The London Series

Our approach

Q1 2026

The London Series addresses the key issues shaping the future of London and its office market.

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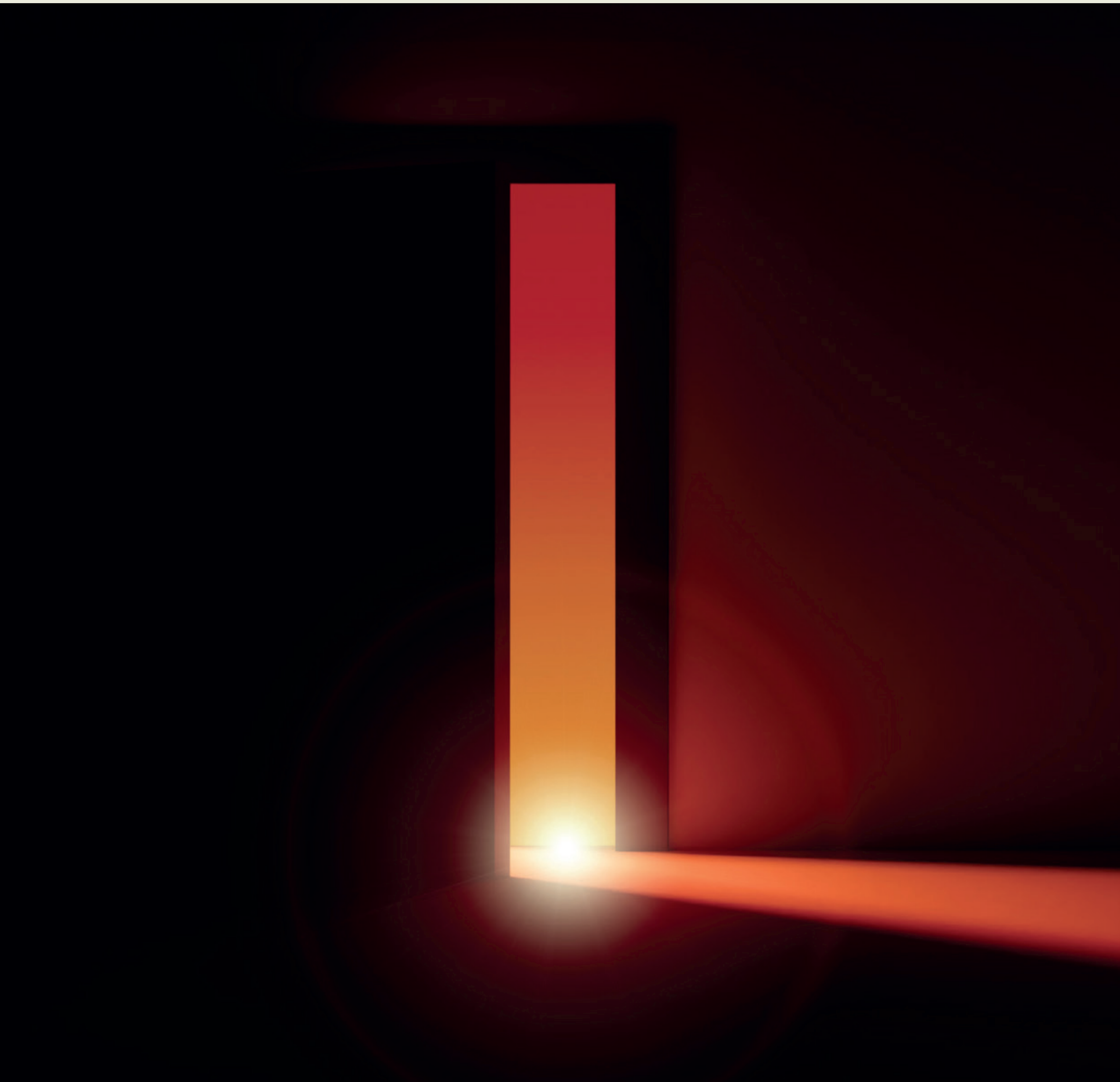

INTERPRET THE CHANGE. DEFINE THE ADVANTAGE.

The London Equation – competing on four fronts

London in a World Rewritten

LONDON ENTERS 2026 AS THE WORLD ITSELF RESETS

The global economy has slowed into a new, uneven rhythm: growth persists, but it is more regional and less synchronised than at any point in the past two decades. Inflation has eased yet remains stubbornly above target in many advanced economies, forcing central banks to keep interest rates higher for longer. The age of cheap capital and infinite liquidity has ended; a new one, defined by cost, caution and competition, has begun.

POLITICS MIRRORS THE ECONOMY'S VOLATILITY

In Washington, the return of Donald Trump has reignited protectionist sentiment and unsettled global alliances. Across Europe, fiscal strain and populist politics are reshaping priorities from Paris to Berlin. In Asia, supply chains are fragmenting as friend-shoring replaces free trade, while industrial policy becomes diplomacy's new frontier. The Middle East remains geopolitically charged, and the world's institutions – from the WTO to the IMF – strain to keep pace with overlapping crises.

