# London Office Market Report

Q4 2024

Latest insights on the state of the London office market

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# Executive Summary

## Key Themes

**1.**

New and refurbished letting drive above long-term average levels of take-up

**2.**

Tight availability for best quality space in core submarkets

**3.**

Investment volumes poised for recovery

### THE GLOBAL STORM AND LONDON'S PROPERTY MARKET

Geopolitical uncertainty has a knack for reshaping economies in unexpected ways. As trade tensions escalate, investment flows shift, and financial markets oscillate, London – a city whose prosperity is tethered to international commerce – finds itself at a crossroads. The capital's commercial real estate sector, particularly its office market, stands to be both a casualty and a beneficiary of this turbulent landscape.

### TRADE WARS AND OFFICE WOES

London's lifeblood – global trade – is feeling the squeeze. From the Red Sea shipping crisis to US-China decoupling and EU-UK regulatory shifts, businesses reliant on seamless international transactions face higher costs and mounting uncertainty. Supply chain disruptions inflate operating expenses, while corporates in finance, legal services, and tech – key tenants of London's prime office space – pause expansion plans.

> "Geopolitics may be rattling London's office market, but the city's resilience is often underestimated. The question is not whether London will weather the storm – it is who will capitalise on the opportunities it leaves in its wake."

The impact is already visible. Delayed leasing decisions and cautious corporate strategies mean some submarkets with greater value options appearing attractive to occupiers. Meanwhile, there is a risk investors, wary of erratic trade policies, hesitate before deploying capital into London's office sector, threatening the burgeoning recovery in capital markets.

### THE FICKLE FLOW OF FOREIGN CAPITAL

For decades, London has been a magnet for foreign direct investment, with deep-pocketed Chinese, Middle Eastern, and US investors snapping up trophy assets. But in an era of heightened geopolitical risk, the certainty that once underpinned this capital flow could be at risk. Sanctions, political rifts, and strategic realignments are forcing investors to reassess their exposure to affected markets.

Yet, London's allure remains. Its transparent legal framework, liquid capital markets, and supply-constrained office sector continue to offer a compelling case for investors seeking stability. The West End, in particular, provides a refuge for capital preservation – its scarcity value a bulwark against downturns. But the pipeline of new office developments may shrink if FDI slows, constraining future supply.

### CURRENCY TURBULENCE AND INVESTOR OPPORTUNISM

Financial market volatility, a weakened pound, and rising inflation form a potent cocktail for the city's real estate sector. A depreciating sterling makes London's office assets cheaper for foreign buyers, triggering opportunistic acquisitions. But this comes at a cost – imported inflation raises construction expenses, while uncertainty in the financial sector tempers corporate expansion, exerting downward pressure on demand.

Geopolitics may be rattling London's office market, but the city's resilience is often underestimated. The question is not whether London will weather the storm – it is who will capitalise on the opportunities it leaves in its wake.

### TAKE-UP RISES TO ABOVE AVERAGE LEVELS

Amidst this backdrop, London office take-up rose by an impressive 3.3m sq ft in Q4 2024, a rise of 9.0% compared to Q3 and 16.5% above the long-term quarterly average of 2.8m sq ft. This robust performance was underpinned by above-trend take-up across more than half of London's submarkets, with the City Core and West End Core continuing to lead activity, and accounting for nearly 40% of total lettings.

Take-up levels were also buoyed by a notable increase in the number of deals above 40,000 sq ft. Of the 412 lettings in Q4, 17 were above 40,000 sq ft, almost double the total in Q3. This growth was fuelled by strong activity in the mid-size brackets, with 11 transactions falling with the 40-60,000 sq ft range, the highest number in this category since Q4 2019.

Strong demand for top quality office space continues to shape London's leasing market and gained further momentum in Q4. New and refurbished take-up totalled 2.3m sq ft, which is 62.8% above the long-term quarterly average and accounted for 71.1% of all leasing activity. This represents the highest share of new and refurbished take-up since Q1 2021, emphasising the quality polarisation in London's leasing market has intensified. This trend is particularly pronounced when viewed in the context of the pandemic. Since Q1 2020, annual new and refurbished take-up has increased by 28.6% across London, while take-up of second-hand space has declined by 35.8%.

The financial sector drove take-up in Q4 accounting for 33.0% of transacted floorspace. Of the 1.1m sq ft of take-up from the financial sector just under half was from the niche financials sector. Professional occupiers followed with 0.9m sq ft, of which just under a third of take-up was by business services. The sector breakdown spread has remained unchanged throughout 2024 with financials leading take-up and professional occupiers following close behind, and both sectors far outperforming their long-term averages. The only other sector to perform in line with their long-term average in 2024 is manufacturing and corporate occupiers.

The largest transaction of the quarter was by ratings agency Moody's which pre-let 110,862 sq ft at 10 Gresham Street, EC2V. Whilst the second-largest transaction involved Octopus Investments Ltd, which pre-let 91,127 sq ft of office space at The Giltspur, 20 Giltspur Street, EC1A.

We anticipate the positive momentum in lettings will continue, as active requirements in London remain well above long-term average levels at 11m sq ft. The financial services sector remains the key driver of near-term demand, accounting for 38.4% of the market, while professional services follow as the second-largest occupier group, representing 31.8% of total active demand.

