysis of the government's EPC Register shows that approximately 80% of the UK's office stock falls below EPC B (Figure 10), which is expected to be mandatory for a building to be leased out from 2030. This is creating a real threat of building obsolescence, which both landlords and tenants need to consider now, and by implication will also have an impact on the perception of the quality of these spaces.

> Approximately 80% of the UK's office stock falls below EPC B

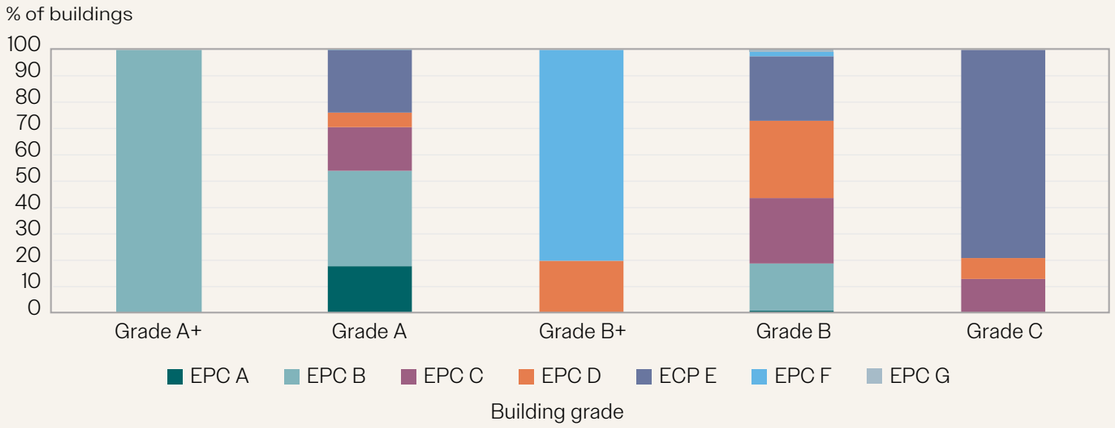
The focus on sustainability is reflected in the buildings being delivered into the market. JLL has analysed all new/retrofit developments over 50,000 sq ft completed in Central London and the Big 6[6] since 2012, and the data clearly shows an upgrading in both EPC and BREEAM ratings over that period. This is particularly evident since 2019 (when the average EPC equated to a rating of B), with improving averages each year; new deliveries in 2024 achieved an EPC rating closer to an A. Concurrently, these same developments have seen improved BREEAM ratings, this being driven in part by planning and in part by occupier demands.

While EPC ratings are not perfect, they provide the largest dataset currently available to indicate a building's environmental credentials, and should be, at least in the short term, considered when assessing the quality of a building.

However, analysis of buildings being marketed across the UK shows a divergence between building gradings and EPC ratings. A lack of consistency is evident, with buildings being marketed as Grade A possessing a wide range of EPC ratings, even EPC E. This is illustrated in Figures 11 and 12 for Central London and Leeds, but a similar breakdown was evident in all the core regional office markets.

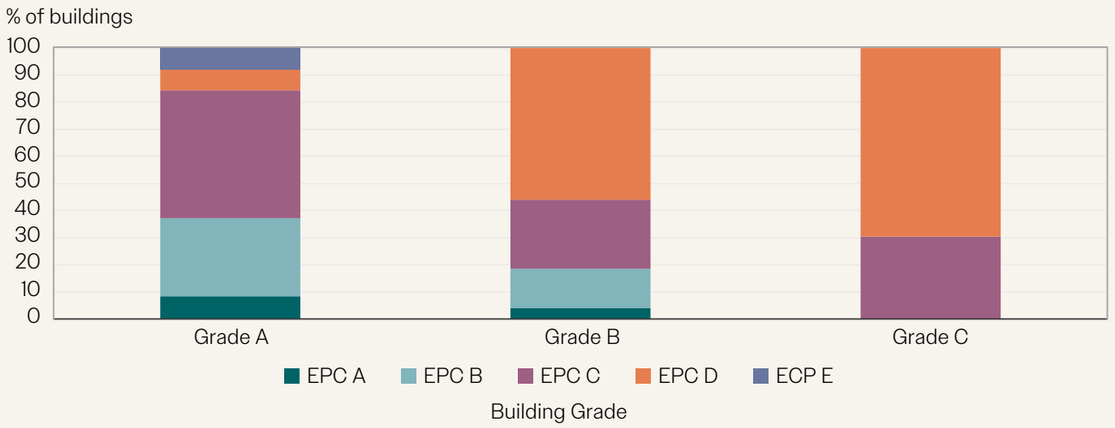
[6] Big 6 refers to Birmingham, Bristol, Edinburgh, Glasgow, Leeds, and Manchester.

FIGURE 11
GRADE AND EPC RATING OF SUPPLY MARKETED – CENTRAL LONDON



Source: JLL Research

FIGURE 12
GRADE AND EPC RATING OF SUPPLY MARKETED – LEEDS



Source: JLL Research

Energy use is one of the primary concerns regarding the UK's building stock, and for the commercial property sector to play its part in combatting climate change offices need to be designed to consume as little energy as possible. As part of future-proofing any guidance, energy use would need to be considered and in-performance metrics such as NABERS UK or the proposed UK Net Zero Carbon Buildings Standard should be incorporated over time.

WELLNESS AND TECHNOLOGY

The COVID-19 pandemic has brought health and well-being to the forefront of considerations in office design. This encompasses factors like air quality, natural light, biophilic design elements, fitness facilities, and spaces designed to promote mental health.

The focus on well-being is also evident in a greater uptake of WELL certification, which has risen sharply over the last two years, while the shift to smart buildings is evident in the number of office developments awarded a WiredScore certificate. While there are many other accreditations, there has not been any significant change in the pace of uptake in new developments over time of other certification schemes, and their adoption rates lag that of WELL and WiredScore certification.

Over the past five years, change in number of schemes (over 50,000 sq ft) offering:

Gyms/yoga studios
8% → 12%

Event/auditorium spaces
6% → 15%

Over the past five years, there has been an uplift in the number of schemes (over 50,000 sq ft) providing tenant gyms/yoga studios and event/auditorium spaces. Analysis by JLL shows that the proportion of schemes including these facilities has increased from 8% to 12% and from 6% to 15%, respectively. Gyms that are also open to the public have also increased from 6% to 15%. The provision of cycling spaces and showers has risen, in part due to planning regulations, with the average square footage per cycle space falling from almost 1,200 sq ft in schemes completed between 2015–2019 to just under 930 sq ft per space. Meanwhile, the inclusion of coffee shops and restaurants has seen little fluctuation over these two periods, remaining the most common tenant amenity provided by building owners.

