

The London Series

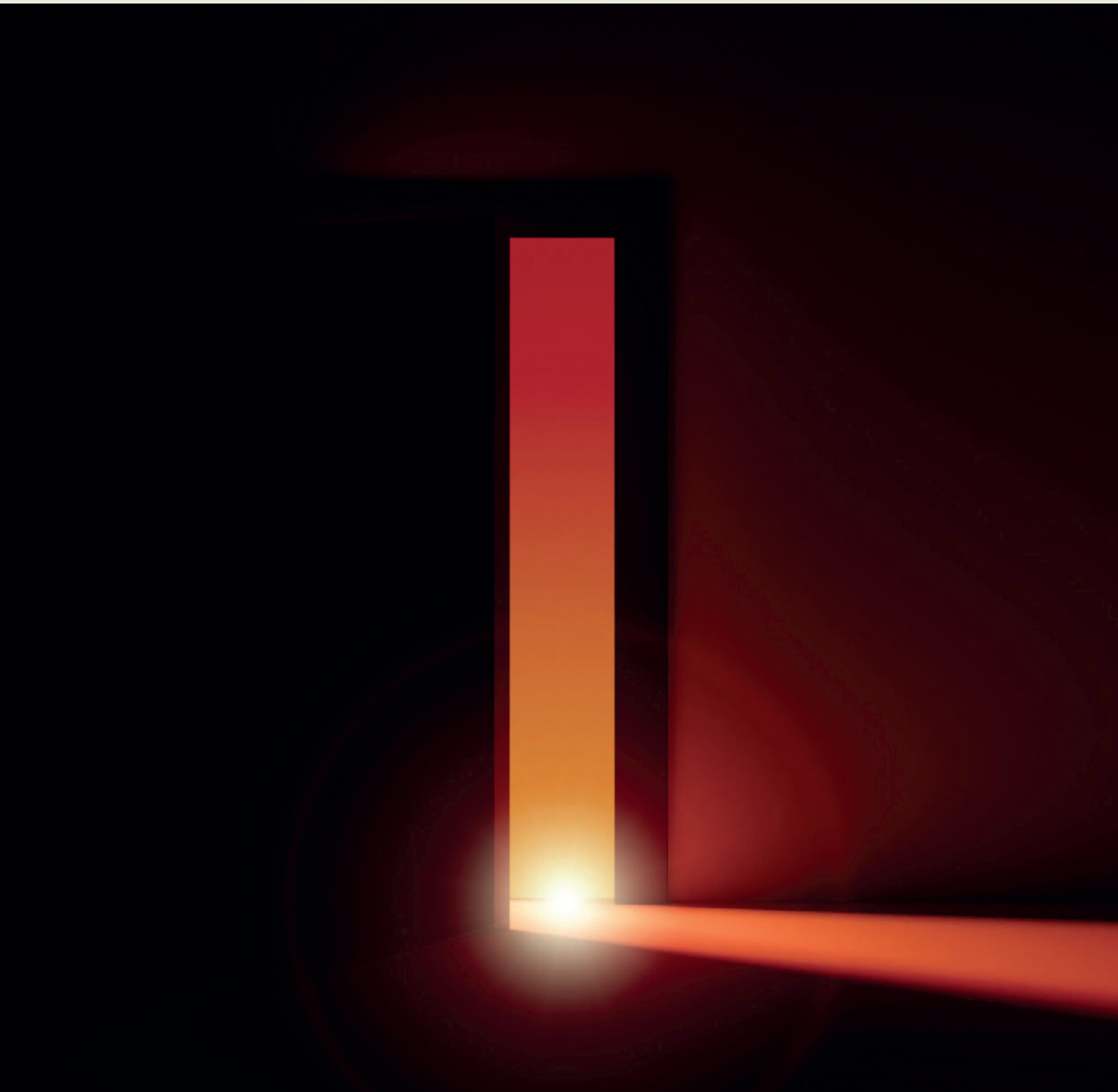


A compendium

2026

Insights and viewpoints from Knight Frank on the challenges and opportunities presented by the London office market.

knightfrank.co.uk/research



INTERPRET THE CHANGE. DEFINE THE ADVANTAGE.

Contents

P3 FOREWORD

P4 THE LONDON EQUATION

P6 **INSIGHT 1**

Time: The Compression Effect

P13 **VIEWPOINT**

Retention is performance

P14 **INSIGHT 2**

Place: The Power of Presence

P23 **VIEWPOINT**

What occupiers are telling us

P26 **INSIGHT 3**

Product: Building at the limits

P33 **VIEWPOINT**

Business rates: complexity, challenge,
and the next shift

P34 **INSIGHT 4**

Capital: Risk re-priced and
volatility tamed

P41 **VIEWPOINT**

Delivering London: three challenges
shaping office project delivery

P42 **INSIGHT 5**

Residential: Re-building momentum

P49 **VIEWPOINT**

Placemaking without boundaries

P50 THE LAST WORD

P52 CONTACTS



Foreword

This compendium brings together the third London Series at a moment when the market is not changing direction so much as changing *character*.



PHILIP HOBLEY,
PARTNER, HEAD OF
LONDON OFFICES

London has never been shaped by a single force. Its office market has always been the product of overlapping economic cycles, global capital flows, planning constraint, occupier behaviour and the city's own spatial complexity. What distinguishes the current phase is not the presence of those forces, but the way they are now acting together – and the diminishing capacity of the market to absorb misalignment between them.

Across the outputs of *The London Series 2026*, a consistent picture emerges of a market operating with less slack. Timing pressure, delivery risk, sustainability requirements, location performance and capital discipline are no longer encountered sequentially. They are being felt simultaneously. As a result, decisions that once allowed room for adjustment are now far more exposed to consequence.

This matters because London's historic resilience has often relied on substitution: time compensating for cost, location compensating for product, capital compensating for complexity. The evidence suggests that these trade offs are becoming harder to make. Delivery is constrained not simply by demand, but by what can be financed, planned and executed with confidence. Location performance is increasingly granular, shaped by daily presence rather than broad geography. Capital remains active, but is less

tolerant of ambiguity around income durability and future relevance.

The effect is a market that feels tighter, even where activity levels remain healthy. Scarcity is no longer just a question of supply volume; it is a question of suitability, deliverability and timing aligning in the same place, at the same moment. Where they do, competition is intense. Where they do not, liquidity thins quickly.

Read together, the research collected here does not suggest a market in retreat. It points instead to a market that is becoming more exacting – more selective in what it rewards and less forgiving of strategies that rely on momentum alone. For occupiers, developers and investors alike, outcomes are increasingly shaped by early decisions, clarity of intent

and the ability to navigate constraint rather than defer to it.

This compendium closes the 2026 London Series by setting out that reality in one place. Not as a conclusion, but as a reference for the decisions that lie ahead.

“Across the outputs of The London Series 2026, a consistent picture emerged of a market operating with less slack... As a result, decisions that once allowed room for adjustment are now far more exposed to consequence.”



The London Equation

The London Equation is Knight Frank’s framework for understanding how London competes in a world that has become faster, more fragmented and less forgiving. It reflects a simple but important shift: the city’s future is no longer shaped by a single dominant force, but by the interaction of several powerful and interdependent dynamics.

At its core, the Equation defines competitiveness as:

London’s Competitiveness (C) = f (Time + Place + Product + Capital)

These four variables describe the mechanism through which London’s economic and real estate performance is forged. Each can be examined individually, but the real explanatory power lies in how they combine or collide - how pressure in one part of the system reshapes the others. The London Equation is therefore not a static model, but a way of interpreting change and identifying where advantage can be created.

A CITY UNDER PRESSURE

London enters this cycle under a convergence of forces that are reshaping both global and local conditions. The world economy is settling into a slower, less synchronised

“For London, these global dynamics land on top of a set of structural domestic challenges: housing shortages, ageing infrastructure, pressure on public finances and a planning system designed for slower times.”



rhythm, with higher interest rates and more constrained capital replacing the conditions that defined the previous decade. Political volatility, shifting trade patterns and accelerating technology are redefining how and where value is created.

For London, these global dynamics land on top of a set of structural domestic challenges: housing shortages, ageing infrastructure, pressure on public finances and a planning system designed for slower times. At the same time, rival cities are sharpening their propositions -moving faster on delivery, deploying stronger incentives and making more decisive bets on technology and infrastructure.

The result is a market where London remains deeply attractive, but the basis of that attractiveness is shifting. Its historic strengths – scale, liquidity and depth – are no longer sufficient on their own. Competitive advantage must now be actively created, through better alignment of decision-making, delivery and investment.

THE FOUR VARIABLES

Time has become the system’s most constraining force. Cycles that once unfolded sequentially are now colliding, creating a condition of temporal compression. Large volumes of lease expiries are converging with

“Those who can align these elements – synchronising timing, curating place, delivery product and structuring investment – will define the next phase of the market.”

lengthening development timelines and tighter capital conditions, narrowing the window for decision-making across the market.

For occupiers, acting early is now essential to secure the best space. For developers, delivery timing has become a strategic differentiator rather than a purely operational concern. For investors, success depends on precise alignment across acquisition, refurbishment and leasing phases. Time is no longer a neutral backdrop – it is an active source of competitive advantage.

Place reflects a shift from geography to performance. London is no longer defined by a simple hierarchy of core and fringe locations, but by a network of micro-markets whose success depends on vibrancy, connectivity and experience.

Hybrid working has accelerated this shift, placing greater emphasis on environments that people actively choose to engage with. Districts that combine amenity, accessibility and identity are strengthening their position, while those that fail to evolve risk losing relevance. Place, in this context, is less about postcode and more about the quality and consistency of experience.

Product captures the changing nature of supply. London is operating at the limits of its physical, financial and regulatory capacity, with new development constrained and retrofit becoming the dominant delivery model.

Buildings are now expected to meet higher environmental standards, support more flexible patterns of use and deliver richer user experiences. This is reinforcing a widening gap between assets that perform and those that do not. Quality, sustainability and deliverability are increasingly defining what constitutes “prime”.

Capital reflects a market that has been repriced and is now repositioning. Following a significant correction, investment is returning under more disciplined conditions – more selective, more structured and with a stronger emphasis on income resilience.

Diverse sources of capital, evolving partnership models and a growing focus on operational performance are reshaping how assets are funded and managed. Capital is no longer just an input; it is a determining factor in what gets built, how it performs and how value is sustained.

THE INTERPLAY

Each of these variables tells part of the story. Together, they explain how London competes. A delay in delivery ripples through leasing markets; constraints in supply influence capital allocation; changing expectations of place reshape product design. The Equation captures these feedback loops – revealing a system in which no decision is independent and no stakeholder operates in isolation.

This interdependence defines both the challenge and the opportunity. The margin for error has narrowed, but the rewards for clarity, speed and alignment have increased.

COMPETING ON FOUR FRONTS

The London Equation ultimately reframes how the city must compete. Advantage will not be derived from any single factor, but from the ability to act across all four variables simultaneously.

London must move faster in its decisions, create more compelling places, deliver higher-quality product and deploy capital more intelligently. Those who can align these elements – synchronising timing, curating place, delivering product and structuring investment – will define the next phase of the market.

The London Series 2026 builds on this framework, exploring each variable in depth. Taken together, the papers provide a single, coherent narrative: that London’s future competitiveness will not rest on one strength, but on its ability to balance and integrate them all.



INSIGHT 1

Time: The Compression Effect



CHRIS DUNN,
ASSOCIATE, LONDON
OFFICE INSIGHT



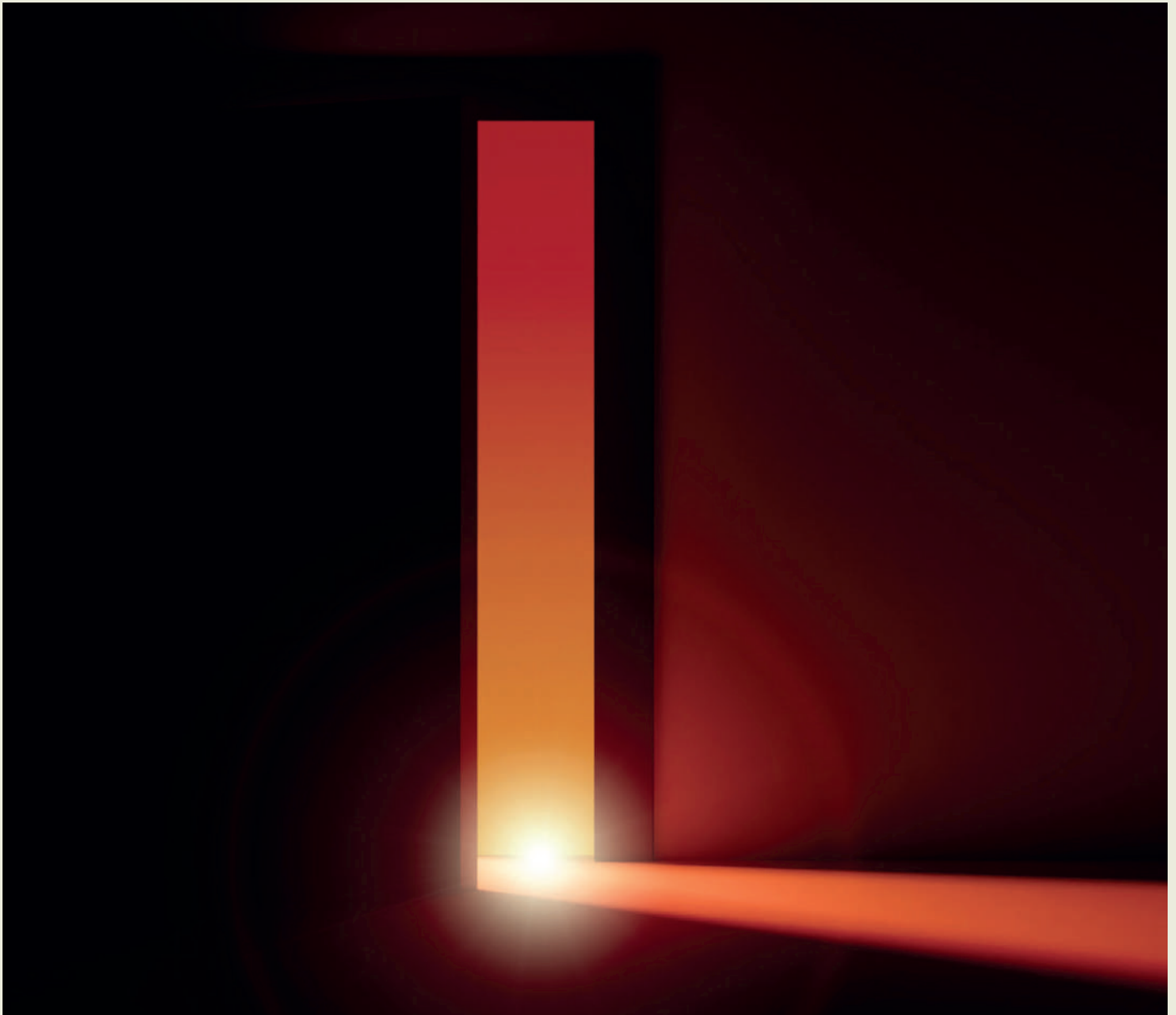
PHILIP HOBLEY,
PARTNER, HEAD OF
LONDON OFFICES



ANGUS GOSWELL,
PARTNER, CHAIRMAN
OF LONDON OFFICES



JAMES THISTLE,
PARTNER, HEAD OF
LONDON LEASE ADVISORY



Key takeaways



1 London is entering one of the most time-sensitive office cycles in decades

London's market is defined by a growing tension between extended planning horizons and shrinking transactional windows. The development pipeline looks substantial but only a small proportion is committed, leaving early years thin with just 10m sq ft of speculative space under construction for 2026–2029, equivalent to just 1.7 years of average take-up. For pre-lets, larger occupiers are launching searches far earlier, averaging 38.4 months ahead of occupation, while smaller occupiers are committing later. Lease expiries totalling 50m sq ft by 2030 and shorter term certainties, now below five years, have compressed decision intervals further.

Implication for Occupiers

Occupiers must treat timing as a core variable. Strategic planning should start earlier, supported by scenario modelling around construction and fit-out. Internal processes need streamlining to avoid losing preferred options.

Implication for Developers/Landlords

Developers must demonstrate certainty of delivery and clarity on programme timelines to secure pre-lets. Earlier engagement, even before full design certainty, will be essential to capture demand.



2 Market participants are increasingly operating on misaligned timelines

A systemic timing asymmetry has emerged. Occupiers, seeking optionality, often underestimate how quickly preferred opportunities can be captured by competitors. Internal governance processes elongate decision cycles even as the market accelerates. Developers face pressure to deliver to tight schedules while accommodating longer, more unpredictable engagement processes. This misalignment raises risk on both sides: occupiers may lose leverage; developers may miss demand peaks, undermining returns.

Implication for Occupiers

Occupiers risk entering negotiations from a weaker position if decision-making lags behind market movement. Delays amplify exposure to delivery risk.

Implication for Developers/Landlords

Developers face heightened difficulty synchronising delivery with demand peaks. Financing structures become more sensitive to timing uncertainty.



3 Success will be defined by the ability to anticipate timing pressure and respond proactively

Early strategic planning and engagement are now critical. Occupiers need to act sooner, while developers must offer clearer programming and flexibility to absorb late-stage adjustments. Industry-wide improvements in pipeline transparency and advisory tools that incorporate timing risk will be essential. Certainty of delivery is set to become as important a differentiator as location or specification.

Implication for Occupiers

Occupiers should begin planning earlier, engage developers sooner, and reduce internal bottlenecks. Rapid-response options, such as fitted space, may gain importance.

Implication for Developers/Landlords

Developers must provide stronger evidence of deliverability and maintain flexibility in design to align with occupier decision cycles.



1. What the data shows and what has changed

London is entering one of the most time-sensitive office cycles in decades. While occupiers and developers are extending their planning horizons, the actual windows in which they can act appear to be narrowing. This tension between longer-term strategic thinking and the practical constraints of transactional timing is reshaping London’s competitive landscape.

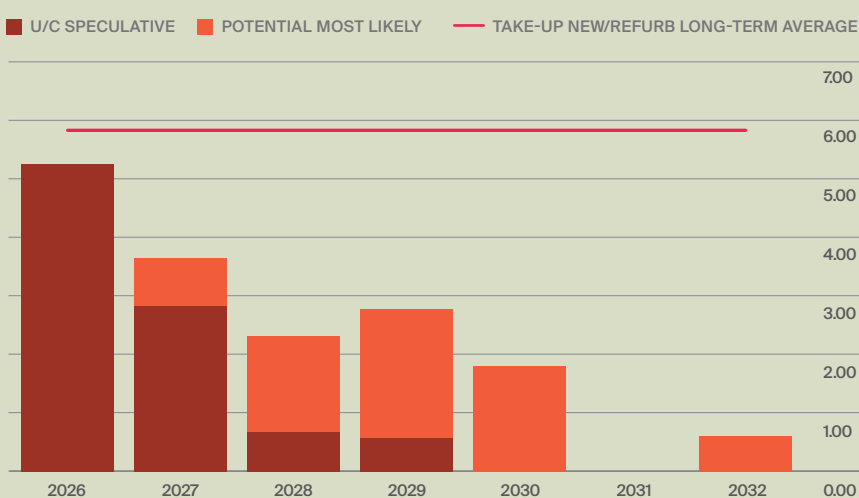
The development pipeline provides one of the clearest illustrations of this shift. Although a significant volume of future space is nominally in the system, a comparatively small proportion of that pipeline is actually committed, with many schemes currently less viable, according to our analysis. As a result, visibility of space delivering in 2026 and beyond remains limited, and the early years of this period in particular look thin, with just 10m sq ft of speculative space currently under construction between 2026 and 2029, equating to just 1.7 years’ worth of average new or refurbished take-up.

