

# London Office Market Report



Q3 2024

Latest insights on the state of the London office market

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# Executive Summary

## Key Themes

1.

Strong rise in quarterly take-up

2.

Acute availability of Grade A space in core submarkets

3.

Prime yields remain unchanged

The London office market demonstrated resilience during Q3, overcoming the typical summer period of lower business activity and concerns over potential tax hikes and uncertainty surrounding the outcome of the US election. Despite these headwinds, the London leasing market surged to nearly six-year highs in deal flow, with over 3m sq ft of transactions currently in solicitors' hands, indicating that the near-term outlook appears more positive. Moreover, the squeeze on the availability of Grade A space is intensifying, leading to rising prime rents in many submarkets. However, the investment market continues to face challenges, though promising signs indicate that investor sentiment may be stabilising, pointing towards renewed activity in the coming months, and leading into 2025.

### **SOLID ECONOMIC FOUNDATIONS BUT CLOUDED BY NEAR-TERM UNCERTAINTY**

The post-UK election period has been beset by negative sentiment as businesses and households contend with the reality of higher taxes. This has been compounded by the change in government in the US and the president-elect's well-signalled changes to the global economic landscape, which have resulted in some financial market volatility. While there is some uncertainty about the global economic outlook, it is worth noting the solid foundations that underpin London's position as a leading city for innovation-driven growth.

### **LONDON'S ECONOMY IS INCREASINGLY INFLUENCED BY CREATIVE INDUSTRIES**

London's economy is highly concentrated in innovative sectors such as information and communication, finance, and professional services. The capital's occupier market reflects business resilience despite wider macroeconomic volatility in recent years. The city's corporate roster currently includes 4,000 high-growth professional services companies, a 10% increase over the past five years. In addition, there are 6,960 high-growth technology firms, marking a 23% rise in the last five years. London's world-class education institutions, such as Imperial College London and University College London, have also contributed to this growth, creating over 3,500 jobs through spinouts in the last five years. Furthermore, London remains a top global destination for inbound capital, particularly in private equity and cross-border commercial real estate investments, ranking first among international cities.

### **STRONG RISE IN TAKE-UP**

During Q3, take-up in the London office market rose by 23.0% to 3.0m sq ft, over 10% (11.3%) higher than the same period last year. The level of leasing activity is approximately 5.8% above the long-term average, and momentum is likely to be maintained in Q4, with 3.4m sq ft of deals under offer. This figure represents more than a quarter's typical take-up. High levels

“During Q3, take-up in the London office market rose by 23.0% to 3.0m sq ft, over 10% (11.3%) higher than the same period last year. The level of leasing activity is approximately 5.8% above the long-term average.”

of leasing activity continue to be seen for better-quality offices, with almost two-thirds (63.1%) of take-up focused on new and refurbished space. The City and West End markets both experienced higher levels of activity as occupiers continued to lease better-quality space.

### **QUALITY DRIVES MARKET POLARISATION**

The quality drive remains a defining feature of this cycle. Since March 2020, annual take-up for offices with top-tier BREEAM and EPC ratings has increased by 87.2%. In contrast, demand for lower-rated offices has seen a 35.2% decrease, reflecting a distinct occupier preference for high-quality, sustainable workspaces. Additionally, lettings of mid-to-large-size floorspace have improved. In Q3, just over half (51.8%) of leasing transactions were for spaces above 40,000 sq ft, raising the average deal size in London by 6.3% to 8,726 sq ft. Moreover, half of these deals were pre-lets, demonstrating growing confidence in committing to new space well ahead of building completion.

**“Current floorspace requirements are above pre-pandemic levels, the third highest in the past decade. Active demand at the end of Q3 was 11.6m sq ft, a rise of 3.9% from Q2 and 26.4% above the 10-year long-term average.”**

### ACTIVE DEMAND IS HIGH AND INCREASINGLY INCLUDES LONGER-TERM REQUIREMENTS

Current floorspace requirements are above pre-pandemic levels, the third highest in the past decade. Active demand at the end of Q3 was 11.6m sq ft, a rise of 3.9% from Q2 and 26.4% above the 10-year long-term average. While total requirements are at decade highs, near-term demand for occupation within the next 12-18 months is 7.9m sq ft, as occupiers begin their search well ahead of lease events.

### NOTABLE LETTINGS IN Q3

This quarter saw some of the most significant transactions in the past five years, underscoring the market's appeal to leading occupiers. The largest deal of the quarter was Legal & General Investment Management's 186,648 sq ft letting of Woolgate, 25 Basinghall Street, EC2. The second largest was BDO LLP's 218,496 sq ft lease at The M Building, 334-338 Oxford Street, W1C, marking the largest-ever deal in the Marylebone submarket. Evercore Partners Limited's 135,239 sq ft lease at Southside, 105 Victoria Street, SW1E, set a new benchmark for headline rents in Victoria.

### LOW GRADE A VACANCY IN CORE SUBMARKETS

Over the past year, vacant space has decreased by 6.8%, bringing total availability to 23.4m sq ft and a vacancy rate of 9.1%. However, the vacancy rate for true Grade A quality offices is only 1.8%, 20 basis points lower than 12 months ago. In the City and West End core submarkets, Grade A availability is even lower, with a vacancy rate below 0.5%, highlighting

a supply squeeze for high-quality space in these business districts.

### DEVELOPMENT PIPELINE UNLIKELY TO ALLEVIATE SUPPLY SQUEEZE

The development pipeline is unlikely to ease the strain on the provision of top-quality space. Although recent completion levels are broadly in line with long-term averages, they fall below the expected future take-up of new and refurbished space. Speculative space under construction totals 11.3m sq ft, with completion anticipated by 2028. This pipeline implies a shortfall of 13.4m sq ft over the next five years. As a result, occupiers are beginning their search well ahead of lease events, and pre-let lead times are rising, with schemes under construction achieving lettings on average 15 months before completion, rising to 28 months for spaces exceeding 100,000 sq ft.