Interestingly, however, several building owners felt that we are probably at peak gym and that how occupiers are accessing fitness is changing. This might be something to watch moving forward to see how widespread this trend is and whether it is a structural change. Showers, towel services, and drying rooms were seen as critical amenities.

The provision of terracing/roof gardens has also become more prevalent in schemes completed over the last five years – particularly communal terracing. Private terraces are the most frequently provided outdoor space, being delivered in over 40% of schemes, compared to a third providing roof terraces and a quarter providing communal terraces.

The integration of technology into buildings has accelerated rapidly. This includes advanced BMSs, internet-of-things (IoT) devices for monitoring and controlling various building functions, high-speed connectivity, and features that enhance user experience through mobile apps. Artificial intelligence (AI) will empower the development of intelligent buildings, making assets more efficient and more inviting for employees. Nevertheless, the implementation rates vary among investors, and this can be a differentiating factor between buildings. Analysis of developments completed over the last ten years shows that the number of smart-enabled buildings has increased from just 1% of schemes before 2019 to an average of 14% between 2020 and 2024. A similar pattern was noted in new developments that provide some form of tenant app, rising from an average of 5% in the five years up to and including 2019, to an average of 16% between 2020 and 2024. ■

CASE STUDY

WEST END

5-6 St James's Square
Courtesy of JLL Research

78 St James's Square
Courtesy of BGO

Indicator	5-6 St James's Square	78 St James's Street
Size (sq ft)	126,500	120,000
Developer	Rio Tinto	BentallGreenOak (BGO)
Year built	2014	2022
BREEAM	Excellent	Excellent
EPC	B	B
WiredScore	N/A	Platinum
WELL certification	N/A	N/A
NZC in operation	N/A	N/A
NABERS	N/A	N/A
Energy source	Grid supplied electricity	Natural gas
Floor-to-ceiling height (m)	2.75	2.8
Storeys	7	9
Average floor plate size (sq ft)	9,500	13,500
Amenity space (sq ft)	1,428 (1.1%)	19,300 (16.0%)
No. of bike spaces	90	150
Occupational density	1:6	1:8
No. of passenger lifts	6	6

These case studies illustrate how buildings developed about 10 years apart have changed. For greater comparability, schemes in similar locations and size have been selected. The most obvious changes are in terms of the volume of amenity spaces, cycling, adoption of WiredScore, and changes to occupational density, which supports the general trends noted elsewhere in the report. ■

CASE STUDY

CITY OF LONDON

The Leadenhall Building

40 Leadenhall
Courtesy of M&G

Indicator	The Leadenhall Building	40 Leadenhall
Size (sq ft)	625,000	830,000
Developer	British Land/Oxford Properties	M&G/Nuveen
Year built	2014	2024
BREEAM	Excellent	Excellent
EPC	B	A
WiredScore	Platinum	Platinum
WELL certification	N/A	Platinum
NZC in operation	N/A	Yes
NABERS	N/A	Base Building 5.0 stars
Energy source	Natural gas	Renewable electricity
Floor-to-ceiling height (m)	2.75	2.75
Storeys	47	34
Average floor plate size (sq ft)	13,300	23,683
Amenity space (sq ft)	27,190 (4.3%)	80,000 (10.4%)
No. of bike spaces	400	1,068
Occupational density	1:10	1:8
No. of passenger lifts	20	19

CASE STUDY

LEEDS

10 Wellington Place
Courtesy of Bevan Cockerill

11/12 Wellington Place
Courtesy of Bevan Cockerill

Indicator	10 Wellington Place	11/12 Wellington Place
Size (sq ft)	35,000	245,000
Developer	MEPC	MEPC
Year built	2014	2023
BREEAM	Excellent	Outstanding
EPC	D	A
WiredScore	N/A	N/A
WELL certification	N/A	N/A
NZC in operation	N/A	Yes
NABERS	N/A	Targeting 5 stars
Energy source	Electricity	Renewable electricity
Floor-to-ceiling height (m)	2.8	2.7
Average floor plate size (sq ft)	6,800	24,500
Amenity space (sq ft)	0	13,625
No. of bike spaces	50	140
Occupational density	1:10	1:8

INFLUENCE ON MARKET TERMINOLOGY

Over the last five years, the evolution of office development combined with the occupier 'flight to quality' has left the industry scrambling for an alternative term to 'Grade A' to elevate these 'best in class' spaces. 'Super prime' has emerged as a category but without clearly defined parameters.

The survey asked respondents how 'super prime' differs from 'Grade A'. The responses indicate a wide range of opinions on what constitutes super prime office space, reflecting the lack of a standardised definition in the industry. However, several common themes emerged, which are outlined in Table 2.

There were variations in opinion from both the workshops and the survey regarding super prime. Location was most frequently mentioned as being a key determinant of whether a building is classed as super prime, closely followed by it generally being above Grade A in terms of quality.

TABLE 2
SUPER PRIME CRITERIA

Criteria	No. of mentions	
Location	48 (including 17 mentioning only that it relates to location)	Super prime is often associated with the most desirable areas within CBDs or near major transport hubs.
Best in class – highest quality	41	Many respondents view super prime as exceeding Grade A standards in various aspects. It's often described as 'the best of the best' or 'Grade A+' space that goes 'above and beyond' typical Grade A offerings.
Amenity	31	Superior tenant amenities are commonly cited, including high-quality common areas, end-of-trip facilities, and on-site services such as concierge or food and beverage options.
Sustainability	31	Enhanced sustainability features and strong ESG credentials are frequently mentioned.
Age/new build	17	Many respondents associate super prime with newly constructed or recently refurbished buildings, often post-COVID developments.
Marketing jargon	15	Respondents viewed as it as a way to market buildings, with no real substance behind it.
Specification	14	High-quality materials, superior finishes, and involvement of top architects are noted by some as super prime attributes.
Technology	10	Advanced building systems and integrated smart technologies are seen as key features of super prime offices.
Well-being	6	Enhanced focus on occupant health and well-being was mentioned.
Rent	3	A few responses suggest that super prime relates to achieving top rental levels in a market.
Doesn't exist/ not relevant	7	

Source: JLL & BCO online survey

There was also a subset of responses that focused on specific building features like floor-to-ceiling heights, larger floor plates, or enhanced lifting capacities as differentiators for super prime space. In the regional agency workshops, it was suggested that a super prime building should be at least seven floors and, while the minimum size was not agreed upon, EQ in Bristol was cited as an example of a building of suitable scale[7].

