South East and Greater London Offices

Q2 2026

Investment, Development and Occupational markets

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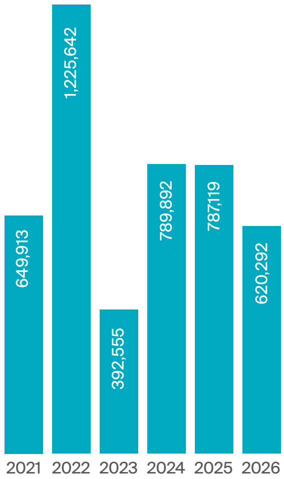
Leasing Overview

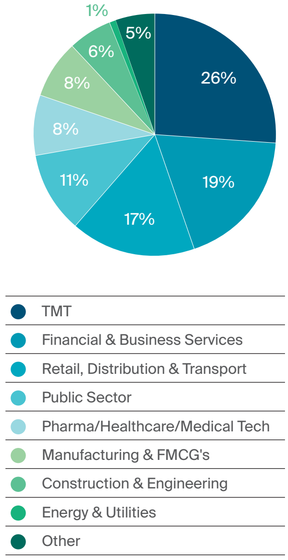
- Leasing activity remained resilient in the Q2, with 620,292 sq ft of take-up recorded, representing a 9% decline on Q1 2026. Transaction volumes were largely unchanged, with 75 deals completed in Q2 compared with 77 in Q1, highlighting continued occupier engagement.
- As a result, total take-up for H1 2026 reached 1.3m sq ft. While this is below the exceptionally strong first half of 2025, activity remains broadly in line with the five-year H1 average. This suggests that, despite a moderation in demand from last year's peak, market activity remains at a healthy level by historical standards.
- Tenant demand in H1 2026 has been led by the Technology, Media and Telecoms sector, which accounted for 33% of total take-up. This was supported in Q2 by the 24,259 sq ft letting to digital services firm Informa at Cantay House in Oxford. In terms of deal numbers, Financial and Business Services have been most active, accounting for 44 of 152 deals completed across the six-month period.
- The flight to quality continues to shape leasing activity. In H1 2026, 30% of take-up was concentrated in new or newly refurbished space, underlining occupiers' preference for the highest-quality accommodation. A further 48% was secured in existing Grade A space, while just 22% of take-up was directed towards Grade B and lower-quality stock. This distribution highlights the ongoing demand for best-in-class space and the challenges faced by older buildings.
- Active occupier requirements totalled 4.5m sq ft at the end of the quarter, highlighting a healthy demand pipeline across the market. TMT occupiers accounted for 26% of active requirements, while Financial and Business Services firms represented a further 19%. Together, these sectors continue to underpin market activity and reinforce their importance as key sources of occupier demand.
- Overall vacancy increased slightly to 11.0%, up from 10.6% in Q1 2026, reflecting a modest rise in available space across the market. In contrast, Grade A vacancy tightened from 6.6% to 6.5%, highlighting continued competition for high-quality accommodation and reinforcing the ongoing flight to quality among occupiers.
- Development activity remains constrained, with 1.3m sq ft under construction across 16 schemes as at Q2 2026, all scheduled for completion by Mid 2028. New supply remains heavily concentrated, with Cambridge and West London accounting for 73% of the speculative development pipeline. This highlights the limited volume of development activity across the wider market.
- Rental growth remained widespread during the quarter, with 10 markets recording increases in headline rents. The uplift in Oxford was particularly notable, with town centre rents rising by 11.5% to £72.50 per sq ft. This reflects the strength of occupier demand for prime office space in highly constrained locations.

