South East and Greater London Offices

Knight Frank

Q3 2026

Investment, Development and Occupational markets

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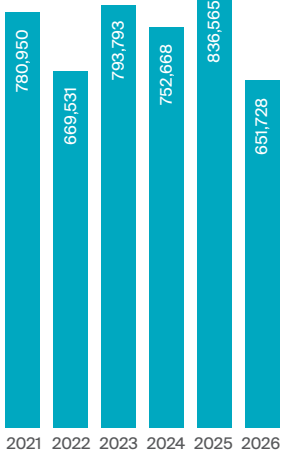


Leasing Overview

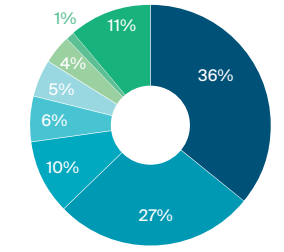
- Leasing activity remained resilient in Q3, with 651,728 sq ft of take-up recorded, representing a 1.1% increase on Q2 2026. Transaction volumes moderated, with 56 deals completed in Q3, down from 75 in Q2. Despite fewer transactions, the average deal size increased to 11,638 sq ft, from 8,149 sq ft in Q2, indicating a shift towards larger transactions.
- As a result, total take-up year-to-date rose to 2.0m sq ft. This level is 9.4% below the five-year Q1-Q3 average of 2.2m sq ft. Nonetheless, leasing activity remains at a healthy level, with overall deal numbers consistent with historical measures.
- Retail, Distribution & Transport firms led occupier demand in Q3 2026, accounting for 35.6% of total take-up, followed by Financial & Business Services at 27.5%. Activity was supported by the quarter's largest transaction, with JD.COM taking 127,120 sq ft at Systems, Hammersmith. In terms of deal numbers, Financial & Business Services were the most active, accounting for 21 of the 56 deals.
- The flight to quality continues to shape leasing activity. In Q3 2026, 33% of take-up was concentrated in new or newly refurbished space, highlighting occupiers' continued preference for high-quality accommodation. A further 32% was secured in existing Grade A space, bringing the share of Grade A quarterly take-up to 65%.
- 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 27% of active requirements, while Financial & Business Services firms represented a further 20%. Together, these sectors continue to underpin market activity and reinforce their importance as key sources of occupier demand.
- Overall vacancy increased slightly to 11.6%, up from 11.0% in Q1 2026, reflecting a modest rise in available space across the market, partly driven by development completions, with 545,246 sq ft (53.4% of completed space) delivered directly to the market. The Grade A vacancy rate remained low, rising marginally from 6.6% to 6.8%. This reinforces the widening gap between overall availability and the comparatively tighter supply of higher-quality space.
- Development activity remains constrained, with 1.2m sq ft under construction across 15 schemes as at Q3 2026, all scheduled for completion by mid-2028. New supply remains heavily concentrated, with Cambridge and West London accounting for 50% of the speculative development pipeline. With relatively little new space coming forward elsewhere, supply pressures are likely to remain most pronounced for the highest-quality accommodation.
- Examples of rental growth continue to register, with eight markets recording increases in headline rents. A new record rent was achieved in Richmond, where Cazoo took space at Explore at £63.00 per sq ft. This reflects the continued strength of occupier demand for prime office space, particularly in supply-constrained locations.

TAKE-UP
(SQ FT)

5 Year Average	**740,857**
2026 vs 5 year average	**-12%**



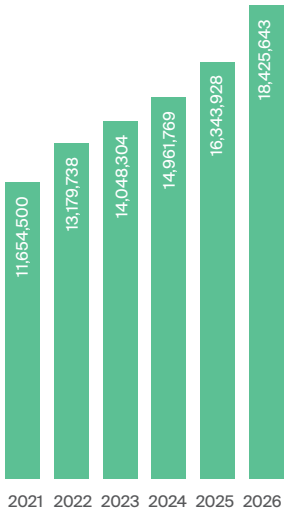
ACTIVE NAMED DEMAND BY SECTOR
Q2 2026



- Retail, Distribution & Transport
- Financial & Business Services
- Manufacturing & FMCG's
- Pharma/Healthcare/Medical Tech
- Public Sector
- TMT
- Construction & Engineering
- Other

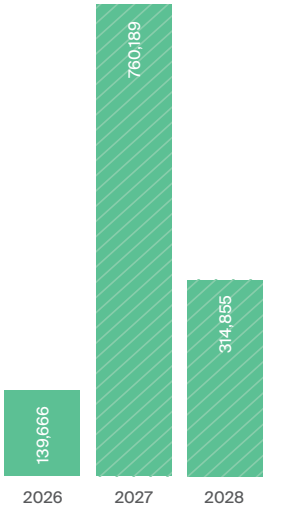
AVAILABILITY
(SQ FT)

5 Year Average	**15,425,643**
2026 vs 5 year average	**20.5%**



UNDER CONSTRUCTION
(SQ FT)

Total Under Construction	**1,214,710**
Number of Schemes	**15**



Knight Frank View



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We are seeing many of the themes from Q2 carry through into Q3. While take-up has softened slightly, the underlying challenge remains a lack of 'best-in-class' space. With little new development coming through, options for active occupiers continue to narrow, increasing the likelihood of competitive tension and further rental growth.