Partly as a consequence of this supply-side shortage, the timing profile of occupier demand has fundamentally altered. Many requirements are surfacing much earlier than before and yet deal progression has lengthened. Pre-lets provide a useful case study. Typically, we report the lead-in time from an occupier committing to a pre-let and the practical completion date. Since 2020, the average lead-in time for London pre-lets (of all sizes) is 12.1 months prior to practical completion. In figure 2, the variation by size band is clear. In fact, larger pre-lets are being signed further ahead of practical completion over the last few years, whilst smaller pre-lets are actually evolving in the opposite

direction – signing much closer to the anticipated occupation date than was the case even three years ago. This divergence in strategy for smaller occupiers could be for several reasons, including: (1) Balancing flexibility and certainty – by leaving commitment to a pre-let until later the occupier can better adjust their space requirements and have the flexibility to do so. (2) Less onerous design and fit-out needs – whilst this isn’t always the case, the typical

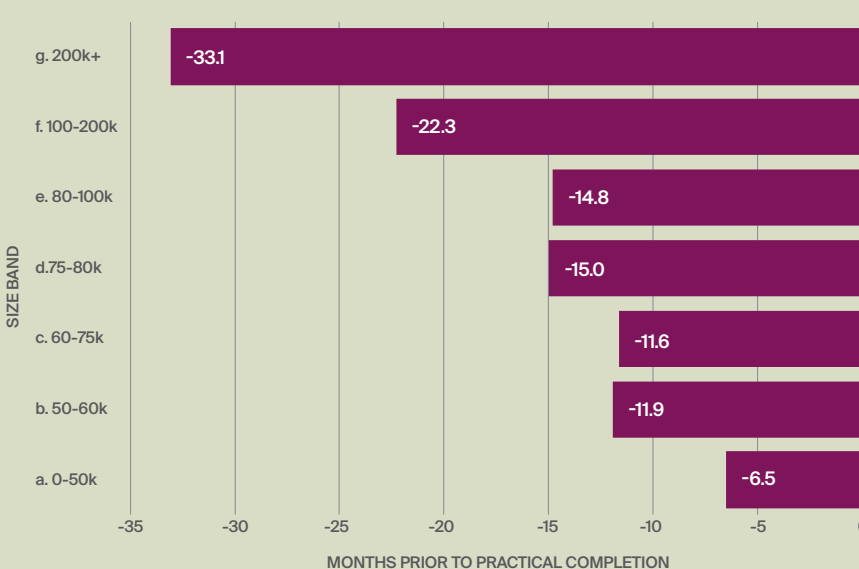
fit-out for smaller occupiers can be completed more quickly than for firms. (3) Negotiating power – smaller occupiers may seek to wait until closer to completion to leverage market dynamics and achieve a more competitive deal, given there is greater availability of smaller floorplates in most submarkets. (4) Smaller firms usually operate with shorter planning horizons and may delay real estate decision-making until their growth trajectory is clearer.

Fig 1. London – Development Pipeline
m sq ft



Source: Knight Frank Insight

Fig 2. Pre-let lead-in times
Average months to PC



Source: Knight Frank Insight

Increasingly, larger occupiers are beginning their search process earlier, something that is not always captured in traditional market analysis. By extending the typical pre-let lead-in data to include when the requirement first launched, it shows a more accurate picture of the occupier journey. On average, searches for pre-lets of 50,000 sq ft or more, signed since January 2020, start 38.4 months ahead of the target occupation date, almost

double the conventional pre-let lead-in time for equivalent-sized deals of 19.1 months prior to practical completion.

Figure 3 above shows how the divergence increases with scale, with searches for 200,000 sq ft or more starting 50.6 months ahead of the target occupation date. While transactions of this size are rare – there have been just 29 over the last 10 years – their importance to the London office market is undeniable.

Overlaying this with lease event data adds a further layer of complexity to market timing. Over five thousand leases are due to expire between 2026 and 2030, representing 50m sq ft of potential future demand, excluding those tenants who have already transacted. The concentration of these expiries varies significantly by submarket and, when contrasted with expected development completions, suggests that timing pressure may be particularly acute in certain parts of London. For example, the City Core will see 17.9m sq ft of leases expire by the end of 2030, accounting for a third of all lease expiries across London.

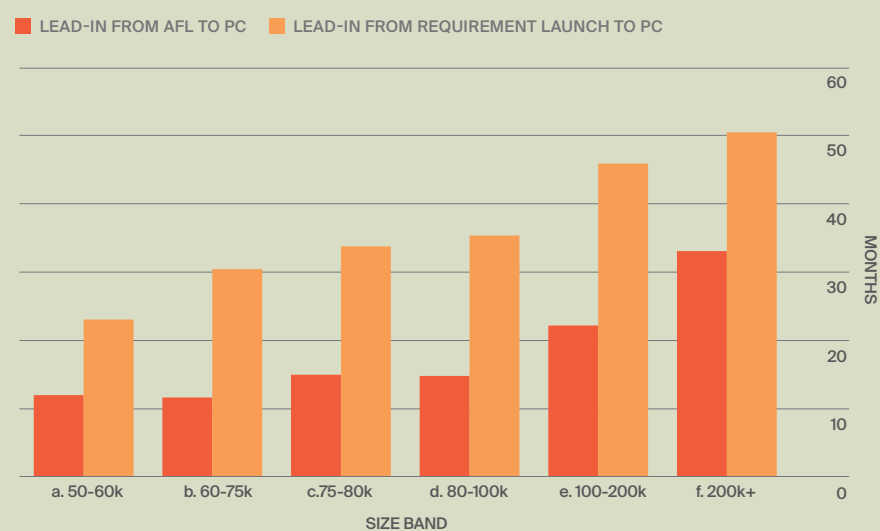
These structural changes are occurring against a backdrop of shorter commitments, with the overall average term certain across London (for all deal sizes) falling below five years for the first time, as can be seen in figure 4 below, which includes all transaction types (pre-lets, new leases, assignment and subleases).

This has compressed the intervals between key decision points. Occupiers must now navigate more frequent decision cycles, each of which carries greater exposure to construction timelines, competition and external shocks. There is, however, nuance to this trend. Post-pandemic, the shortening of term certain became more acute for all transaction sizes. In 2024 and 2025, however, we have seen the average for deals of 60,000 sq ft or more swing upwards again, boosted by pre-let activity where longer-term commitments are more commonplace. In 2025, for deals of 60,000 sq ft or more, the average term certain increased to 14.1 years, sitting above the 10-year average of 13.1 years. Once again, this shows a divergence in market activity based on scale.

“In 2025, for deals of 60,000 sq ft or more, the average term certain increased to 14.1 years, sitting above the 10-year average of 13.1 years.”

Fig 3. Pre-let lead-in times vs requirement launch to PC date times

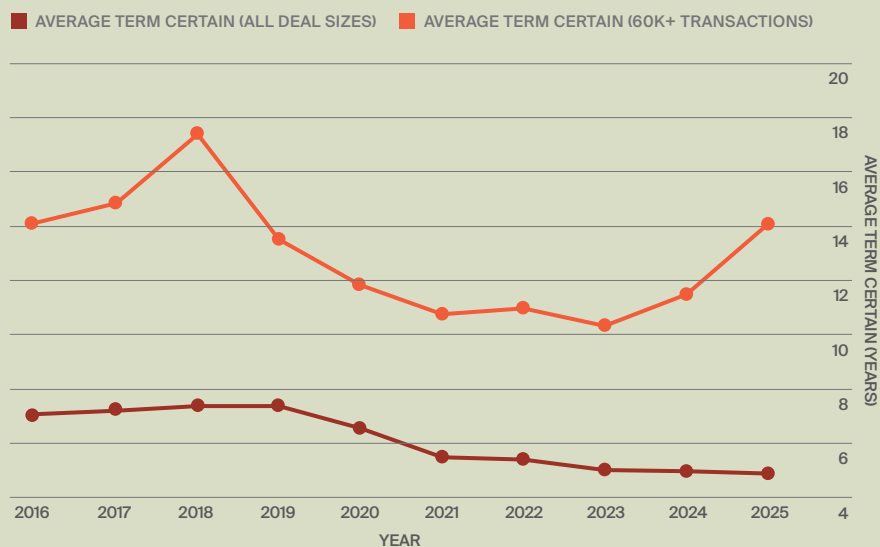
By size band (2020-2025 YTD)



Source: Knight Frank Insight

Fig 4. Average term certain across London

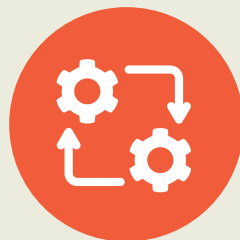
2016-2025



Source: Knight Frank Insight



Finally, traditional measures of market activity have become harder to interpret. Rising numbers of early-stage requirements have potentially inflated statistics on active demand and space under offer, yet a growing proportion of these do not convert to take up within traditionally expected timeframes. At the time of writing, there is nearly 3.7m sq ft under offer across London, and 11.8m sq ft of named active demand (for requirements of 10,000 sq ft or more). Given that the analysis above shows continued divergence for larger requirements, it is perhaps no surprise that 12 of the current active searches are for 200,000 sq ft or more, many of which are targeting space well ahead of delivery. The mismatch between enquiry volumes and completed deals is creating the risk that market participants misread the competitive environment unless timing variables are explicitly accounted for. In essence, the market has been divided by quality and location for several years, but the divergence is now evident for market timing.



2. Implications and challenges

The combined effect of these shifts is that market participants are increasingly operating on misaligned timelines.

Occupiers, buoyed by the sense that early engagement gives them more optionality, sometimes underestimate the pace at which preferred opportunities can be captured by their competitors, particularly in core locations where options are increasingly limited. Internal governance processes, which in many organisations now require greater scrutiny of workplace strategy, operational sustainability obligations and cost discipline, lengthen decision

“The mismatch between enquiry volumes and completed deals is creating the risk that market participants misread the competitive environment unless timing variables are explicitly accounted for.”

cycles even as the market moves faster around them. Again, this has become more challenging as a result of the macroeconomic volatility that occupiers have to contend with, as well as issues such as the potential impacts of technologies such as AI. Another factor that makes this decision-making process more challenging is how companies evaluate their office-first/hybrid working policies to future-proof their workplace strategy. As a result, many occupiers find that their strategic window narrows more quickly than expected, reducing their leverage and increasing their exposure to construction or delivery risk.

For developers, the consequences are equally significant. Certainty of delivery timing has become a central differentiator in the market. In an environment where funding partners are more cautious and pre-lets constitute a growing share of activity, developers must provide clearer visibility of programme timelines and must often commit to design and specification choices earlier than before. Longer and more variable occupier decision processes make it harder to synchronise scheme delivery with demand peaks, increasing the risk of missing the optimal moment to bring space to market. Financing structures, already strained by cost inflation and higher borrowing costs, are becoming more sensitive to these timing uncertainties, which in turn affects viability.

The result is a systemic timing asymmetry. Occupiers are extending their planning horizons yet slowing their progression toward final decisions, either deliberately or as a consequence of the uncertainty surrounding their

“Designs must remain flexible enough to absorb change, but fixed enough to support procurement, cost certainty and lender scrutiny.”

real estate needs. Developers are under pressure to deliver to increasingly tight schedules while also accommodating longer, more unpredictable engagement processes. This misalignment raises risks on both sides. Occupiers may lose preferred options or enter negotiations from a weaker position than anticipated. Developers may experience gaps between completion dates and demand realisation that undermine project returns. Without conscious action to improve the synchronisation of timelines, this asymmetry is likely to become more pronounced as the cycle evolves.

THE REALITY: WHEN THEORY MEETS PRACTICE

The data suggests that occupiers should engage earlier and that developers should think longer term to capture this demand. In reality, both sides face constraints that make this difficult.

For developers, early engagement often begins at the moment when a scheme is least certain. Planning may not yet be secured; funding may be conditional and key design decisions are still fluid. Yet occupiers entering the market early usually expect clarity on delivery dates, specification and sustainability outcomes. Developers are therefore asked to commit to a future product before the fundamental parameters of that product are fixed. Negotiations become challenging because occupiers’ briefs are themselves evolving, influenced by headcount forecasts, workplace strategy and ESG obligations. Designs must remain flexible enough to absorb change, but fixed enough to support procurement, cost certainty and lender scrutiny. Balancing these demands is inherently difficult.

The planning system reinforces this tension. Occupiers may want bespoke features or additional amenity that require design amendments. For developers, accommodating these changes can trigger delays or additional regulatory steps, precisely when funders are looking for momentum. While early collaboration is desirable, it exposes both sides to uncertainties that cannot be fully controlled at this stage of the lifecycle. For major office developments in London, the planning process typically extends well beyond the initial submission period. Large, complex schemes frequently take 18-36 months from pre-application engagement to full consent, with further time required to discharge conditions before construction can commence. During this period, market conditions, occupier requirements and regulatory expectations can shift materially. This elongated planning horizon means that developers are often asked to align with occupier needs that may not crystallise until well after key planning parameters have been fixed, compounding the risk inherent in early commitment.

Offering option space introduces its own practical complications. Occupiers value the ability to expand or contract, but these rights can make underwriting

the scheme harder. Expansion options may sterilise parts of the building, while contraction rights weaken the income profile that lenders rely on. Even when agreed, option structures complicate construction sequencing and can add cost, since developers must plan for multiple possible occupation scenarios. What appears to be flexibility on paper can quickly become operational complexity on site.

Occupiers, for their part, often struggle to act as early as the data suggests they should. Large organisations face extended governance processes and shifting internal priorities. Requirements can change late in the process, or pause altogether, making developers cautious about relying on early expressions of interest. The result is a mismatch between the theoretical benefits of long-term alignment and the practical constraints that shape real-world behaviour.

Recognising these constraints is essential. It explains why the timing gaps evident in the data persist and highlights why improving alignment is not simply a matter of advising market players to start earlier. It requires a deeper appreciation of funding realities, planning limitations, organisational behaviour and the operational challenges of delivering flexibility at scale.





3. The playbook for market players

In this environment, success will be defined by the ability to anticipate timing pressure and respond proactively.

Occupiers will need to begin strategic planning earlier than has been typical in previous cycles. Early scenario modelling, particularly around construction duration and fit out timelines, will become an essential component of estates planning. Engaging with developers at earlier stages of scheme evolution will help secure positions within competitive pipelines and provide greater clarity around what is realistically deliverable within a given timeframe. Many organisations will also need to revisit internal governance processes to reduce bottlenecks and ensure that decision making can progress at the pace the market requires. For those weighing stay versus go scenarios, timing must be treated as a core variable rather than an afterthought, particularly given the shorter lease structures now common across London.

Developers, meanwhile, will need to adapt their behaviours to meet the timing demands of occupiers. Clearer communication around construction programming, contingency planning

“There is also a greater need for developers to consider developing speculatively, given that off-plan pre-lets account for just 6.1% of pre-lets signed across London since 2013.”

and design finalisation will be essential to reinforce confidence in deliverability. Engaging occupiers earlier, even before full design certainty exists, will become more common as pre-lets increase in volume. There is also a greater need for developers to consider developing speculatively (despite the challenges around viability), given that off-plan pre-lets account for just 6.1% of pre-lets signed across London since 2013.

Developers may find that greater flexibility in specifications and an ability to absorb late-stage adjustments will improve the likelihood of aligning schemes with occupier decision cycles. Given the financing environment, stronger evidence of deliverability and pipeline visibility will also be important in discussions with lenders and investors.

There is also a broader industry-wide imperative to improve market coordination. Greater transparency in pipeline reporting, particularly regarding deliverability rather than simple planning status, would help occupiers form more realistic expectations of future supply. Better data on the earlier stages of occupier requirements could enable developers to plan more effectively, while advisory tools that incorporate timing risk into analysis would offer both sides a more accurate understanding of competitive conditions. In essence, improved information flow becomes a mechanism to reduce timing asymmetry across the market.



4. The outlook in the short and long term

In the short term, transactional volumes (relative to active demand) may appear subdued, not because underlying demand is weak but

“Developers may find that greater flexibility in specifications and an ability to absorb late-stage adjustments will improve the likelihood of aligning schemes with occupier decision cycles.”

because deals are taking longer to progress. This elongation is likely to remain a defining feature of the next few years, unless there is a significant shift in schemes given the green light for redevelopment (see our upcoming Insight 3 – Building at the Limits). Space that is already fitted or capable of rapid delivery may see elevated interest, simply because it allows occupiers to respond more quickly than new developments permit – although this space still needs to fit the needs of the post-pandemic workplace. Occupiers that do not adapt their decision-making pace risk losing out on preferred options or encountering fewer viable alternatives, which could lead to compromises on building quality or location. Without conscious correction, the gap between perceived and actual time available will continue to widen.

Looking further ahead, early strategic planning is expected to become standard practice for both occupiers and developers. Pre-lets will play a larger role in shaping scheme phasing and financing models. The visibility and reliability of delivery timelines will become as important a differentiator as location or specification, contributing to a wider polarisation of the market. Those developments that can demonstrate certainty and clarity around timing are likely to outperform, while schemes with ambiguous delivery profiles may struggle to attract early commitments. London’s overall competitiveness will increasingly hinge on the ability of market participants to align their timelines more effectively and to manage the extended journeys that now characterise both occupier and developer decision-making.

Retention is Performance

For much of the last cycle, renewal and re-gear activity sat in the shadows of the London office market. Relocations captured the headlines, while re-gears were often framed as defensive, temporary or indicative of weak demand. That narrative no longer holds.



LAURA BEATSON,
PARTNER, LONDON
LEASE ADVISORY

Re-gears are now a structural feature of the London office market and, increasingly, a marker of performance rather than compromise. In a supply-constrained, capital-disciplined environment, the decision to stay put has become both more compelling for occupiers and more valuable for landlords.

At its core, this is a market shaped by operational reality. London is facing a pronounced undersupply of new office space later this decade, with vacancy for new and refurbished stock already exceptionally tight. Against that backdrop, occupiers are being forced to engage earlier, not only to preserve choice but to secure cost certainty in a rising rental environment. Our analysis suggests that c.65% of occupiers with lease expiries between now and 2030 will need to remain *in situ* to avoid demand materially outstripping available supply.

“Our analysis suggests c65% of occupiers with lease expiries between now and 2030 will need to remain *in situ* to avoid demand materially outstripping supply.”

The stay versus go decision is not new, but the balance has shifted. ESG, amenity and experience drove relocation decisions in recent years. Today, any move must also clear a far higher financial hurdle. Relocation costs, fit-out inflation, disruption risk and uncertainty around future headcount all weigh heavily on decision-making. For many businesses, particularly those with large or complex footprints, moving is increasingly hard to justify.

This is reflected clearly in re-gear behaviour. Larger occupiers are far more likely to re-gear, with close to half of requirements above 100,000 sq ft opting to stay put. Building age is equally critical. Ten-year-old buildings often offer the clearest opportunity, with enough embedded quality to support longer-term commitments at rents close to prime. Older assets can still work, but only where landlords are willing to invest meaningfully, using capital expenditure to reset the building’s relevance in return for long-term income security.

Crucially, re-gears have moved beyond short-term defence. Nearly 20% of recent re-gears have involved landlord works, while expansion rights and future-proofing provisions have become far more prominent. Expansion has emerged as a major catalyst, with the presence of first rights of refusal rising sharply as occupiers seek flexibility without committing to immediate relocation. Where landlords proactively shape these options, re-gears become broader, more strategic conversations rather than simple lease events.

“Relocation costs, fit-out inflation, disruption risk and uncertainty around future headcount all weigh heavily on decision-making. For many businesses, particularly those with large or complex footprints, moving is increasingly hard to justify.”

Rental dynamics are also pulling re-gears forward. With forecast rental growth still robust across core markets, occupiers are seeking to fix economics earlier, while landlords look to retain exposure to upside. The result has been more creative deal structures, from fixed headline rents to hybrids incorporating uplifts, kickers or early reviews. On average, re-gears are now being agreed more than two years ahead of expiry, a clear signal of their growing strategic importance.

For landlords, the performance case is clear. Re-gears protect income, avoid voids and typically require far less capital than a full reletting to deliver comparable returns. They also provide flexibility around hold and exit strategies at a point when capital markets are re-engaging with London. For occupiers, staying put delivers stability, speed and bespoke outcomes without the cost and disruption of a move.

Retention is no longer passive. It is active asset management. In today’s market, retention is performance.