TAKE-UP
(SQ FT)

5 Year Average	**763,100**
2026 vs 5 year average	**-19%**

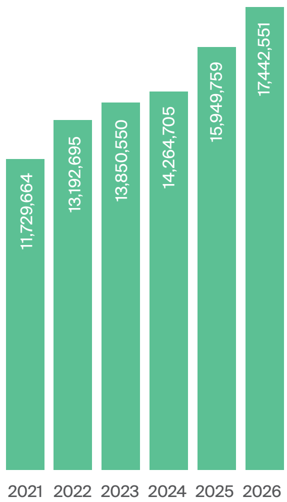


ACTIVE NAMED DEMAND BY SECTOR
Q2 2026



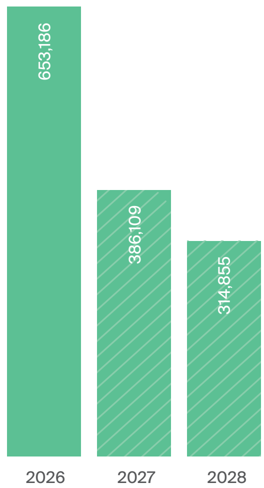
AVAILABILITY
(SQ FT)

5 Year Average	**14,940,052**
2026 vs 5 year average	**16.8%**



UNDER CONSTRUCTION
(SQ FT)

Total Under Construction	**1,354,150**
Number of Schemes	**16**



Knight Frank View

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Leasing volumes have moderated from the particularly strong levels recorded last year, but the underlying occupier market remains active with businesses jostling for the best space in an undersupplied market. The headline vacancy rate also masks a market moving in two different directions. The South East is not short of offices overall, but it is increasingly short of the offices occupiers actually want.

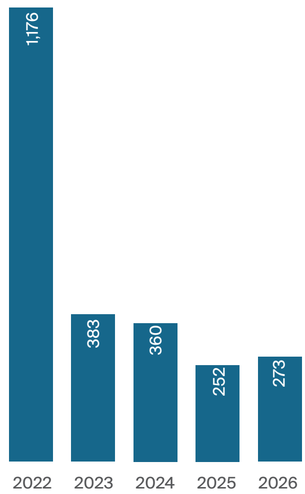
This is supporting rental growth in the best buildings while increasing the pressure on secondary stock. Owners of older offices without a credible route to meeting modern occupier requirements will increasingly need to invest, reposition or consider alternative uses. Developers who are delivering new stock to the market now are reaping the benefits by achieving record rents with less competition.

Investment Overview

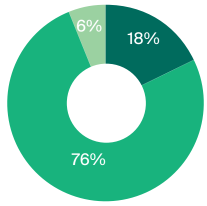
- Investment activity across the South East and Greater London remained subdued in the second quarter, with £248m of office transactions completed. While this represented a 3% increase on Q1 2026, volumes remained 28% below the five-year quarterly average, reflecting continued caution among investors.
- At the halfway point of the year, total investment volumes had reached £488m. This was 8% lower than the level recorded in H1 2025 and 42% below the five-year average for the first half, highlighting the ongoing slowdown in transaction activity.
- Even so, deal flow remains reasonably aligned with historical norms. A total of 41 transactions were completed in H1 2026, just eight fewer than the five-year average for the period. Average deal size has increased to £11.9m, suggesting that while transaction volumes remain subdued, lot sizes are beginning to rise.
- In H1 2026, 14 deals were completed above £10m, with three exceeding £20m. The largest deal in Q2 was British Land's acquisition of Life Science REIT (LABS) for £150m. First announced in January, the deal will bolster BL's exposure to science and technology assets in the 'golden triangle' between London, Cambridge and Oxford.
- Buyer activity was dominated by UK capital, which accounted for 80% of total investment volumes during the period. Listed property companies represented 36% of capital deployed, largely driven by British Land's acquisition of Life Science REIT. Private property companies contributed a further 16%, while private investors accounted for 12% of investment activity.
- Looking ahead, the investment market shows signs of improving liquidity. At the end of the quarter, £440m of office stock was either under offer or had exchanged, while a further £551m of assets was being actively marketed for sale. Notably, five of these opportunities were priced above £20m, indicating a gradual increase in the availability of larger lot sizes. This suggests that transaction activity may strengthen in the coming quarters as pricing expectations continue to align between buyers and sellers.
- 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 but broadly stable, with SONIA and EURIBOR swap rates showing only modest movements despite ongoing economic uncertainty. UK 5-year SONIA swaps stood at 4.08%, slightly higher than a week earlier but below the levels seen a month ago, while 3-year SONIA swaps were unchanged at 4.00%. Government bond yields have edged higher in the short term, with the 5-year, 7-year, and 10-year gilt yields rising to 4.35%, 4.50%, and 4.86%, respectively.