## SLIGHT RISE IN AVAILABILITY

After falling for two consecutive quarters, availability rose by 1.2% in Q4 to 23.9m sq ft. This resulted in a vacancy rate of 9.1%, which is 1.9 percentage points above the long-term quarterly average. The increase in availability was primarily driven by 2.2m sq ft of speculative developments expected to be completed in the next six months.

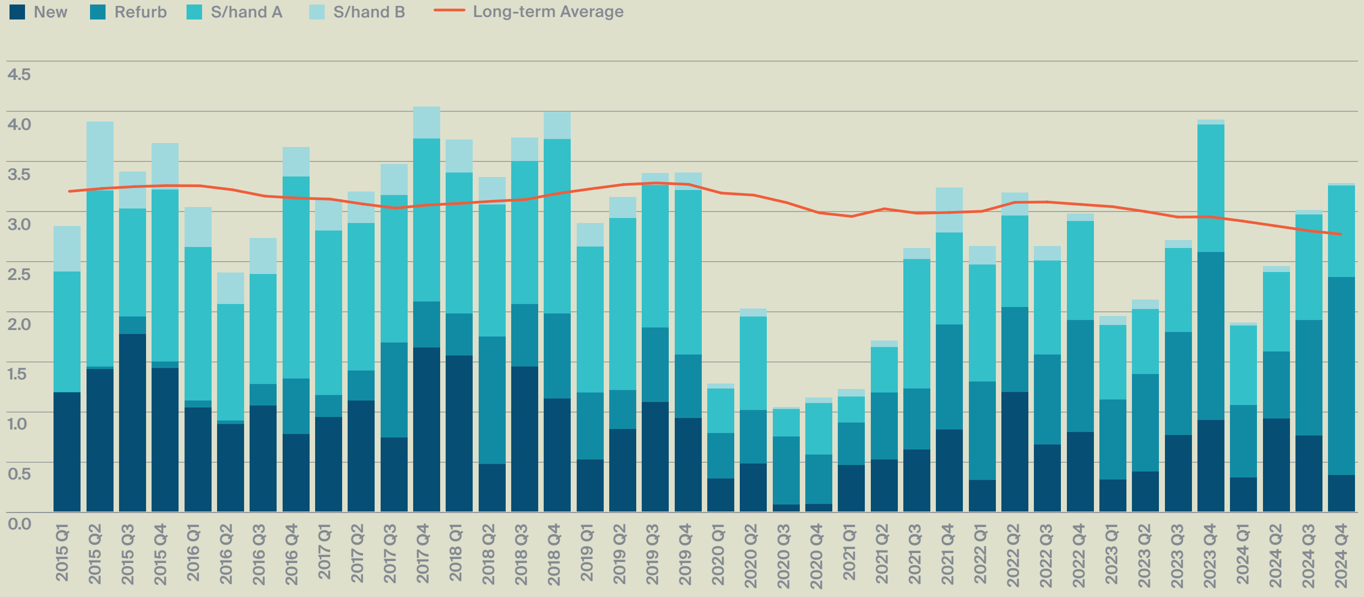
Despite this overall increase, the vacancy rate for new and refurbished offices remains low at 1.9%, broadly in-line with the long-term average. In the core submarkets of the City and the West End, vacancy rates for newly built office spaces are even more constrained, standing at 0.6% and 0.3%, respectively.

In submarkets where vacancy rates for new and refurbished spaces are high, such as Stratford (22.7%) and White City (17%), this availability is concentrated in a limited number of buildings – specifically, 10 buildings in Stratford and seven in White City.

When comparing active demand to the current levels of available new and refurbished spaces, it becomes clear that options for occupiers are limited, especially for larger spaces. Currently, there are 32 active requirements for spaces over 100,000 sq ft, while only 26 offices are available.

> "London office take-up rose by an impressive 3.3m sq ft in Q4 2024, a rise of 9.0% compared to Q3 and 16.5% above the long-term quarterly average of 2.8m sq ft."

**London – Take-up**
m sq ft




Source: Knight Frank Research

"Strong demand for top quality office space continues to shape London's leasing market and gained further momentum in Q4. New and refurbished take-up totalled 2.3m sq ft, which is 62.8% above the long-term quarterly average and accounted for 71.1% of all leasing activity."

## PIPELINE PEAKS IN 2025

The under-construction pipeline has increased due to a number of developments starts in Q4 and delays to schemes originally anticipated to complete in 2024. Floorspace under construction has risen to 18.1m sq ft, up from 16.6m sq ft in Q3 and is expected to be fully delivered by 2028. Although, the pipeline rose last quarter, the majority of this was from a strong rise in pre-lets to 6.1m sq ft, which now comprises 33.9% of space under construction.

Speculative space rose 5.7% in Q4 to 11.9m sq ft and the bulk (5.6m sq ft) is due to complete in 2025. This level of supply should be comfortably absorbed by the market with current levels of new and refurbished take-up at just below 7m sq ft.

In fact, the pipeline remains modest compared with current and historic average levels of new and refurbished take-up. By 2028, we expect an under supply of 5.1m sq ft of the best quality office space. Whilst including consented schemes, not currently under construction, and most likely to be built, implies a potential shortfall of 7.6m sq ft.