INSIGHT 2

Place: The Power of Presence



CHRIS DUNN,
ASSOCIATE, LONDON
OFFICE INSIGHT



PHILIP HOBLEY,
PARTNER, HEAD OF
LONDON OFFICES



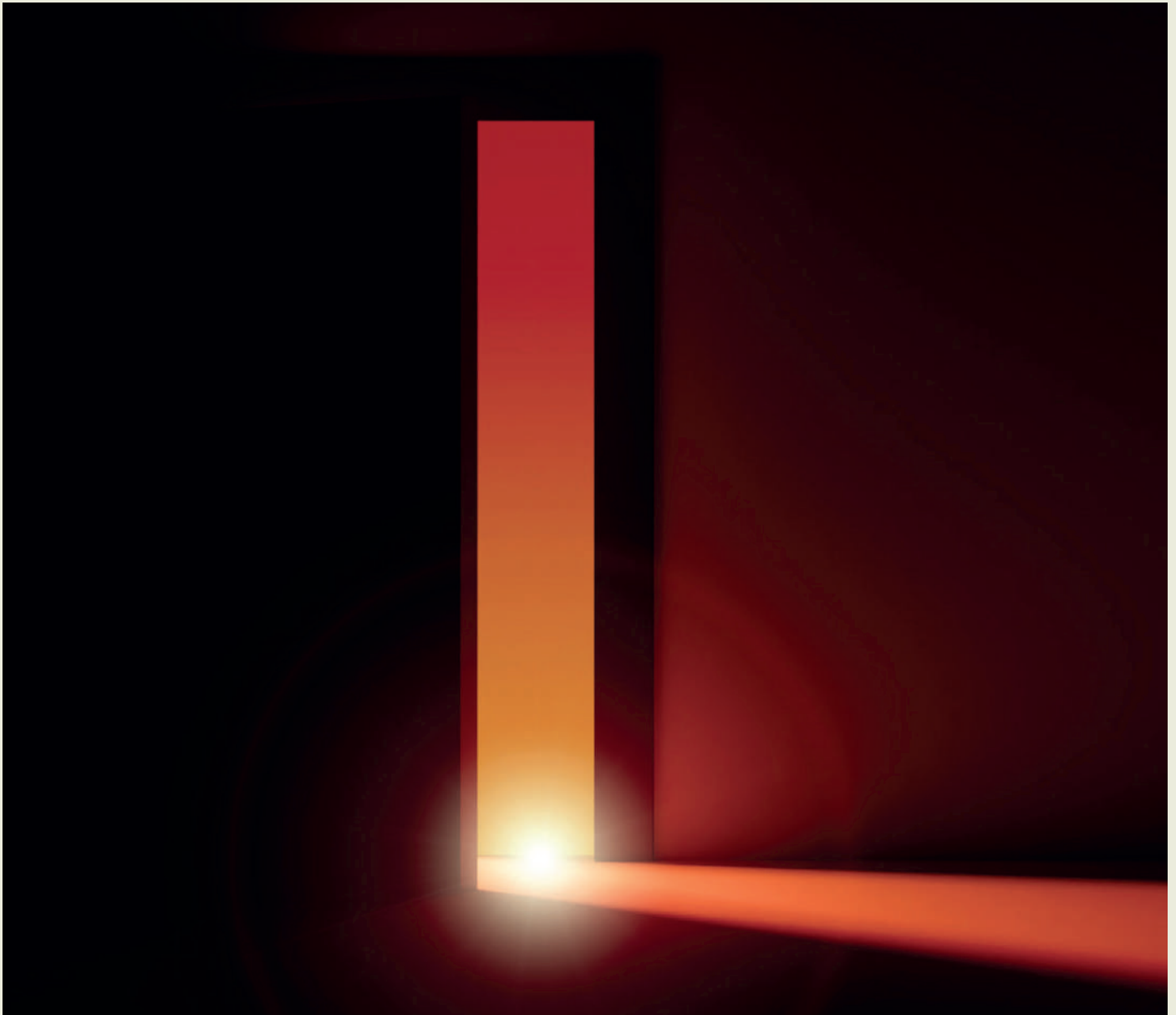
ABBY BROWN,
PARTNER, LONDON
OFFICE LEASING



KATIE OLIPHANT,
PARTNER, LONDON
OFFICES



JULIAN WOOLGAR,
PARTNER, LONDON TENANT
REPRESENTATION



Key takeaways



Traditional submarket boundaries are no longer the definitive measure

Micro-location analysis will become increasingly critical, as market averages and traditional submarket boundaries lose relevance. Knight Frank has developed a Submarket Performance Index (SPI) combining demand, supply, rental performance, connectivity, and amenity into a single framework to capture this nuance.

Implication for Occupiers

Occupiers must adopt street-level analysis to identify pockets of value and ensure locations align with talent attraction, amenity, and connectivity priorities. Choosing the right neighbourhood is as critical as selecting the right building.

Implication for Developers/Landlords

Developers need to curate place as deliberately as product. Integrating buildings with their surroundings and enhancing amenity provision will be key to outperforming in a fragmented market. Identifying micro-locations within submarkets that indicate 'pockets' of future outperformance will be a key differentiator.



Initial Knight Frank SPI results confirm strong performance in West End Core and City Core, but highlight surprising strength in Midtown, Soho, Fitzrovia, and Clerkenwell/Farringdon

Whilst the West End Core and City Core remain dominant, Midtown achieved the highest outperformance against 5-year average take-up and has one of the lowest vacancy rates. Soho, Fitzrovia, and Clerkenwell/Farringdon also show strong fundamentals and rental growth potential.

Implication for Occupiers

Occupiers could consider non-core submarkets offering relative value and strong fundamentals, rather than defaulting to traditional core locations. These areas combine connectivity, amenity, and growth prospects. This is particularly important with the shortage of quality office space.

Implication for Developers/Landlords

Landlords and developers in these submarkets can capitalise on strong demand and limited pipeline by accelerating delivery of Grade A space and enhancing amenity to sustain momentum.



The London Office market is experiencing a rapid fragmentation of performance within and between submarkets

Core locations are no longer uniformly strong, nor fringe areas consistently weak. Demand clusters around micro-locations with high-quality, future-proofed stock, vibrant neighbourhoods, and excellent transport connectivity. Oversupply and undersupply risks are highly localised.

Implication for Occupiers

Occupiers must prioritise micro-locations that meet or exceed baseline expectations for amenity and connectivity. Failure to do so risks talent attraction and productivity.

Implication for Developers/Landlords

Developers should focus on creating mixed-use, amenity-rich environments to close gaps in weaker locations. Reprogramming legacy districts and leveraging infrastructure investment will be critical to long-term resilience.

Place: The Power of Presence

PREMISE

“Place is no longer simply defined by geography but by performance. It’s no longer just about a submarket or specific postcode; there are fine margins and market players need to understand ‘place’ on a micro scale to understand nuance in the wider market.”

INTRODUCTION

London is entering one of the most exacting office market cycles of the past generation. Strong levels of structural demand, a constrained development pipeline and a higher cost of capital are reshaping competitive dynamics across the city. This is occurring against a backdrop of profound change, as technology, the energy transition and demographic shifts redefine what global competitiveness now looks like.

Within this environment, place has reasserted itself as a defining variable. Not simply in terms of geography, but in terms of performance. This paper focuses on place, reflecting a market in which traditional submarket boundaries are no longer the definitive

measure. Performance is now being set at a far more granular level, with differences emerging between neighbouring streets, transport nodes and clusters of activity. Understanding these nuances has become central to decision-making for occupiers, investors and developers alike.

WHAT THE DATA SHOWS

To interrogate the detail behind how place is acting as a variable, Knight Frank has developed a bespoke Submarket Performance Index (SPI), designed to capture how different parts of the London office market are performing in a post-pandemic context. The objective is not to replace established metrics, but to combine them, drawing together demand, supply, rental performance, connectivity and amenity provision into a single framework. Where possible, these results have been normalised – that is, expressed as percentage of total office stock to avoid the largest, most established submarkets dominating the results.

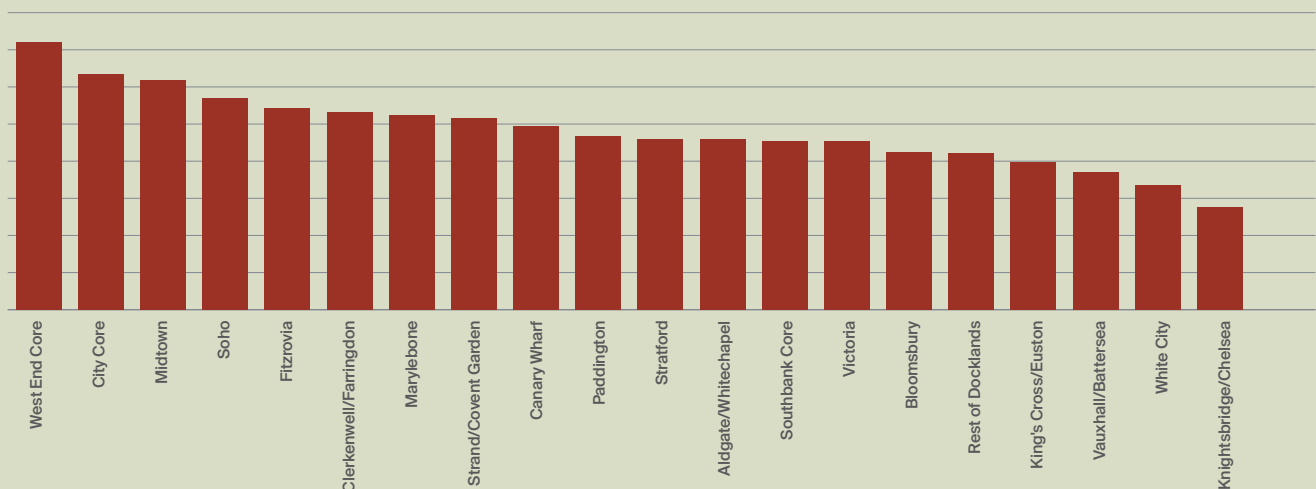
The SPI assesses 20 London submarkets against the following

metrics, based on quarterly data from the end of Q3 2025:

1. Last 12 months take-up vs 5-year average
2. Volume of space under offer as % of total stock
3. Overall vacancy rate
4. New/refurbished vacancy rate
5. Prime headline rent
6. Percentage of available space within a 5-minute walk of an Elizabeth Line station
7. Development Pipeline as % of total stock
8. Projected undersupply as % stock
9. Prime rental growth (last 5 years)
10. Forecast prime rental growth (next 5 years)
11. Amenity Score – This looks at a comprehensive list of office user amenities including retail, leisure, health & wellbeing and hospitality, as well as their overall transport connectivity.

Fig 1. Submarket performance Index

Unweighted results



Source: Knight Frank Insight

We want to take the learnings from the SPI and use it to:

- Prove or disprove what we think we already know
- Uncover locations where performance is ‘going under the radar’ OR where fundamentals are weaker than currently perceived

The initial results contain a combination of (1) confirmation of the two most established submarkets strong performance and (2) some more surprising results from submarkets which sometimes go under the radar. Both the West End Core and City Core perform well against nearly all 11 metrics within the model, although the West End Core achieves a higher overall average score due to outperformance in amenity offering and vacancy rate.

Midtown featuring so highly on the index is perhaps a slight surprise. The underlying performance of the submarket has been strong over the last 12 months, achieving the highest outperformance against 5-year average take-up across all 20 submarkets. Low new/refurbished vacancy combined with cumulative forecast rental growth of 20.6% over the next 5 years suggest that Midtown is set to continue performing well. The perception that Midtown’s performance has not been that strong is perhaps due to its proximity to the City Core, where

larger transactions and higher headline rents are typically achieved.

The adjacent Clerkenwell/Farringdon submarket has also performed well overall, although higher vacancy rates compared to other submarkets impact its average score. Stronger rental growth is predicted over the next 5 years (18.9%) than the last 5 years (17.1%) and the high volume of space under offer at the time of writing suggests both the near-term and long-term outlook are positive.

Another location that has seen a recent change in fortunes is Canary Wharf. With a recent run of strong leasing activity, as well as a high proportion of available space being within a 5-minute walk of the Elizabeth Line station, Canary Wharf provides evidence that reinvention of place can lead to a return of performance.

Another interesting element of the SPI results is the scores achieved for amenity provision. West End submarkets are most likely to achieve a higher overall score due to retail and leisure provision, although the City Core, Midtown and Southbank Core all perform well in this regard. Emerging locations such as Stratford, Vauxhall/Battersea and White City all have lower scores relative to more established locations, although this is to be expected. In these locations where the amenity offering is still evolving,

“Midtown’s performance of has been strong over the last 12 months, achieving the highest outperformance against 5-year average take-up across all 20 submarkets.”

there is an opportunity for developers to ‘close the gap’ by providing an extended and diversified onsite amenity offering.

BEYOND THE SPI - NUANCE AT THE MICRO LEVEL

Whilst the SPI does make comparison across submarkets much easier, and provides a useful barometer for overall performance, the nuance involved in the London office market means that analysis often needs to be conducted at an even more localised scale.

Even within lower-performing locations, there are pockets of outperformance whilst the inverse can also be found in core submarkets. To demonstrate this nuance at the micro level, this paper will explore three submarkets more deeply to show that performance of place can change dramatically down to a street level.

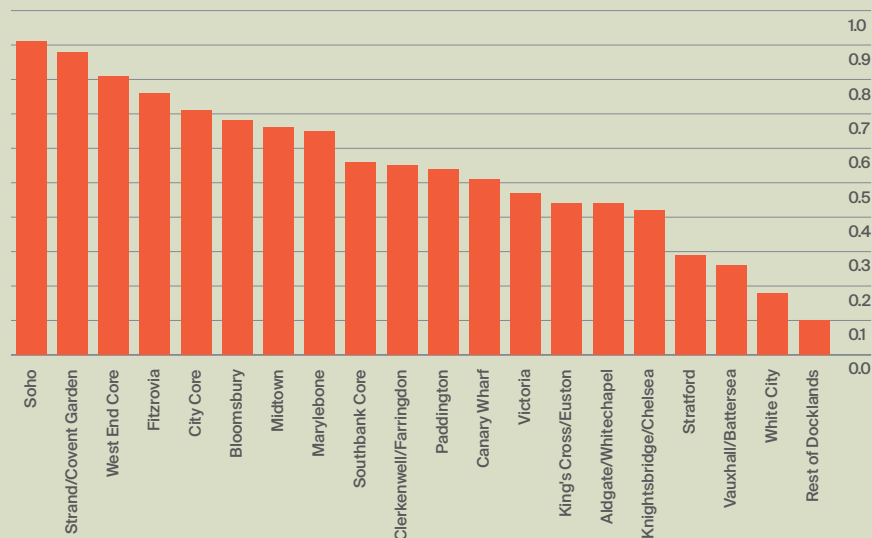
WEST END CORE - POCKETS OF RENTAL OUTPERFORMANCE

The West End Core achieved the highest average score in the SPI, but this performance isn’t universal across Mayfair and St James’s as a whole. In terms of rental performance, as an example, there are specific streets and hotspots where proximity to the Elizabeth Line, depth of amenity and higher average rent achieved co-exist. Conversely, there are relative ‘notspots’ where achieved rents are significantly lower than the wider submarket.

The heatmap on Fig 3 shows the average headline rent achieved for all West End Core transactions since January 2021 (excluding managed deals). The dark blue locations show where a higher density of high-rent activity has taken place post-pandemic.

What emerges is that specific streets have seen stronger rental performance post-pandemic, including Hanover Square, Berkeley Square, Grosvenor

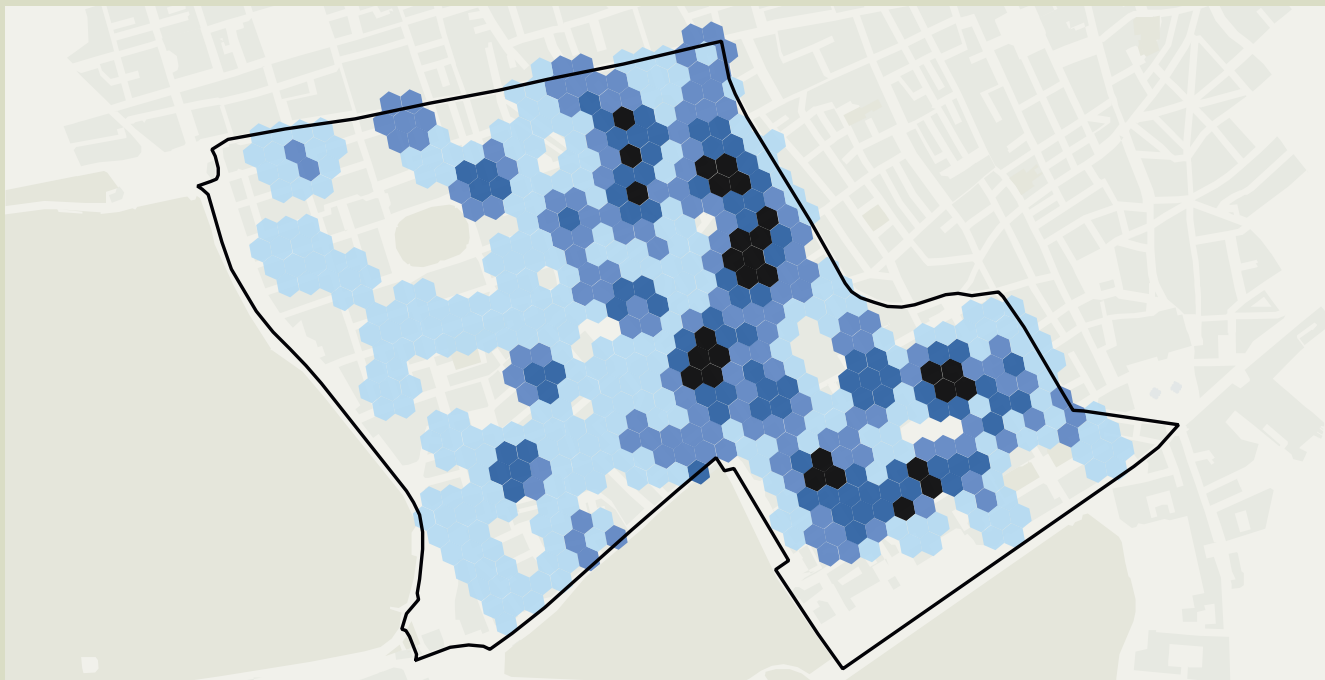
Fig 2. Submarket amenity scores



Source: Knight Frank Insight

Fig 3. Heatmap for West End core high-rent activity

HIGH-RENT ACTIVITY
LOW HIGH



Source: Knight Frank Insight

Street, Savile Row and Jermyn Street. For Mayfair, buildings located on the Eastern edge of the submarket have seen higher rents achieved, whilst the Western side has seen lower rents secured. For St James’s, rental performance appears around St James’s Street and St James’s Square, and is linked to proximity to transport links at Green Park and Piccadilly Circus.

The chart below, for example, shows City Core take-up since 2021 split down between the four postcode districts. Perhaps unsurprisingly, the EC2 district sees the highest overall take-up in that period, with 8.8m sq ft of take-up, representing 48.1% of all leasing activity in the City Core since 2021. However, this broadly reflects the proportion of

overall supply in the EC2 district, which accounted for 43.6% of total availability in the City Core at the end of Q3 2025.

EC3 has also seen strong performance, boosted in part by the tower cluster that has seen significant demand in recent years in schemes such as 40 Leadenhall and One Leadenhall.

CITY CORE ‘QUADRANTS’

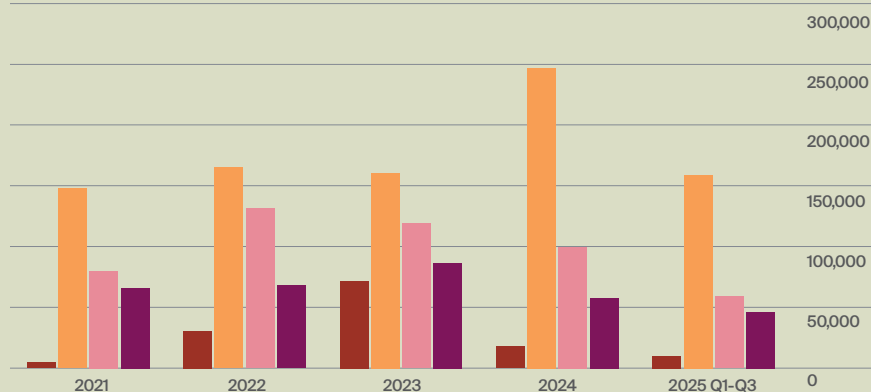
The City Core submarket holds the highest volume of office stock in London, with 70.5m sq ft of built office space and has seen strong occupational demand in recent years, with 3.86m sq ft let in the 12 months up to Q3 2025. Beyond that, prime rents have grown by a third over the last 5 years, with a similar growth anticipated over the next 5 years.

Whilst the overall performance of the submarket is rarely questioned, there are different dynamics at play within the City Core. One way of analysing this is to look at the component postcode districts within the submarket – EC1, EC2, EC3 and EC4.

Fig 4. City core take-up: postcode breakdown

2021-Q3 2025

EC1 EC2 EC3 EC4



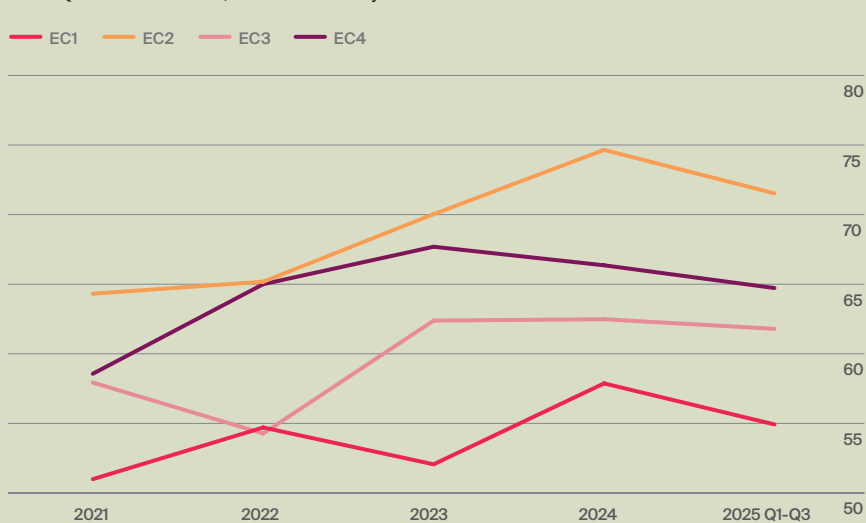
Source: Knight Frank Insight

Similar trends emerge when looking at the average rents achieved in each postcode district. Across all pre-let or new leases signed since 2021, the EC2 district has seen an overall average achieved rent of £69.86 per sq ft, compared to £54.46 per sq ft in EC1, £65.30 per sq ft in EC4 and £59.65 per sq ft in EC3. Clearly, these average rents mask the increase in prime rents achieved in the locations, where prime rents in the City Core as a whole reached £100.00 per sq ft in Q3 2025 and upper floors in towers are achieving rents approaching £150.00 per sq ft.