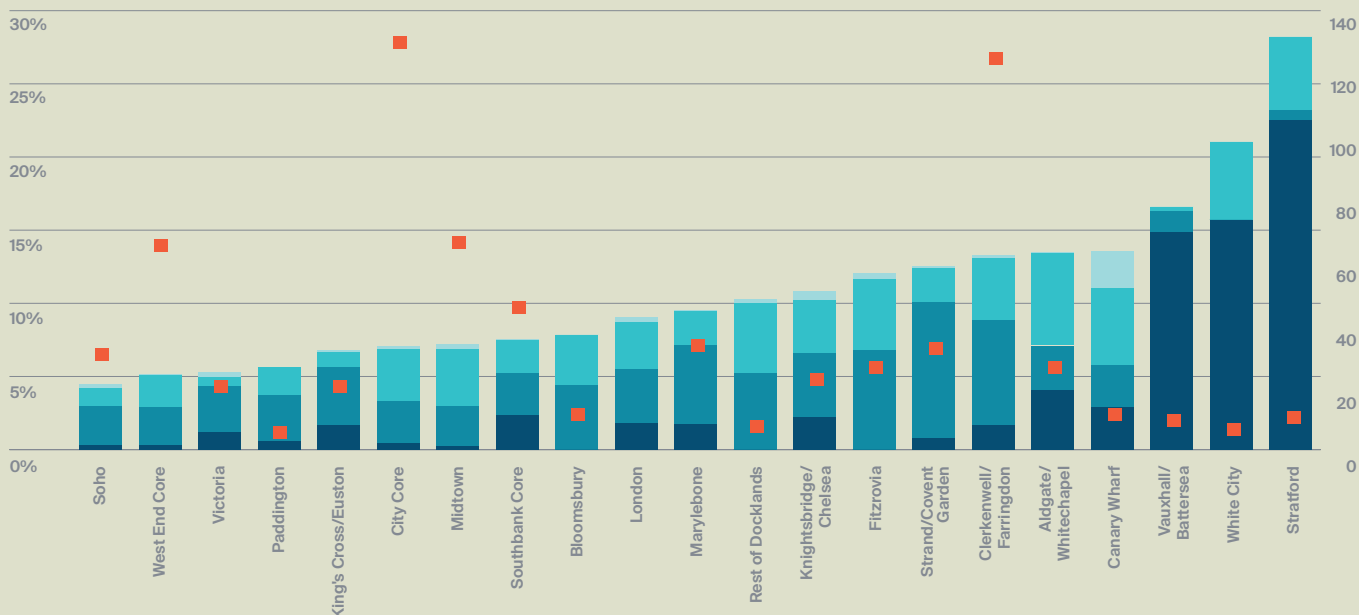
### RISE IN PRIME TRANSACTIONS

Given the strengthening of near-term demand and anticipated undersupply of top-quality office space over the next five years, our projections for prime rental growth have been revised upwards. This follows 20 prime and

### London - Vacancy Rate by Quality and Submarket

% of stock

■ New ■ Refurb ■ S/hand A ■ S/hand B ■ New/Refurb Number (RHS)



Source: Knight Frank Research

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**“The volume of investment transactions remained soft in Q3 at £1.3bn, over 60% below the long-term average. Transactions have focused on smaller lot sizes, with UK and European investors accounting for just over 70% of activity.”**

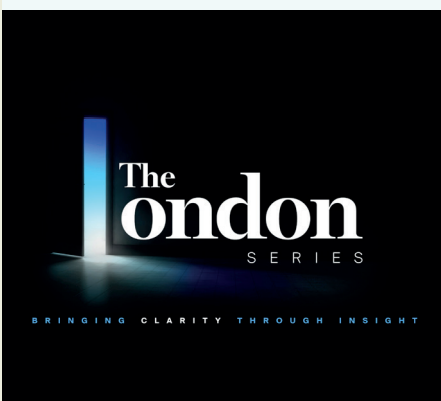
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super-prime transactions during Q3, which led to an increase in headline rents in key submarkets, such as the City Core (£87.50 to £90.00 per sq ft), Midtown (£80.00 to £82.00 per sq ft), and Clerkenwell/Farringdon (£90.00 to £92.50 per sq ft). Our forecasts have improved particularly in the core City and West End submarkets, where the shortage of Grade A space is most acute.

#### **LOW LIQUIDITY IN LARGER LOT SIZES, BUT INVESTMENT FUNDAMENTALS IMPROVING**

The volume of investment transactions remained subdued in Q3 at £1.3bn, over 60% below the long-term average. Transactions have focused on smaller lot sizes, with UK and European investors accounting for just over 70% of activity. Private capital remains dominant, representing nearly two-thirds of all transactions, while institutional investment reached its highest level since Q1 2023.

UNLOCK OUR INSIGHTS



We believe there are signs that the outlook for the market will improve in the near term. Firstly, advanced economies have begun reducing policy rates, and while long-term financing rates have risen since the UK Budget and the US election, interest rates are expected to fall in the medium to long term. Secondly, a well-functioning market requires greater levels of institutional investment in larger lot sizes. Institutional investors notably increased purchases in Q3, and there has been a rise in the

availability of core and core-plus assets for sale. These lower-risk profile assets have decreased by nearly 30% in value from previous peaks, and with strengthening expectations for the leasing market, they now appear attractively priced. Thirdly, prime yields, which remained unchanged in Q3 at 5.25% in the City and 3.75% in the West End, have been stable for over 12 months, while MSCI data shows yields for average-quality offices have also stabilised in the City and have risen very slightly in the West End.