## PRIME RENTS CONTINUE TO RISE

The core submarkets of the City and the West End continue to experience rental pressure for the acute availability of prime office spaces, and has resulted in further increases to rents in Q4. In the City Core, prime rents have risen from £90.00 to £95.00 per sq ft, while in the West End Core, they have increased from £150.00 to £160.00 per sq ft.

Over the next five years, we anticipate that the 'supply squeeze' and the elevated level of structural demand arising from lease expirations will be the main drivers of prime rental growth. In the City Core, we expect growth to average 5.8% annually, and in the West End Core, we project an average increase of 5.2%

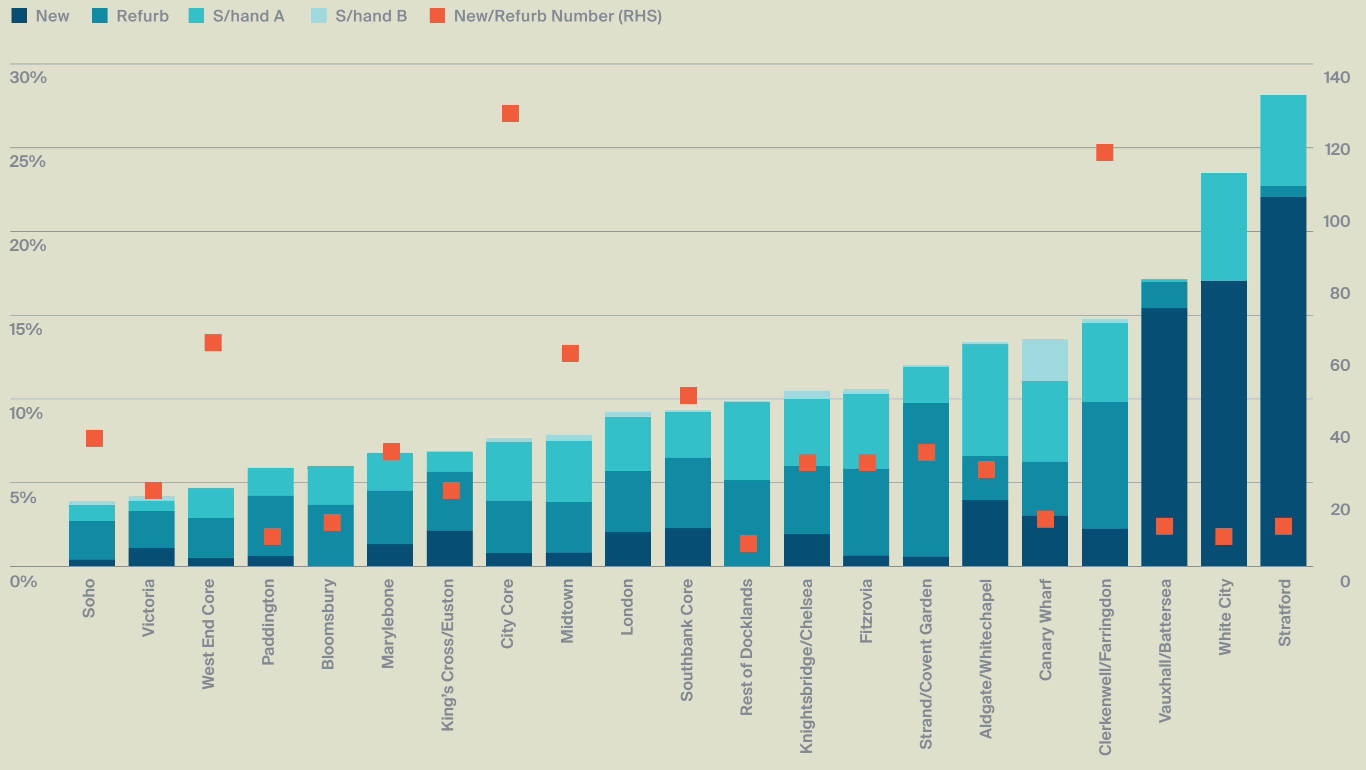
The primary risk to our forecast lies in the near term as occupiers adjust to a more challenging economic climate. However, this risk is offset by the increasing supply-demand imbalance in the London office market.

## INVESTMENT MARKET AT INFLECTION POINT?

Investment activity in Q4 continued to be subdued, with total transactions reaching £2.0bn – 39.6% below the long-term average. This low turnover market is characterised by a focus on smaller lots, with UK and North American investors accounting for 70% of activity. Private capital dominated the market, representing 45.9% of all transactions, while private equity accounted for a quarter of market activity.

**London - Vacancy Rate by Quality and Submarket**

% of stock (LHS), number of available new/refurb buildings (RHS)




