

South East and Greater London Offices



Q1 2026

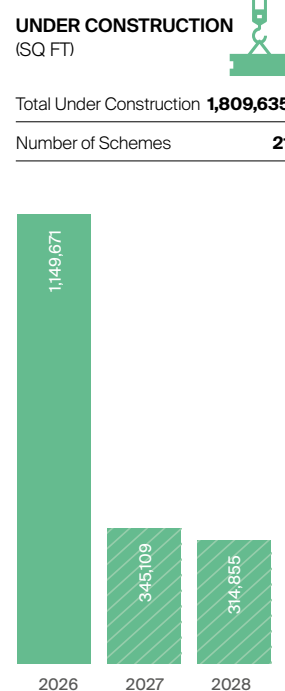
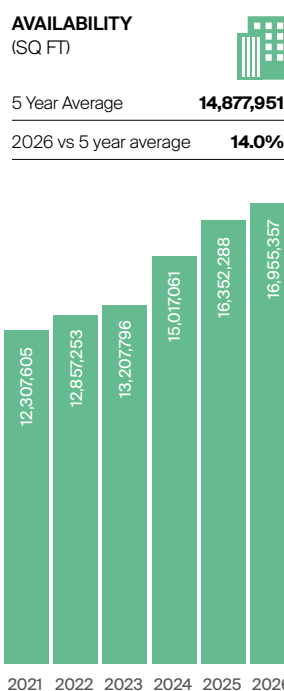
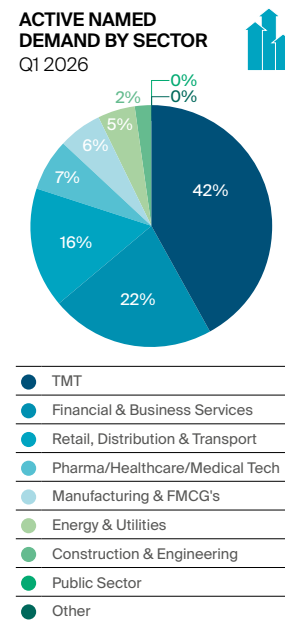
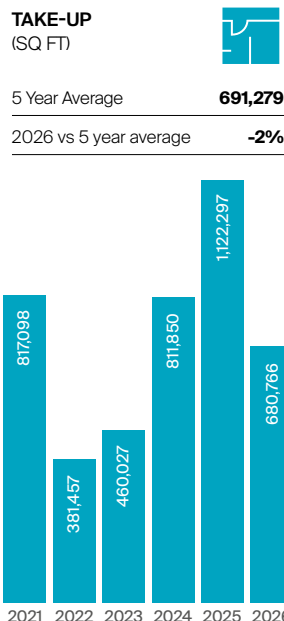
Investment, Development and Occupational markets

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Leasing Overview

- The South East office market started the year on a solid footing, with 680,766 sq ft of space leased in the first quarter. While this figure sits 13% below the five-year quarterly average, it represents a modest improvement of 1.2% on Q4 2025.
- As a result, the rolling four-quarter take-up total reached 3.0m sq ft, underpinned by strong deal velocity. A total of 345 transactions were completed over the period, 22% above the five-year average, highlighting broad-based occupational engagement.
- Tenant demand in Q1 2026 was led by the Technology, Media and Telecoms sector, accounting for 42% of total take-up. This was supported by the 78,711 sq ft letting to Microsoft at The Here Building in Reading. Financial and Business Services followed, representing 22% of leasing activity, including three lettings over 10,000 sq ft.
- Active requirements across the market totalled 3.8m sq ft at the end of the quarter. Financial and Business Services occupiers accounted for 29% of this demand pipeline, with TMT firms close behind at 26%, reinforcing their continued prominence across the region.
- Grade A space dominated leasing performance, representing 85% of all take-up in Q1. This is the highest proportion recorded since 2021 and underlines the sustained flight to quality, as occupiers prioritise modern, efficient and amenity-rich buildings.
- Although total availability has edged upward, the increase has been driven primarily by the release of Grade B stock, which has risen by 20% over the past twelve months. Overall vacancy therefore increased to 10.6%, compared with 9.7% in Q1 2025. In contrast, Grade A vacancy tightened from 6.9% to 6.6%, reflecting continued competition for the best quality space.
- Development activity remains constrained. As of Q1 2026, 1.8m sq ft was under construction, with completions expected over the next 24 to 36 months. Cambridge and West London account for 65% of the current speculative pipeline, reinforcing the geographic concentration of new supply.
- Rental growth remains evident. The average South East headline rent now stands at £41.50 per sq ft, up 1.5% over the past year. However, performance has been more pronounced in several key markets, with 19 locations recording above-average growth. Cambridge, Milton Keynes and Windsor stand out for the highest rental increases, with growth of 25%, 17% and 11.5% respectively.