# London office market

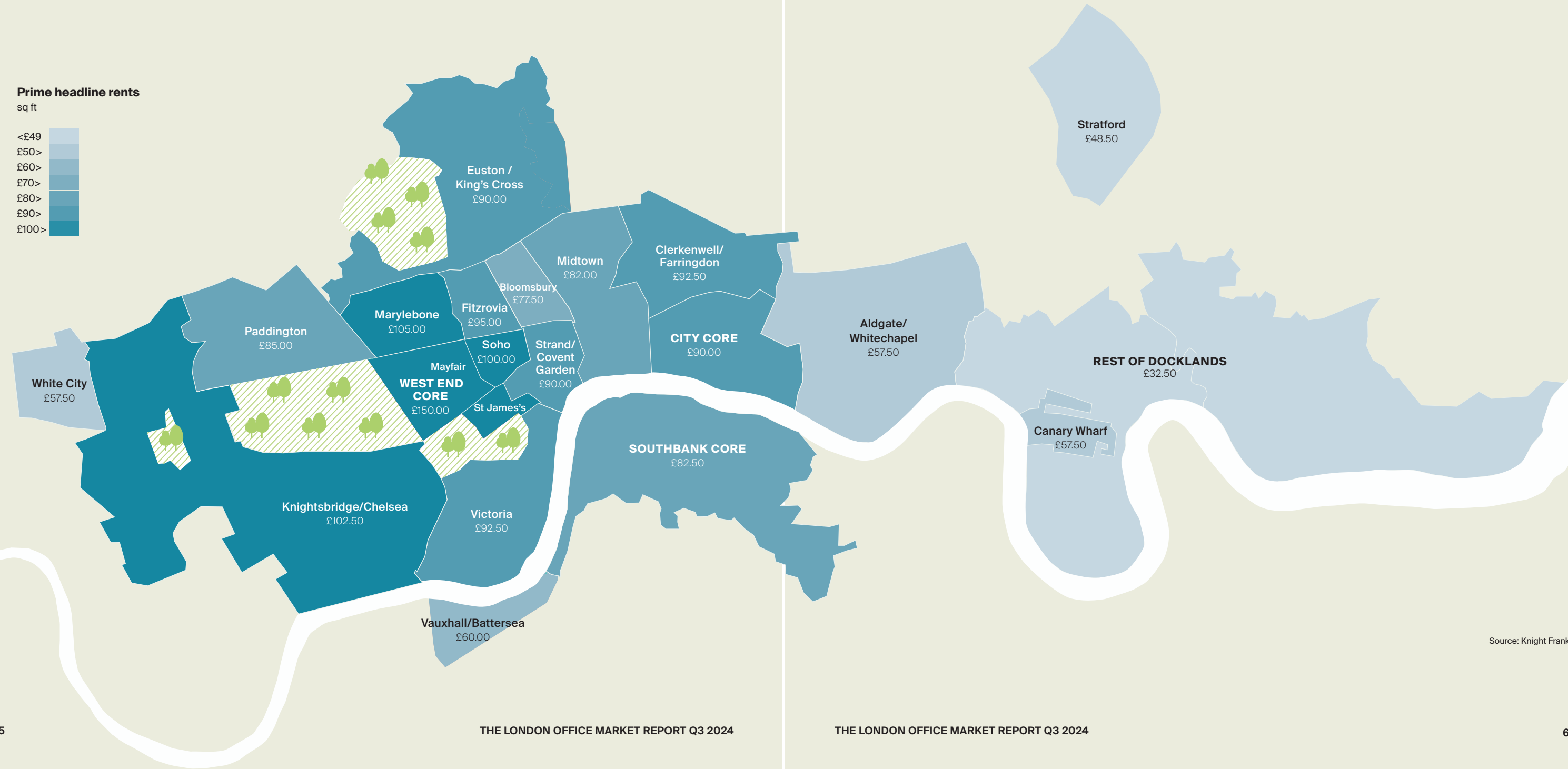
Performance dashboard Q3 2024

KEY PERFORMANCE INDICATORS

	▲ 3.01m	▼ 23.62	▼ 9.4%	▲ 16.58m
	TAKE-UP (SQ FT)	AVAILABILITY (SQ FT)	VACANCY RATE	UNDER CONSTRUCTION (SQ FT)

CHANGE ON

2023 Q3	11.3% ▲	-6.8% ▼	-0.8% ▼	0.7% ▲
LTA	2.85 million sq ft	17.31 million sq ft	71 %	13.82 million sq ft



WEST END		CITY & SOUTHBANK		DOCKLANDS & STRATFORD	
▲ £150.00	▲ 1.21 m	▲ £90.00	▲ 1.78 m	▲ £57.50	◀ 0.02 m
Prime headline rent (per sq ft)	Take-up (per sq ft)	Prime headline rent (per sq ft)	Take-up (per sq ft)	Prime headline rent (per sq ft)	Take-up (per sq ft)
▲ £0.79 bn	◀ 3.75%	▲ £0.53 bn	◀ 5.25%	▼ £0 bn	▲ 7.50%
Investment turnover	Prime Yield	Investment turnover	Prime Yield	Investment turnover	Prime Yield

Source: Knight Frank

## MARKETS IN REVIEW

# The City & Southbank



Arrows throughout the report show how values have increased, decreased or stayed the same since the last quarter unless specified

▲ £90.00

Rent (£ per sq ft)

▲ 1.78 m

Take-up (sq ft)

▼ 12.43 m

Availability (sq ft)

▼ £0.53 bn

Investment turnover

◀▶ 5.25%

Prime yield

### GROWING LEASING MOMENTUM

The City & Southbank market experienced a second consecutive quarter of strong leasing performance, with take-up increasing by 7.9% to 1.8m sq ft, which is 13.7 % above the long-term quarterly average of 1.6m sq ft. Take-up exceeded the long-term quarterly average in all submarkets except the Southbank Core, where take-up was 57.4% below trend.

The increase in take-up has in part been driven by a rise in the number of deals – from 132 in the previous quarter to 187 – marking a 41.7% increase compared with Q2 and the highest deal count since the end of 2015. Most (70.8%) of lettings fell within the 0-40,000 sq ft range, while more significant lettings over 80,000 sq ft comprised 20.5% of all activity. Despite more deals in Q3, the most active size band remained 0-5,000 sq ft, decreasing the average deal size from 12,526 sq ft to 9,539 sq ft.

The demand for better-quality space remains a central feature of the market. New and refurbished take-up accounted for 1.2m sq ft in the last quarter, representing a 10.8% increase compared to Q2 and 65.1% of all lettings. Over the past 12 months, take-up of new and refurbished space has reached 4.6m sq ft, which is 28.0% above the long-term average and reflects 65.7% of all transactions.

Financial services were the most active occupier group, accounting for 31.1% of all transactions, which is 55.4% above the long-term quarterly

trend. The professional services sector followed, representing 29.7% of take-up, 54.8% above the long-term quarterly trend. Growth in the financial industry was driven by niche financial firms such as hedge funds and private equity, with take-up rising 183.0% from the last quarter. Within professional services, legal occupiers showed a strong recovery after recent subdued activity, now accounting for 62.9% of the sector's total take-up.

The largest transaction of the quarter was by Legal and General Investment Management, which pre-let 186,648 sq ft at Woolgate, 25 Basinghall Street, EC2, signing a 15-year lease for 60% of the building. The deal achieved rents ranging from £80.00 to £89.50 per sq ft. Woolgate's high-quality facilities, prime location and commitment to sustainability have been key factors in the occupier's choice to move to the building. Designed with net-zero construction in mind, Woolgate is also progressing towards a 4.5-star NABERS rating and BREEAM Excellent certification, underscoring its strong environmental credentials. The second-largest transaction

▲ 2.2m

Floorspace under offer in the City & Southbank has increased to 2.2m sq ft, up 1.9% since the end of Q2.

