The London Series

Insight 2 - Place: The Power of Presence

Q1 2026

Our second paper in The London Series 2026 explores the role of place in the London office market.

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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.

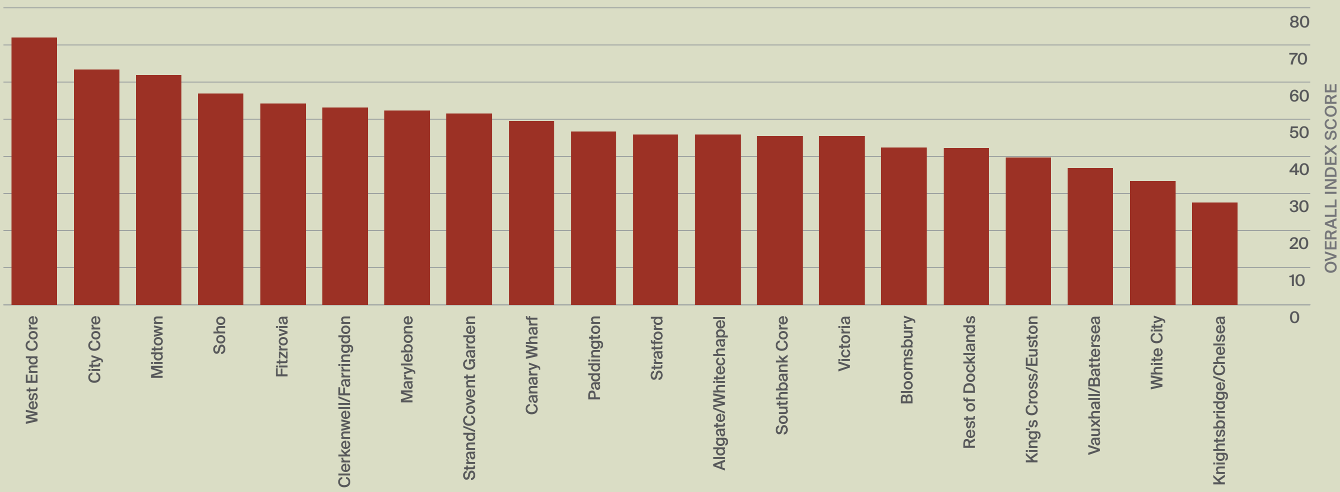
Within this environment, place has reasserted itself as a defining variable. Not simply in terms of geography, but in terms of performance. This paper focuses on place, reflecting a market in which traditional submarket boundaries are no longer the definitive measure. Performance is now being set at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

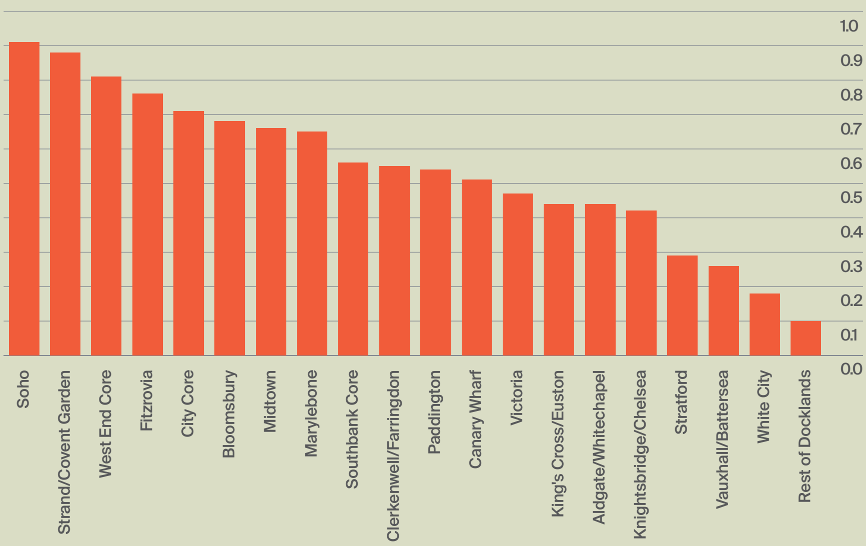
The adjacent Clerkenwell/ Farringdon submarket has also performed well overall, although higher vacancy rates compared to other submarkets impact its average score. Stronger rental growth is predicted over the next 5 years (18.9%) than the last 5 years (17.1%) and the high volume of space under offer 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, there is an opportunity for developers to 'close the gap' by providing an extended and diversified onsite amenity offering.