Knight Frank View



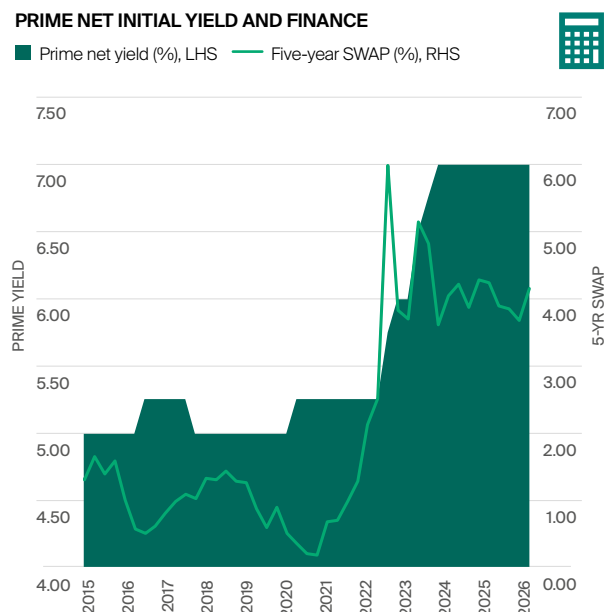
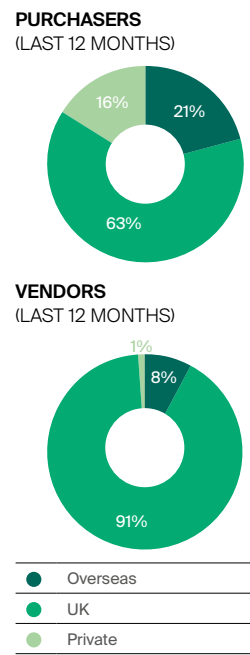
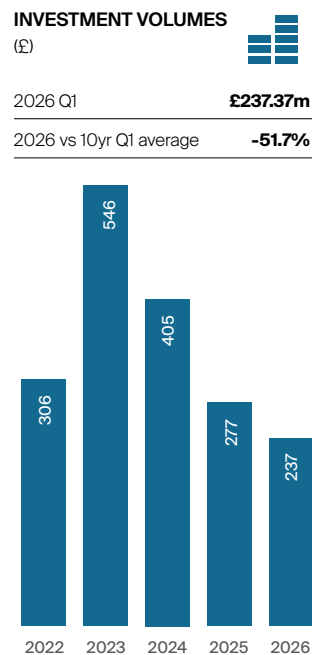
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The market has moved beyond a traditional flight to quality. Demand is now overwhelmingly concentrated in Grade A accommodation, with 85% of all take-up focused on new or comprehensively refurbished buildings. For modern occupiers, best-in-class workspace is no longer a preference but a necessity. A vacancy rate of just 1.7% in this segment is effectively frictional, and in many core markets there is now little meaningful availability for occupiers seeking to upgrade their headquarters.

Development activity has yet to recover from the slowdown that began in 2020, with new supply limited to a small number of locations. In the absence of additional stock, this structural imbalance will persist, placing upward pressure on prime rents and further widening the performance gap between prime and secondary buildings. Assets without a credible pathway to meeting modern occupier requirements will increasingly need to consider alternative use options.