“With take-up increasing by 7.9% to 1.8m sq ft, which is 13.7 % above the long-term quarterly average of 1.6m sq ft. Take-up exceeded the long-term quarterly average in all submarkets except the Southbank Core, where take-up was 57.4% below trend.”



involved A&O Shearman, which pre-let 92,857 sq ft of office space at 1 Broadgate, EC2A, developed by British Land and Singapore sovereign wealth fund GIC. This move signifies the ongoing trend of international law firms expanding their office footprints in London.

We expect positive momentum in lettings to be maintained, as floorspace under offer in the City & Southbank has increased to 2.2m sq ft, up 1.9% since the end of Q2. Similarly, active demand has risen by 27.8%, increasing from 4.4m sq ft in Q2 to 5.7m sq ft in Q3. This figure is 27.9% above the

long-term trend of 4.4m sq ft, marking a 10-year high in active demand.

The financial sector drives most of this demand, accounting for just over half of all market requirements, with firms like Nomura and Jane Street representing some of the largest requirements in the market.

The growing demand-supply imbalance is neatly illustrated by comparing demand for larger size band space with current availability. At the end of Q3, there were 23 requirements for space greater than 80,000 sq ft, but only 16 buildings which can accommodate this demand.

#### TRUE GRADE A AVAILABILITY CONTRACTS

Following increased letting activity during the quarter, availability has fallen by 5.8% to 12.4m sq ft, resulting in a vacancy rate of 8.9% – 1.7 percentage points above the long-term quarterly average. New and refurbished availability now stands at 7.1m sq ft, down 6.5% from Q2 and marking the lowest level since Q2 2022. True Grade A availability declined by 1.7% in Q3 and has decreased by

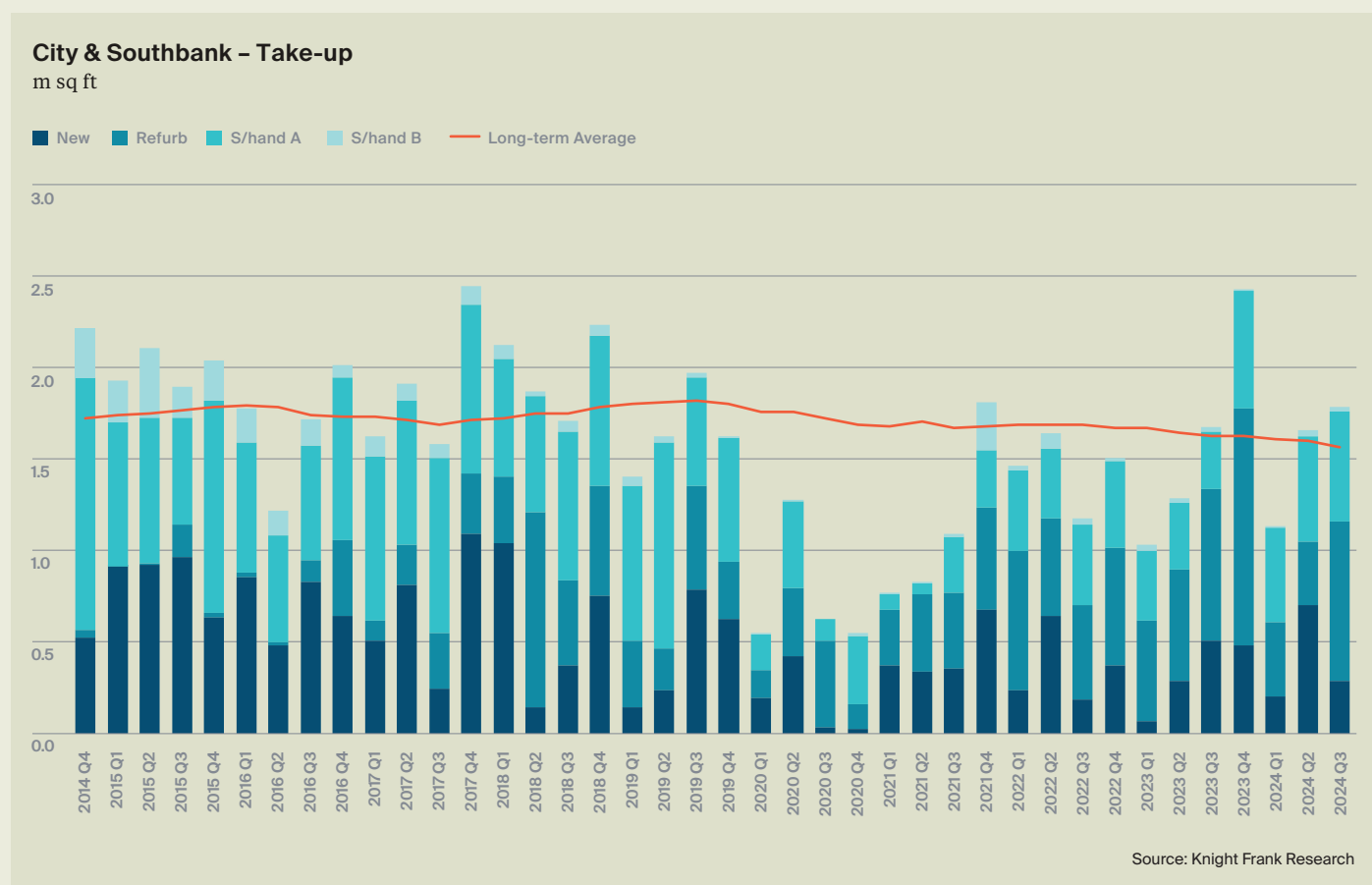
19.5% over the past 12 months. This type of space has a vacancy rate of 1.7%, broadly in line with the long-term average. However, in the largest submarket in the City, the City Core, the Grade A squeeze is more acute, with a vacancy rate of only 0.5%.

The under-construction development pipeline decreased by 5.8% to 9.1m sq ft, following 1.5m sq ft of completions in Q3. The most notable completion during the quarter was 40 Leadenhall Street, EC3, an amenity-rich development with industry leading sustainability and wellbeing accreditations. Over 85% of the building was pre-let at completion, with a further 9,000 sq ft under offer.