INVESTMENT VOLUMES
(£)

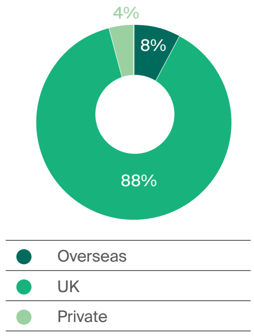
2026 Q2	**£272.70m**
2026 vs 10yr Q2 average	**-37.00%**



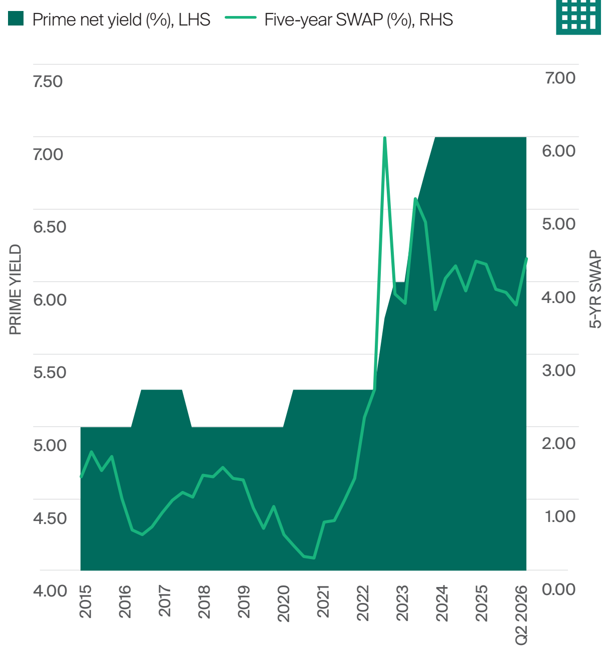
PURCHASERS
(LAST 12 MONTHS)



VENDORS
(LAST 12 MONTHS)



PRIME NET INITIAL YIELD AND FINANCE



Knight Frank View

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Investment volumes remain below historic levels, but there are early signs that liquidity is improving. Deal numbers are relatively close to longer-term norms, average lot sizes have increased and almost £1 billion of office assets are now being marketed, under offer or exchanged. Capital remains available, but buyers are highly selective and focused on assets where the occupational fundamentals, pricing and business plans are viable.

It is still too early to describe this as a broad recovery as macroeconomic uncertainty, cautious debt markets and the limited number of owners under pressure to sell will continue to constrain volumes. Nevertheless, the growing pipeline provides a credible basis for stronger activity during the second half of the year as buyer and seller expectations move closer together.

Prime Rent Monitor

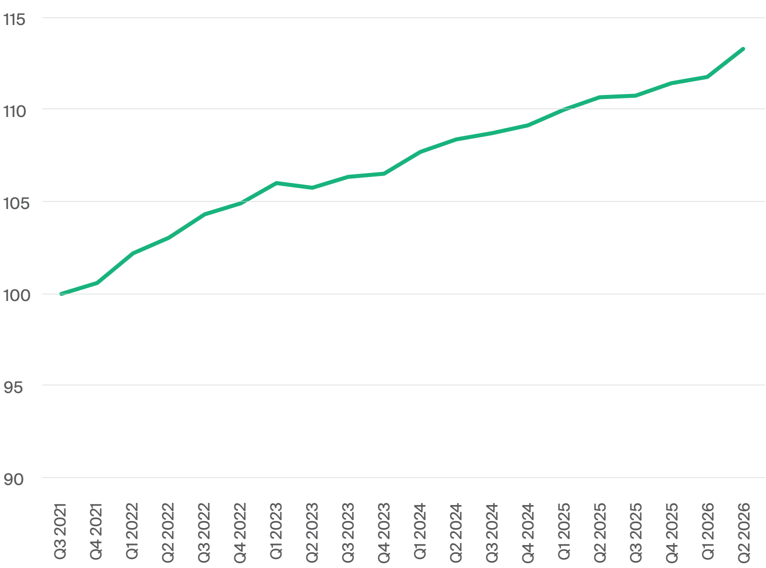
Rental growth remained resilient across the South East office market over the 12 months to Q2 2026. Performance continued to be led by the region's most established business and knowledge-economy centres. Cambridge continues to command the highest headline rents at £75 per sq ft, followed by Oxford at £72.50 per sq ft and Maidenhead at £62.50 per sq ft. These markets continue to register a premium over the regional average, underpinned by strong demand for high-quality office accommodation and constrained supply conditions.