> *For most of the towers, rents tend to outperform the market anyway, but they've just been rebranded as super prime.*

Overall, while there was no consensus on a precise definition, the general sentiment is that super prime represents the highest quality office space available in a market, combining a prime location with cutting-edge building specifications, sustainability features, and tenant amenities. It is seen as space that not only meets but exceeds current market standards and occupier expectations.

The diversity of responses underscores the subjective nature of the term 'super prime' and suggests that its meaning can vary depending on local market conditions and individual perspectives within the real estate industry. The responses also indicated that, when discussing or evaluating super prime office space, industry professionals are likely to consider the attributes and qualities of the entire building, rather than focus on individual floors or spaces within the building.

The variety of responses suggests that the concept of super prime is more established in major markets, particularly London, but is also recognised in some regional cities. Several schemes were suggested as super prime examples – mainly in London but also across the main regional cities – and these all tended to be newly developed or recently refurbished buildings with high-end specifications and amenities (Tables 3 and 4).

SUPER PRIME CRITERIA – BASED ON FREQUENCY OF MENTIONS

[7] EQ comprises 194,426 sq ft with 17,000 sq ft dedicated to amenity.

TABLE 3
SUGGESTED SUPER PRIME BUILDINGS BY CITY (NUMBER OF MENTIONS IN PARENTHESES)

London	Edinburgh	Birmingham	Bristol	Glasgow	South East	Leeds	Manchester
22 Bishopsgate (6)	1 New Park Square (2)	One Centenary Way (2)	EQ (7)	177 Bothwell Street (2)	Station Hill, Reading (5)	11 Wellington Place (1)	St Michael's (4)
8 Bishopsgate (11)	30 Semple Street (2)	103 Colmore Row (2)	Welcome Building (1)	Barclays Campus (1)	Tempo, Maidenhead (2)	Majestic (1)	1 St Peter's Square (1)
Bloomberg Building (6)	Waverley Gate (1)	Three Snowhill (1)	Assembly (1)		Works Watford (1)	City Square House (1)	1 Spinningfields (1)
The JJ Mack Building (4)	Haymarket (5)	3 Chamberlain Square (1)				Princes Exchange (1)	
36-38 Berkeley Square (5)	New Clarendon (1)	Paradise (1)					
40 Leadenhall (4)	6 St Andrew Square (1)						
2 Finsbury Avenue (3)							
Google headquarters (3)							
100 Liverpool Street (2)							
The Forge (2)							
Network Building (2)							

Source: JLL & BCO online survey

TABLE 4
REGIONAL SUPER PRIME OFFICE SCHEMES

Indicator	One Station Hill, Reading	No 1 St Michael's, Manchester	Haymarket, Edinburgh
Size (sq ft)	275,000	185,000	280,000
Developer	Lincoln Property Company/MGT Investment Management	Relentless Developments	M&G/Qmile Group
Year built	2024	2024	2024
BREEAM	Outstanding	Outstanding	Excellent
EPC	A	A	A
WiredScore	Platinum	Platinum	Platinum
WELL certification	Platinum	Platinum	N/A
NZC in operation	Targeting	Yes	Targeting
NABERS	Targeting	Targeting 5 star	Targeting
Energy source	District heating	Electric	Electric
Floor-to-ceiling height (m)	3.0	2.7	2.7
Average floor plate size (sq ft)	18,000	20,556	40,000
Amenity space (sq ft)	Lower ground, ground, and 15th (top) floors (over 10%)	Ground floor club lounge, event spaces and rooftop meeting room & terrace	Reception and communal terrace
No. of bike spaces	194	184	136
Occupational density	1:8	1:10	1:8
No. of passenger lifts	8	6	3

Source: JLL Research

The agency workshops supported the view that super prime offices can be found in any market in the UK and that they are not a Central London phenomenon – but the economics around constructing and funding such a building means they are concentrated in larger conurbations. ■

One Station Hill, Reading
Courtesy of Andy Stagg

WHAT STAKEHOLDERS ARE TELLING US

THE CURRENT STATE OF PLAY

It was widely agreed across all stakeholders that the current grading system used in the UK, particularly the Grade A designation, is inadequate and that this needs to be addressed. There is too much space classified as Grade A in what is at present a largely subjective approach.

We informally class the building as Grade A premium or Grade A plus … we get a little bit frustrated that it is clustered with all Grade A buildings, when in reality it is over and above that. There needs to be a polarisation between the best-in-class space and the rest of Grade A.

Many office agents commented that they are under pressure to classify space as Grade A even if it is tenuous and, without a framework to refer to, it is difficult to push back client expectations. Agents also stated that any downgrading of a building would have an impact on its valuation. This point was picked up later with the JLL valuation team who said the fact that all reports describe buildings as Grade A raises questions about the credibility and efficacy of these classifications. The valuation teams must undertake further work, as they cannot make proper comparisons.

Most owners/developers did not really use the grading classification as it wasn't felt that it was useful to how they analysed their portfolios. Several owners interviewed had developed their own way of categorising buildings within their portfolio or potential investments. But it was pointed out that not everyone within the organisation is an office specialist, which means that it is important to have a consistent approach. However, currently this is difficult to achieve as there are too many inconsistencies between agents and the research community.

The Fitch Ratings methodology was mentioned as a way of assessing the quality of a building. This methodology assigns a score of 1 to 7 based on market position and quality, with 1 being the best and 7 being the worst, with the higher property score indicating lower quality. This property grading does not yet include environmental credentials, but it is expected to evolve to include this as more data points become available. It still essentially follows a four-tier approach to quality (Table 5).