> "Midtown's performance has been strong over the last 12 months, achieving the highest outperformance against 5-year average take-up across all 20 submarkets."

Fig 2. Submarket amenity scores



Source: Knight Frank Insight

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.

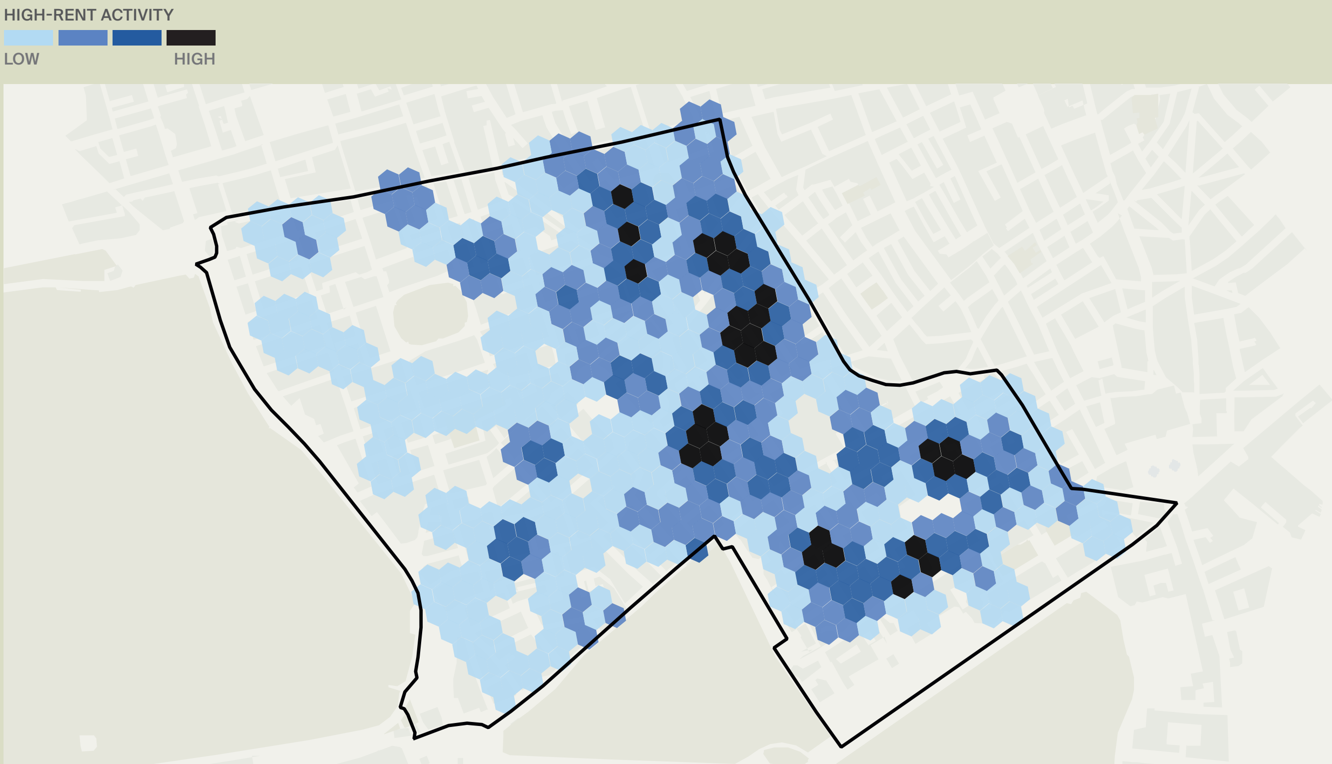
WEST END CORE – POCKETS OF RENTAL OUTPERFORMANCE

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 3. Heatmap for West End core high-rent activity



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.