Currently, 31.8% of the under-construction pipeline is pre-let, with an additional 596,237 sq ft under offer. In the City Core, upcoming supply is relatively more constrained, with almost half (48.6%) of this pipeline either pre-let or under offer.

Based on historical take-up levels of new and refurbished space in the City & Southbank, the pipeline indicates an anticipated undersupply of 9.3 m sq ft by 2028.

**“We expect positive momentum in lettings to be maintained, as floorspace under offer in the City & Southbank has increased to 2.2m sq ft, up 1.9% since the end of Q2. ”**



### PRIME RENTS RISE IN THREE SUBMARKETS

The increase in prime deals, which rose from three in Q2 to nine in Q3 2024, has led to higher rents across three submarkets. Prime rents increased by £2.50 per sq ft in the City Core, reaching £90.00 per sq ft. Clerkenwell/Farringdon saw rents rise to £92.50 per sq ft, while Midtown experienced a £2.00 per sq ft increase, bringing rents to £82.00 per sq ft. Rent-free periods remain unchanged for a standard ten-year lease at 24-27 months.

### RETURN OF INSTITUTIONAL INVESTORS

The City and Southbank saw £0.5bn of transactions in Q3 2024. This represents a quarterly decline of 5.4% and is 71.0% below the long-term quarterly average of £1.8bn. The lack of larger lot size transactions remains a key factor under-pinning the low volume total. In the previous quarter, transactions exceeding £100m represented 39.4% of total market activity. In contrast, Q3 saw

the predominant share of transactions under £50m, accounting for 54.4% of total volumes.

During the third quarter, investors from the UK were the most active, purchasing £0.3bn in office assets, which accounted for 48.9% of the total volumes transacted. The next largest group by nationality was Europe, which acquired £0.2bn, representing 35.0% of all transactions.

Q3 data reveals investor sentiment may be turning positive with institutional investors emerging as the main investor type in the market. In Q3, institutional investors accounted for 48.9% of all transactions. This marks a notable shift from the previous quarter, where private capital investors held the leading position; private capital now ranks as the second-largest group, securing £0.2bn and representing 40.1% of market activity. The renewed interest from institutional investors indicates growing confidence in the office sector, following a period of withdrawal from the market.

The largest deal of the quarter was at Atlantic House, 45-50 Holborn Viaduct, EC1A, which RLAM acquired for £185m. The transaction reflected a net initial yield of 7.44%. The second most significant transaction was an occupier acquisition of 1 Bow Churchyard, EC4M, by Habro Properties Ltd for £57m.

Assets under offer have decreased to £0.5bn, down slightly from £0.7bn at the end of Q2. Just over £2.3bn worth of assets are currently available for sale in the City & Southbank, while prime yields have remained stable at 5.25% for the sixth consecutive quarter.

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◀▶ 5.25%

Prime yields have remained stable at 5.25% for the sixth consecutive quarter.

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# MARKETS IN REVIEW

## West End

◀▶ **£150.00**

Rent (£ per sq ft)

▲ **1.21 m**

Take-up (sq ft)

▼ **7.42 m**

Availability (sq ft)

▼ **£0.79 bn**

Investment turnover

◀▶ **3.75%**

Prime yield

### ABOVE TREND TAKE-UP

After two consecutive quarters of below-trend take-up, leasing activity in the West End increased to 1.2m sq ft – up 78.1% compared to the previous quarter and 11.7% above the long-term quarterly average of 1.1m sq ft. Take-up exceeded the long-term quarterly average in five submarkets: Paddington (1.0%), Victoria (79.5%), Fitzrovia (83.1%), White City (159.6%), and Marylebone (212.8%).

Larger-size band lettings primarily drove this improvement. Four of the 153 lettings in Q3 were above 40,000 sq ft, and two were above 100,000 sq ft. In contrast, none of the lettings in Q2 were above 40,000 sq ft. As a result, the average deal size in Q3 nearly doubled to 7,911 sq ft – an increase of 92.0% from 4,120 sq ft in Q2.

The bifurcation in leasing trends by quality remains evident in the West End, with the majority (60.2%) of take-up this quarter for new and refurbished space.

Financial services remained the largest occupier group, accounting for 27.6% of all transactions, some 50.6% above the long-term quarterly average. Following closely, the professional services sector represented 26.8% of take-up, with lettings to this occupier group 217.8% above trend. The professional services sector totalled 324,318 sq ft this quarter, a significant rise from 111,959 sq ft in Q2, reflecting an impressive 189.7% quarterly change. This increase in leasing activity can be primarily attributed to a rise in lettings by accounting, architecture, and legal firms. Notably, lettings by accounting firms experienced an extraordinary increase of 1398.0% quarter-on-quarter

due in large part to the pre-let by BDO at the M Building in Marylebone.

In fact, this was the largest deal in Q3 at 218,496 sq ft and is the largest ever letting in Marylebone. The second largest transaction in the West End was by investment bank Evercore Partners Limited, which pre-let 135,239 sq ft at Southside, 105 Victoria Street, SW1. This letting is the highest-value pre-letting deal in Victoria, measured by rental rates.

### ACTIVE DEMAND FALLS FOR THE FIRST TIME IN TWO QUARTERS

Following a quarter of strong leasing momentum, active requirements in the West End have fallen by 11.6% to 2.1m sq ft. An analysis of the current requirements reveals that 13 are for spaces greater than 60,000 sq ft, while only one requirement is for space exceeding 100,000 sq ft.

Technology, media and telecoms drive near-term demand, accounting for 34.4% of all market requirements. Financial services are the next largest occupier group, representing 27.4% of the total demand. Some of the largest current market requirements include Baringa Partners LLP (c. 80,000-120,000 sq ft) and Ares Management (c.80,000 sq ft).

### TIGHTENING AVAILABILITY OF BEST QUALITY SPACE

Office availability fell for a second consecutive quarter, decreasing by 3.6% to 7.4m sq ft. This resulted in a vacancy rate of 7.8%, which is 1.5 percentage points above the quarterly long-term average. The decrease in availability was driven by a healthier quarter of take-up and several

“Activity in the West End increased to 1.2m sq ft – up 78.1% compared to the previous quarter and 11.7% above the long-term quarterly average of 1.1m sq ft.”

withdrawals, including 271,185 sq ft of second-hand space removed from the market for redevelopment.