The outperformance of the EC2 district perhaps reflects a shift in what can be considered the “core of the core”, shifting north from Bank station (in EC3) towards Liverpool St station (EC2) and the sought-after Elizabeth Line connectivity it provides.

Fig 5. City Core: Average rents achieved by postcode

2021-Q3 2025 – Pre-lets/New Leases only

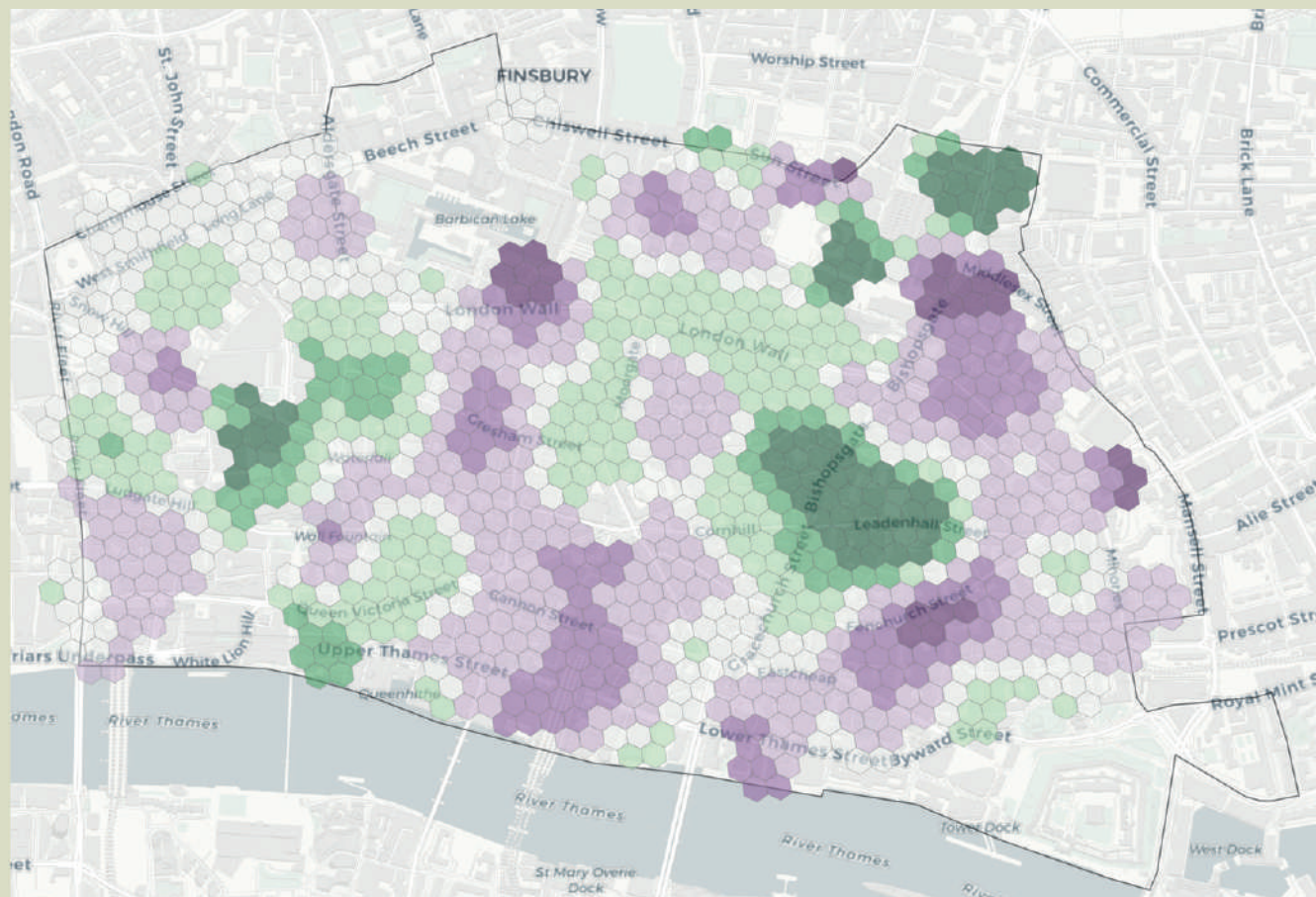


Source: Knight Frank Insight

Fig 6. City core take-up

Pre-pandemic vs post-pandemic performance

SHARP DECLINE MODERATE DECLINE MILD DECLINE STABLE MILD INCREASE MODERATE INCREASE SHARP INCREASE



Source: Knight Frank Insight

“The tower cluster to the east of Bank Station has seen strong activity and the smaller clusters at Broadgate and to the Eastern side of Liverpool Street station are clear. As mentioned previously, this is as much an indication of the micro-locations that provide the necessary quality and volume of available office space.”

This gradual shift away from Bank Station is demonstrated in the heatmap above, which shows take-up within the City Core submarket broken down into smaller hexagons to show the change in take-up between the five years leading up to the pandemic (2016-2020) and then the five years subsequently (2021-2025). Darker green locations have seen greater activity in the last five years, whilst darker purple hexagons show less activity in that time period. The tower cluster to the east of Bank Station has seen strong activity and the smaller clusters at Broadgate and to the Eastern side of Liverpool Street station are clear. As mentioned previously, this is as much an indication of the micro-locations that provide the necessary quality and volume of available office space.

There are instances where other City Core districts outperform EC2. For example, the EC1 district has seen a significantly higher proportion of pre-let activity as a proportion of overall take-up since 2021 (74.9%) than EC2 (32.3%). This is significantly impacted by HSBC’s 520,359 sq ft pre-let which signed in Q4 2023.

This ‘outlier’ deal also impacts the proportion of new/refurb take-up in EC1, which reached 87.1% over the last five years, compared to 76.0% in EC2. EC3 has seen a more balanced proportion, with 55.5% of all take-up being for new/refurb space, whilst the EC4 district saw 61.1%. This divergence at a micro-level means that whilst the overall performance

of the City Core has been strong, there is nuance and different demand dynamics at play.

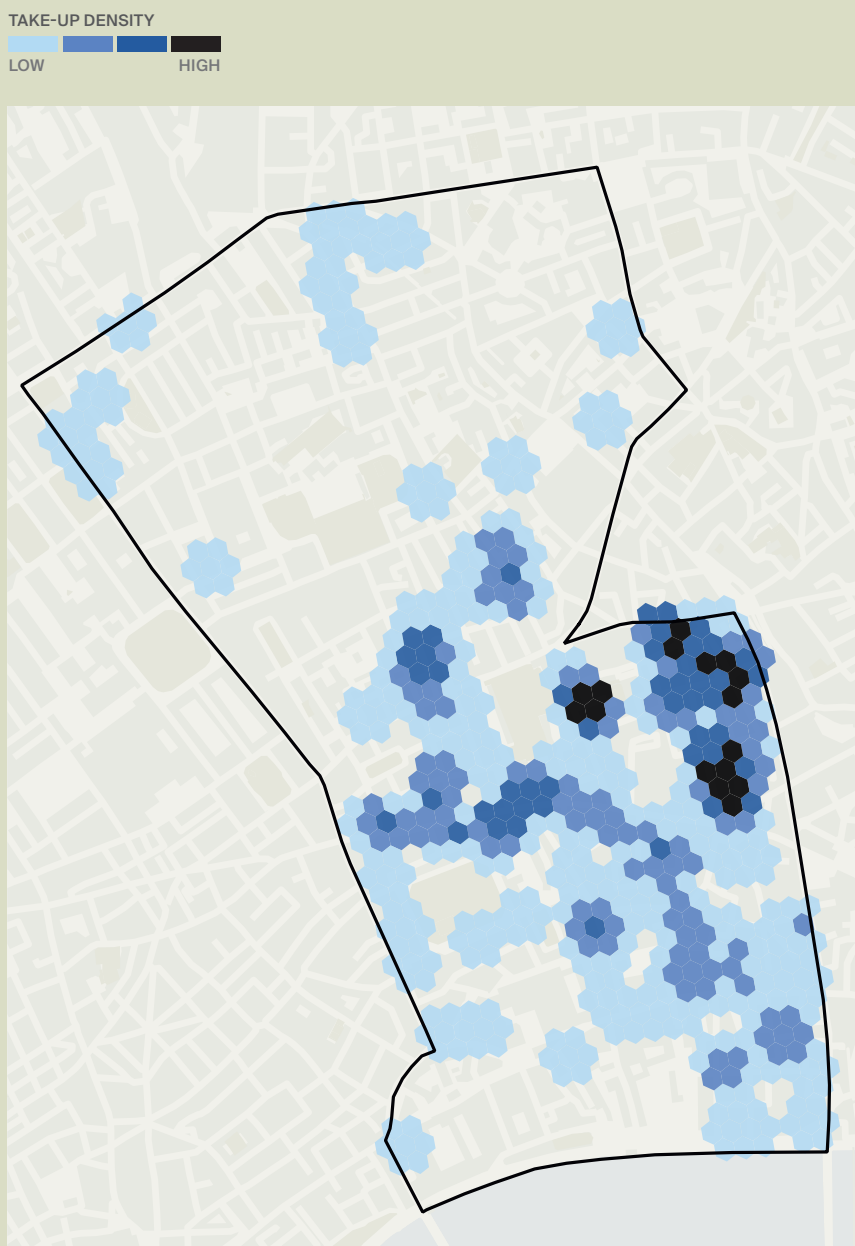
MIDTOWN – NO LONGER MIDDLE OF THE PACK?

The Midtown submarket has often been overlooked, perhaps in favour of the City Core which is largest office submarket in London, or for the newer entrant of Clerkenwell/Farringdon that seen a wave of new

development focused around the Elizabeth Line station, and an influx of creative and technology-focused occupiers, albeit this inflow has slowed in the last 12 months.

However, when explored as part of the Submarket Performance Index (SPI), Midtown has outperformed from both a demand and supply perspective. At the time of writing, Midtown had one of the lowest overall submarket vacancy rates (5.9%) which was even

Fig 7. Midtown take-up hotspots since 2021



Source: Knight Frank Insight

“The London office market is experiencing a rapid fragmentation of performance, both between and within submarkets. The Submarket Performance Index (SPI) reveals that core locations are no longer uniformly strong, nor are fringe areas consistently weak.”

more acute for new/refurb space (2.3%). It is also the case that with headline prime rents of £85.00 per sq ft, Midtown provides relative value to other nearby locations e.g. the City Core, where prime rents have reached £100.00 per sq ft.

This performance is likely to continue, but the development

pipeline in Midtown might be a limiting factor, with just 0.45m sq ft of speculative space under construction at the end of Q3 2025. Expressed as a percentage of total built of office stock, this is just 3.2% – meaning that Midtown is one of the lowest scoring submarkets relative to its size.

This supply-side shortfall is perhaps why prime rents are forecast to grow by 20.6% cumulatively over the next five years, one of the strongest growth rates across all London submarkets.

Looking beyond the property performance metrics is important too. As part of the SPI, we assessed the overall amenity provision in each submarket. Midtown achieved the 7th highest score out of all 20 London submarkets but was the second ‘City’ submarket behind the City Core.

So, at a submarket level Midtown seems appealing to a wide audience, providing relative value in terms of

headline rents, strong fundamentals in terms of rental growth and an above average amenity offering. But at a micro level, are there locations that are faring slightly better?

The heatmap on Fig 7 shows take-up in Midtown since 2021, with the dark blue representing higher levels of take-up post-pandemic. There is a clear hotspot near to Chancery Lane and Farringdon station, highlighting the importance of connectivity.

Once again, this divergence of demand is easily missed when looking only at a submarket level.

IMPLICATIONS FOR THE MARKET

The London office market is experiencing a rapid fragmentation of performance, both between and within submarkets. The Submarket Performance Index (SPI) reveals that core locations are no longer uniformly strong, nor are fringe areas consistently weak. Instead, demand is clustering around micro-locations that combine high-quality, future-proofed stock with vibrant neighbourhoods and excellent transport connectivity. These attributes, which were once differentiators are now becoming baseline expectations. Locations lacking in connectivity or amenity face structural challenges that cannot be solved by pricing alone.

Oversupply risk is also becoming highly localised. While some micro-locations within established submarkets are showing early signs of saturation, others are experiencing genuine shortages of Grade A space. This uneven distribution has direct consequences for rental growth, capital values, and liquidity. Market participants must therefore look beyond submarket averages and focus on granular, street-level analysis to identify both risks and opportunities.

LOOKING AHEAD: WHERE ARE THE OPPORTUNITIES?

We can use the forward-looking elements of the SPI to highlight submarkets where future performance is expected to be strong in the next window of the cycle.



The top 5 London submarkets using these metrics are:

SUBMARKET	JUSTIFICATION
MIDTOWN	<ul style="list-style-type: none"> • Strong take-up post-pandemic • Undersupplied based on historic new/refurb demand and limited development pipeline • Strong rental growth outlook from (lower) base of £85.00 per sq ft
CITY CORE	<ul style="list-style-type: none"> • Strongest rental growth projections in London • Undersupplied based on historic new/refurb demand levels • Scores highly on take-up vs 5yr average
SOHO	<ul style="list-style-type: none"> • Very limited future pipeline • Stronger rental outlook over next 5 years than the previous 5 years • Solid take-up post-pandemic
FITZROVIA	<ul style="list-style-type: none"> • Strong outperformance on post-pandemic demand • Rental growth over next 5 years over double the previous 5 years • Moderately undersupplied
CLERKENWELL/ FARRINGDON	<ul style="list-style-type: none"> • Balanced performance against all metrics • Moderate undersupply • Moderate development pipeline

Combining the SPI scores for the following metrics will help to identify submarkets where future performance can be captured:

- Projected undersupply (% of stock)
- Lowest future pipeline (% of stock)
- Projected rental growth
- Take-up post-pandemic (as indicator of demand)

Clearly, this list is not exhaustive. As we have highlighted in this paper, there is nuance within these submarkets, and certain micro-locations have the current and future characteristics to outperform.

THE PLAYBOOK FOR MARKET PARTICIPANTS

For occupiers, the message is clear: selecting the right place is now as important as choosing the right building. Locations that excel in amenity, connectivity, and relative value are best positioned to attract talent and support productivity. Micro-location analysis enables occupiers to find pockets of value even within more costly districts, making neighbourhood identity and amenity provision as critical as occupational efficiency.

For investors, the accelerating divergence in performance creates both new opportunities and heightened risks. Value will increasingly be found through forensic, street-level underwriting, rather than broad submarket analysis. Capital will be best protected in locations characterised by scarcity, resilience, and sustained activation, especially those embedded in lively, mixed-use neighbourhoods.

For developers, the imperative is to curate place as deliberately as product. Buildings that integrate with their surroundings and foster cultural and community engagement will outperform. In legacy office districts, reprogramming through mixed-use, leisure, and educational offerings will be essential to create vibrant, all-day ecosystems. For submarkets that didn't score highly on the SPI, relative to the core submarkets, there is an opportunity for developers to reposition and revitalise through on-site amenity and mixed-use development.

OUTLOOK

In the near term, the London office market is set to remain highly polarised, with the flight to quality becoming even more pronounced.

“Decision-makers must adopt a granular, street-level approach to identify both risks and opportunities, focusing on the specific attributes that drive performance in today’s fragmented landscape.”

The strongest micro-locations (those offering superior amenity, connectivity, and future-proofed stock) will continue to outperform, maintaining pricing power and attracting sustained demand. Conversely, areas lacking these attributes are likely to face ongoing pressure, with pricing and liquidity challenges persisting despite broader market trends.

Micro-location analysis will become increasingly critical, as market averages and traditional submarket boundaries lose relevance. Decision-makers must adopt a granular, street-level approach to identify both risks and opportunities, focusing on the specific attributes that drive performance in today’s fragmented landscape.

Looking further ahead, locations currently scoring lower on the Submarket Performance Index (SPI) are expected to pursue repositioning strategies, including mixed-use development and the reimagining of place. Infrastructure investment, particularly in transport connectivity, will be essential for unlocking the potential of emerging districts and addressing structural undersupply in core markets. As government and private sector collaboration intensifies, London’s competitive landscape will continue to evolve, with new opportunities arising for those able to anticipate and respond to shifting market dynamics.

Ultimately, the outlook for the London office market is one of ongoing transformation. Success will depend on the ability to interpret nuanced data, embrace innovation in placemaking, and remain agile in the face of rapid change. This success will occur at an increasingly granular level.

What occupiers are telling us



JENNIFER TOWNSEND,
PARTNER, OCCUPIER
INSIGHTS



RICHARD PROCTOR,
PARTNER, HEAD OF UK
OCCUPIER STRATEGY
& SOLUTIONS



JAMES MADDOCK,
PARTNER, GLOBAL
OCCUPIER STRATEGY
& SOLUTIONS

Richard Proctor (RP): London may feel like it is recovering selectively, but the first point is that there is no single “typical occupier” – priorities differ sharply by sector, operating model and timing. What is consistent is that the pull of quality has not faded: occupiers are still gravitating towards new or properly refurbished space because it is more likely to perform and create fewer compromises. Location remains non negotiable for some niche financial occupiers, but even here, quality is increasingly strong enough to drive movement. Ease of access and connectivity are becoming quiet deal breakers, while flexibility has shifted from “nice to have” to “built in” – from managed flex at the smaller end to scaling options on larger

requirements. With the “right” supply tightening, mobility will increasingly be pushed by cost, quality, or both.

James Maddock (JM): If I had to sum it up, occupiers are prioritising confidence. Confidence that the building will still work in five years, that it won’t spring surprises on capex, and that it will support how teams are expected to operate now. For me, the conversation has moved beyond a simple location-versus-quality trade-off towards deliverability and durability. Can the space be occupied smoothly, flex as the business changes, and be defended internally by leadership? Flexibility, in particular, is being treated as a design and commercial requirement rather than a short-term workaround.

In this Q&A, **Jennifer Townsend**, who leads Occupier Insight in the UK, brings together two frontline advisory perspectives to distil what occupiers are asking for in London right now.

Richard Proctor, who leads Tenant Representation in London and across the UK, reflects on what he is seeing through live mandates at the sharp end of the market. **James Maddock**, who has recently joined Knight Frank’s Occupier Strategy & Solutions service line and brings more than 35 years of market experience, adds a broader occupier mindset lens to the same questions. Together, they work through five prompts that cut through the noise, from what occupiers are prioritising today, to where trade-offs are being made and what “successful” strategy will look like over the next three to five years.

Jennifer Townsend (JT): *London feels as though it is moving into a more selective phase of recovery rather than a broad-based one. From your respective vantage points, what are occupiers now prioritising most in London – location, quality, flexibility, cost certainty?*



And cost certainty is increasingly “all in”: operating risk, fit-out exposure, energy performance and the practical cost of consistently getting people back into the office.

JT. *James, you have the benefit of a 35-year perspective on occupier markets. How different does this moment feel from previous inflection points, and what are occupiers today perhaps underestimating about the structural nature of the changes they are navigating?*

JM: I think this moment feels different because the change is structural, not cyclical. The big underestimation, in my view, is governance. Businesses still try to run real estate decisions through old approval routes, even though the decision now cuts across talent, ESG, technology, cost and reputation all at once. That creates a new risk: decision latency – the organisation agrees on the intent, but can’t move at the speed the market demands. The second underestimation is that the “new normal” isn’t settling; it keeps evolving, so briefs keep moving too. The occupiers who will navigate this best are the ones who lock in the non-negotiables early, assign clear ownership, and then keep enough optionality in the solution to absorb what changes next.

JT: *Richard, do you see the same long-term shifts playing out in live London mandates?*

RP: Yes. This period feels different because it hasn’t followed the GFC script. The market hasn’t collapsed; it has moved through an unusual post-inflationary phase in which demand has held up, and rents have continued to rise. A major factor is the limited return of space to the market beyond a handful of big tech-led adjustments – most occupiers have managed their footprints more cautiously over time, reflecting greater CRE maturity. Layer on the wave of long-lease events (15–20-year cycles coming due) and a shortage of available high-quality space, and you have a structural driver of activity that many



underestimate. Underneath it all is the growing reality of obsolescence – more stock is simply misaligned with what businesses now need, and that is pushing real estate into a more strategic role.