Investment Overview

- Investment activity across the South East and Greater London moderated in the first quarter, with £237m of office assets traded. This represented a 14% decline compared with Q1 2025 and 44% less than the previous quarter.
- Even so, deal flow remained steady but selective. A total of 25 transactions were completed during the quarter, one fewer than in Q4 2025 and three fewer on a year-on-year basis. Average deal size remained low at £9.5m, reinforcing the ongoing focus on smaller lot sizes.
- Ten deals completed above £10m during the quarter, although only one transaction exceeded £20m. This was the £27m acquisition of Skandia House in Southampton by a private, high-net-worth individual, underscoring the limited activity involving higher-value assets.
- Buyer composition was dominated by UK capital. Private property companies accounted for 45% of investment volumes, while private investors represented a further 35%. This investor profile reflects the continued cautious re-engagement of institutional capital at the start of the year.
- Looking ahead, office stock totalling £961m was available on the market at quarter end, of which £338m was under offer. Notably, four of the assets currently under offer are priced above £20m. Of the actively marketed stock, six assets are also priced above £20m. This points to a modest but gradually widening pool of larger lot opportunities as pricing expectations realign.
- Prime yields for 15-year income remain at c.7.00%, albeit there were no transactions at this level during the first quarter. Opportunistic buyers are currently the most active, targeting attractively priced asset management projects.
- UK debt markets remain cautious as investors adopt a “wait-and-see” approach ahead of the latest developments in the Middle East. The surge in energy prices and rising inflation concerns have prompted investors to revise expectations for BoE policy, now anticipating one or two interest rate hikes in 2026. The 10-year gilt continues to hover around 4.8–4.9% as investors price in inflation risk and a cautious BoE path. Against that backdrop, funding conditions are stable but remain rate-sensitive.



Knight Frank View



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Investor sentiment continues to strengthen, supported by yield stability over the past 12 months and underpinned by a chronic imbalance between supply and demand in most occupational markets. A sustained lack of available stock, combined with strong and broad-based rental growth across most centres, has reinforced confidence in income durability and long-term rental growth prospects.

Transaction volumes, however, remain stubbornly subdued by historic standards. Activity is increasingly constrained by a lack of motivated sellers, with many investors comfortably holding assets in the absence of refinancing pressure. Ongoing macroeconomic and geopolitical uncertainties are also tempering risk appetite, resulting in cautious capital deployment and a slower recovery in liquidity than sentiment alone would suggest.

Development Overview

Development volumes over the past decade have closely tracked shifts in market confidence and occupier demand. Following the peak of the development cycle in 2017, when just over 3.3m sq ft completed, activity has moderated, with annual speculative delivery failing to exceed 1.6m sq ft in any subsequent year.

In the five years since the Covid pandemic, approximately 5.3m sq ft of speculative space has been delivered. At the same time, 6.3m sq ft of take-up has involved new space and 18.1m sq ft has realised into Grade A accommodation.

As a result, the proportion of new space within total availability has continued to decline. At the end of Q1 2026, new space accounted for just 9.6% of market availability. Vacancy in new or comprehensively refurbished Grade A space now stands at only 1.7%, compared with 10.6% across the wider market, leaving occupiers with very limited near-term choice.

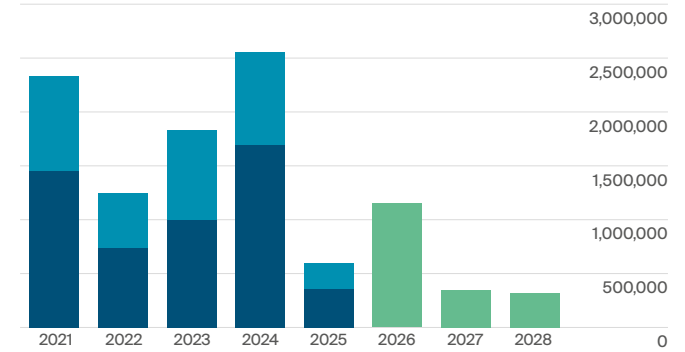
Current active occupier demand totals 3.8m sq ft across the region, set against a development pipeline of only 1.8m sq ft under construction, of which 1.1m sq ft will complete in 2026. New supply is also highly concentrated, with only around 500,000 sq ft under construction outside West London and Cambridge, leaving many established office markets with little or no new delivery.

In conclusion, just 2.7m sq ft of new or prime refurbished Grade A space is available to meet existing demand. This structural undersupply is intensifying competition for the best buildings and increasingly forcing occupiers to commit earlier in the cycle.