Available new and refurbished office space decreased by 1.3% to 5.2m sq ft. However, this figure masks a more significant 7.1% drop in new space availability, now at its lowest in two years. The vacancy rate for available new space stands at 1.3%, which drops to 0.3% in the West End Core.

## DEVELOPMENT PIPELINE FALLS SHORT OF DEMAND

The under-construction development pipeline increased by 11.9% in Q3 to 6.7m sq ft – all expected to complete by 2027. Just over 4m sq ft is being built speculatively, with the remaining 2.4m sq ft already pre-let. Potential schemes (consented projects) that are ‘most likely’ to be built, increase the speculative pipeline by a modest 891,683 sq ft and extend the delivery timeframe to 2028.

There were 159,458 sq ft of completions during the quarter across three schemes, of which Regents Wharf, 10-18 All Saints Street, N1, was the largest, representing just under 70% of completed space in Q3.

The current level of speculative development falls significantly below average levels of new and refurbished take-up, and we estimate an

undersupply of the best-quality office space of 3.3m sq ft by 2028.

## PRIME RENTS RISE IN TWO SUBMARKETS

We have raised prime rents in Strand/Covent Garden and Victoria in Q3. In the former, the headline rent increased from £87.50 to £90.00 per sq ft, and in the latter, it increased from £90.00 to £92.50 per sq ft. Rent-free periods remain unchanged at 24-27 months on a standard 10-year lease. In both instances, the rent increases were driven by transactional evidence, where achieved rents significantly exceeded the average market prime rent.

## INCREASING ACTIVITY IN CORE-PLUS ASSETS AND STABLE YIELDS

Turnover in the West End was £0.8bn across 20 transactions, reflecting a quarterly fall of 20.4% and 40.7% below the long-term quarterly average. However, year-on-year investment volume activity has increased by 58.4%.

Investments have remained concentrated in value-added assets, which account for 41.4% of all transactions, underscoring a sustained risk appetite for the right assets and the resilience of leasing fundamentals. Additionally, we have observed a notable increase in investment in core plus assets, rising by 136.0% to £0.2bn, with

their share growing from 7.5% to 22.2% of total investment. This shift towards core-plus assets may be an early signal of investors gaining confidence in the pricing of institutional grade assets.

During Q3, investors from the United Kingdom acquired £0.4bn of office assets, accounting for 47.7% of volumes. They were followed by investors from North America, who acquired £0.2bn and a 22.6% share of all transactions.

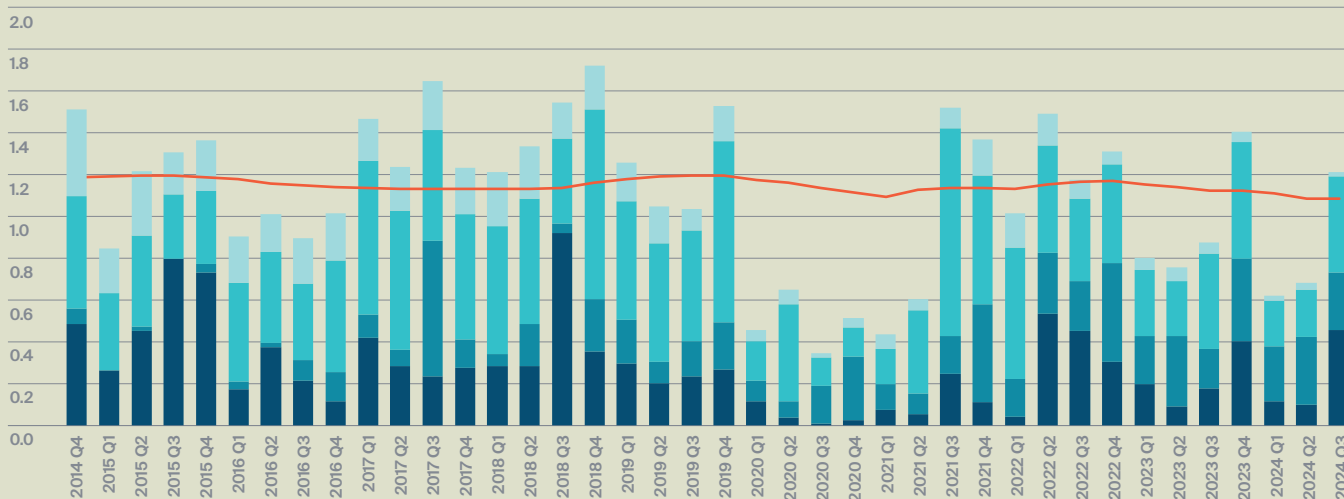
Private capital continued to dominate the West End investment landscape, accounting for £0.6bn in acquisitions and representing 77.4% of all transactions. The next largest group, private equity, comprised 13.7% of investment volumes. The quarter’s largest deal involved a private investor with Euro Real Estate acquiring 24 Savile Row, W1S for £90m. This transaction reflected a net initial yield of 3.89%.

The value of assets under offer has risen to £0.8bn, up from £0.7bn at the end of Q2, while the volume of assets available for sale has decreased by 29.3% compared to the previous quarter. This trend suggests that the market is exhibiting signs of recovery and is poised to gain momentum. This positive outlook is further supported by stable prime yields, which have remained at 3.75% for the eighth consecutive quarter.

## West End – Take-up

m sq ft

■ New ■ Refurb ■ S/hand A ■ S/hand B — Long-term Average



Source: Knight Frank Research



## MARKETS IN REVIEW

# Docklands & Stratford

◀▶ **£57.50**

Rent (£ per sq ft)

▼ **0.02 m**

Take-up (sq ft)

▲ **3.78 m**

Availability (sq ft)

◀▶ **£0 bn**

Investment turnover

◀▶ **7.50%**

Prime yield

### FALL IN TAKE-UP DRIVEN BY LACK OF LARGER LETTINGS

During the quarter, five leasing transactions totalling 16,396 sq ft were recorded in Docklands and Stratford. This reflects a decline of 85.6% compared with Q2 and 91.5% below the long-term quarterly average of 193,478 sq ft. A lack of larger lettings primarily drove the second consecutive drop in take-up. Most lettings (60.3%) were in the 0-5,000 sq ft range, with all lettings falling between 0-10,000 sq ft this quarter. As a result, the average deal size in Q3 fell by 97.1% to 3,274 sq ft.