Source: Knight Frank Research

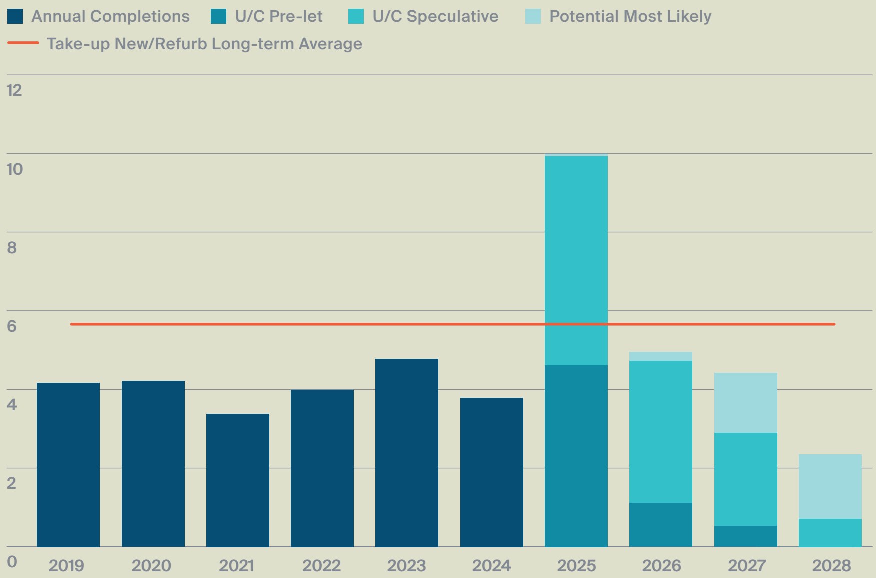
Although liquidity is low, there are indications of improving market fundamentals. Firstly, whilst long-term financing costs have recently risen, the trajectory of future interest rates suggests an easing environment favourable to investment. Secondly, there is a broadening of sources of capital and the types of investors active in the market, with private equity investors becoming increasingly acquisitive and renewed interest from institutional investors supported by more stable pricing conditions. Furthermore, investment from North America is at the highest level in London since Q1 2023.

Prime yields remained stable in Q4, holding steady at 3.75% in the West End and 5.25% in the City and Southbank. This marks over a year of stability and should bolster investor confidence. Additionally, MSCI data reflects stabilisation in yields for average-quality offices in both the City and the West End.

While liquidity remains constrained in larger lots, improving economic conditions, attractive pricing, and stable yields signal a foundation for a more dynamic investment market in the coming quarters.

> “In the City Core, prime rents have risen from £90.00 to £95.00 per sq ft, while in the West End Core, they have increased from £150.00 to £160.00 per sq ft.”

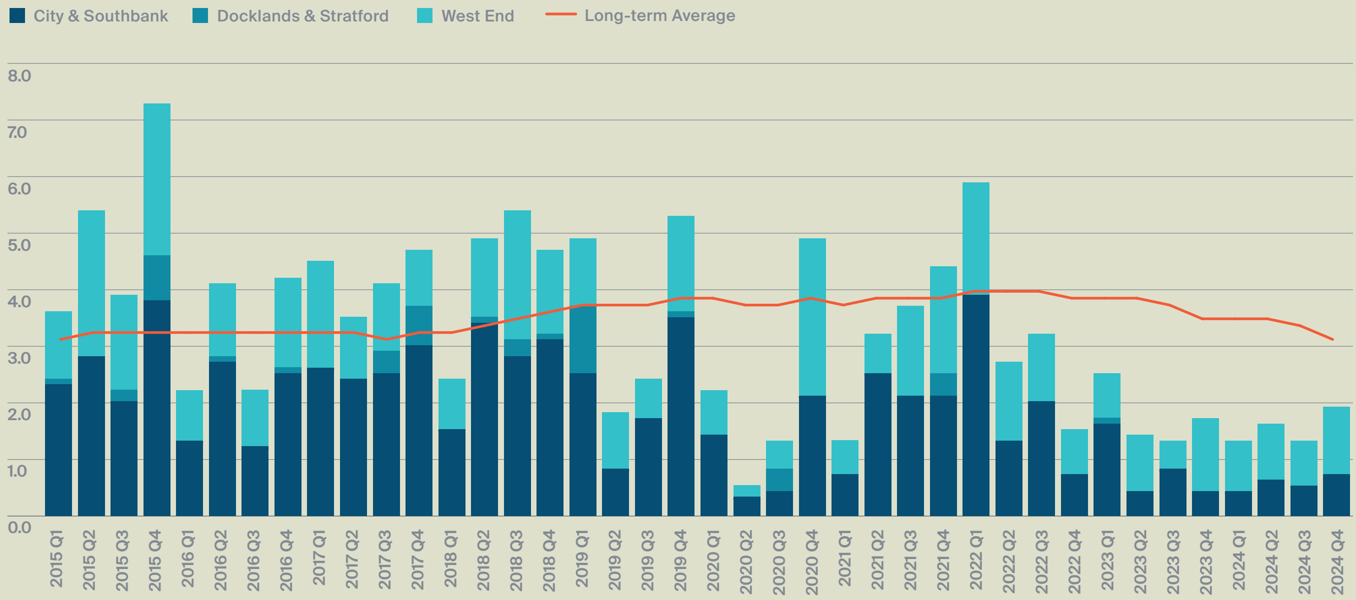
**London - Development Pipeline**
m sq ft