JT. *We are seeing a widening gap between ‘good’ and ‘exceptional space in London. How is this polarisation reshaping occupier strategies around portfolio size, location choice, and willingness to invest – and what does it mean for decision-making timelines?*

RP: The polarisation is rooted in a fundamental shift: occupiers increasingly see the office not as a basic container to be priced down, but as a lever for performance – a people-first tool rather than a pure cost play. COVID accelerated that, and it has sharpened demand for offices with purpose: spaces that support brand, culture, connection and access to talent. That, in turn, has raised expectations for the product being offered and shifted amenity priorities towards “less flash, more function”. Amenity space must aid wellbeing, talent development, productivity

and performance. The practical consequence is that decision-making becomes more consequential and often starts earlier: the best options attract competition, and the wrong compromise is felt quickly inside the business.

JM: I’d describe polarisation as a forcing mechanism: it’s pushing occupiers to be much clearer about what their London footprint is for. “Exceptional” space is increasingly reserved for the functions that benefit most from proximity, client intensity, collaboration and cultural gravity.

“The organisations that win will be the ones that can make decisions at the pace the market now demands – reducing internal bottlenecks, tightening governance, and starting earlier so they don’t lose optionality by default.”

James Maddock

“Occupiers increasingly see the office not as a basic container to be priced down, but as a lever for performance – a people-first tool rather than a pure cost play.”

Richard Proctor

That naturally encourages a more purposeful portfolio - often a strong hub, supported by a flexible layer elsewhere - rather than one monolithic answer. Willingness to invest is still there, but I'd say it's becoming, as Richard notes, more outcome driven: productivity, learning, retention and resilience, not spec for spec's sake. And timelines tighten because “exceptional” space compresses the window – occupiers need earlier planning, faster internal approvals, and fewer self-inflicted bottlenecks if they wish to secure the right option.

JT. *Cost pressures, ESG obligations, and workforce expectations are increasingly colliding. In practice, where are occupiers making trade-offs in London today – and where are they proving far less willing to compromise?*

RP: What I'm seeing is a more pragmatic balancing act between cost, sustainability and people's expectations. On ESG specifically, there is a growing realisation that a building does not need multiple accreditations to be credible – too many can introduce cost and friction, particularly at the fit-out stage. Occupiers still wish to trade up, but they are increasingly resistant to doing so at the expense of sharply higher total occupancy costs, and fit-out expenses are being scrutinised much more closely. A major trade off lever is the quantum of space: more caution on space take, more optionality – but driven by business signals rather than blanket retreat.

JM: The trade-offs are becoming more surgical, and I think that's a good thing. Occupiers are simplifying elements that don't materially change

performance: over-designed finishes, amenities that look good but don't get used, complexity that inflates cost without improving outcome – so they can protect the things that really matter: credible sustainability performance, resilience, and a workplace experience people will actually choose to use. Fit-out is being phased and value-engineered, and more decisions are being anchored in evidence to avoid overcommitting (or undercutting) on space. Where compromise is least likely is on defensibility: the building has to stand up to ESG scrutiny, the workplace has to support the talent proposition, and the numbers have to survive board-level interrogation. In other words, occupiers will trade around the edges, but they won't buy risk disguised as savings.

JT. *Looking ahead three to five years, what would 'successful' London occupier strategies have in common? Are we moving toward a more deliberate, long-cycle approach to real estate again – or is agility now a permanent feature of the market?*

RP: I don't think agility is going away. The current backdrop keeps flexibility to the fore, and quality remains in vogue. Pre letting will continue to generate headlines, but it's important not to forget the market's day to day lifeblood: core leasing activity alongside flex take,

increasingly used together. On AI, I suspect we may see evolution rather than revolution if expectations are correct – meaningful change, but less abrupt than some narratives imply. And the deeper point is organisational: one of the biggest challenges businesses will face is maintaining knowledge – formal and informal – which means education and capability-building will become a clearer part of what the office is for.

JM: I agree with Richard that agility isn't going away. The operating environment makes that unavoidable, but for me, the differentiator over the next three to five years will be how well occupiers manage time and decision-making, not just how flexible their space is. Put simply, the organisations that win will be the ones that can make decisions at the pace the market now demands – reducing internal bottlenecks, tightening governance, and starting earlier so they don't lose optionality by default.

I also think “successful” strategies will normalise a more pragmatic stay-versus-go mindset. In a market where deliverability risk, fit-out costs, and timing are harder variables, a well-structured regear becomes a strategic tool that delivers stability, lower disruption, and the ability to secure targeted improvements with a known landlord, rather than treating relocation as the default answer.



INSIGHT 3

Product: Building at the limits



SHABAB QADAR,
PARTNER, HEAD OF
LONDON RESEARCH



PHILIP HOBLEY,
PARTNER, HEAD OF
LONDON OFFICES



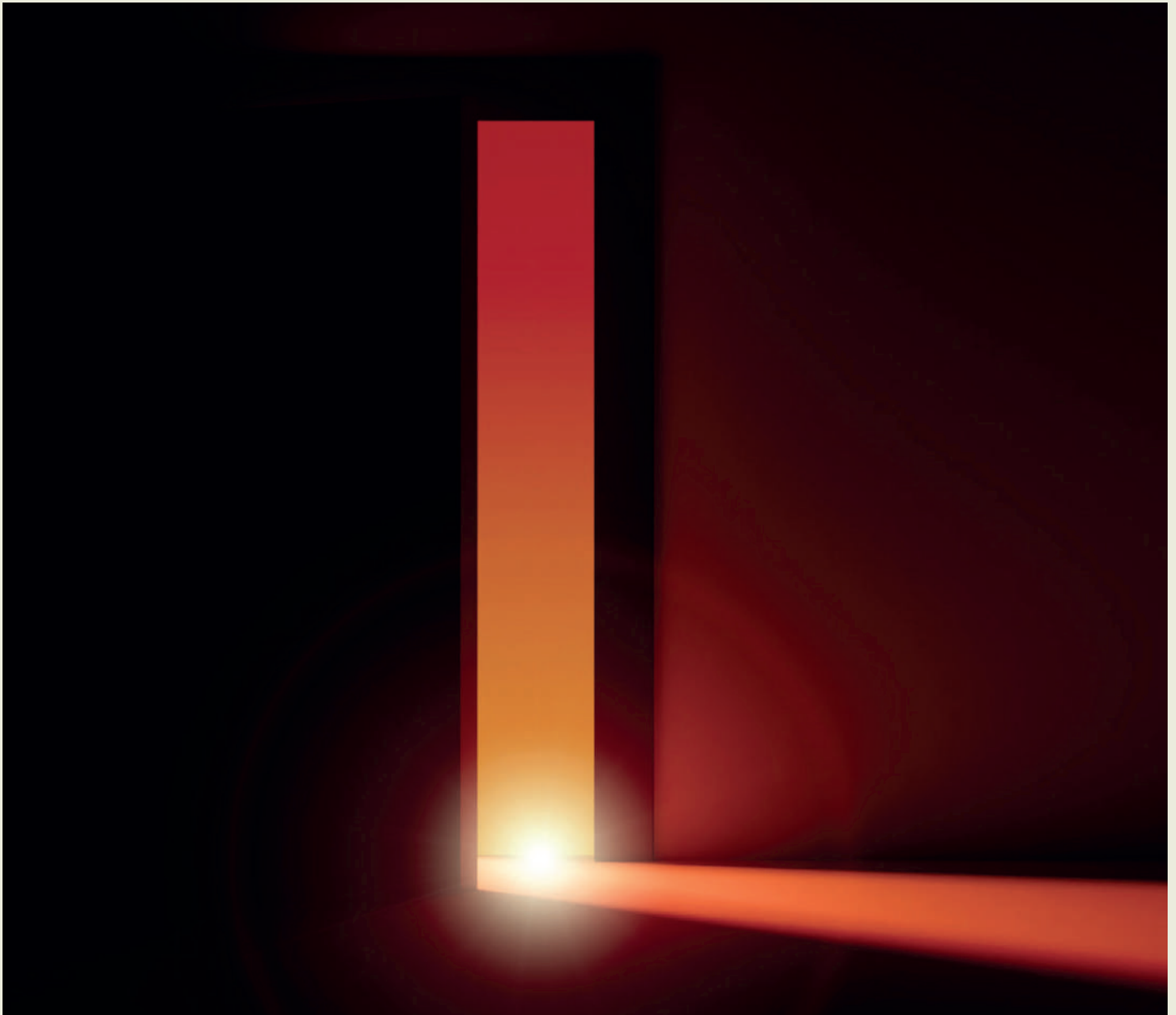
ANDREW TYLER,
PARTNER, HEAD
OF LONDON OFFICES
DEVELOPMENT



IAN MCCARTER,
PARTNER, CO-HEAD
OF LONDON
OFFICE LEASING



DAN GAUNT,
PARTNER, CO-HEAD
OF LONDON
OFFICE LEASING



Key takeaways

1



London's office market is shifting from a race to build more, to a race to build what truly works.

Demand remains strong for future-proofed, high-spec workspace, but delivery is constrained by high costs, planning friction and financing hurdles. Vacancy for new/refurbished space in core markets is below 1%, while development volumes remain muted.

Implication for Occupiers

Occupiers face limited choice and prolonged scarcity of best-in-class space. Securing preferred locations increasingly requires early engagement and pre-letting.

Implication for Developers/Landlords

Developers must prioritise certainty of delivery, specification and where possible scale. Early planning and disciplined execution are critical to capture rental upside in a structurally tight market.

2



Occupier demand has undergone a structural reset.

Best-in-class offices now combine technical performance (low energy use, smart systems, all-electric MEP) with hospitality-driven amenity and flexibility. Older stock cannot meet these standards, driving concentrated demand for premium buildings.

Implication for Occupiers

Occupiers need to recalibrate expectations: ESG compliance, wellness and digital capability are non-negotiable. Delaying decisions risks losing access to high-performing space.

Implication for Developers/Landlords

Refurbishment will dominate future supply, but only assets with structural capacity to meet modern standards will succeed. Design must prioritise operational performance and amenity.

3



London is not running out of demand – it is running out of the buildings demand wants.

Development volumes will remain lower than previous cycles, but projects that proceed will be more resilient and valuable. Economic rents are rising faster than costs, improving viability without relying on ultra-cheap capital.

Implication for Occupiers

Occupiers should anticipate continued rental growth and scarcity. Pre-letting early is increasingly the only way to secure prime space on favourable terms.

Implication for Developers/Landlords

Developers who act early will deliver into a market defined by constrained supply and strong rental dynamics. Timing and conviction matter: waiting for perfect conditions risks missing the window entirely.

Product: Building at the limits

London at a turning point

London's office market is shifting from a race to build more to a race to build what truly works. The city is not short of demand – it is short of deliverable, future-proofed workspace. Rising costs, planning friction and a rapid shift in occupier expectations have created a development landscape where only the most resilient schemes break ground.

Demand has been robust, seeking low-carbon, high-amenity, digitally capable buildings, while supply has been stuck in a lower gear. Recent completions have not matched occupier demand. Since 2019, there has been 36.1m sq ft of new and refurbished take-up whilst completions have only tallied 27.6m sq ft. This structural shift in better quality lease-up has resulted in

vacancy rates for new and refurbished space in the City Core and West End Core submarkets below 1%.

Developers who can deliver certainty, not just ambition, will define the next cycle.

WHAT HAS CHANGED – A NEW SET OF LIMITS

1. COSTS UP, VIABILITY DOWN

London's office development market has moved from a period of growth to one defined by structural constraints. Strong rental growth and resilient demand have not translated into a surge in new supply. Instead, rising costs and higher financing rates have reshaped viability, creating a market where demand is concentrated in prime space, amenity rich schemes in high connectivity locations – but delivery remains muted.

“Rising costs, planning friction and a rapid shift in occupier expectations have created a development landscape where only the most resilient schemes break ground.”

Construction costs have been a major headwind. The BCIS All-In Tender Price Index has risen by nearly 20% since 2020, reflecting higher labour costs, volatility in material prices, and compliance requirements including planning led interventions.

Fit-out costs have also escalated sharply. Cat A fit-out, which provides a landlord-ready base, now typically ranges from an average of £70 per sq ft, compared to £40-£50 per sq ft five years ago – although, it is plausible for fit-out costs to exceed £100 per sq ft. This uplift adds significant pressure to overall development appraisals, especially when combined with sustainability upgrades and enhanced building services.

2. RENTAL GROWTH WITHOUT A SUPPLY SURGE

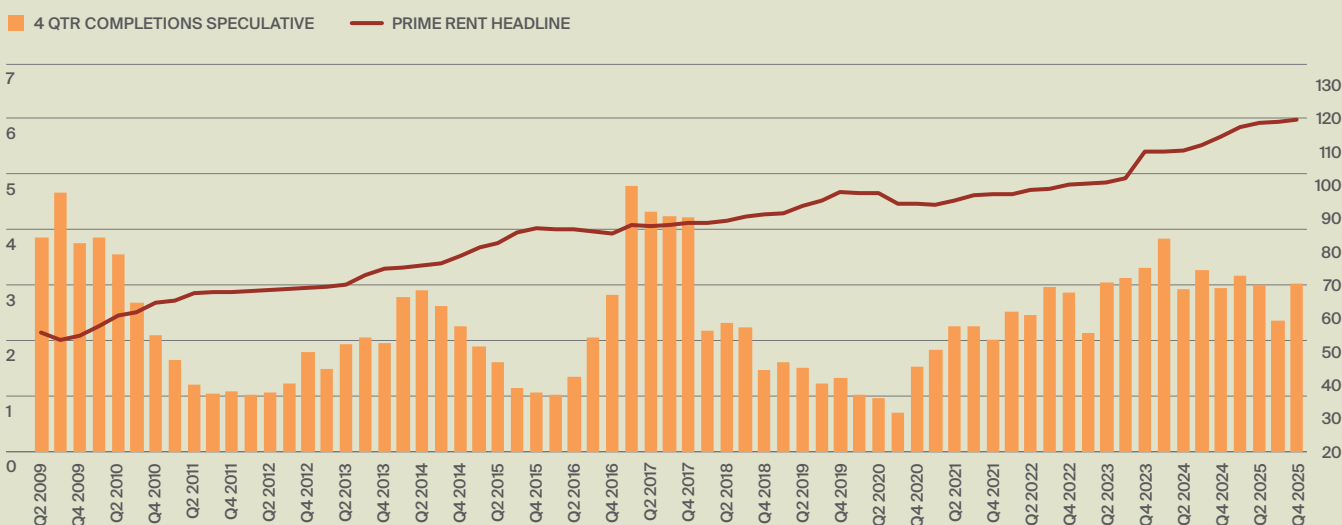
Prime headline rents in the City Core have grown strongly, from £72.50 per sq ft in 2019 to £102.50 per sq ft in 2025 (+41.4%), whilst in the West End Core they have grown from £115.00 per sq ft to £185.00 per sq ft (+60.9%) – our definition of prime was recalibrated in 2024 to reflect the shift in occupier requirements for premium spec office space.

Historically, such rental growth would have triggered a surge in speculative development. However, in this cycle, development completions have been more modest – at an annual average of 2.4m sq ft across the capital – broadly in-line with historic averages. The restricted availability of sites in these core locations has added further inflationary pressure to costs.



London – Completions and prime rents

m sq ft (LHS), growth index Dec-2019=100 (RHS)



Source: Knight Frank Insight

Rental growth has occurred during a period where the composition of leasing activity has fundamentally changed, driving the vacancy rates for the best quality offices to historic lows (below 1%) in London’s two main business districts. New and refurbished space now accounts for over two-thirds of total take-up, reflecting occupiers’ preference for the highest quality new workspace. This means demand is concentrated in the very product that is most expensive to deliver – a tension that defines today’s market.

3. THE COST OF MONEY HAS RESET

Financing costs have compounded the challenge. Policy rates rose from a low of 0.10% in Q1 2020 to a peak of 5.25% in Q2 2024, compared to an average of 0.51% in the previous cycle.

Similarly, five-year swap rates, a benchmark for development loans, averaged 1.5% during the 2010s, climbing from a low of 0.19% in Q2 2020 to a peak of over 5.0% in Q3 2023.

Higher rates mean higher borrowing costs and tougher viability tests. Even strong rental growth cannot fully offset the drag from expensive debt and heavier discount rates. Moreover, the pool of buyers for completed office buildings is smaller as debt driven

buyers struggle to service loans with rental income.

This mismatch – rents up, cranes down – signals a structural constraint, where rising costs and financing hurdles have kept many schemes on hold despite strong occupational demand.

4. PLANNING FRICTION NARROWS THE PATH

Planning has never been a single hurdle, but it has evolved into a longer, more tightly sequenced corridor that slows delivery and compresses development windows. Determination periods have lengthened significantly, with major schemes often taking 12-18 months from submission to consent, compared to 6-9 months a decade ago. Pre-application cycles have become more iterative, requiring multiple rounds of design revisions to address sustainability, heritage, and community impact concerns.

“Technical scrutiny is deeper than ever. Energy performance, embodied carbon, biodiversity net gain and fire safety compliance are now core planning tests.”

Technical scrutiny is deeper than ever. Energy performance, embodied carbon, biodiversity net gain and fire safety compliance are now core planning tests, not peripheral considerations. Indeed, post-Grenfell, planning policy tightened around façade and cladding materials, requiring far more stringent fire-safety compliance and documentation. Schemes in or near residential buildings now face heightened scrutiny on fire separation, escape routes and building interfaces, increasing design and regulatory requirements. This all adds cost and time, but also a further layer of uncertainty, while months are absorbed navigating successive technical gateways, the economic context can shift materially. As financing costs, build inflation and occupier demand move during prolonged determinations, schemes that were bankable at submission can emerge unviable at consent – forcing repricing, redesign or outright non-delivery.

A large majority of future supply is refurbishment-led (52.3%) reflecting carbon priorities and cost realities. Retrofit is London’s future strength. But a retrofit-first pipeline is not enough. A significant share of older buildings cannot – even with deep intervention – meet the structural, spatial or ESG performance standards that modern occupiers require.

CONDITIONS ARE STARTING TO EASE – BUT PLANNING REMAINS A TALE OF TWO BOROUGHS

There are signs of improvement. Cost inflation has moderated from its 2021–2022 peak, and tender price inflation is now running at low single digits. At the same time, policy and swap rates have begun a downward trajectory from their 2023 highs. If these trends persist, conditions for development will improve, though not to the ultra-low-rate environment of the 2010s.

Furthermore, there are reasons for optimism from a planning standpoint. The City of London Corporation has been proactive, materially increasing the volume of higher-level planning consents despite a more demanding regulatory backdrop. In 2025, the Square Mile recorded its highest number of planning applications in a decade, with over 5.4m sq ft of office floorspace granted consent and major commercial schemes up 36% year-on-year. Importantly, this has not reflected looser scrutiny, but a more strategic and action-oriented planning approach, supported by the emerging City Plan 2040 and a comprehensive sustainability guidance framework.

Around half of approved space is already moving into construction, signalling that the City has been able to convert planning momentum into delivery more effectively than most London authorities. The resulting pipeline is highly selective

“In 2025, the Square Mile recorded its highest number of planning applications in a decade, with over 5.4m sq ft of office floorspace granted consent and major commercial schemes up 36% year-on-year.”

– skewed toward large, premium schemes with strong sustainability credentials – but it demonstrates that, where policy clarity and planning capacity align, significant scale can still clear the system.

Despite this improvement, the forward supply position remains structurally tight. An under-construction and highly likely speculative delivery programme of just under 5.0m sq ft over the next five years equates to only around 50% of forecast occupier take-up over the same period. Even with the City’s elevated consent rate and improved conversion into delivery, the pace of new supply falls materially short of expected demand, reinforcing the risk of continued vacancy compression and upward pressure on prime rents unless additional capacity is unlocked beyond the current pipeline.

In contrast, Westminster remains a net drag on office capacity. Policy and

practice prioritise heritage protection, townscape preservation and mixed-use balance, which routinely dilutes office outcomes via change-of-use to residential, hotels and cultural uses. Change-of-use should be encouraged in locations where office demand is weak. Conservation area and listed-building constraints narrow the scope for height, massing and deep structural upgrade, pushing schemes toward boutique refurbishments rather than larger scale redevelopment.

The supply consequence is negative. The pipeline is fragmented – new consents are heavily conditioned and slow to convert – and net additions are frequently offset by ongoing stock loss elsewhere. Unlike the City, Westminster has not materially grown its Prime and Grade A base through planning. For occupiers, this means reduced choice, slower delivery, and a persistent mismatch between modern workspace requirements and what the borough can realistically bring forward.