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.

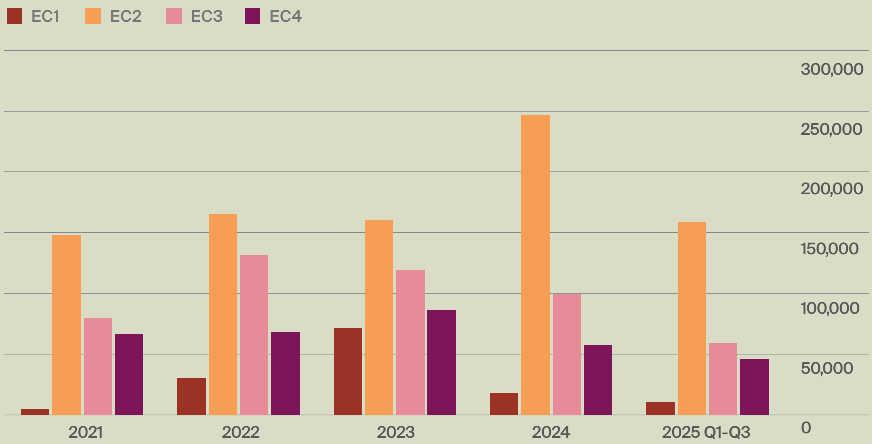
Whilst the overall performance of the submarket is rarely questioned, there are different dynamics at play within the City Core. One way of analysing this is to look at the component postcode districts within the submarket – EC1, EC2, EC3 and EC4.

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.

Fig 4. City core take-up: postcode breakdown

2021-Q3 2025



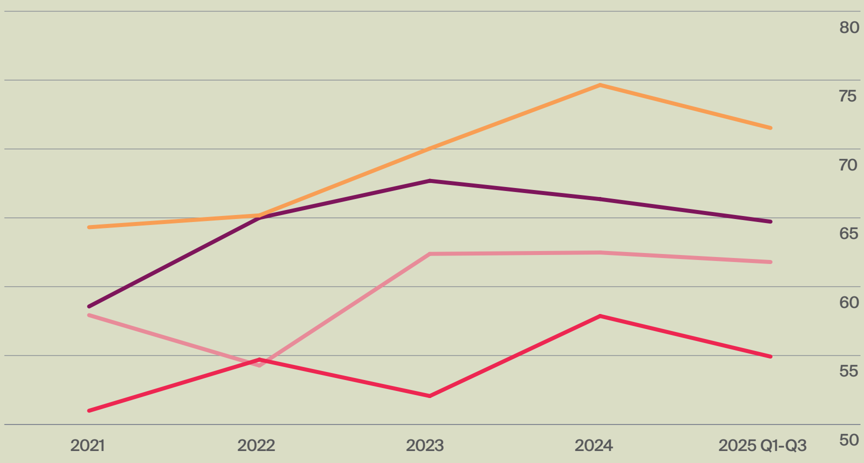
Source: Knight Frank Insight

Similar trends emerge when looking 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 reflect 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