TABLE 5
PROPERTY SCORE BY PROPERTY GRADE AND POSITION IN MARKET

Title	A (Best)	B (Good)	C (Peripheral)	D (Poor)
A (Good spec)	1	2	4	7
B (Fit for purpose)	2	3	5	7
C (Needs refurbishment)	3	4	6	7
D (In disrepair)	4	5	6	7

Source: Fitch Ratings

All groups expressed support for developing a more nuanced, transparent, and standardised grading framework that can better differentiate between truly prime assets and those requiring significant investment.

Office agents believed that it would allow them to explain to clients why their space is a particular grade and what could be done to improve the grading. While office agents felt that there might be initial resistance to a framework from owners (e.g. How do I explain to my client that their property is now Grade B and not Grade A?) the eventual increased transparency was seen to be beneficial for the industry.

EVOLUTION NOT REVOLUTION

There was widespread support for evolution of the current grading system rather than starting afresh.

There was a general preference across groups for a matrix or scoring system over rigid categories. The regional agents favoured a quantitative framework with a balance between establishing a new system without completely revising the current grading. A scoring matrix with a list of chosen parameters resulting in a score that would give a clear classification was most favoured. However, one idea suggested involved adopting a completely new numerical grading system (e.g. 1–5 or 1–9) to eliminate any preconceptions about what Grade A means.

It was felt that the number of accreditations available to developers was quite onerous, and that a building with fewer badges was often perceived less favourably, particularly in the regional markets. The prevailing view is that a building should not be downgraded because it did not sign up for certain certifications, as this does not necessary mean that its quality is diminished.

The approach taken in Australia was seen to be a good basis, although there were too many variables under consideration, which could be off-putting when seeking to engage the market in a new framework. Singapore's approach, with far fewer criteria feeding into the framework, was also seen to be worthy of consideration. The agents noted concerns about complexity and practical application.

There seemed to be a consensus that rather than rebasing the whole system and completely redefining the market, it was more palatable to define a tier above Grade A to reflect the evolution of the market.

NEW BUILD VS RETROFITTING

Discussion focused around whether there should be separate frameworks for new-build and retrofitted office space, as per Australia's approach, with mixed views on whether this was necessary. There are several markets across the UK where retrofits are likely to dominate new deliveries of office space, and which have the potential to be the most outstanding spaces over the next few years. Retrofits are encouraged by local authorities from a carbon emissions perspective, a factor that is likely to be increasingly important and which would also increase their prominence over the medium term. Any classification would need to consider variation in floor-to-ceiling heights and, most importantly, the market will have to accommodate columns on each floor plate.

It is not going to be a forest of columns but floor plates will have to have a few – these floors should still be able to hit prime rents.

Even with retrofits, terraces were seen as a key criterion and one that it should be possible to accommodate within an existing building.

While there was agreement that older buildings can be retrofitted and compete on a level playing field with new builds, it needs to be borne in mind that listed buildings can present issues that may need to be flagged in a new framework. Nevertheless, examples such as BGO's retrofitting of 78 St James's Street, which feature a tenant app, amenity spaces, a communal rooftop pavilion, and outdoor terraces, but at the same time retains the character of the original listed building, illustrate that it is possible. (see Case Study – West End).

78 St James's Street, London
Courtesy of BGO

LOCATION (AND RENT)

There was significant debate across all groups about whether location should be a factor in grading systems. Some argued for its exclusion to allow for comparison across different markets, while others emphasised its importance in determining a building's value. Regional agents suggested that connectivity (both public and private transport) should be considered as part of location assessment, whereas this was deemed less important in Central London due to the higher provision of public transport across the capital. Out-of-town markets have a greater reliance on private transport connectivity than do city centres, where access to public transport is a key factor. But, overall, it was widely felt that building specification should be given greater weighting than location.

Pricing was discussed and, in the main, it was agreed that rent is not a factor of grade, as it is influenced by deal specifics and market conditions. This was reinforced by the valuation team, who specifically noted that rent is influenced by unique market circumstances and should be considered separately in the valuation process. The agency community did, however, suggest that where rent became a factor was in determining whether a building is super prime.

From a valuation point of view, excluding location was not deemed to generate problems, because if it was clear that the definition of Grade A was just building specific, then the valuers could make a judgement on location beyond that.

> It was agreed that rent is not a factor of grade, as it is influenced by deal specifics and market conditions.

PHYSICAL CHARACTERISTICS VS PERFORMANCE

While traditional physical characteristics remain important, there was a shift towards emphasising building performance and user experience. The owners/developers group specifically noted that how a building operates and feels to occupiers is becoming more critical than rigid adherence to specific dimensional criteria. This perspective was echoed by the research community.

The actual discussion around building specification mainly focused on floor-to-ceiling height, natural light, and building size and age.

Natural light was discussed and was seen as important in grading a building but was also seen as an evolving area that would need to be monitored as it is impacted by advances in technology and sustainability. This discussion also incorporated consideration of the views and aspects from each floor, and how that enhances the marketability of a floor plate.

Building size was largely discarded as a factor that determines building quality. However, it was seen as a key factor for super prime buildings, because to accommodate the perceived amenity required to qualify as super prime, scale is required for financial viability and for it to work in terms of space planning. Floor plates were touched upon, with shape and column grids deemed more important overall than floor plate size.

> *There are some office schemes struggling now … usually, the two main culprits are either location or something funny going on with the footprint of the building.*

BUILDING SYSTEMS

All groups emphasised the importance of technological capabilities in differentiating prime office spaces. This includes factors such as connectivity, smart BMSs, and up-to-date mechanical and electrical (M&E) systems. Regional agents specifically mentioned that the framework should be flexible enough to incorporate emerging technologies.

SUSTAINABILITY

Environmental considerations were highlighted across all groups as increasingly crucial in office grading. The emphasis on operational carbon efficiency, EPC ratings, and certifications like BREEAM was consistent. The ability for the framework to be updated to reflect changes (e.g. NABERS vs BREEAM, and the move to 100% electrification) was flagged.

The owners/developers group specifically mentioned the growing interest in embodied carbon, and how that should be a factor in assessing the quality of a building. The lack of standardisation in quoting embodied carbon and the issue around offsetting were seen as things that needed to be addressed before embodied carbon could realistically be incorporated in a grading matrix. The London agents highlighted the challenge of balancing the environmental benefits of retrofitting versus new construction.