Source: Knight Frank Research

UNLOCK OUR INSIGHTS


**London - Investment Volumes**
m sq ft




Source: Knight Frank Research

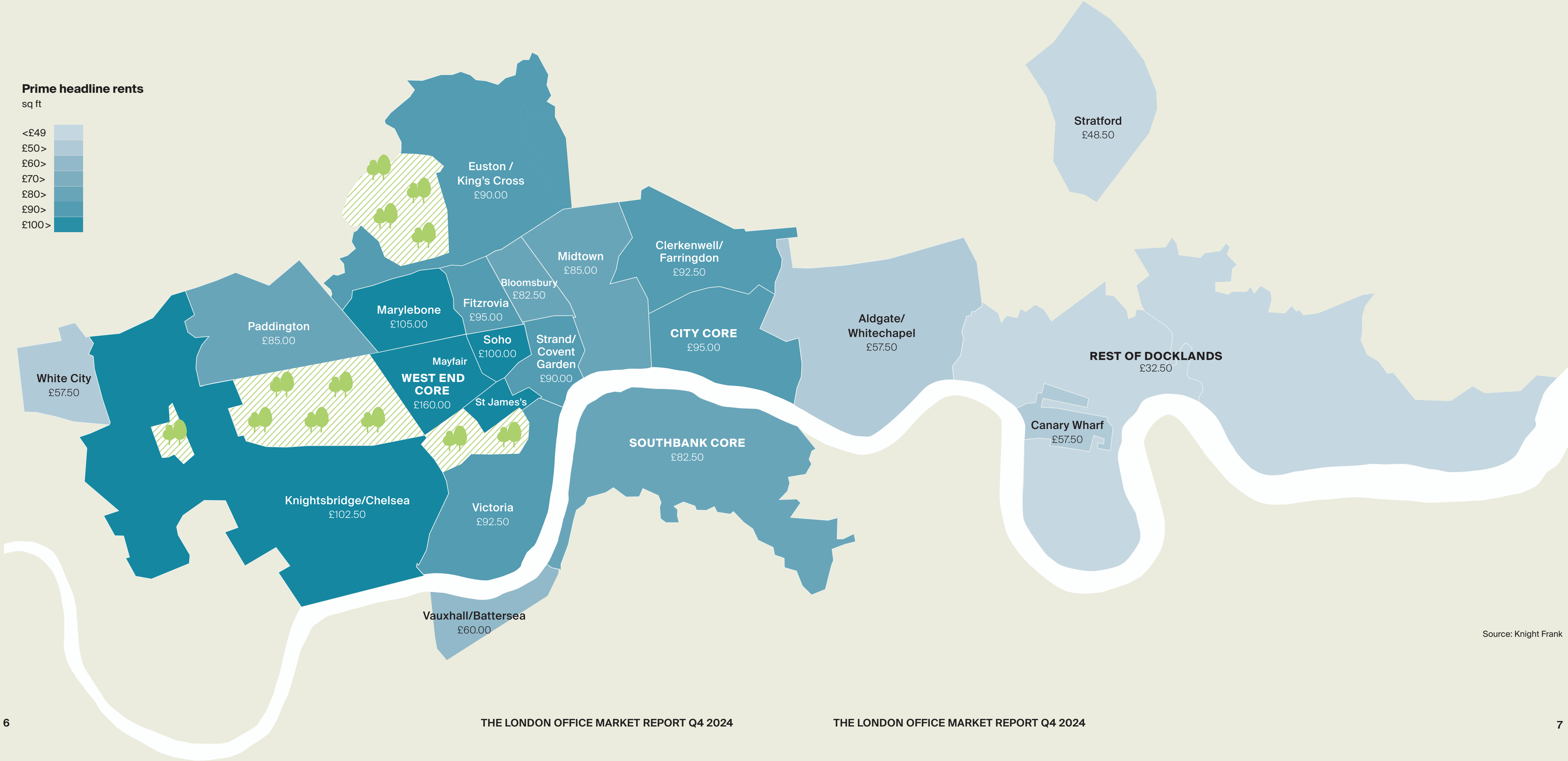
# London office market

## Performance dashboard Q4 2024

### KEY PERFORMANCE INDICATORS

| | ▼ 3.28m TAKE-UP (SQ FT) | ▼ 23.91 AVAILABILITY (SQ FT) | ▼ 9.1% VACANCY RATE | ▲ 18.12m UNDER CONSTRUCTION (SQ FT) |
|---|---|---|---|---|
| CHANGE ON | | | | |
| 2023 Q4 | -16.3% ▼ | -4.2% ▼ | -0.6% ▼ | 17.6% ▲ |
| LTA | 2.85m sq ft | 17.31m sq ft | 7.1 % | 13.82m sq ft |

| WEST END | | CITY & SOUTHBANK | | DOCKLANDS & STRATFORD | |
|---|---|---|---|---|---|
| ▲ £160.00 Prime headline rent (per sq ft) | ▼ 1.11 m Take-up (per sq ft) | ▲ £95.00 Prime headline rent (per sq ft) | ▼ 2.10 m Take-up (per sq ft) | ◀▶ £57.50 Prime headline rent (per sq ft) | ▼ 0.08 m Take-up (per sq ft) |
| ▼ £1.23 bn Investment turnover | ◀▶ 3.75% Prime Yield | ▲ £0.73 bn Investment turnover | ◀▶ 5.25% Prime Yield | ▼ £0 bn Investment turnover | ▲ 7.50% Prime Yield |




Source: Knight Frank

MARKETS IN REVIEW

# The City & Southbank

▲ ▼ ◀ ▶

Arrows throughout the report show how values have increased, decreased or stayed the same since the last quarter unless specified

▲ £95.00

Rent (£ per sq ft)

▲ 2.10 m

Take-up (sq ft)

▲ 13.49 m

Availability (sq ft)

▲ £0.73 bn

Investment turnover

◀▶ 5.25%

Prime yield

"This quarterly performance increased total take-up to 6.7m sq ft for 2024, representing a 4.0% rise from the 6.4m sq ft recorded in 2023 and 5.0% above the long-term annual average of 6.4m sq ft."