Despite the lower deal flow, the quality of the floorspace being leased remains high, with 69.9% of take-up for

new and refurbished offices. Over the last 12 months, the take-up of new and refurbished space has been 202,819 sq ft, reflecting 56.7% of all transactions.

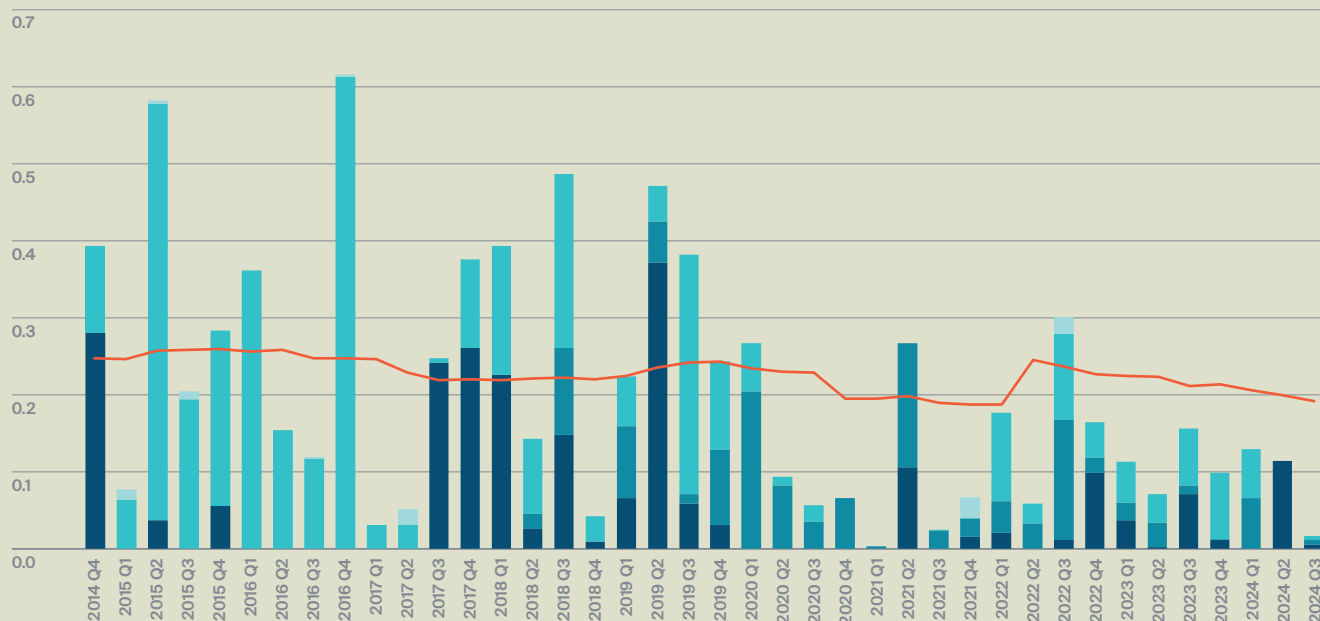
The largest letting in Q3 was by the technology company Hexaware Technologies Limited, which leased 6,500 sq ft at 1 Canada Square, Canary Wharf, E14, at a rental rate of £58.80. The second largest deal was by the Institute for Arts in Therapy and Education, a 4,949 sq ft letting at Dane's Yard, 1 Sugar House Lane, E15 at £30.00 per sq ft. The letting by Hexaware Technologies Limited resulted in the technology, media, and telecoms sectors accounting for 39.7% of total transactions, establishing it as the largest occupier group. The

“Over the last 12 months, the take-up of new and refurbished space has been 202,819 sq ft, reflecting 56.7% of all transactions.”



## Docklands & Stratford - Take-up m sq ft

■ New ■ Refurb ■ S/hand A ■ S/hand B — Long-term Average



Source: Knight Frank Research

second largest occupier group was the manufacturing and corporate sector, making up 21.9% of transactions.

### TOTAL AVAILABILITY RISES

Available floor space has increased by 10.3% in Q3 to 3.8m sq ft, resulting in a vacancy rate of 14.8%, compared to the long-term average of 4.7%. The quality split is almost 50-50, with new and refurbished space accounting for 52.7% and second-hand space 47.3%. A significant portion of the available floor space is concentrated in larger size bands, with 57.2% allocated to spaces greater than 100,000 sq ft.

In Canary Wharf, the overall vacancy rate is lower than the market average at 13.6% (3.6 percentage points above the long-term average), but has fallen from a peak of 18% at the end of 2022. However, availability in its newest office buildings, such as YY London is 2.8% and down from a peak of 3.8% in Q3 2022. Although, leasing activity has been relatively soft in comparison to the pre-pandemic period, recent activity has focused on the better quality offices.

In the last 12 months, there has been 167,728 sq ft of take-up and 84% of this

being for new and refurbished space, this includes lettings such as Revolut's 113,000 sq ft deal at YY London, which will see the challenger bank increase its office footprint by 40%. Canary Wharf's newest prime office developments have set a higher benchmark for prime rents in the submarket.

The under-construction development pipeline decreased by 32.8% to 718,338 sq ft following the completion of the Turing Building at Stratford Cross, E20, which delivered 339,430 sq ft of speculative space. The under-construction development pipeline consists of only speculative developments, with no pre-lets.

Notable schemes completing in the next four years include One North Quay, Hertsme Road, Canary Wharf, E14, which will provide 540,000 sq ft of speculative space and 17 Columbus Courtyard, Canary Wharf, E14, which will provide 178,338 sq ft of speculative space.

The current level of speculative development falls significantly below average levels of new and refurbished take-up. We anticipate a 0.7m sq ft shortfall of best-in-class office space by the end of 2028.

Prime rents are unchanged in both Docklands and Stratford markets. In Canary Wharf, prime rents are £57.50 per sq ft and in Stratford they are £48.50 per sq ft. Rent-free periods remain unchanged at 27-30 months on a standard 10-year lease.

### NO INVESTMENT ACTIVITY

There have been no transactions in Docklands & Stratford in Q3, and there are no deals under offer. The volume of assets available for sale has decreased by 14.4% compared to the previous quarter to £0.09bn, while prime yields have remained stable at 7.50%.