Interestingly, the Scottish regional agents expressed scepticism about the usefulness of EPCs, contrasting with views from other regions, where there were frequent mentions that Grade A buildings should have a minimum of EPC B.

In developing a framework there should be careful consideration as to which sustainability metrics are included, as this should be more than EPC and BREEAM. It was also stated that it must be clear what 'good quality' means (e.g. the date of the BREEAM certificate should be reflected in any assessment). Social value was also discussed by London agents as a factor that should potentially be considered in the future, but for the purposes of this exercise it has been disregarded.

BUILDING AMENITY

The building amenity on offer was seen as being highly relevant to building grade in the post-pandemic environment, as occupiers' expectations of what a building offers have changed with a greater focus on end-of-journey facilities and health and well-being. The relationship between super prime and amenity offer has already been raised above. It was also felt by some that a framework should assess whether the amenity offer is shared or tenant specific.

The London agents noted that both the quality and the quantity of amenities matter, while the owners/developers group highlighted that amenities should be appropriate to the building's size and location, and flexible for multiple uses.

For many, an office is now seen as a destination rather than just a place of work, and this is linked not just to the building amenity but the amenity in the immediate environs too. To this extent, and tied in with location criteria, there was some discussion around the strength of city centre markets and their amenity offer compared to out-of-town locations. However, it was felt that out-of-town buildings with less amenity should still be able to achieve Grade A status in a framework if they score highly on other factors. While there has been a shift to the inclusion of cycle spaces and facilities, car parking is still an important consideration for some office locations (e.g. out of town).

There was a consensus that fluidity is needed when scoring building amenity in a framework as not one size fits all. For example, very few people cycle to work in Glasgow, so there is limited demand for cycle spaces.

While there was broad consensus on many issues, some areas of disagreement or varying emphasis emerged:

- The importance of location in grading criteria varied across groups, with some advocating for its inclusion and others preferring to keep it separate.
- The usefulness of EPCs as an ESG indicator was questioned by Scottish regional agents, contrasting with views from other regions.
- The level of detail and complexity in the grading system was debated, with some preferring a simpler approach and others advocating for a more comprehensive framework.
- The extent to which building age should be considered in grading was debated, particularly in the context of well-maintained older buildings.

‘Evolution not revolution’ was the key message.

‘Evolution not revolution’ was the key message. Although it was acknowledged that the Grade A definition was currently covering too wide a quality classification, the grading system itself could still be used as a barometer of quality. However, there was a clear direction of travel, with a clearer definition of good-quality space looks like, as required by the market practitioners.

While there is clear agreement on the need for an updated, more nuanced grading system, balancing comprehensiveness with practicality remains a challenge. The development of a standardised, flexible, and transparent grading framework that can be applied consistently across different regions while accounting for local market dynamics emerged as the overarching goal from these discussions.

Any recommendation should be capable of evolving with changing market standards and technological advancements. Regular reviews and updates were seen as essential to keep the system relevant. ■

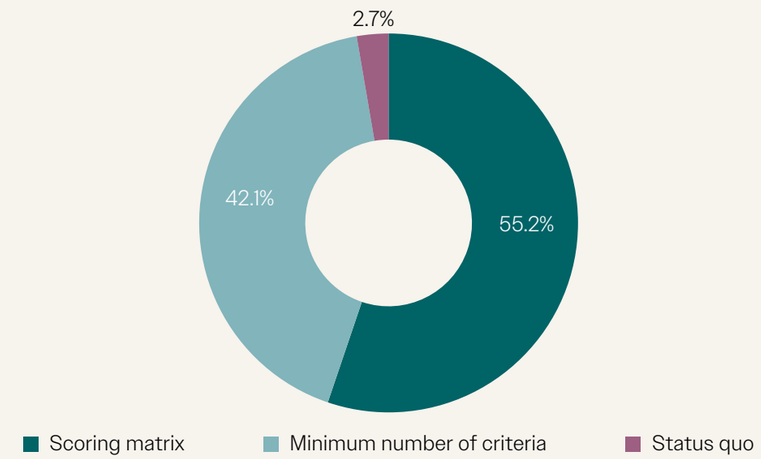
SUGGESTED GUIDELINES FOR DEFINING THE MARKET

It is important that an appropriate framework is established for all new commercial office-led developments. The overriding view was that a change of approach was well overdue, with less than 3% of those responding to the survey stating that the status quo was the way forward.

Most of the survey respondents were in favour of a scoring matrix, which was the favoured option for over 55% compared to just over 42% who favoured a criteria-based approach.

Less than 3% of those responding to the survey stating that the status quo was the way forward.