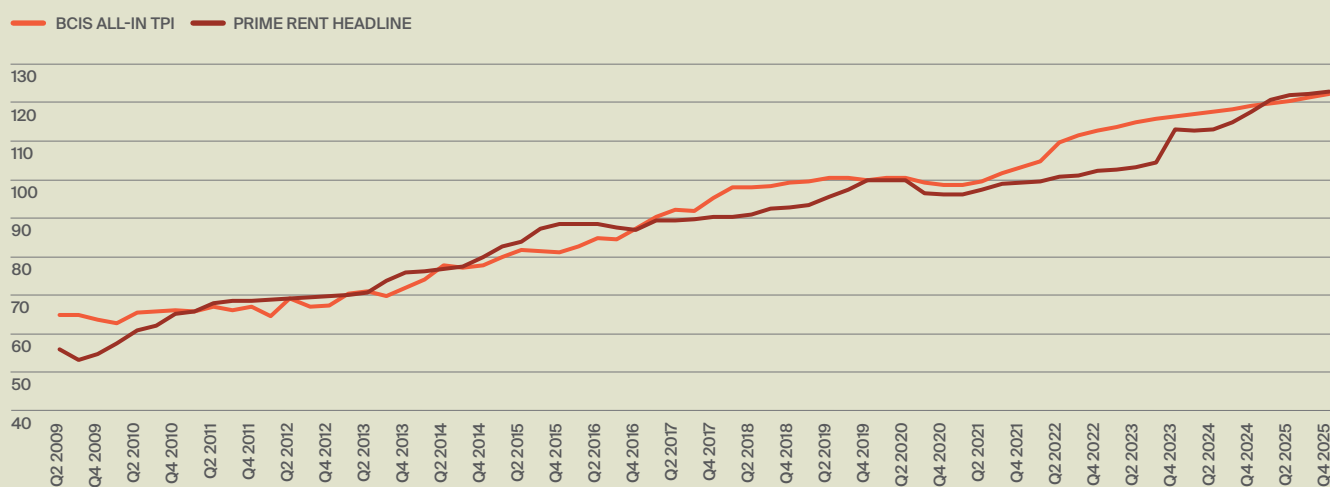
OCCUPIERS ARE MOVING UP THE QUALITY CURVE

Occupier demand has undergone a fundamental reset. Best-in-class offices today are defined by a blend of performance, experience and flexibility that older buildings simply cannot match.

These buildings deliver materially lower operational energy use, higher air quality and thermal comfort, all

London – Prime headline rent and tender price inflation

Growth index Dec-2019=100



Source: Knight Frank Insight



electric MEP systems, and embedded smart-building infrastructure that supports real-time optimisation. They pair this technical performance with hospitality-driven amenity – terraces, wellness facilities, collaboration zones, high-quality food and service offerings – that support culture and talent retention.

They are also inherently flexible, with efficient floorplates, resilient risers, robust digital infrastructure and future-proofed layouts that allow occupiers to evolve space as working patterns shift. This is a permanent shift, not a cyclical taste: leasing activity is disproportionately concentrated in these high-performing buildings that support greater productivity.

London is now structurally undersupplied in this category. Accordingly, larger scale pre-lets are being struck earlier and reflecting an imbalance between what occupiers seek and what London can deliver.

OUTLOOK – FEWER BUILDINGS, BETTER BUILDINGS, BIGGER OPPORTUNITY

It is likely London will build fewer offices in the coming cycle, but the buildings that emerge will be higher performing, more resilient and more valuable. Scarcity will support rental strength at the top end, while ageing and non-compliant stock faces accelerating obsolescence. Of course, this might not be good for London over the long-term.

THE ECONOMIC RENT CURVE HAS TURNED

After four years of costs outrunning rents, the viability equation is finally shifting. The turning point is not from falling construction costs, but from rents rising faster than cost inflation, narrowing the gap from above. This reflects a structural improvement in development economics as rental growth accelerates while cost inflation remains contained.

Our model of economic rents assumes delivery of a 100,000 sq ft office in the City Core and 50,000 sq ft in the West End Core delivered in 2029 and compounding construction costs at 2.9% per annum. Total development cost is built from inflation-adjusted build costs, professional fees, contingency, and developer overhead and profit at 15% of subtotal before finance, with finance charges applied at 6%. Lease assumptions include a 10-year term with 24 months rent-free, reducing the rent-paying fraction to 80%.

Under these assumptions, the required headline rent to clear the cost-of-capital hurdle is estimated at £91.50 per sq ft in the City Core and £138.00 per sq ft in the West End Core. These figures are benchmarked against current and forecast market rents – £102.50 today and rising to £129.75 by 2030 in the City Core and £185.00 rising to £227.50 per sq ft in the West End Core – illustrating the improving

economics. In both cases, current rents comfortably exceed the required level, widening viability margins as rental growth outpaces cost inflation.

These estimates are necessarily a broad generalisation and are not intended to represent the economics of any specific site or asset. Individual schemes will vary depending on land price, specification, procurement route, finance structure, and market conditions at the time of delivery.

Nevertheless, the model provides a consistent framework for comparing relative feasibility across submarkets and cycles, helping to indicate the level of rent required to make a typical scheme viable under current cost assumptions.

In short, the economics of development are turning positive – not because costs are falling, but because rents are rising faster than costs. This dynamic supports renewed confidence in pipeline delivery and underpins a more favourable risk-return profile for prime London offices.

“Occupier demand has undergone a fundamental reset. Best-in-class offices today are defined by a blend of performance, experience and flexibility that older buildings simply cannot match.”

The next cycle favours those who start early

1. IMPLICATIONS FOR THE MARKET

The next phase of London's office cycle will be defined by scarcity rather than oversupply. Structural constraints on delivery – planning friction, capital intensity and ESG obsolescence – mean the volume of new, high-quality office space will remain limited even as occupier demand continues to concentrate at the top end of the market. An element of this is a cyclical pause in development activity, but more notably is becoming a structural thinning of the pipeline.

As a result, vacancy compression is likely to persist in prime submarkets, with letting risk materially lower for well-specified, buildings in strong locations. Rental growth is being driven not by speculative exuberance, but by a widening gap between what occupiers require and what the market can realistically deliver. For secondary and non-compliant stock, the reverse applies: functional obsolescence, rising capex burdens and weaker liquidity will accelerate value divergence.

Importantly, this cycle will reward timing and scale. Projects that can navigate planning early, lock in specification and move decisively into construction will deliver into the period of strongest rental tension. Those that wait for perfect conditions risk missing the window entirely, as build costs, finance and planning timelines remain asymmetric to short-term market shifts.

2. PLAYBOOK FOR MARKET PARTICIPANTS

For developers and investors, the playbook has changed. Success in the next cycle is less about optionality and more about execution discipline.

Start earlier and commit sooner: planning and pre-construction now absorb a greater share of the development timetable. Schemes that enter the system early are better positioned to withstand economic volatility and deliver into constrained supply windows.

Design for demand concentration: specification should prioritise operational performance, flexibility and



amenity rather than maximising floor area. Buildings that cannot genuinely meet occupiers' ESG, wellness and digital expectations will struggle to compete, regardless of location.

Recalibrate viability metrics: traditional hurdle rates and cost-of-capital models understate the value of reduced letting risk. Economic rents should be assessed in the context of structural scarcity, not historic averages.

Be selective on retrofit: retrofit will dominate future supply, but not all buildings are suitable candidates. Capital should be directed toward assets with the capacity to meet modern standards without disproportionate intervention.

Lean into disciplined speculation: with supply structurally constrained and demand increasingly front-loaded toward best-in-class space, the risk balance has shifted. High-conviction speculative development – executed early and to the right specification – now offers asymmetric upside as leasing velocity and rental growth outpace delivery.

For occupiers, the implication is equally clear: delaying decisions narrows choice. Pre-letting earlier in the development cycle may increasingly be the only way to secure best-in-class space on preferred terms.

3. OUTLOOK

London is not running out of demand – it is running out of the buildings demand wants. While development volumes will remain lower than in previous cycles, the projects that do proceed will be higher-performing, more resilient and more valuable. Economic rents are turning decisively upward as rental growth begins to outpace cost inflation, improving viability without relying on a return to ultra-cheap capital.

The next cycle will therefore belong to those who recognise that conditions are quietly but materially improving – and act before that improvement becomes consensus. Developers who start early will deliver into a market characterised by constrained supply, strong occupier hunger and supportive rental dynamics. Those who wait for absolute certainty may find that the opportunity has already passed.

In this environment, certainty of delivery is the ultimate competitive advantage.

“The next phase of London's office cycle will be defined by scarcity rather than oversupply.”

Business rates: complexity, challenge, and the next shift

The 2026 Rating List took effect on 1st April, and for many ratepayers the first demand notice has raised as many questions as it answers.



DAMIEN CLARKE,
PARTNER, HEAD OF
BUSINESS RATES UK

Business rates remain one of the most material, and least intuitive, lines on the property P&L. The gap between the headline charge and a clear understanding of how it was reached feels wider than ever.

The era of a straightforward Uniform Business Rate is firmly behind us. Today's liability can hinge on rateable value bands, property use, and location, then be reshaped again by reliefs, supplements, and transitional rules. The result is a system that can be technically precise on paper, yet difficult to explain in practice, and even harder to forecast with confidence.

“The Knight Frank view: as the system becomes more data-led and compliance-oriented, the basics matter more than ever. That means understanding what information sits on the rating record, keeping it current, and aligning internal property, finance, and operational data.”

That uncertainty was evident at the close of the 2023 List. An estimated 100,000 Checks were submitted in March alone, roughly matching the volume seen across the preceding twelve months. Checks are only the opening move in the formal route to dispute valuations adopted for the 2023 List, but the spike tells its own story. Ratepayers are increasingly motivated to test the accuracy of the underlying facts and assumptions that drive their bill.

The Valuation Office has set an ambitious goal of clearing 90% of Challenges currently in the system by year-end. For the market, that ambition cuts both ways. A faster pipeline could mean earlier certainty, but it also compresses the window for meaningful engagement, placing real time pressure on ratepayers and advisers to assemble evidence, progress discussions, and reach sensible outcomes within tighter deadlines.

Overlaying this is a structural change. With the 2026 Revaluation, the Valuation Office Agency has been brought formally into HMRC and is now simply the Valuation Office. Day to day, ratepayers should expect continuity, with the same valuation teams, the same statutory framework, and the same routes of challenge. But symbolically, the direction of travel is clear, with closer alignment between valuation and tax administration, and a renewed focus on compliance and data integrity.

The Non-Domestic Rating Act 2023 accelerates that shift. Government has confirmed its intention to introduce a self-assessment-style obligation,

“Today's liability can hinge on rateable value bands, property use, and location, then be reshaped again by reliefs, supplements, and transitional rules. The result is a system that can be technically precise on paper, yet difficult to explain in practice, and even harder to forecast with confidence.”

framed as a ‘Duty to Notify’, requiring ratepayers to confirm, and where necessary correct, the factual information published by the Valuation Office that underpins a rateable value. Where the Valuation Office can demonstrate that information was knowingly incorrect, financial penalties may follow. Crucially, responsibility sits with the ratepayer even when professional representation is in place. Inaccuracies can bring penalties today and potentially undermine the credibility of a future challenge.

The Knight Frank view: as the system becomes more data-led and compliance-oriented, the basics matter more than ever. That means understanding what information sits on the rating record, keeping it current, and aligning internal property, finance, and operational data. In a landscape of evolving multipliers and reforms, that discipline is fast becoming the most effective form of rate mitigation.

INSIGHT 4

Capital: Risk re-priced and volatility tamed



SHABAB QADAR,
PARTNER, HEAD OF
LONDON RESEARCH



PHILIP HOBLEY,
PARTNER, HEAD OF
LONDON OFFICES



NICK BRAYBROOK,
PARTNER, HEAD OF GLOBAL
CAPITAL MARKETS



ALEX FRYER,
PARTNER, CENTRAL LONDON
CAPITAL MARKETS



Key takeaways



1 London remains one of Europe's most durable office markets.

London's scale, liquidity and labour-market depth underpin its resilience. Over 2026-2030, GDP growth will average 1.6% annually, and the city will add c.186,000 office-based jobs – far ahead of Paris, Berlin, Madrid or Amsterdam. Vacancy rates are below long-term norms, and prime rents in the City and West End have risen 11% and 22% respectively, outpacing all major peers.

Implication for Occupiers

Occupiers face a tightening market where high-quality space is increasingly scarce. Securing future-proofed buildings early will be critical as demand outpaces supply.

Implication for Developers/Landlords

Developers can leverage London's structural resilience to justify new schemes, but must anticipate strict planning and longer lead times. Investment strategies should prioritise prime assets to capture rental growth and liquidity.



2 Winning strategies look different from previous cycles.

The next phase is defined by structural scarcity, not cyclical exuberance. Planning and procurement now consume a larger share of development timelines, providing a first mover advantage. Occupiers demand energy efficiency, amenity and digital capability, while investors must rethink hurdle rates as volatility declines and downside risks narrow.

Implication for Occupiers

Occupiers should commit decisively to best-in-class space and avoid optionality that delays delivery. Specifications around sustainability and technology are now non-negotiable.

Implication for Developers/Landlords

Developers and investors can currently deliver into periods of tight supply. Strategies such as targeting reversionary potential and recalibrating underwriting assumptions to reflect a changing investment landscape will outperform in a market where risk-adjusted returns are improving. Design must prioritise operational performance and amenity.



3 London enters this cycle from a position of quiet but accumulating strength.

Office jobs growth will outpace every major European peer; capital inflows remain robust (£6.9bn annually in 2023-25, peaking at £9.3bn in 2025). Supply of best-in-class space is tightening, with an undersupply projected to reach 11.6m sq ft by 2030. Combined with moderating macro volatility, this points to a multi-year period of steady rental growth (c.4.8% per annum), resilient income and superior risk-adjusted returns.

Implication for Occupiers

Occupiers should expect rising rents and limited availability of prime space. Timely engagement and long-term commitments will mitigate cost pressures and ensure access to quality assets.

Implication for Developers/Landlords

Landlords and developers can position for sustained rental growth and income resilience. Core and Core Plus strategies offer compelling returns (up to 13% annually over five years), supported by scarcity and disciplined delivery.

Risk re-priced and volatility tamed

London’s office market is entering a new cycle shaped less by volatility and more by structural clarity. The turbulence of the early 2020s has given way to a market where risk has been re-priced, supply is tightening, and demand is consolidating around high-quality space. This is not the exuberant growth of past cycles, but a steadier, more disciplined expansion – one where London’s scale, liquidity and labour-market depth give it an advantage that few European cities can match. As the conditions that once fuelled oversupply fade, the city is shifting into a position where momentum feels quieter, but ultimately more durable.

STRENGTH IN SCALE, MOMENTUM IN DEMAND

London’s economic outlook over 2026-30 signals a period of steady, broad-based expansion rather than exuberant growth – but in relative terms, it remains one of Europe’s most durable office markets. Real GDP

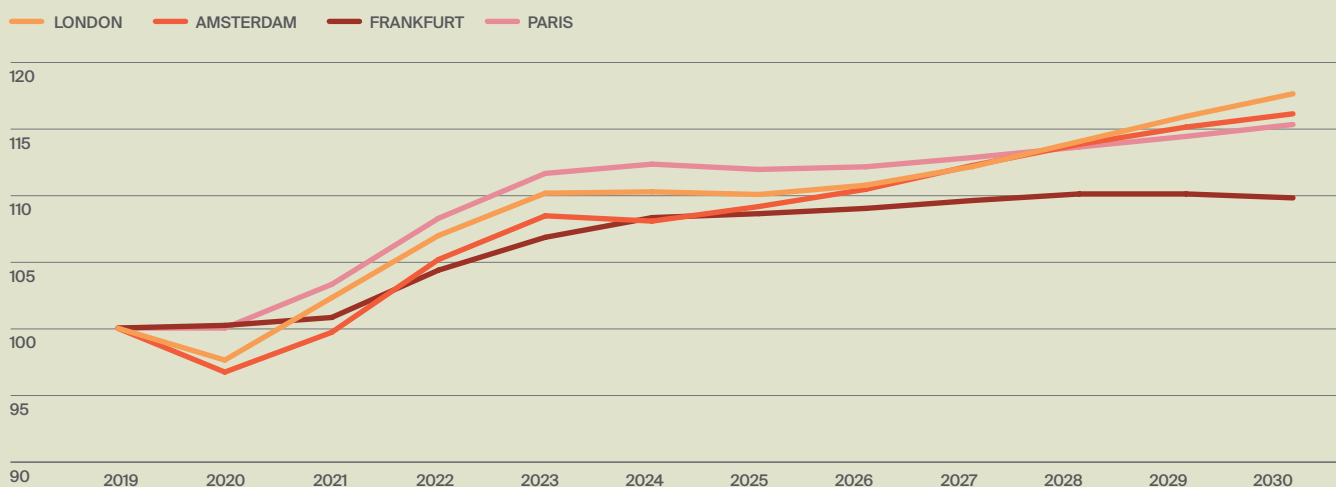
growth is expected to average around 1.6% per year, a touch softer than the pre-pandemic five-year average (2015-19) but broadly in line with other major European cities. What distinguishes London is not its macro pace, but the depth of its labour market: over the next five years, the city is projected to add around 186,000 office-based jobs, far more than Paris (51,500), Madrid (81,400), Berlin (33,500) or Amsterdam (30,600) and nearly an order of magnitude above Frankfurt (3,800). Even Dublin – coming off a decade of exceptional growth – adds roughly 25,700, well short of London’s scale. In a continental context, London’s labour market remains the engine room: large enough to absorb shocks, diverse enough to sustain hiring across sectors, and attractive enough to continue pulling in firms seeking access to global talent.

This labour-market momentum matters because it shapes the demand side of the office equation, which is increasingly the decisive

factor in market performance. Even as real-estate delivery slows across Europe, London’s ability to generate far more incremental office jobs than any peer reinforces its relative resilience. With most cities entering a period of subdued construction and tighter planning environments, the cities that grow their knowledge-economy workforce the fastest – and by the largest absolute numbers – are best placed to sustain rental growth. Seen through this lens, London’s forward profile is not one of runaway growth but of quiet strength: an economy still expanding, a labour market still deepening, and a projected wave of new office-using workers unmatched anywhere else in Europe. For a market increasingly defined by scarcity of high-quality space, those fundamentals position London as one of the few major cities where demand is likely to keep outpacing supply, supporting both occupier and investor confidence.

Key European cities – Office employment

Growth index Dec-2019=100



Source: Knight Frank Insight

THE CAPITAL THAT KEEPS ATTRACTING CAPITAL

Staying power has always been one of London's defining advantages, and the investment data confirms that resilience. Even through a period of sharply higher rates and weaker global risk appetite, London has continued to attract more capital than any other major European office market. In the most recent window, 2023-2025, the city drew an average of £6.9bn per year, ahead of Paris at £6.0bn and far beyond Amsterdam, Berlin, Madrid and Milan, which each sat closer to £1bn annually according to MSCI data. Even in 2025, when investment flows were still recovering, London reached £9.3bn, maintaining a clear lead over all peers. This consistency – capital finding its way back to London even when markets are hesitant – speaks to the city's long-standing role as Europe's most liquid, most internationally recognised safe harbour for real estate investment.

That depth of cross-border demand is not purely a function of size, it reflects the breadth of London's investor base, the transparency of its market, and the global familiarity that continues to anchor allocations

through cycles. For a forward-looking market defined by structural scarcity of high-quality space and a strengthening labour market, the persistence of this capital inflow reinforces the point that – London is not just generating more demand – it remains the city investors return to first and leave last.

BREAKING AWAY FROM THE PACK

Across Europe, office markets are still settling into a slower, structurally more selective cycle, and the fundamentals reveal which cities are emerging with real momentum. In many markets the landscape is softening: Berlin and Paris are carrying vacancy levels above their long-run norms, and rental growth has cooled to only modest annual gains. London, by contrast, is beginning to separate from this middle ground. Vacancy in both the City Core and West End Core is now below long-term averages, with the City falling from 7.6% to 6.2% in a single year – one of the clearest signs of demand re-anchoring around high-quality space. At the same time, prime rents in London are rising more decisively than in any major peer: City rents increased by 11% over the past year, and the West End by 22%, outpacing Paris, Berlin, Madrid and

“City rents increased by 11% over the past year, and the West End by 22%, outpacing Paris, Berlin, Madrid and Amsterdam, all of which posted far smaller uplifts.”

Amsterdam, all of which posted far smaller uplifts. Forward indicators tell a similar story: London is projected to record the strongest prime-rent growth in Europe between 2026 and 2030, supported by its deep occupier base and a sustained shift toward modern, high-spec buildings.

These fundamentals translate into a compelling investment proposition. While most European markets are still adjusting to tighter financing conditions, the City market in London stands out by offering higher prime yields – around 5.25% – than Paris (4.15%) or Berlin (4.70%), giving investors more income on day one. Crucially, this yield sits alongside a stronger rental outlook and healthier occupancy trends, creating





a combination of income resilience and growth potential that is hard to match elsewhere. Even the spread over government bonds, at around 0.8 percentage points, remains competitive once the rental trajectory is accounted for. In a cycle increasingly defined by scarcity of top-tier space and a flight to quality, the City's blend of rising rents, improving vacancy and attractive yield positions it as one of Europe's most fundamentally appealing office markets for the years ahead.