# ▲10.3%

Available floor space has increased by 10.3% in Q3 to 3.8m sq ft, resulting in a vacancy rate of 14.8%, compared to the long-term average of 4.7%



# Key Statistics

						% CHANGE		10-YEAR QUARTERLY AVERAGE
Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	3 MONTHS	12 MONTHS		
AVAILABILITY (SQ FT)								
West End	6.70 m	6.84 m	7.04 m	7.69 m	7.42 m	-3.6%	10.7%	5.68 m
City & Southbank	14.75 m	13.93 m	14.08 m	13.20 m	12.43 m	-5.8%	-15.7%	9.18 m
Docklands & Stratford	3.91 m	4.19 m	4.44 m	3.43 m	3.78 m	10.3%	-3.5%	2.45 m
London	25.36 m	24.96 m	25.56 m	24.32 m	23.62 m	-2.8%	-6.8%	17.31 m
VACANCY RATE								
West End	7.2%	7.3%	7.5%	8.1%	7.8%	-0.3%	0.6%	6.4%
City & Southbank	10.8%	10.1%	10.2%	9.5%	8.9%	-0.6%	-1.9%	7.1%
Docklands & Stratford	15.5%	16.6%	17.6%	13.6%	14.8%	1.2%	-0.7%	10.1%
London	9.9%	9.7%	9.9%	9.4%	9.1%	-0.3%	-0.9%	7.1%
TAKE-UP (SQ FT)								
West End	0.87 m	1.40 m	0.62 m	0.68 m	1.21 m	78.1%	38.6%	1.08 m
City & Southbank	1.68 m	2.42 m	1.13 m	1.65 m	1.78 m	7.9%	6.4%	1.57 m
Docklands & Stratford	0.16 m	0.10 m	0.13 m	0.11 m	0.02 m	-85.6%	-89.5%	0.19 m
London	2.71 m	3.92 m	1.88 m	2.45 m	3.01 m	23.0%	11.3%	2.85 m
ACTIVE REQUIREMENTS (SQ FT)								
West End	2.66 m	1.88 m	2.22 m	2.32 m	2.06 m	-11.6%	-22.8%	2.08 m
City & Southbank	4.59 m	5.10 m	5.54 m	4.42 m	5.65 m	27.8%	23.0%	4.42 m
Docklands	0.23 m	0.14 m	0.44 m	0.65 m	0.43 m	-33.0%	92.0%	0.56 m
London-wide	3.10 m	4.80 m	4.39 m	3.75 m	3.44 m	-8.2%	11.0%	2.10 m
London	10.58 m	11.91 m	12.59 m	11.14 m	11.58 m	3.9%	9.4%	9.16 m
UNDER CONSTRUCTION (SQ FT)								
West End	5.10 m	5.17 m	6.22 m	6.03 m	6.74 m	11.9%	32.2%	4.81 m
City & Southbank	11.00 m	9.89 m	9.11 m	9.68 m	9.11 m	-5.8%	-17.2%	8.04 m
Docklands & Stratford	0.35 m	0.35 m	0.53 m	1.07 m	0.72 m	-32.8%	104.8%	0.97 m
London	16.46 m	15.41 m	15.86 m	16.77 m	16.58 m	-1.2%	0.7%	13.82 m
DEVELOPMENT COMPLETIONS (SQ FT)								
West End	0.95 m	0.46 m	0.46 m	0.30 m	0.16 m	-47.4%	-83.3%	0.32 m
City & Southbank	0.73 m	0.83 m	0.50 m	0.42 m	1.48 m	256.5%	101.8%	0.72 m
Docklands	0.21 m	0.00 m	0.00 m	0.00 m	0.34 m		58.4%	0.11 m
London	1.90 m	1.29 m	0.95 m	0.72 m	1.98 m	175.4%	4.0%	1.14 m
INVESTMENT TURNOVER								
West End	£0.50 bn	£1.32 bn	£1.00 bn	£0.99 bn	£0.79 bn	-20.4%	58.4%	£1.33 bn
City & Southbank	£0.94 bn	£0.44 bn	£0.31 bn	£0.56 bn	£0.53 bn	-5.4%	-43.4%	£1.83 bn
Docklands & Stratford	£0.00 bn	£0.00 bn	£0.00 bn	£0.00 bn	£0.00 bn			£0.14 bn
London	£1.43 bn	£1.76 bn	£1.31 bn	£1.55 bn	£1.32 bn	-15.0%	-8.2%	£3.30 bn
PRIME HEADLINE RENTS (PER SQ FT)								
West End	£140.00	£150.00	£150.00	£150.00	£150.00	0.0%	7.1%	3.6%
City & Southbank	£77.50	£87.50	£87.50	£87.50	£90.00	2.9%	16.1%	4.1%
Docklands & Stratford	£55.00	£57.50	£57.50	£57.50	£57.50	0.0%	4.5%	4.8%

Source: Knight Frank. Notes: London active requirements includes unspecified target locations. Percentage point difference for vacancy rate.

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We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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**General Note**

This report has been prepared by Knight Frank Research, the research and consultancy division of Knight Frank. Knight Frank Research gratefully acknowledges the assistance given by the London office teams in the compilation and presentation of this material. Certain data sourced from LOD. All graph data sourced by Knight Frank.

**Technical Note**

The following criteria have been adopted in the preparation of this report.

- i. All floorspace figures quoted in this report refer to sq ft net.
- ii. Take-up figures refer to space let, pre-let, or acquired for occupation during the quarter.
- iii. Availability refers to all space available for immediate occupation, plus space still under construction which will be completed within six months and which has not been let.
- iv. Availability and take-up are classified into three grades: New/refurbished: Space under construction which is due for completion within six months or space which is currently on the market and is either new or completely refurbished.  
Second-hand A Grade: Previously occupied space with air-conditioning.  
Second-hand B Grade: Previously occupied space without air-conditioning.
- v. Demand figures quoted in this report refer to named requirements for over 10,000 sq ft.
- vi. Under construction figures quoted in this report refer to developments of over 20,000 sq ft which are currently underway. They do not include properties undergoing demolition.
- vii. Investment figures quoted in this report refer to accommodation where the majority of income/potential income is from office usage and comprises transactions of £1 m and above. The data includes standing investments, site purchases and funding transactions.
- viii. This report is produced to standard quarters.  
Quarter 1: January 1 – March 31,  
Quarter 2: April 1 – June 30,  
Quarter 3: July 1 – September 30,  
Quarter 4: October 1 – December 31



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