FIGURE 13
MOST APPROPRIATE GRADING FRAMEWORKS



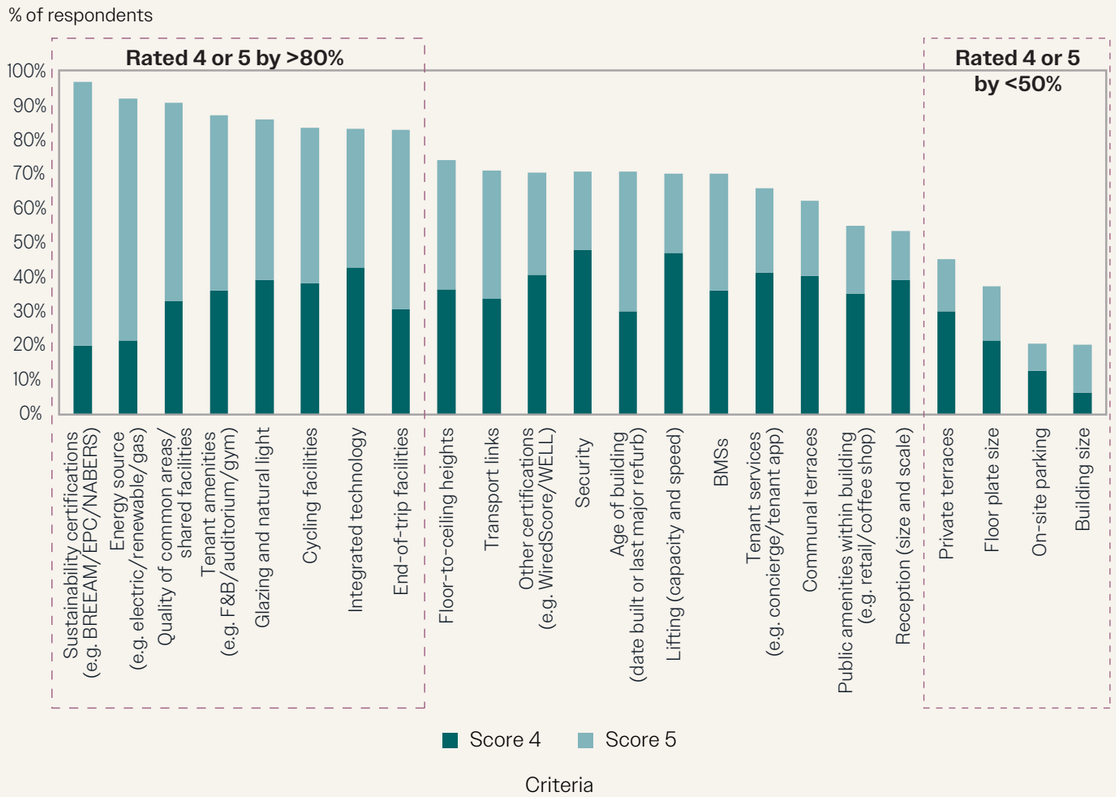
Source: JLL & BCO online survey

A rating system allows for an assessment of the building quality regardless of location and, by ignoring rental tone, it isn't skewed by market conditions and competitive tensions in a particular market. It also enables a standardised approach across all geographies, and similar rated properties should be comparable across all markets.

The survey and the workshop responses suggest a clear need for updating and expanding grading frameworks to better reflect the essential factors of sustainability, health and well-being, and technology. Addressing this gap could lead to more accurate, relevant, and useful grading systems that better serve the needs of all stakeholders in the commercial real estate sector.

The survey asked respondents to rate the importance of various factors on a scale of 1–5, with 5 being the most important.

FIGURE 14
FACTORS THAT ARE CONSIDERED ESSENTIAL TO THE GRADING ASSESSMENT



Source: JLL & BCO online survey

Sustainability certifications emerged as the most critical factor, with 96.1% of respondents rating these as highly important. This overwhelming consensus reflects the growing emphasis on environmental considerations in the real estate sector.

This was followed by type of energy source, with 92.3% rating it highly important. This aligns closely with sustainability concerns and indicates a strong focus on renewable and efficient energy solutions in modern office spaces.

Sustainability certifications emerged as the most critical factor, with 96.1% of respondents rating these as highly important.

The definition of prime now clearly includes the carbon efficiency of the building, with EPC and BREEAM grading being important for both lettability and the likelihood of achieving top decile rents[8].

Quality of common areas was ranked third, with 91.1% considering it highly important. This highlights the increasing value placed on shared spaces that foster collaboration and enhance the overall work environment.

Tenant amenities were rated highly by 87.4% of respondents, underscoring the importance of additional features that improve the occupant experience, such as food and beverage options, auditoriums, and gyms.

The high importance placed on sustainability certifications and energy sources suggests that environmental performance is now a crucial consideration in evaluating office quality.

The emphasis on common areas, tenant amenities, and natural light reflects a growing focus on creating work environments that support employee well-being and productivity. This aligns with post-pandemic trends of offices needing to offer more than just a place to work to attract and retain tenants.

The high ratings for integrated technology and cycling facilities indicate an increasing expectation for offices to support modern, flexible working practices and sustainable commuting options.

Traditional factors such as location (transport links) and building specifications (floor-to-ceiling heights) remain important but are now complemented by a broader range of considerations.

Overall, these results suggest that a comprehensive approach to office grading is needed – one that balances environmental performance, occupant well-being, and traditional quality indicators. This multi-faceted approach reflects the evolving expectations of tenants and the changing role of offices in the post-pandemic work landscape. The matrix in Figure 15 illustrates one approach to how building quality could be defined, which includes an additional tier above Grade A to differentiate the changing make-up of buildings.

[8] https://www.savills.com/impacts/market-trends/offices-in-equilibrium-spotlight-on-london.html

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FIGURE 15
SUGGESTED HIGH-LEVEL MATRIX

	Physical specifications	Building systems	ESG	Building amenities	Location	Rent
Tier 1 - Prime (best in class)	• Natural light • Floor-to-ceiling • Maximised column-free space • Large regular floor plates • Terraces	• State of art-utilities, appliances and fixtures • Integrated technology	• Highest level of certification- NABERS/ BREEAM Outstanding- Excellent/EPC A • Minimal carbon footprint from operations • Biophilia	• Well-programmed amenities and flexible spaces targeting the desires of today's tenants: entertainment, dining, social, etc.	• Located near public transport, transit hubs, reduced commute time • Close proximity to green spaces/ river frontage • Independent F&B	• Above market rental levels
Tier 2 - Grade A (acceptable)	• Near best-in-class column spacing and floor plates	• High-end and efficient utilities and appliances • Some integrated technology	• Certified assets with strong sustainability features and first-generation energy systems BREEAM Excellent- Very Good/EPC C	• Differentiating amenities including fitness centres, conferencing, shared workspaces, etc.	• Located near public transport, transit hubs, reduced commute time • Distance to green space/river	• Usually command average rental levels
Tier 3 - Grade B (repositionable)	• Compromised natural light • Average column spacing, core depth etc	• Limited technology • Retrofit required to attract top tier tenants	• May have some level of certification and low EPC rating D/E	• Middling amenities, some functional spaces but limited differentiating factors	• Fewer transit points within walking distance, average commute times • Distance to green space/river • Limited F&B	• Lower than market rental rates
Tier 4 - Obsolete (transitional)	• Aging from an aesthetic standpoint • Inefficient floor plates	• Aging systems in need of retrofit to meet most tenants' standards	• No sustainability certification or below legal MEES	• Limited amenities targeted towards essential office operations	• Less accessible, further from public transportation/ transit hubs	• Difficult to lease

Source: JLL Research

This has been translated into a scoring matrix (Figure 16), utilising the responses from the workshops and survey, along with trends in the market, which specifically addresses sustainability, smart technology, and health and well-being. The guidance for scoring utilises the BCO *Guide to Specification* for some of the criteria, which will allow for consistent interpretation but also for different standards for new and refurbished space where applicable. It allows for the criteria to be updated in line with the BCO *Guide*. It is not possible to fully remove subjectivity from the criteria, and there will always be an element of individual perception to any solution.