## GROWING LEASING MOMENTUM

The City & Southbank market has sustained strong leasing momentum for a third consecutive quarter, with take-up rising by 17.7% to 2.1m sq ft. This figure is 33.9% above the long-term quarterly average of 1.6m sq ft. Take-up exceeded the long-term average in all submarkets except for Aldgate/Whitechapel, which was 50.3% below the trend.

This quarterly performance increased total take-up to 6.7m sq ft for 2024, representing a 4.0% rise from the 6.4m sq ft recorded in 2023 and 5.0% above the long-term annual average of 6.4m sq ft.

The increase in take-up during Q4 can be partly attributed to a rise in the number of deals, which grew from 187 in Q3 to 220. This marks the highest deal count since the end of 2014. Nearly half of the lettings, or 44.3%, fell within the 0-20,000 sq ft range, while larger lettings exceeding 60,000 sq ft accounted for 20.3% of all activity. This uptick in mid to larger-size lettings has led to a rise in the average deal size to 9,541 sq ft.

The demand for higher-quality spaces remains a key feature of the market. In Q4, take-up of new and refurbished spaces accounted for 1.4m sq ft, representing a 23.2% increase compared to Q3 and making up 68.1% of all lettings. This is the third-highest level since 2004.

Financial services were the most active occupier group, with 826,116 sq ft of lettings (39.4%), more than double the long-term quarterly average. This activity was driven by niche financial firms such as hedge funds and private equity, which collectively accounted for 297,739 sq ft – representing 36.0% of all activity in the financial sector. Similarly, take-up from professional services was impressive, reaching 615,133 sq ft, which exceeding the long-term quarterly average by nearly 74%. Legal occupiers made a significant contribution to this sector, accounting for 30.7% of the total take-up.

The largest transaction of the quarter was by ratings agency Moody's which pre-let 110,862 sq ft at 10 Gresham Street, EC2V. The scheme designed by Fosters + Partners has been transformed to offer a high-performance, ESG compliant office environment. Key features include a 2,570 sq ft communal roof terrace, an eight-storey glazed atrium, and a 1,750 sq ft indoor rooftop pavilion. Following its refurbishment, the building targets BREEAM Outstanding, WELL Platinum, and an EPC B rating. The second-largest transaction involved Octopus Investments Ltd, which pre-let 91,127 sq ft of office space at The Giltspur, 20 Giltspur Street, EC1A.

▲ 1.4m sq ft

This is the third-highest level of new and refurbished take-up since 2004.

Following increased letting activity during the quarter, floorspace under offer in the City and Southbank has decreased to 1.8m sq ft, down 18.2% since the end of Q3. Similarly, active demand has decreased by 15.4% from 5.7m sq ft in Q3 to 4.8m sq ft. Despite this decline – primarily due to many requirements being fulfilled through executed lettings – the figure remains 7.9% above the long-term quarterly average of 4.4m sq ft.

The financial sector drives most of this demand, accounting for nearly 50% of market requirements, with firms like Herbert Smith Freehills and Gallagher representing some of the largest requirements in the market.

> "Pre-let floor space under construction increased to 3.4m sq ft, representing a 15.8% rise from the previous quarter and a 14.5% increase compared to last year. "