DEVELOPMENT TIMELINE

SQ FT

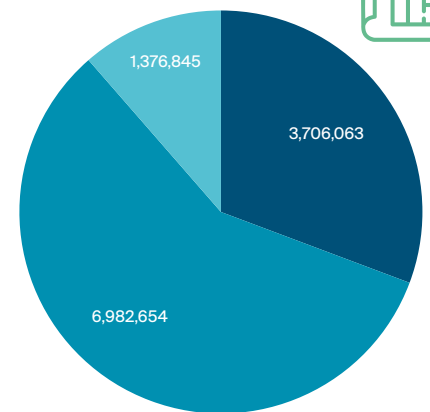
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PROPOSED DEVELOPMENT PIPELINE

SQ FT

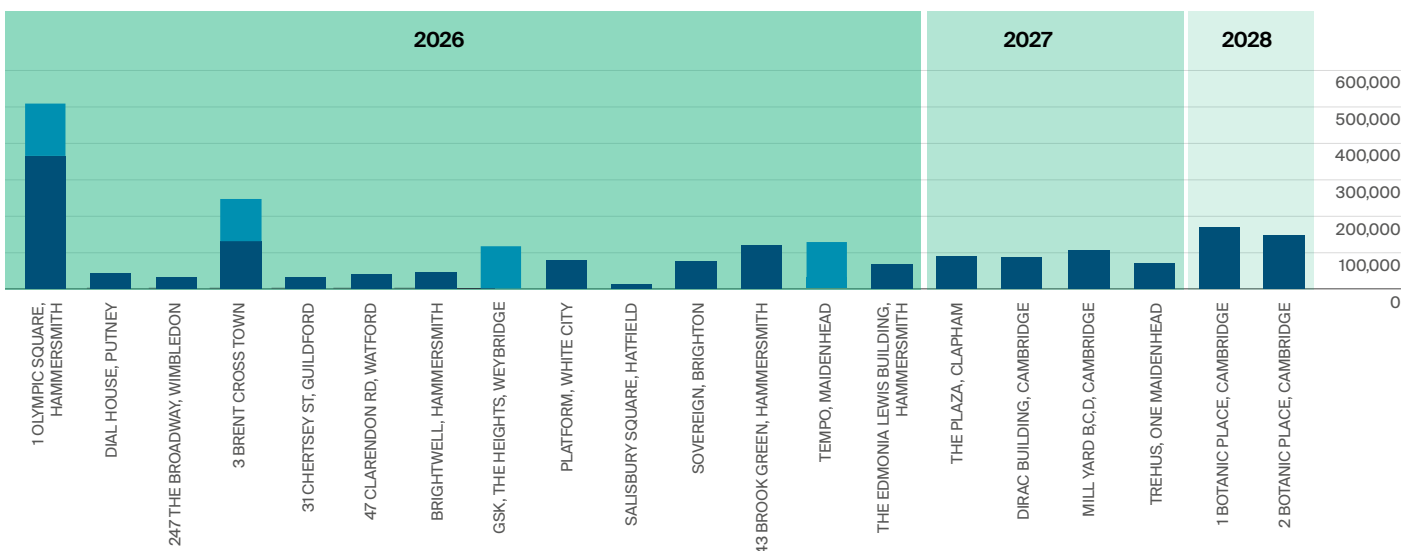
● Consented
● Pre-Planning
● Submitted/Allocation



UNDER CONSTRUCTION

SQ FT

■ Speculative ■ Pre-let



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TECHNICAL NOTE

- The figures in this report relate to the availability of built, up-and-ready office/B1 accommodation within the South East and Greater London market. Vacant premises and leased space which is being actively marketed are included.
- All floorspace figures are given on a net internal area basis (as defined by the RICS).
- A minimum 10,000 sq ft (net) cut-off has been employed throughout. Major and minor refurbishment have been treated as new and second-hand respectively. Data is presented on a centre and quadrant basis. Classification by centre relates to the locational details contained within the marketing material for available properties. Classification in this manner is clearly somewhat arbitrary.
- Second-hand floorspace has been sub-divided into A and B grade accommodation, reflecting high and low quality respectively. Whilst subjective, this categorisation is based on an assessment of each property's age, specification, location and overall attractiveness.
- The South East is defined by market definition and is inclusive of Cambridge, Oxford and Brighton.
- Pre-let = The letting of proposed schemes not yet under construction and those let during the construction process.
- All data presented is correct as at 31st March 2026.