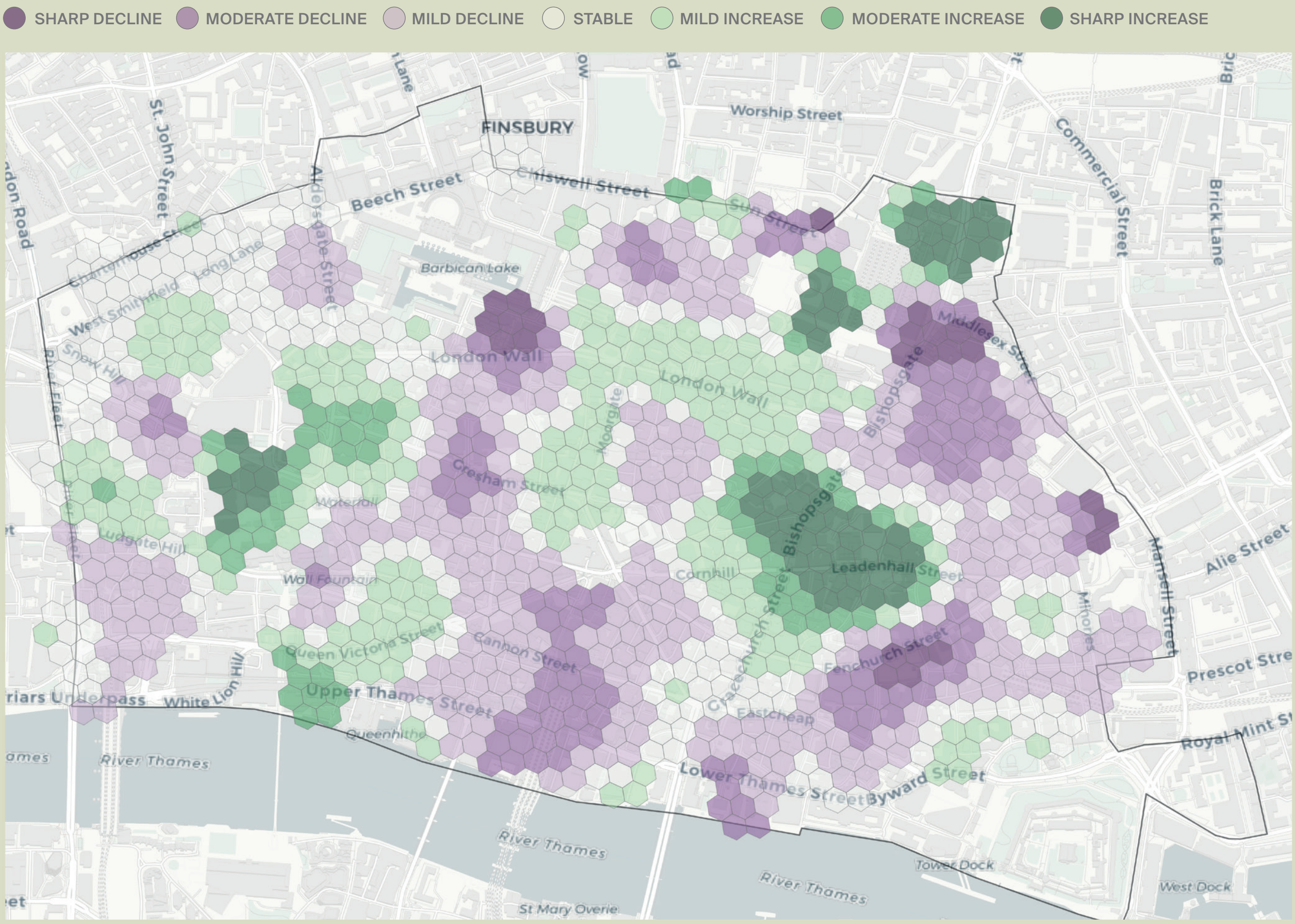
2021-Q3 2025 – Pre-lets/New leases only



Source: Knight Frank Insight

Fig 6. City core take-up

Pre-pandemic vs post-pandemic performance



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.