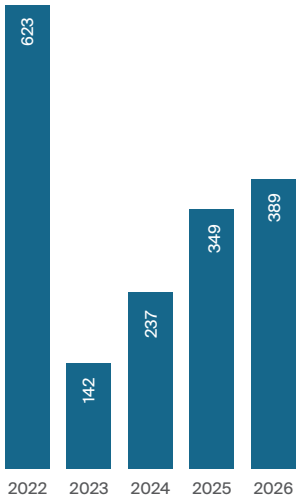
As occupiers become more footloose in their search for quality, those prepared to refurbish or develop will be rewarded. We are increasingly likely to see space let ahead of completion, at record rents and on longer lease terms. Fortune favours the brave.

Investment Overview

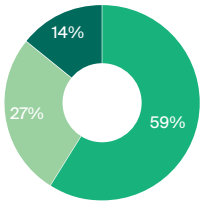
- Investment activity across the South East and Greater London reached its highest level of the year, with £389m transacted across 22 deals during the quarter. This marked a 12% increase on Q3 2025, although investment volumes remained 22% below the five-year average.
- Year-to-date investment volumes have reached £754m, down 14% on the same period in 2025 (£878m). The decline largely reflects lower transaction activity, with 66 deals completed compared with 93 last year. Despite fewer transactions, the average lot size increased from £9.4m to £11.5m, indicating a shift towards larger deals.
- The average lot size in Q3 though was £17.7m, its highest level since Q4 2024. While still below the five-year average of £19m, the increase suggests that larger transactions are returning to the market despite overall activity remaining subdued.
- The largest transactions in Q3 2026 were Systems Hammersmith, acquired by JD.com Inc for £90m, and Lakeshore Heathrow, acquired by Greycoat for £75m. Together with the Life Sciences REIT Portfolio transaction in Q2, this brings the number of £50m+ deals to three year-to-date, compared with just one over the same period in 2025.
- While Private Property Companies dominated the market in 2025, accounting for 45% of investment, 2026 has seen a more balanced buyer profile. Listed Property Companies currently lead with 29%, followed by Private Property Companies at 26% and Private Investors at 24%, with activity from British Land and JD.com Inc supporting the listed segment.
- Looking ahead, £824m of stock is currently available, with £450m already under offer. Encouragingly, four of the largest assets under offer, each above £30m, were launched this year, pointing to continued liquidity for larger lot sizes.
- Prime yields moved out to 7.25%, although no transactions completed at this level during the quarter, with rising gilt yields placing upward pressure on pricing. Opportunistic buyers remain the most active segment of the market, targeting attractively priced assets offering asset management potential.
- UK debt markets continued to fluctuate during Q3, with funding costs rising during September amid continued economic and fiscal uncertainty. Five-year SONIA swaps ended the quarter at around 4.84%, up from 4.47% at the end of August, while three-year swaps increased from 4.41% to around 4.80%. Government bond yields also remained elevated, with the five-year gilt yield at approximately 4.98% and the 10-year yield at around 5.44% at 30 September 2026. Overall, debt costs remain elevated, continuing to place pressure on pricing and leveraged returns.

INVESTMENT VOLUMES
(£)

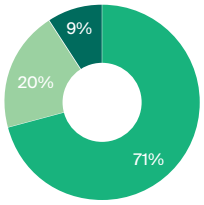
2026 Q3	**£389.0m**
2026 vs 10yr Q3 average	**-17.00%**



PURCHASERS
(LAST 12 MONTHS)

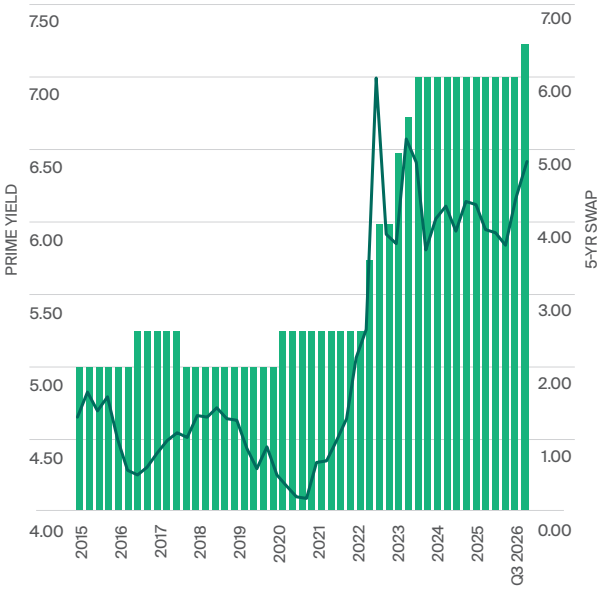


VENDORS
(LAST 12 MONTHS)



UK
Private
Overseas

PRIME NET INITIAL YIELD AND FINANCE



Knight Frank View



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While investment volumes in the South East remain constrained, we are seeing increasing buyer interest across all parts of the market. Encouragingly, larger opportunities are now being launched and successfully traded, both in-town and in business park locations, as improving sentiment is underpinned by robust occupier fundamentals.

With approximately £450m of stock under offer and several competitive bid processes underway, we expect transaction volumes to build over the coming months, provided the geopolitical backdrop remains broadly stable.

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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 September 2026.

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