## AVAILABILITY OF PRIME SPACE IS TIGHT

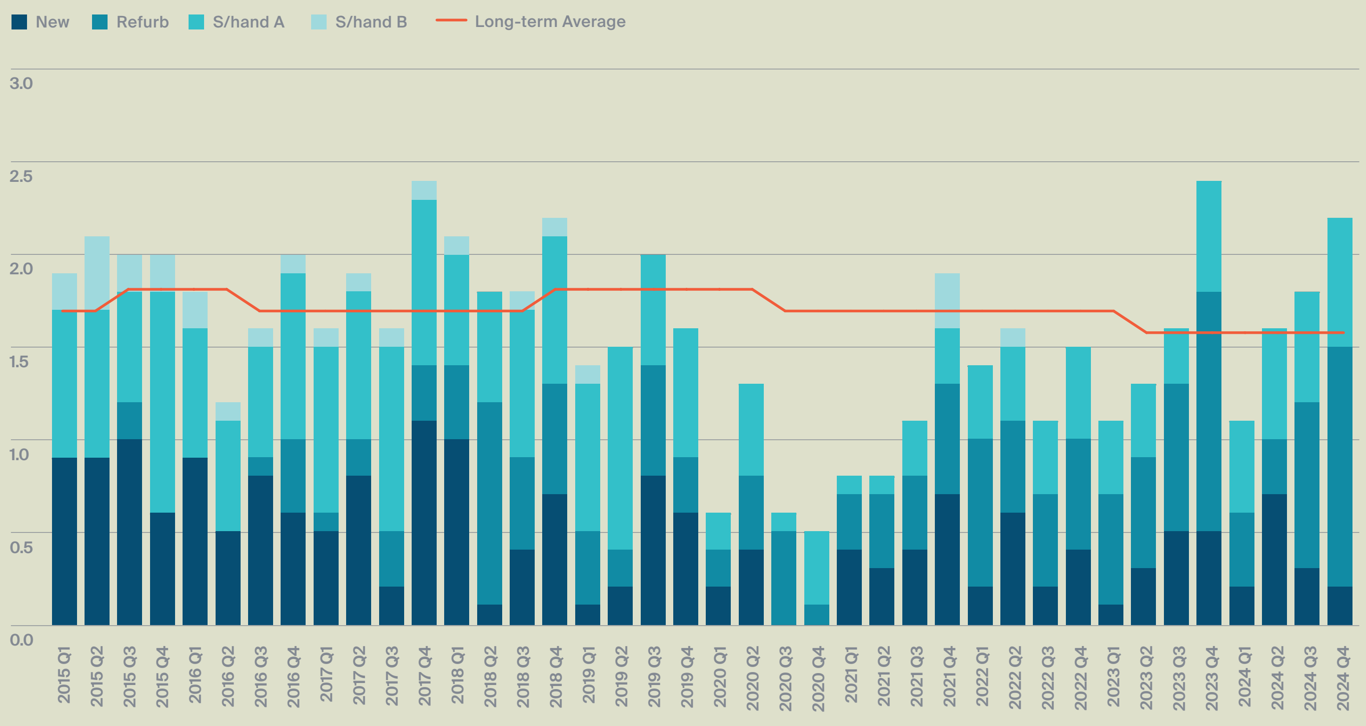
Availability has increased by 8.5%, reaching 13.5m sq ft. Consequently, the vacancy rate has risen from 8.9% to 9.6%, which is 2.4 percentage points above the long-term quarterly average. This rise in availability is mainly attributed to 1.9m sq ft of speculative developments expected to be completed by the end of Q2 2025. One notable project is 76 Southbank, SE1 which will contribute 349,580 sq ft of speculative space within the next six months. Despite the overall increase, the vacancy rate for new space remains low at 1.8%. In the City's largest submarket, the City Core, the squeeze for new space is even more pronounced, with a vacancy rate of just 0.6%.

The under-construction development pipeline grew by 9.3% last quarter, reaching a total of 10.0m sq ft. This increase was due to the lowest completion levels since Q2 2020 and an increase in the number of projects under construction, which reached 54 in Q4 – a 10.2% rise from the previous quarter. The recent slowdown in completions is evident, with only two schemes delivered during Q4. The largest, One Millennium Bridge, 2 Lambeth Hill, EC4V, provides 128,348 sq ft of speculative floor space, while SIX at 6-10 St Andrew Street, EC4A, offers 55,690 sq ft of speculative space.

While the overall under-construction pipeline expanded, the growth of pre-leased floor space significantly outpaced the rise in speculative space under construction. Pre-let floor space under construction increased to 3.4m sq ft, representing a 15.8% rise from the previous quarter and a 14.5% increase compared to last year. In contrast, speculative floor space under construction saw a more modest increase of just 6.3% – less than half the growth of pre-let space – and has declined by 5.1% over the last year.

Based on historical take-up levels of new and refurbished space in the City & Southbank, the pipeline indicates an anticipated undersupply of over 5m sq ft by 2028.

**City & Southbank – Take-up**
m sq ft




Source: Knight Frank Research

## PRIME RENTS RISE IN TWO SUBMARKETS

In Q4, prime rents increased in two City submarkets: the City Core and Midtown. In the City Core, rents rose by £5.00, reaching £95.00 per sq ft, while in Midtown, rents increased by £3.00 to £85.00 per sq ft. Rent-free periods for standard 10-year leases have remained stable at 24 -27 months.

## INCREASING ACTIVITY IN CORE ASSETS

The City and Southbank recorded transaction volumes of £0.7bn across 24 deals, marking a quarterly increase of 39.8%. However, despite this growth, investment volumes remained 60.5% lower than the long-term quarterly average of £1.8bn. This late-year momentum brought the total investment volumes for 2024 to £2.3bn, which is 70.8% below the long-term annual average of £7.7bn.

The increase in investment volumes during Q4 can be attributed to a rise in capital allocated to larger lots. Investments exceeding £100m reached £0.3bn, representing a 72.5% increase from the previous quarter and a 26.2% rise compared to the same period last year. Transactions under £50m now account for 56.0% of the market, while those over £100m make up 44.0%.

Additionally, there has been a significant shift in the types of assets attracting investment. While investments remain concentrated in value-added assets, as in previous quarters, core assets investments surged by 216.7% during the quarter to £0.2bn.

UK investors were the most active participants in the market, acquiring £0.27bn in office assets, which accounted for 36.8% of total transaction volumes. The next largest group by nationality was European investors, who acquired £0.26bn, representing 36.3% of all transactions. UK investors emerged as the most active buyers for the year with total acquisitions of £1.1bn – 49.1% of all transactions. This marks a significant increase from 2023, when they held a smaller 19.6% share of total transaction volumes.

Private capital investors remain the most active investor group in Q4, contributing £0.3bn in office asset acquisitions, which accounts for 39.1% of transactions. This marks a slight shift from Q3 when institutional investors were the most active. Private equity emerged as the second-largest group, securing £0.2bn and representing 31.9% of market activity. In contrast, institutional investors, who led in Q3 2024, have now dropped to fourth place, making up only 7.4% of market activity with transactions totalling £0.05bn. Despite this decline in Q4, institutional investor activity has improved through the year. Compared to 2023, investment volumes from institutional investors have increased significantly, rising by 215.3% to £0.4bn.