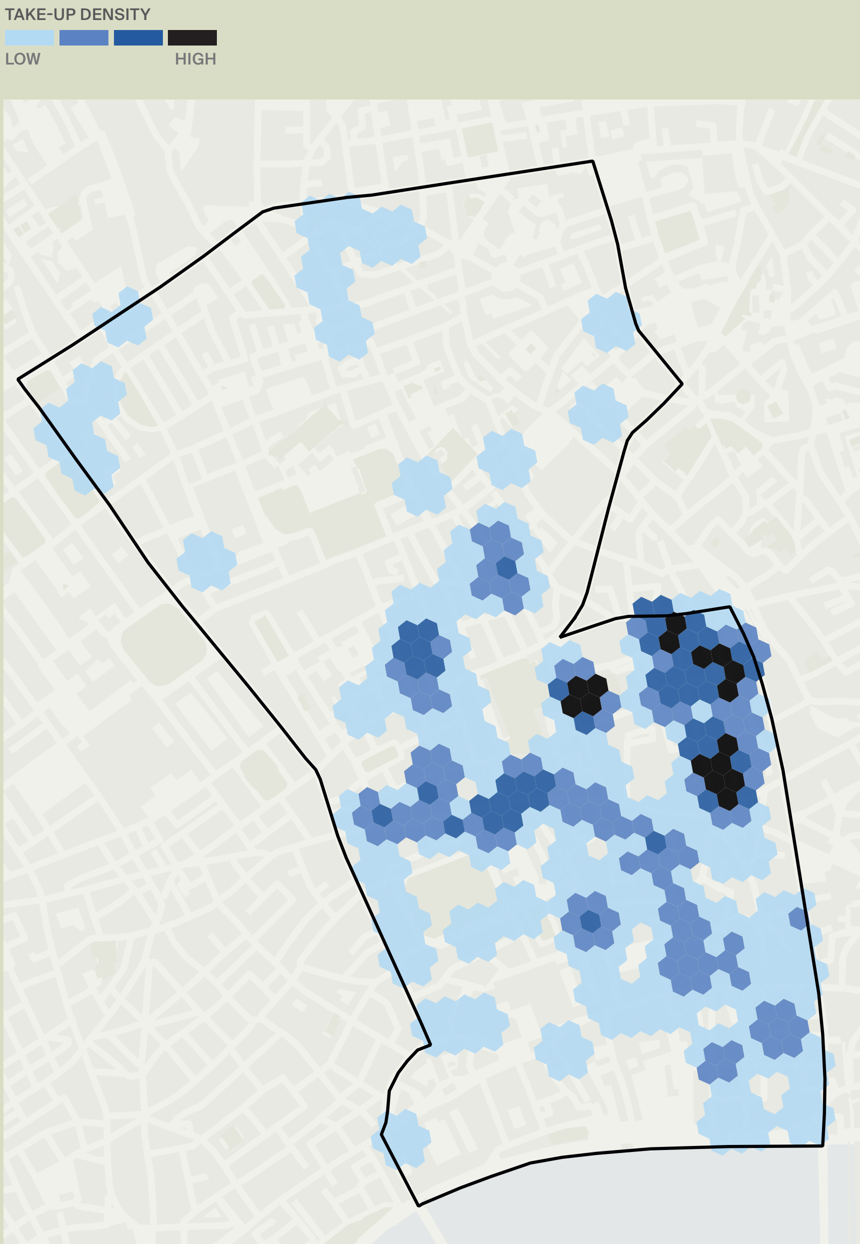
This 'outlier' deal also impacts the proportion of new/refurb take-up in EC1, which reached 87.1% over the last five years, compared to 76.0% in EC2. EC3 has seen a more balanced proportion, with 55.5% of all take-up being for new/refurb space, whilst the EC4 district saw 61.1%. This divergence at a 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	• 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	• Strongest rental growth projections in London • Undersupplied based on historic new/refurb demand levels • Scores highly on take-up vs 5yr average
SOHO	• Very limited future pipeline • Stronger rental outlook over next 5 years than the previous 5 years • Solid take-up post-pandemic
FITZROVIA	• Strong outperformance on post-pandemic demand • Rental growth over next 5 years over double the previous 5 years • Moderately undersupplied
CLERKENWELL/ FARRINGDON	• 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. 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.

> "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."

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.

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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