The criteria have been kept to a manageable number so that compliance will not be an onerous task. The maximum score will be 100. The matrix will make it clear how developers can upgrade and work on fixable criteria such as communal terraces, features such as M&E systems, or amenities to enhance the quality of their office space. They could also implement more technology and management programmes to boost their standing and to become more relevant to the market today.

FIGURE 16
SUGGESTED SCORING MATRIX

		Score					
	Criteria	5	4	3	2	1	0
Physical specification	Building age (date building completed or underwent major retrofit)	Less than five years	5-10 years	10-15 years	15-20 years	20-25 years	Over 25 years
	Natural light	As per BCO target					Doesn't meet BCO targets
	Floor-to-ceiling heights	As per BCO target for building type					Doesn't meet BCO targets for building type
	Floor plate shape	Regular square/ rectangle	L shaped	Circular/ octagon		Triangular	Irregular
	Lifting capacity	Meets BCO loading/capacity/ waiting times		Meets 2 of 3 BCO criteria	Meets 1 of 3 BCO criteria		Does not meet BCO loading/ capacity/waiting times
	Floor space efficient (NIA/GIA ratio)	80–85%					
Building systems	BMS	Smart/IoT		Traditional BMS			None
	WiredScore	Platinum	Gold	Silver			None
	Tenant app	Yes					No
Sustainability	EPC	A	B	C	D	E	Less than E
	BREEAM	Outstanding	Excellent	Very good	Good	Pass	No BREEAM
	NZC in operation	Yes		Targetting			No
	NABERS	5* plus	5	4	Less than 4		No
	Energy source	100% renewable/ heat pumps		All electric-grid-supplied		Electric/gas	All natural gas
	Embodied carbon	To be added as standardisation comes forward					
Building amenity	Common areas	Double/triple height or atrium reception area with high-quality finishes, hospitality and ease of circulation	Single height reception with high-quality finishes. Hospitality and ease of circulation	Single height reception with moderate quality finishes	Manned reception area or reception with compromised circulation	Unmanned reception desk only	No reception or common areas
	Tenant amenities (Fitness/ conference facilities/F&B)	Wide range of tenant facilities within building (20% of NLA)	Wide range of tenant facilities within building (10% of NLA)		Limited range of tenant amenity (5% of NLA)	Basic range of tenant amenity (less than 1% of NLA)	No tenant amenities
	If no amenity-local amenity	Wide range of tenant facilities within five-min. walk			Limited range of tenant amenity within five-min. walk		Basic tenant amenity within five-min. walk
	End-of-trip facilities	As per BCO guide/ high-quality including drying rooms		As per BCO guide (lower quality)/ less than BCO guide (high quality)	Less than BCO guide (lower quality)		No showers
	Secure cycling spaces	As per BCO guide		Less than BCO guide			No cycling spaces
	Outdoor spaces	Communal/ private terraces including rooftop gardens		Private or communal terraces	Courtyard		No outdoor spaces

Source: JLL Research

This grading classification should be labelled the **'BCO Grading System'** to differentiate it from others. An illustrative breakdown of scores is shown in Table 6. More details would be provided around definitions in any final version of a scoring matrix.

TABLE 6
SUGGESTED SCORING MATRIX

Classification	Proposed score
Prime (best in class)	≥80
Grade A	50–79
Grade B	30–49
Grade C	<30

Source: JLL Research

The case studies in this report have been assessed against the suggested scoring criteria, along with some additional expected Grade B buildings to see if the scoring works in practice. The examples chosen as Grade B buildings scored in accordance with the matrix, and the scoring matrix highlighted how it was possible to have a best-in-class building outside of the main office locations.

TABLE 7
BUILDING SCORING ASSESMENT

Classification	Building
Prime (best in class)	78 St James's Street, London 40 Leadenhall, London 11/12 Wellington Place, Leeds 5–7 Cathedral Walk, Gloucester One Station Hill, Reading No. 1 St Michael's, Manchester 1 Haymarket Square, Edinburgh
Grade A	5–6 St James's Square, London The Leadenhall Building, London 10 Wellington Place, Leeds 20 Old Bailey, London

Source: JLL Research

While the proposed framework aims to raise standards and provide greater clarity in defining high-quality office space, it is essential to recognise that Grade B and lower-grade stock continues to play a vital role in the UK market. Not all occupiers require–or can justify the cost of–super prime space, and well-managed, lower-grade buildings can still meet a wide range of occupier needs, particularly among SMEs and cost-conscious tenants. The intent of this framework is not to devalue these assets but to offer transparency and a clearer understanding of quality, helping landlords identify opportunities for improvement where appropriate.

To avoid unintentionally widening the divide between top-performing and lower-grade assets, we recommend that future iterations of the framework include practical guidance for owners of Grade B and lower-grade buildings, highlighting steps to retain value and upgrade incrementally. A grading approach that is inclusive and responsive will ensure continued relevance across the full spectrum of asset types and occupier demands.

We also recommend regular review and refinement of the framework to reflect market shifts and industry feedback. The system should remain adaptable, responding to advancements in technology, changes in regulation, and evolving occupier expectations.

In a market where credibility, differentiation, and performance are more important than ever, a modernised grading system offers the opportunity to drive higher standards and establish a shared language for quality—ultimately benefiting the entire real estate ecosystem. ■

One Station Hill, Reading
Courtesy of Andy Stagg

APPENDIX

TABLE A1
SAVILLS VIETNAM – OFFICE GRADING – CRITERIA 2023

	Criteria
1.	Building age
2.	Location
3.	Architecture and landscaping
4.	ESG
5.	Scale
6.	Typical floor plates
7.	Raised floor
8.	Columns
9.	Floor-to-ceiling height
10.	Backup power supply
11.	Lifts
12.	Parking
13.	Public area
14.	Ablutions
15.	Air-conditioning
16.	Management services
17.	Technology
18.	Internal facilities
19.	Safety and security