TECHNOLOGY ACCELERATES EVERYTHING

The AI revolution is collapsing corporate timelines, altering productivity and redefining where value is created. The energy transition has become a global arms race for grid capacity, data, minerals and innovation. Climate volatility, migration and inequality are redrawing the demographics of labour and demand.

For London, these global dynamics land atop domestic ones: a housing shortage, ageing infrastructure, pressure on public finances, and a planning system designed for slower times. The city remains a magnet for talent and capital, but its peers are gaining ground. New York, Paris, Singapore and Dubai are each refining their own propositions – faster planning, deeper tax incentives, bigger bets on technology.

London's historic strength has been its capacity to adapt – to turn disruption into reinvention. But that resilience now faces its sternest test. The question is not whether London will remain a global city, but how it will compete in a world that has become faster, more fragmented and far less forgiving.

To decode this moment, Knight Frank has developed a new analytical framework – The London Equation:

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

FOUR VARIABLES DEFINE THE CITY'S TRAJECTORY.

Each can be examined alone, yet the real insight lies in how they interact. *Time* influences if and where occupiers move. *Place* determines how product performs. Yet *Product* is defined not just by location or specification, but also by deliverability, efficiency, and resilience. *Capital* dictates what can be built, when and at what cost. Together, they describe the mechanism through which London's competitiveness is forged.

The 2026 London Series explores each variable through a dedicated paper, revealing how London must now compete: faster in delivery, richer in experience, sharper in production and more innovative in finance.

Time: The Compression Effect

TIME HAS BECOME LONDON'S MOST FINITE RESOURCE

Across the market, cycles that once unfolded sequentially are now colliding. More than 50 million sq ft of leases will expire between 2026 and 2030 – a volume that compresses occupier decision-making into a far narrower horizon than any in recent memory. At the same time, construction schedules are lengthening, planning approvals are slowing, and refinancing peaks are converging with elevated debt costs.

This confluence has created *temporal compression:* the overlap of occupier, developer and investor timelines that were once offset. In previous cycles, leasing momentum could pause while development caught up or capital waited for clarity. Today, those feedback loops are misaligned. The result is a market that must act simultaneously across all fronts, even as its traditional buffers disappear.

For occupiers, the luxury of deliberation has gone. Search and selection processes that once spanned months are now measured in years. The best space – high-performing, sustainable, connected – is being secured well ahead of expiry, often before construction completes. Acting early is no longer opportunistic; it is defensive.

Developers, meanwhile, face a new form of execution risk. Delivering on time is now a strategic differentiator, not an operational metric. Projects that fall foul of planning drift risk falling permanently out of phase with demand. Many are adopting concurrent workstreams – design, funding, procurement and enabling works proceeding in parallel – to claw back lost time.

For investors, precision has replaced patience. Returns depend less on timing the cycle and more on aligning entry, refurbishment and leasing phases with almost surgical accuracy. In a higher-cost environment, capital must be deployed with rhythm as well as courage.

London's challenge is not the shortage of time itself but the *asynchrony* of its clocks. Occupiers believe they have more; developers know they have less; investors wait for validation that may never arrive. The city's competitiveness will depend on how well those clocks can be realigned – how effectively London can synchronise its cycles to convert time pressure into first-mover advantage.

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Place: The power of presence

PLACE HAS BECOME LONDON'S MOST EXPRESSIVE VARIABLE

The city's traditional hierarchy – core and periphery, West End glamour versus City gravitas – has been replaced by a subtler geography defined by *performance*. It is no longer just about a submarket or a specific postcode, there are fine margins and market players need to understand 'place' on a mirco scale.

Hybrid work has untethered daily presence from a single district. Employees and clients alike now value experience, accessibility and authenticity as much as prestige. The result is a patchwork city where multiple centres of gravity coexist: some dense and vertical, others porous and horizontal, all competing for relevance.

King's Cross remains the exemplar of modern urban placemaking – a district that fuses transport, creativity and culture into a cohesive identity. Canary Wharf, once emblematic of corporate monoculture, is undergoing its own reinvention – adding housing, education and leisure to diversify both footfall and income. Meanwhile, districts such as Farringdon, White City, Stratford and Battersea illustrate how infrastructure investment and cultural energy can elevate secondary locations into optimal solutions.

The common thread is activation. Places that perform everyday command loyalty and pricing power; those that empty at 6pm struggle to hold either. Occupiers now evaluate neighbourhoods through a broader lens: ESG credentials, public-realm quality, health, convenience and community. Developers must therefore curate not just buildings but ecosystems – ground floors, cafés, cycle routes, public squares – that sustain vibrancy.