The West End meanwhile functions as London's defensive core – a market where scarcity, brand value and global occupier demand have consistently translated into resilient income. Prime yields are tighter at around 3.75%, reflecting the West End's safe-haven characteristics and a track record of rental growth that has historically outpaced inflation. Over the next five years, prime rents are expected to grow by around 4.2% per annum, supporting real income growth even in a calmer economic environment. The recent period – when higher rates temporarily sidelined some institutional buyers – briefly lowered barriers to entry in a market that is usually tightly held, offering rare access to assets defined

“London's combination of reliable income, genuine rental momentum and clear reversion capture positions Core and Core Plus strategies as among the most attractive risk-adjusted propositions available.”

by durability rather than cyclicality. Looking ahead, as capital markets stabilise, the West End's combination of deep scarcity and inflation-resilient rents reinforces its role as one of Europe's most secure long-term office investment markets.

ATTRACTIVE TODAY, COMPELLING OVER FIVE YEARS

Core offices in the City look increasingly compelling as the next cycle takes shape. Using the market's own forward signals – a 4.8% annual rental growth forecast for 2026-2030 and a prime yield of 5.25% – a stabilised, income-secure asset delivers a gross annual return

of around 10%, and this is without any yield compression. That is driven by a balanced combination of steady income and real capital growth as rents compound from a low-vacancy, supply-constrained base. The assumption of no yield shift is intentionally conservative, particularly given that several independent macro-economists expect 10-year government bond yields to drift lower over the next five years, which historically has supported tightening real-estate yields. In other words, the core return we calculate is the floor, not the ceiling, in a market where fundamentals are already improving and capital is returning.

For Core Plus strategies, the opportunity looks even more pronounced. By capturing reversionary potential of roughly 15% – in this case assumed to crystallise through lease renewals in year three – the total return profile changes meaningfully. With rents reset to market levels and continuing to grow at the 4.8% per-year trajectory, a Core Plus London City asset generates a five-year cumulative return of around 83%, equivalent to around 13% per year, again with no yield movement assumed. That uplift

“Today, high construction costs, planning friction and more stringent occupier requirements mean that new space cannot appear quickly enough to soften the market.”

reflects both the step-change in rent and the compounding, thereafter, magnified by a market still short of high-quality space. In a European landscape where many cities face rising vacancy, muted rent growth or tighter pricing, London’s combination of reliable income, genuine rental momentum and clear reversion capture positions Core and Core Plus strategies as among the most attractive risk-adjusted propositions available.

SCARCITY ERA BEGINS

London is moving into a period where scarcity, not surplus, will define the office market, and that scarcity is becoming quantifiable. Over the coming years, the pipeline of best-in-class space falls well short of what the market will require. By 2026-2028, London is projected to be undersupplied by around 5.2m sq ft,

rising to 8m sq ft by 2029, and reaching as much as 11.6m sq ft by 2030 as demand continues to concentrate in high-performing, energy-efficient buildings. This widening gap is structurally different from previous cycles, where a responsive and often highly speculative development market kept rents volatile and supply plentiful. Today, high construction costs, planning friction and more stringent occupier requirements mean that new space cannot appear quickly enough to soften the market. The result is a fundamentals backdrop where rental growth is less cyclical, less fragile and far more predictable – and that naturally reduces leasing risk for investors. In other words, risk-adjusted returns improve not because returns are unusually high, but because the risks that once undermined them have materially diminished.

TIME TO RESET THE HURDLE

In this environment, there is a growing argument that traditional real-estate hurdle rates – borrowed from cycles defined by cheap debt and abundant supply – no longer reflect market reality. The conditions that once justified high target returns have fundamentally changed and applying them mechanically risks mispricing

today’s opportunity set. Importantly, this reset is occurring alongside broader shifts in capital markets: equity investors are grappling with elevated valuations and more volatile earnings, while fixed-income returns, though improving, remain exposed to inflation and reinvestment risk. Against that backdrop, high-quality offices in structurally constrained global cities offer a combination of income visibility and capital preservation that compares favourably on a risk-adjusted basis.

If supply remains structurally limited and rental growth less volatile, the rational response is a recalibration of underwriting assumptions – recognising that downside risks have narrowed while income resilience has strengthened. In markets like London, where true Prime and Grade A space is scarce, this stability becomes a differentiator rather than a compromise. Requiring the same risk premia as past cycles, shaped by very different macro and supply conditions, becomes counterproductive. For investors, the reward is clear: a market where disciplined delivery supports rental performance, downside protection is enhanced, and hurdle rates evolve to reflect a more balanced, durable investment landscape.



“Jobs growth is set to outpace every major European peer, capital continues to flow back into the city, and the supply of best-in-class space is tightening just as occupier needs become more demanding.”

NAVIGATING A NEW AND MORE INVESTIBLE CYCLE

1. IMPLICATIONS FOR THE MARKET

The next phase of London’s office cycle will be shaped by structural scarcity rather than cyclical exuberance. With development pipelines thinning as viability challenges persist, planning windows lengthening and occupier expectations rising, the market is moving decisively toward a regime where high-quality space remains chronically undersupplied. This does not just support rental growth; it stabilises it. In previous cycles, surges in speculative supply often pushed rents into sharp reversals, but the current backdrop – marked by modest delivery and more selective capital – limits the risk of overbuild. Investors can therefore expect a market in which leasing risk is lower, growth is steadier and volatility is materially reduced compared with the decade that preceded the pandemic.

As demand concentrates further into best-in-class buildings and occupiers become increasingly intolerant of secondary space, the divide between resilient, future-proofed assets and everything else will widen.

2. PLAYBOOK FOR MARKET PARTICIPANTS

For those navigating this new landscape, the winning strategies look different from the ones that dominated earlier cycles. Planning and procurement lead



times now consume a larger share of the development process, meaning projects that move first will deliver into the years of tightest supply.

Commit with clarity: In a market shaped by structural constraints rather than cyclical swings, excessive optionality can dilute outcomes where well defined strategies benefit from consistency and follow through.

Specify for performance: Occupiers are choosing buildings on the basis of energy efficiency, amenity and digital capability, not just location or floorplate, so assets that do not meet elevated standards will fall behind quickly.

Target reversion: In a market where prime space is scarce and rental growth is less volatile, capturing embedded upside through lease events becomes a critical lever for returns, particularly for Core Plus strategies.

Rethink hurdle rates: Applying historic return targets to a market with lower volatility and tighter supply misprices risk and may lead capital to overlook some of the cycle’s strongest opportunities.

3. OUTLOOK

London enters this cycle from a position of quiet but accumulating strength. Jobs growth is set to outpace every major European peer, capital continues to flow back into the city, and the supply of best-in-class space is tightening just as occupier needs become more demanding. The combination of subdued delivery, deep demand and moderating macro volatility points toward a multi-year period where rents rise steadily, income remains resilient and risk-adjusted returns exceed those of previous cycles.

This is not the high-growth, high-build environment of the 2010s; it is a more disciplined, more durable and ultimately more investible phase – one where early movers will benefit most. For investors and developers willing to align with this new reality, the coming years offer something increasingly rare: a market where the fundamentals are not only improving but doing so with unusual clarity.

Delivering London: three challenges shaping office project delivery



CHRIS DUNN,
ASSOCIATE, LONDON
OFFICE INSIGHT



**CHARLES
INGRAM EVANS,**
PARTNER, HEAD OF
PROJECT & BUILDING
CONSULTANCY

Chris Dunn (CD): *Charles, when we think about the London office market today, the headline story is undersupply of best-in-class space, particularly for larger requirements. But beneath that, what are the key challenges your clients are facing when actually delivering projects?*

Charles Ingram Evans (CIE): The supply-demand imbalance is absolutely the starting point, particularly for larger occupiers. But once you get into delivery, there are several challenges that are becoming more prominent.

The first is around fire testing and compliance. This is having a real impact on programmes, particularly for refurbishment projects. With new build, the process is more controlled, but with existing buildings there are more unknowns in the fabric, the structure, and the systems in part because there is a lot of covered up work but also because historical building information is often incomplete or inaccurate. That uncertainty can lead to delays as further inspections, testing and remedial works that are required. It is creating more risk in programme delivery, and in some cases, pushing

timelines out significantly compared to initial expectations.

CD: *So that's a technical and programme risk. What about the regulatory environment more broadly?*

CIE: That leads directly to the second challenge, which is where corporate ambitions don't always align with commercial reality.

There is a strong push from occupiers and investors to meet higher standards, whether that's ESG performance, wellness, or future-proofing buildings. But some of the regulatory changes can have unintended viability impacts for landlords.

Some good examples are cycle spaces and end of trip requirements of The London Plan, compliance with Part T of the Building Regulations and the requirement for increased toilet provision. On paper, it's a sensible response to changing workplace expectations. But in practice, it can reduce net lettable area, particularly in constrained or older buildings. That has a direct impact on income and viability, especially in refurbishment projects where space planning is already more complex.

So, there is a tension between delivering the 'right' building in terms of performance and compliance and maintaining a commercially viable scheme. Navigating that tension is becoming a core part of the advisory role.

CD: *And the third challenge?*

CIE: The way buildings are being delivered is changing. We are seeing a growing trend toward larger office schemes being brought to market as Shell & Core.

That shifts a significant amount of risk and complexity from the developer/owner onto the occupier. Tenants are increasingly responsible for their own fit-out, which isn't new, but the scale and nature of it is evolving with them having to take on elements of what used to be considered Landlord's works.

For larger occupiers, in particular, this can be a major undertaking. They are not only taking on the cost of the fit-out, but also managing programme risk, procurement, and design plus navigating HMRC rules by being deemed a contractor under the Construction Industry Scheme (CIS). That's a different proposition to leasing a fully delivered space.

There is also an emerging dimension around how these costs are accounted for. Changes in accounting treatment of leases and associated fit-out costs mean that occupiers need to think differently about how that capital is deployed and reported. This is adding another layer of complexity to decision-making.

CD: *So even where space is available, it's not necessarily straightforward?*

CIE: Exactly. The headline narrative is that London faces a shortage of high-quality space, particularly at scale. But alongside that, there is a second-order challenge. The cost, complexity and risk of delivering that space into an occupational product.

For larger occupiers, that combination can be just as significant as availability itself. It means that securing space is only the first step; delivering it effectively is where value is increasingly won or lost.

INSIGHT 5

Residential: Rebuilding momentum



OLIVER KNIGHT,
PARTNER, HEAD OF
RES DEV RESEARCH



JAMES BARTON,
PARTNER, DEPARTMENT
HEAD - LONDON LAND



Key takeaways



London's housing crisis is deepening

London is delivering far fewer homes than required, with just 33,000 completions in 2025 – only 37% of the annual 88,000 housing target. Delivery has fallen 28% since 2020, and private starts are now at their lowest levels since 2009. The sales market also remains quiet, with private new-build sales down 28% in 2025 and 68% below the 2016 peak. Low starts today mean low completions in the years ahead, with only 14,053 homes anticipated across 2027–28 – just 8% of the government's target.

Implication for Developers / Investors

Developers encounter a challenging environment shaped by worsening viability, construction cost inflation of more than 30% since 2020, tighter development finance, and delayed exits due to weaker domestic and investor demand. Fewer starts also mean a limited future pipeline, constraining delivery capacity and weighing heavily on long-term output assumptions.



Early signs of improvement and emerging momentum

Despite the downturn, Q4 2025 saw a notable rise in both starts and sales, indicating a tentative return of momentum from a low base. Political alignment between central government and City Hall has led to emergency measures to unlock development, including reducing affordable housing requirements to 20%, removing density caps such as the eight-units-per-core rule. These measures shift viability marginally in developers' favour and create a time-limited window in which development economics are more favourable.

Implication for Developers / Investors

Developers see early – but fragile – improvements in viability and risk-weighting. The alignment of political agendas and targeted policy reforms introduce a window where development becomes more deliverable. Time-limited measures offer a clear incentive to bring schemes forward before 2028, improving strategic decision-making and accelerating land activity.



London enters this cycle from a position of quiet but accumulating strength.

Monetary policy is easing, with six rate cuts since 2024 and expectations of further reductions in 2026, supporting both development financing and buyer affordability. A more favourable policy and economic environment means the market may be at an inflection point. Yet restoring sustainable delivery requires further progress: continued planning system reform, removal of late-stage review mechanisms, improvements to Gateway approval times, and targeted demand-side support for buyers.

Implication for Developers / Investors

Developers and investors may gain a first-mover advantage if they can unlock sites during this window, but long-term recovery hinges on deeper structural reforms. Improved planning certainty, reduced review burdens, streamlined Gateway timelines, and stronger exit absorption are essential to restoring confidence and enabling large-scale investment.

Residential: Rebuilding momentum

London’s commercial and residential real estate markets rely on a shared framework to achieve competitiveness: **time, place, product and capital**. Yet, more so than the capital’s office sector, its housing market is shaped by a fifth factor: **policy**, which can uniquely influence viability, accelerate (or slow down) delivery and unlock stalled sites.

From planning reform to regulatory complexities, government measures on housing play a decisive role in determining whether London can meet its workforce’s housing needs and have been one of the defining factors – if not the defining factor – shaping where we find ourselves in the current cycle.

Without the right measures in place to support both demand and

supply, the consequences of slowing development in the capital extend far beyond the residential sector and directly affect London’s economic competitiveness.

London’s housing crisis is deepening. In 2025, just 33,000 homes were completed – only 37% of the 88,000 homes needed each year. Delivery has fallen 28% since 2020, putting the capital on a trajectory that is moving further away from, not closer to, its long term housing goals.

Yet beneath the weight of this downturn, there are signs emerging that might suggest the worst is behind us. Lower interest rates, a more aligned political landscape, policy reform and renewed confidence should help unlock momentum as we head into 2026. Development sites

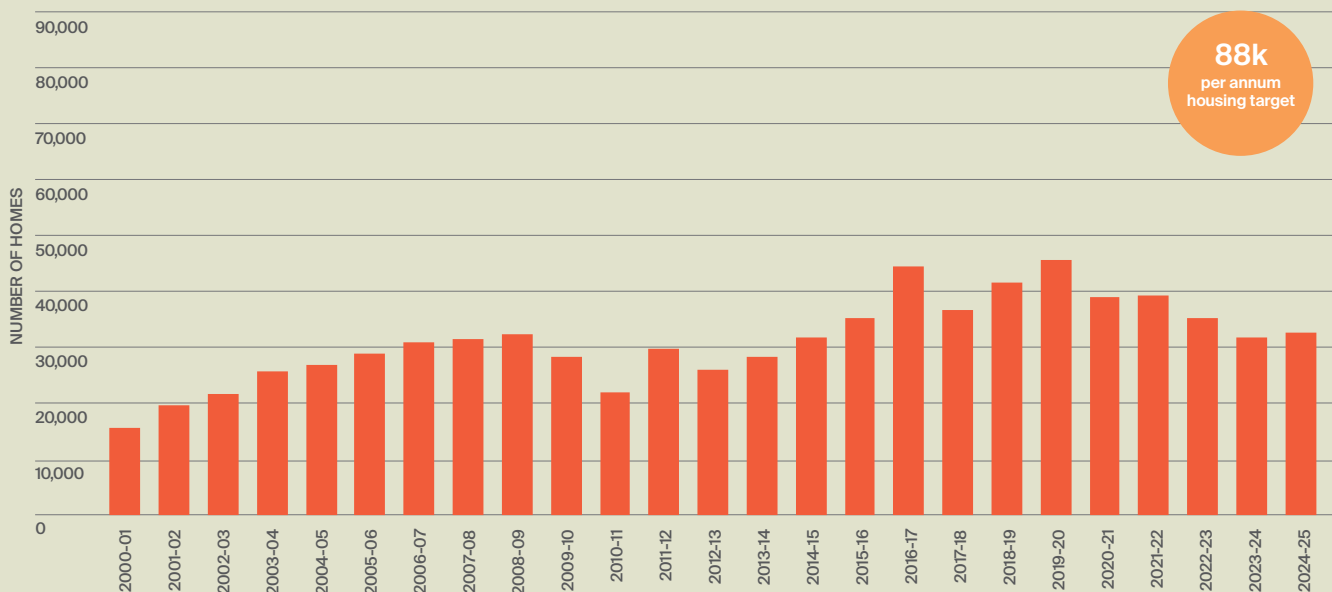
have started to return to the market in early 2026, a trend that could support a rebound in land transactions.

For developers willing to take a strategic view – and crucially who can unlock sites now – this combination of factors could present a unique opportunity to deliver homes. But let’s be clear, seizing that opportunity is far from straightforward, and it’s not going to move the needle anywhere near 88,000 homes.

“London’s housing crisis is deepening. In 2025, just 33,000 homes were completed – only 37% of the 88,000 homes needed each year.”

Falling short of targets

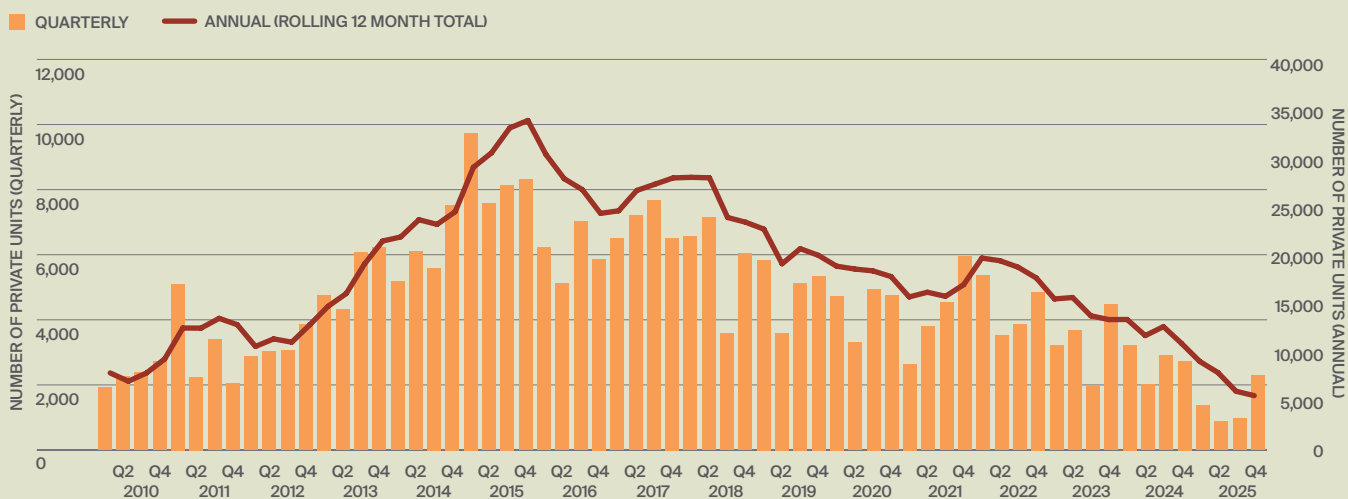
London net additional dwellings



Source: Knight Frank Research, MHCLG

London housing starts drop to lowest level since pre-2009

Private housing starts, 20+ unit schemes



Source: Knight Frank Research using Molior London

LOOKING BACK TO LOOK FORWARD

The decline in new housing activity has been starkest in the private sector, where housing starts have fallen to their lowest levels since 2009.

Molior data shows just 5,500 new private homes broke ground in London during the whole of 2025 – that is half the level of 2024 and 83% lower than the peak in 2015.

This falling level of starts has longer-term implications: low starts today mean low completions in the

years ahead. Based on the current delivery pipeline, just 14,053 homes are expected to complete across both 2027 and 2028, just 8% of the government’s 176,000 two-year housing target.

THE PERFECT STORM

So how did we get here? The current slowdown isn’t the result of a single shock. Instead, a myriad of challenges has collectively impacted viability and confidence.

On the development side, cost pressures sit high on this list. Construction inflation has risen sharply in recent years, up by more than 30% since 2020 according to the BCIS, adding weight to development appraisals and further squeezing already tight margins.

Compounding this, the cost of development finance has become more restrictive. Borrowing is more expensive, lender appetite is more conservative in some cases, and risk adjusted returns are more difficult to achieve.

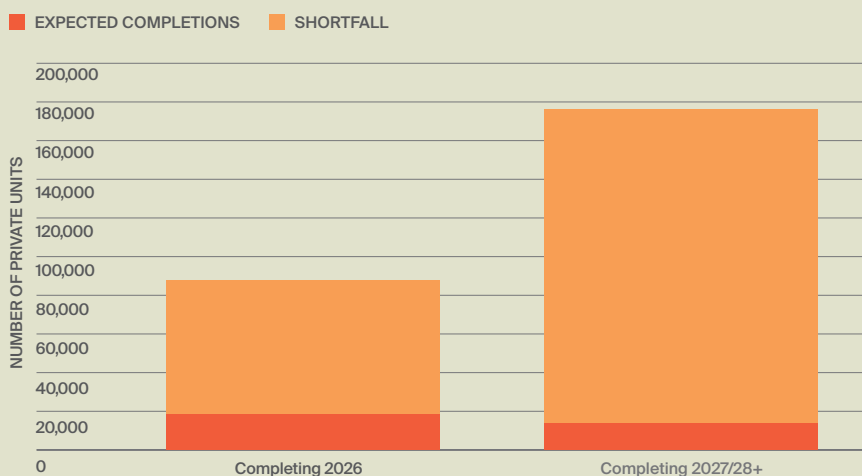
Regulatory and procedural delays have added further complexity. The planning system, already strained, has faced additional pressure from the introduction of new building safety requirements. The Gateway process, although created with good intent, has introduced significant delays for high-rise buildings, adding months to development timelines.