Source: Savills*

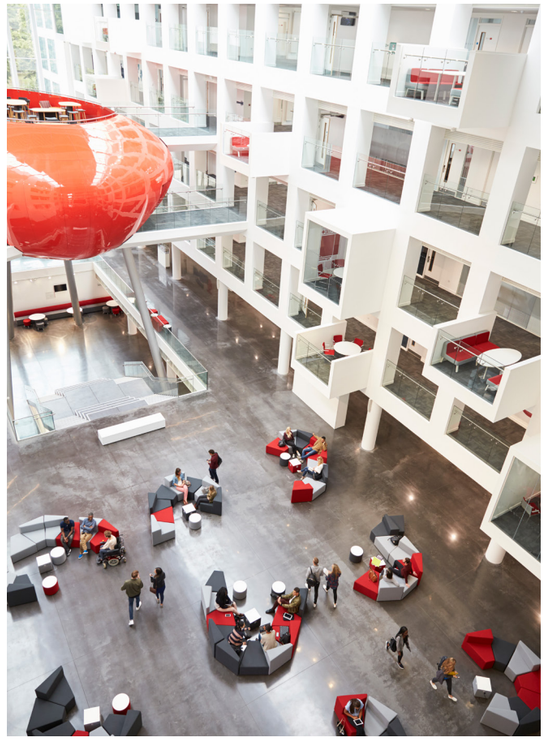

TABLE A2
USA – MATRIX COMPARISON

	Class A	Class B	Class C
Rents	Asking gross rents lead the market.	Asking gross rents revolve around the mean for the market.	Asking gross rents are lowest in the market.
Location	The site is excellent and well-located.	Has an average to good location.	Often in a less desirable location.
Building systems	The mechanical, elevator, HVAC, and utility systems can deliver services that meet both current tenant requirements and anticipated future tenant needs.	The mechanical, elevator, HVAC, and utility systems are adequate to deliver services currently required by tenants.	The mechanical, elevator, HVAC, and utility systems have capacities that usually meet the basic needs of tenants but may not handle the needs of demanding tenants.
Building finishes	The finishes feature high-quality design and materials. Buildings must remain competitive with new construction.	The finishes use average- to good-quality design and materials.	The finishes often project a dated appearance and may have deferred maintenance.
Building services	Services include above-average maintenance, management, and upkeep.	Services include average to good maintenance, management, and upkeep.	Services frequently include below-average maintenance, management, and upkeep.

* Savills-office-grading-spotlight-2023en.pdf

TABLE A3
AUSTRALIA – SUMMARY OF PARAMETERS ASSESSED FOR NEW AND EXISTING BUILDING QUALITY

Feature	Parameters	
Environmental	• Environmental rating • Water • Indoor environment quality	• Energy • Waste • Climate change adaptations and resilience
Configuration	• Building size • Tenant service zone	• Floor plate • High loading
Mechanical	• Air-conditioning • Tenant equipment • After-hours operation	• Chilled beam density • Tenant supplementary loop • Cooling/heating plant redundancy
Tenant risers	• General exhaust • Supplementary toilet exhaust	• Commercial kitchen exhaust • Supplementary outside air
Lifts	• Car capacity • Waiting time • Goods lift – number	• Lateral vibration • Handling capacity • Goods lift – capacity
Electrical	• Power • Lighting control	• Lighting • Building management control systems
Base building	• Lifts • House lights and power • Tenant supplementary loop	• Safety services • Central plant • Tenant lights and power • On-site fuel storage
Building management	• Management personnel • Life cycle maintenance	• Courier coordination • Energy and water submetering • Indoor environment quality (IEQ) monitoring
Communications	• Tenant data risers • Master antenna television • Carriers	• Main distribution frame (MDF) room • In-building mobile phone coverage
Hydraulics	• Water storage • Grease line	• Non-potable water system
Security	• Access system • CCTV • CCTV archive footage storage	• Control room/security desk • Inter-floor fire stair access
Amenities	• Concierge • On-site retail	• End-of-trip facilities • Access to public transport and amenities
Parking	• Car park • Courier parking	• Loading docks/delivery bay

Source: Property Council of Australia, *A Guide to Office Building Quality,* 3rd edition

SUPER PRIME ACCORDING TO JLL GPT

Super prime office space and Grade A office space are both high-quality commercial real estate categories, but super prime is generally considered a tier above Grade A.

Here are the key differences:

- **Location –** Super prime offices are typically situated in the most prestigious and sought-after areas of major cities, often in iconic buildings or landmarks. Grade A offices are in prime locations but may not be at the absolute top-tier addresses.
- **Quality and specifications –** Super prime offices feature the highest quality finishes, cutting-edge technology, and state-of-the-art facilities. While Grade A offices are also high quality, they may not have the same level of premium materials or advanced features.
- **Amenities –** Super prime offices often offer exceptional amenities such as concierge services, high-end restaurants, luxury fitness centres, and advanced wellness facilities. Grade A offices have good amenities but may not be as extensive or luxurious.
- **Sustainability –** Super prime offices are usually at the forefront of sustainability, with the highest environmental certifications (e.g. LEED Platinum, BREEAM Outstanding). Grade A offices are often sustainably designed but may not achieve the highest ratings.
- **Tenant profile –** Super prime offices typically attract top-tier, multinational corporations, prestigious financial firms, and luxury brands. Grade A offices attract a wider range of high-quality tenants.
- **Rental rates –** Super prime offices command the highest rents in the market, significantly above Grade A rates.
- **Architecture and design –** Super prime offices often feature unique, iconic designs by world-renowned architects. Grade A buildings are well designed but may not be as architecturally distinctive.
- **Security and privacy –** Super prime offices may offer enhanced security features and privacy options that go beyond what is typically found in Grade A spaces.
- **Views and natural light –** Super prime offices often prioritise exceptional views and abundant natural light, sometimes offering floor-to-ceiling windows or panoramic vistas.

While both categories represent high-quality office space, super prime is essentially the ‘best of the best’ in any given market, catering to tenants with the highest expectations and willingness to pay for premium space. ■

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- JLL
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- Ryden
- Savills
- Sanderson Weatherall
- USP London

PROPERTY OWNERS

- Aberdeen Investments
- BentallGreenOak
- British Land
- Brookfield Properties
- CEG
- EDGE
- Federated Hermes
- Grosvenor
- Hammerson
- HB Reavis
- Landsec
- LGIM
- The Praxis Group
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