Investors, in turn, must evolve valuation logic to capture the intangible: authenticity, diversity, resilience, as well as looking beyond market or submarket metrics to discover pockets of future outperformance at the micro level. The most liquid assets in future cycles will be those embedded in living, breathing neighbourhoods that combine business function with social experience.

Using an 11-variable Submarket Performance Index, we have highlighted locations within London which have outperformed in recent years, as well as those that possess the fundamentals to see future growth in 2026 and beyond.

London's strength lies in permeability – its ability to allow movement within rather than away from the city. The future will not pit the centre against the edge, but will measure how effectively each district contributes to London's collective competitiveness. The places that win will be those that fuse identity with inclusion, making presence itself a form of performance.

Product: Building at the limits

LONDON IS BUILDING AT THE EDGE OF ITS PHYSICAL, FINANCIAL AND REGULATORY CAPACITY

Construction costs remain about 20% above 2019 levels. Planning complexity erodes viability. And just over half of future supply will be delivered through retrofit and refurbishment rather than new build – a dramatic structural pivot for a market long accustomed to expansion.

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This shift has consequences that ripple across the ecosystem.

Scarcity of Prime and Grade A stock sustains rental growth, but it also amplifies competition among occupiers for compliant space. Developers face rising exposure to cost inflation and financing drag. Investors must differentiate between *pipeline volume* and *pipeline probability* – what is approved versus what is actually deliverable.

Retrofit has become both imperative and opportunity.

The policy drivers are clear: MEES regulations, carbon-reduction targets, and investor ESG requirements. The financial logic is catching up: embodied-carbon preservation saves material cost and reduces risk, while occupiers increasingly pay a premium for sustainable certification. Yet the practical constraints – floorplates, sustainability capacity, heritage protection – remain formidable.

London's future supply will depend on collaboration and creativity, with joint-funding structures and early occupier engagement being key. At the same time, the economics of development are improving and imply that the risk of speculative development is much lower than in previous cycles.

This evolution redefines what "prime" means. It is no longer just location or specification; it is deliverability, efficiency and resilience. The city's competitiveness will hinge on whether it can align environmental ambition with commercial feasibility – ensuring that the sustainability imperative enhances, rather than constrains, its economic vitality.

Capital: Risk repriced, volatility tamed

CAPITAL IS THE MULTIPLIER THAT TURNS CORRECTION INTO MOMENTUM

After a 30 per cent repricing from the 2021 peak, London's investment market is entering a new phase of recalibration. The panic of value collapse has passed; what remains is a search for equilibrium between cost of debt, risk appetite and income growth.

The backdrop is structurally different from previous recoveries. The era of near-zero rates is gone. Investors face a world of higher real yields, tighter liquidity and more demanding stakeholders. Yet within that discipline lies opportunity.

Institutional capital is returning, but selectively – focusing on core and core-plus assets where leasing resilience offsets higher financing costs. Sovereign wealth and family offices are expanding holdings, seeking long-term currency hedges and exposure to stable democracies. Private-credit funds are filling the space left by traditional lenders, bringing bespoke funding structures but also sharper underwriting.

This diversity of capital sources is reshaping ownership models. Partnerships and JVs are proliferating, spreading risk and aligning expertise. Operational value is overtaking speculative yield as the main driver of return. Investors increasingly view buildings as platforms – integrating flexible workspace, energy services and tenant-experience layers to generate incremental income.

The outlook for London remains resilient. Prime yields have stabilised; rental growth in the best submarkets continues; volatility has fallen as speculative development wanes. For global investors, the city still offers what few others can – liquidity, transparency and depth of demand.

Yet the defining shift is philosophical. Capital is rediscovering patience. In a world short on certainty, the ability to hold, manage and enhance income over time is more valuable than chasing rapid appreciation.

The Interplay

Time, place, product and capital each tell part of the story; together, they explain how London competes.

A delay in delivery ripples through leasing markets; scarcity redirects investment; the cost of capital shapes what can be built and where. The London Equation captures this interdependence – a city's economic rhythm expressed as a formula for competitiveness.

London's challenge is to keep those moving parts in harmony: synchronising its clocks, re-imagining its districts, delivering its buildings and deploying its capital. The city that succeeds will not merely endure global turbulence but define the next phase of urban competitiveness.

What The London Series 2026 will explore

Over the coming weeks, *The London Series 2026* will examine each of these forces in depth, drawing on Knight Frank's proprietary data, market intelligence and adviser insight.

Each paper will show how timing, location, design and finance interact to shape the city's evolution – and what that means for occupiers, developers and investors seeking advantage in an era of constraint.

Taken together, the series will provide a single, coherent narrative:

That London's success in the decade ahead will rest not on any single variable, but on its ability to master the balance between them.

A city that learns to compete on all four fronts – managing time, cultivating place, delivering product and deploying capital – will not just survive global change; it will lead through it.

> "London's competitiveness will rest on how effectively it aligns [this] patient capital with innovation, ensuring that money deployed in the city also modernises it."

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

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