At a local level, rental performance was more varied. Chelmsford recorded the strongest annual growth, with rents rising by 23.1%, while Crawley/Gatwick experienced a decline, with headline rents falling by 10.7%. Nevertheless, the wider market remained broadly positive, with most locations either maintaining or improving their rental position over the year.

Looking at the longer-term trend, rental growth has been consistent rather than dramatic.

The South East office rental index has risen from 100 to 113.3 over the past five years, representing cumulative growth of 13.3%. This equates to an annualised growth rate of approximately 2.5%, demonstrating the market's ability to deliver sustained rental appreciation despite periods of economic uncertainty and changing occupier requirements. Overall, the figures reinforce the resilience of the South East office market, with rental growth continuing to be driven by the strongest and most supply-constrained locations.

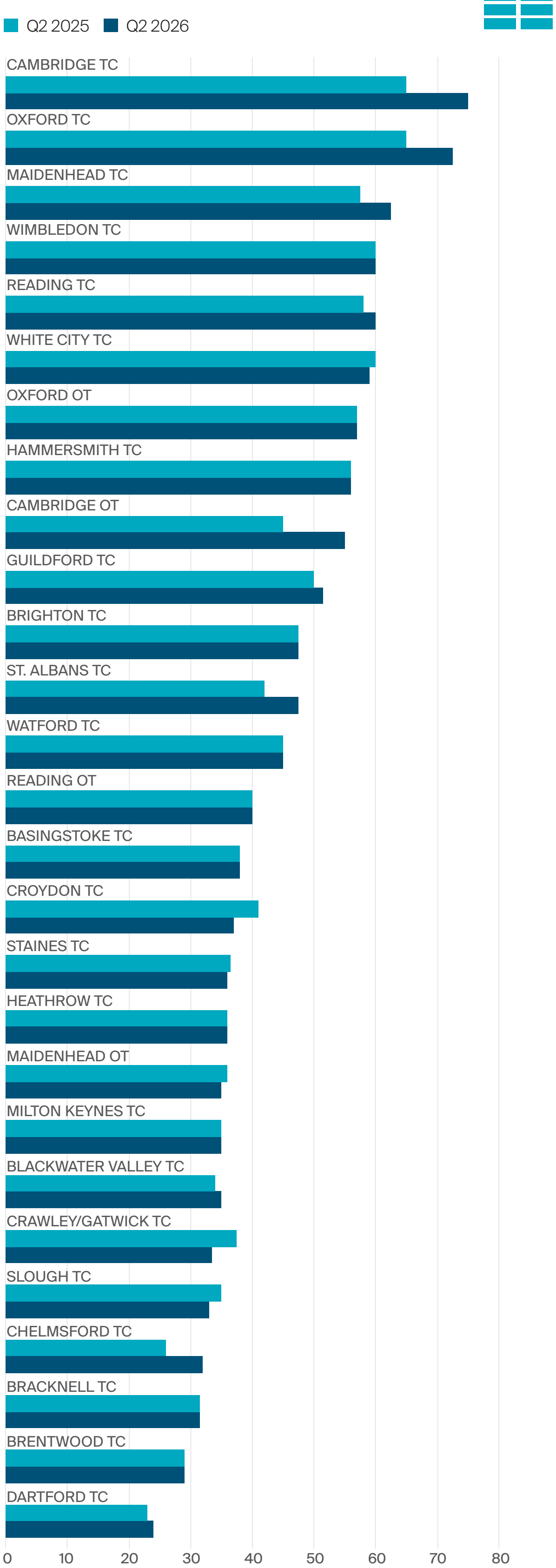
SE OFFICES - RENTAL INDEX



Source: Knight Frank Research

PRIME OFFICE RENTS

£ PER SQ FT



* TC: Town Centre. OT: Out of Town

Source: Knight Frank Research

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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 30th June 2026.

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