SHOW ME THE EXIT

At the same time, the sales market for new-build homes has weakened, particularly among domestic buyers and buy to let investors. The latter group has left developers without the off-plan sales needed to sustain cash flow during construction. Overseas demand has also softened amid tax reforms and stronger global competition.

London delivery to fall short of target

Expected delivery based on homes currently under construction



Source: Knight Frank Research using Molior London

Indeed, the previous peak in London housebuilding was in 2015, when developers started 33,782 homes – still far fewer than half the government’s target. Developers sold 26,313 homes that year, aided by Help to Buy and plenty of off-plan investor sales closely to commencement, de-risking projects and enabling them to progress.

But the government introduced a 3% stamp duty surcharge for second homes and buy-to-let properties a year later, and off-plan investor purchasing began dwindling. That levy has since been raised to 5%, a move which followed the closure of Help to Buy in 2023. Starts have now been falling for a decade.

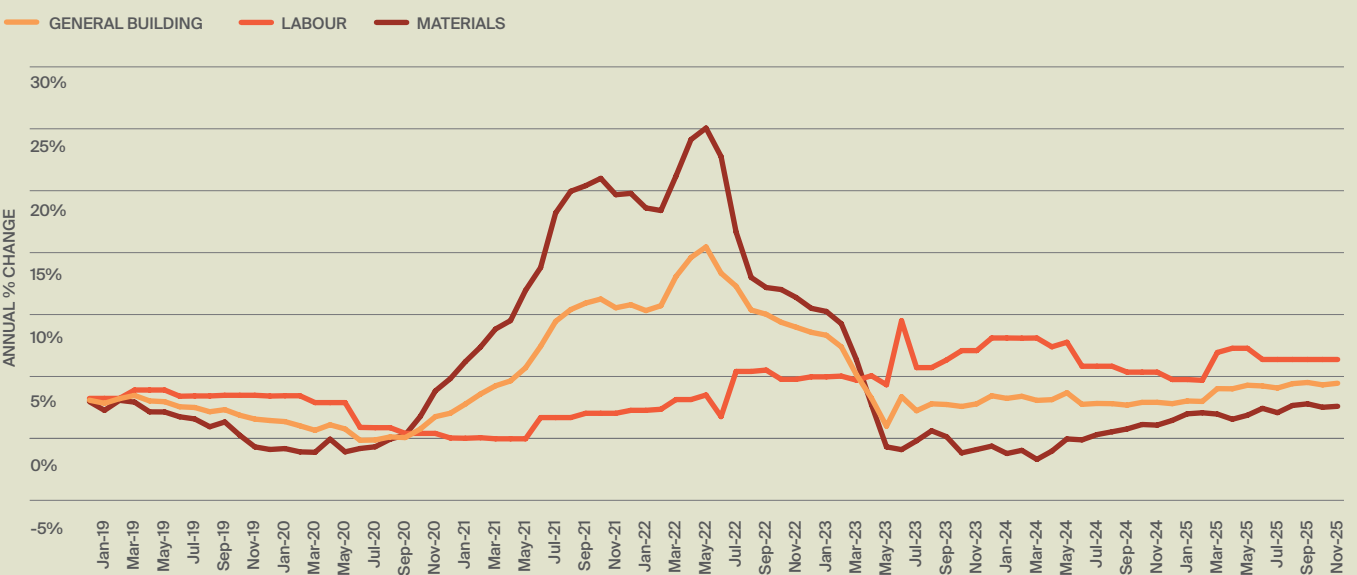
Private new homes sales totalled 8,436 in 2025, according to Molior, down 28% annually and 68% lower than the peak of the market in 2016. The impact of weaker demand is clear: if developers can’t sell homes, they won’t build them.

“Construction inflation has risen sharply in recent years, up by more than 30% since 2020.”



Build, labour and materials costs remain elevated

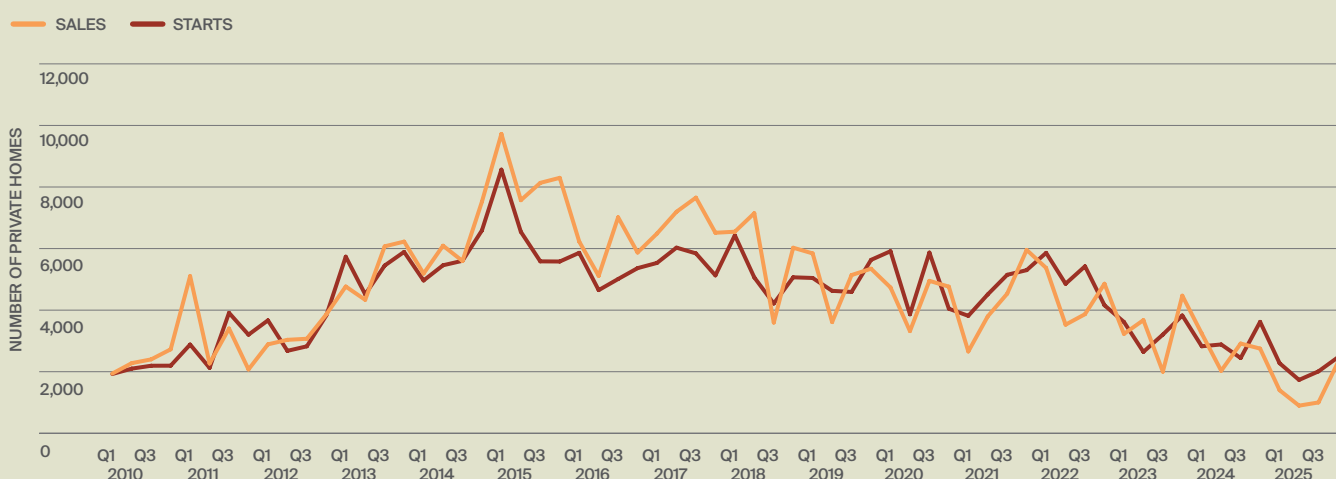
Annual % change



Source: Knight Frank Research, BCIS

Correlation between sales rates and starts

Quarterly, private homes



Source: Knight Frank Research using Molior London

And yet, there are early signs of improvement. Both starts and sales rose markedly in Q4 2025 versus the rest of the year. The numbers remain far from where they need to be to meet housing targets, but the data implies momentum may be returning – albeit slowly, and from a low base.

THIS TIME IT'S DIFFERENT. SO, WHAT'S CHANGED?

One catalyst has been political. For the first time in more than a decade, London benefits from political alignment between central government and City Hall. That helped pave the way for a package of emergency measures announced jointly by the Ministry of Housing, Communities and Local Government and the GLA late last year aimed at unlocking development.

Although still at consultation stage, the proposals paint a positive picture for improving supply. The withdrawal of guidance restricting density and

“The latest data from the Building Safety Regulator shows legacy new build cases in London are down from nearly 50 in November to 17 at the end of January, with 7,354 residential units approved.”

additional mayoral intervention powers should also help shift risk more favourably in favour of getting projects off the ground. Removing the eight-unit-per-core limit will significantly improve efficiencies, for example.

While a temporary reduction in affordable housing requirements to 20% suggests a more pragmatic stance. The net result is that we’re likely to see more schemes come forward where the development economics now make sense.

The measures are also time limited, so development will be more profitable

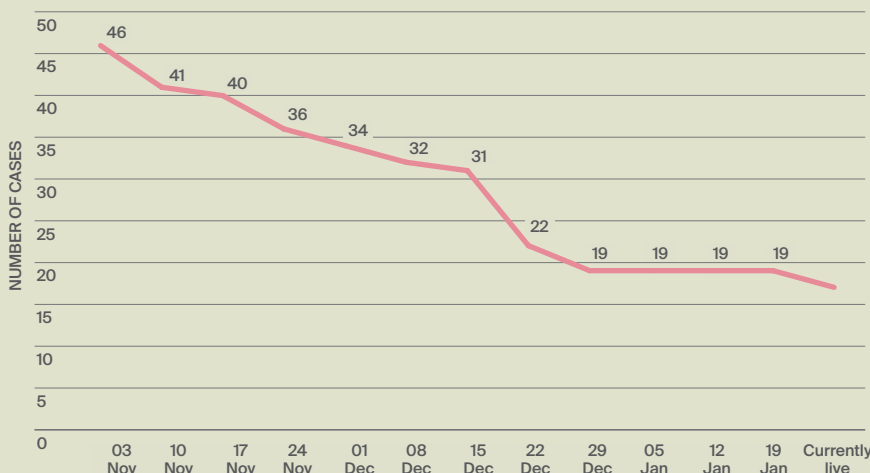
now than it will be post-2028, which will provide developers with a powerful incentive to get building.

As we have already noted, delays at the Building Safety Regulator (BSR) relating to Gateway 2 remain a significant blocker to the delivery of high-rise, high-density housing. However, while challenges remain, clearer guidance, better resourcing and a more proportionate approach to approvals have begun to reduce bottlenecks.

The latest data from the BSR shows legacy new build cases in London are

Progress on unlocking the Gateway 2 backlog

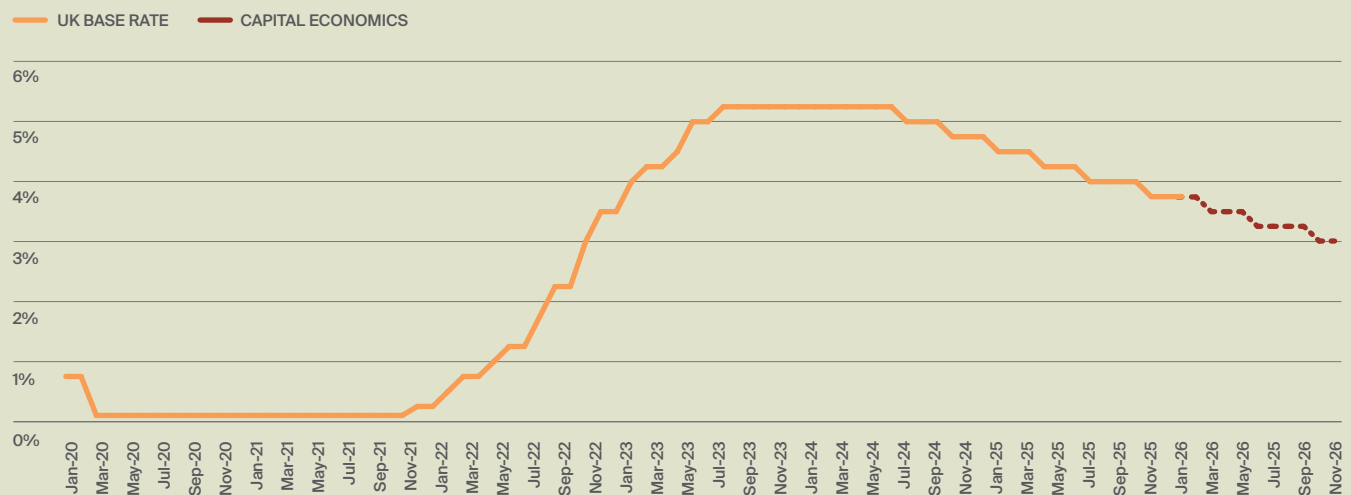
London: Gateway 2 new build legacy cases



Source: Knight Frank Research, BSR

Base rate expectations

Actual and Capital Economics forecasts



Source: Knight Frank Research, ONS, Capital Economics

down from nearly 50 in November to 17 at the end of January, with 7,354 residential units approved.

While this signals a more favourable policy environment, none of it is a silver bullet. These reforms are only likely to be the first difficult steps towards reversing the generational decline in housebuilding, but they are moving in the right direction.

MACRO MATTERS

The fact the Bank of England has cut rates six times since 2024 – bringing the base rate down to 3.75% – matters

for development viability and mortgage availability.

The future direction of monetary policy is also now firmly towards supporting growth even if there’s still caution. Further rate cuts are expected throughout 2026, which will improve the pricing of debt available to developers, and further loosen the affordability burden on buyers. Capital Economics expects three cuts in 2026 taking the base rate to 3.0% by year-end, one more than the two expected by financial markets.

Progress... but you can't live in a planning permission

Despite the turbulence of recent years, the London development market may now be approaching a moment of opportunity – and developers with the capital and conviction to act now may gain a first mover advantage.

Yet while recent reforms mark meaningful progress, more is required if London is to restore delivery to sustainable levels.

So, what do we need?

1. The planning system must continue to evolve, reducing uncertainty and enabling timely decision making.
2. The removal of late-stage review mechanisms, an outdated tax imposed on developers that undermines viability and discourages equity investment into schemes.
3. Improvements to the Gateway system must continue until approval times become predictable and proportionate.
4. Demand-side support. Developers will not build housing at scale if there is insufficient absorption on exit. Targeted support for first-time buyers – particularly in a climate of elevated interest rates – would play a critical role in restoring the confidence needed for private developers to commit to new schemes.



Placemaking without boundaries

Placemaking is about enhancing quality of life and creating a connection to the spaces that people live, work and play. Too often, we think of placemaking only in the context of public realm, residential environments or retail spaces, however there is a whole experience to shape *inside the office*. People do not stop being people when they arrive at work, and the workplace is one of the most impactful environments in their daily lives.



SAM HUGHES,
PLACEMAKING,
ENLIVENMENT
& OCCUPIER
ENGAGEMENT
DIRECTOR

More importantly, whilst districts with rich local amenities may naturally attract footfall, offices in more peripheral or less well-connected micro-locations must be more deliberate. However, that doesn't have to mean large-scale investment. London's competitiveness hinges on the interplay of place, product and performance; the same applies to individual buildings. Purposeful workplace placemaking enables any office to become a living, breathing neighbourhood in its own right, one that people choose to be part of.

Knight Frank Place approaches placemaking in several ways:

1. CREATING A PLACE VISION (IDENTITY + INCLUSION)

Emphasising identity and micro performance, we help clients create a place vision; just as one would for a mixed-use district following public consultation, which guides all development principles. In an office environment, this can be translated into a "tenant commitment" shaped by occupier needs, capturing the building's culture and community identity and aligning the experience

with broader DE&I, ESG and wellbeing priorities.

2. DESIGNING FOR EXPERIENCE (FUNCTIONALITY AND DESIGN)

Developers must curate not just buildings but ecosystems; ground floors, cafés, routes and touchpoints that sustain vibrancy. Inside offices, we mirror this principle through Design for Management, ensuring every step of the journey, from reception to desk to end of trip, is purposeful, seamless and reflective of the experience occupiers expect.

3. MANAGING THE FUNDAMENTALS (FUNCTIONAL RESILIENCE)

In a workplace environment, this means ensuring the foundational elements; Wi-Fi, air quality, security, water, temperature are reliable and well managed, and this is where Knight Frank Promise fits in. This is the workplace equivalent of Maslow's hierarchy of needs: without functional excellence, experience cannot flourish.

4. CURATING EVERYDAY ACTIVATION (PRESENCE AS PERFORMANCE)

We curate enlivenment and engagement programmes that respond directly to the needs and interests of the specific tenant community. This co creation with lead tenants builds social cohesion, boosts footfall, and mirrors the vibrancy that successful districts achieve at street level. It also makes our input valuable to tenants, as occupiers are more likely to return

"London's competitiveness hinges on the interplay of place, product and performance; the same applies to individual buildings. Purposeful workplace placemaking enables any office to become a living, breathing neighbourhood in its own right, one that people choose to be part of."

to work. We regularly see colleagues based in northern regions booking onto events held in other regions, demonstrating that compelling experiences attract engagement regardless of location.

And the proof is in the pudding...

Landlords and tenants across all asset classes in London are increasingly seeking placemaking strategies because they recognise the value it brings to the occupier experience and to the overall positioning and performance of their assets. A recent study published in The Journal of Real Estate Finance and Economics found that a one-point increase in tenant satisfaction (on a Likert scale from 1-5) was associated with an 8.6% greater willingness to renew their lease. This shows that placemaking is not a "nice to have", but a measurable contributor to stronger occupier outcomes and more competitive buildings.

The Last Word: Solving the London Equation

London's office market is not more complex – it is less forgiving. As timing, place, product, and capital move together, misalignment becomes the central risk. In this environment, success depends on making clear decisions early and executing them with conviction.



DR LEE ELLIOTT,
PARTNER,
COMMERCIAL
RESEARCH

Stepping back from the 2026 London Series, the most striking conclusion is not that London has become more complex – it always has been – but that complexity is now less forgiving.

The insights contained within the series point to a market in which the familiar forces shaping London are more tightly coupled than before. Timing, place performance, building quality and capital conditions increasingly collide, compressing decision making and narrowing the range of viable outcomes. The consequence is a sharper distinction between strategies that work and those that do not.

One implication is that the market's internal competition has intensified. Differences between assets, locations and approaches are being expressed more clearly and more quickly. Performance is no longer smoothed out across submarkets or cycles. Instead, it is concentrated – often at street level, sometimes at

“Timing, place performance, building quality and capital conditions increasingly collide, compressing decision making and narrowing the range of viable outcomes.”

building level – and increasingly visible in both occupational and investment outcomes.

Another is the changing nature of risk. In earlier cycles, risk was often associated with volatility: swings in pricing, shifts in demand, or sudden changes in sentiment. In the current phase, risk more often sits in misalignment – between programme and delivery, between product and occupier expectation, between capital structure and long term relevance. These are not risks that can easily be diversified away, and they are harder to correct once embedded.

This has implications for how decisions are made. Optionality, once a source of comfort, now carries a cost.

Delay alters the opportunity set, not just the timetable. In a market with limited slack, waiting rarely preserves choice; it reshapes it. As a result, the market increasingly rewards conviction – not in the sense of bravado, but in the sense of clear, early choices grounded in an understanding of constraint.

Looking ahead, three characteristics are likely to define the next phase of London's office market.

First, **certainty will command a premium.**

Certainty of delivery, of cost, of environmental performance and of operational outcomes will underpin value more consistently than speculative upside. This will favour assets and strategies that



“The market will continue to differentiate between buildings and portfolios that can realistically meet future requirements – within time, cost and regulatory constraints – and those that cannot. For the latter, repricing alone will not be enough.”

can demonstrate credibility as well as ambition.

Second, **place will continue to fragment by performance.**

Demand will remain focused on locations that support intensity of use and daily engagement, while weaker areas will require more than cyclical recovery to close the gap. Infrastructure, amenity and identity will increasingly determine relevance.

Third, **adaptability will become the dividing line.**

The market will continue to differentiate between buildings and portfolios that can realistically meet future requirements – within time, cost and regulatory constraints – and those that cannot. For the latter, repricing alone will not be enough.

Taken together, these shifts point to a London market that remains deep and resilient, but one that is more explicit about what it rewards. Success will be shaped less by confidence in the city’s long term story – widely shared – and more by how effectively individual decisions recognise and respond to constraint.

That is where the next phase of London will be decided.



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



Philip Hobley, Partner,
Head of London Offices
philip.hobley@knightfrank.com



Dr Lee Elliott
Head of Global Occupier Research
lee.elliott@knightfrank.com



Julian Woolgar
Partner, London Tenant Representation
julian.woolgar@knightfrank.com



Angus Goswell
Partner, Chairman of London Offices
angus.goswell@knightfrank.com



Dan Gaunt
Partner, Co-Head London Leasing
dan.gaunt@knightfrank.com



Abby Brown
Partner, London Leasing
abby.brown@knightfrank.com



Katie Oliphant
Partner, London Offices
katie.oliphant@knightfrank.com



James Thistle
Partner, Head of London Lease Advisory
james.thistle@knightfrank.com



Alex Fryer
Partner, Central London
Capital Markets
alex.fryer@knightfrank.com



Andrew Tyler
Partner, Head of London Office
Development
andrew.tyler@knightfrank.com



Nick Braybrook,
Partner, Head of London
Capital Markets
nick.braybrook@knightfrank.com



Ian McCarter
Partner, Co-Head of London
Office Leasing
ian.mccarter@knightfrank.com



James Barton
Partner, Department Head –
London Land
james.barton@knightfrank.com



Shabab Qadar
Partner, London Research
shabab.qadar@knightfrank.com



Oliver Knight
Partner, Head of Res Dev Research
oliver.knight@knightfrank.com



Chris Dunn
Associate, London Office Insight
christopher.dunn@knightfrank.com