The largest deal of the quarter was made by private equity investor Polus Capital, which acquired 90 High Holborn, WC1V, for £180m. This transaction reflects a net initial yield of 6.60%. The second most significant transaction involved private property company Ashby Capital LLP, which purchased The JJ Mack Building at 33 Charterhouse Street, EC1M, for £139.2m, resulting in a net initial yield of 5.85%.

The value of assets under offer have increased by 89.8% since the end of Q3 to £0.9bn, meanwhile, the volume of assets available for sale has fallen by by 45.4% to £1.3bn. And prime yields have remained stable at 5.25% for the seventh consecutive quarter.

**5.25%**

Prime yields have remained stable at 5.25% for the seventh consecutive quarter.

MARKETS IN REVIEW

# West End

▲ £160.00

Rent (£ per sq ft)

▼ 1.11 m

Take-up (sq ft)

▼ 6.68 m

Availability (sq ft)

▲ £1.23 bn

Investment turnover

◀▶ 3.75%

Prime yield

"Leasing activity in the West End continues to demonstrate resilience, with Q4 take-up totalling 1.1m sq ft."

### TAKE-UP REMAINS ABOVE TREND

Leasing activity in the West End continues to demonstrate resilience, with Q4 take-up totalling 1.1m sq ft. Although this reflects an 8.6% decrease from the previous quarter it remains 3.8% above the long-term quarterly average. Take-up exceeded the long-term quarterly average across six submarkets: Marylebone (8.6%), Knightsbridge/Chelsea (11.2%), Soho (17.3%), Victoria (17.9%), Fitzrovia (65.9%) and Bloomsbury (155.4%).

This quarterly performance brought total take-up to 3.6m sq ft for 2024, reflecting a modest decline of 5.6% from the 3.8m sq ft recorded in 2023 while underscoring the relative stability in leasing activity throughout the year.

A shift in deal composition primarily drove the lower Q4 take-up. Although the number of lettings increased to 186 – the highest quarterly total since Q4 2022 – activity in the larger size bands contracted. Of the 186 deals, only three exceeded 40,000 sq ft, with none surpassing 100,000 sq ft. In contrast, Q3 recorded four deals above 40,000 sq ft and two exceeding 100,000 sq ft. Consequently, the average deal size in Q4 decreased by 24.8%, falling to 5,948 sq ft.

The demand for better-quality space remains a central feature of the market. New and refurbished take-up accounted for 831,237 sq ft in Q4 which is 83.4% above the long-term quarterly average and accounts for 75.1% of all transactions. This is well above the London average of 50.9% and is the highest level of new and refurbished take-up since the end of Q3 2018.

Professional services surpassed financial services as the largest occupier group, accounting for 25.8% of all transactions, some 165.6% above the long-term quarterly average. This outperformance is driven by a 66.1% increase in business services take-up, which rose from 63,134 sq ft in Q3 to 104,844 sq ft in Q4. This increase accounts for 36.7% of the total take-up in the professional services sector. The financial services sector represented 23.0% of total take-up, with letting to this occupier group 14.3% above the historic average.

The largest Q4 letting was by Creative Arts Agency (CAA), one of the leading U.S. entertainment and sports talent agencies, which pre-let 79,789 sq ft at 21 Bloomsbury Street, WC1B. The building, designed by Stiff & Trevillion, is set to complete in Q2 2025 and is being refurbished to include an atrium café lounge, rooftop café, event space, communal terrace, a large gym, and cycle store. The second-largest transaction was by VCCP Ltd, a challenger advertising agency. They leased 58,036 sq ft at 66 Berners Street, W1T. This letting, covering floors one to four, was secured at a rental rate of £70.00 per sq ft.

### LOWER ACTIVE DEMAND

Active requirements in the West End have declined for a second consecutive quarter, falling by 19.8% to 1.7m sq ft. An analysis of the current requirements reveals that nine are for spaces greater than 60,000 sq ft, while two are for spaces exceeding 100,000 sq ft.

Financial services have reclaimed their position as the largest occupier group, accounting for 34.2% of all market requirements. They are followed by the technology, media and telecoms sector, which represents 29.1% of the total demand.

Although, active demand specifically targeting the West End has fallen, it remains at decade highs across Central London. Almost 4.1m sq ft of requirements are from occupiers willing to lease space across Central London.

### TIGHTENING AVAILABILITY OF BEST QUALITY SPACE

Office availability has declined for a second consecutive quarter, falling by 10.0% to 6.7m sq ft. This decrease was partially driven by several withdrawals, including 202,111 sq ft of second-hand space removed from the market for redevelopment. As a result, the vacancy rate now stands at 7.0%. While this is 0.6 percentage points above the long-term quarterly average, it is the lowest vacancy rate in eight quarters.

The availability of new and refurbished space currently stands at 4.6m sq ft, representing an 11.9% decline from the previous quarter and accounting for 69.1% of total availability in the West End. New availability has also decreased by 4.5% during the quarter and 12.3% since the beginning of 2024. The vacancy rate for this space now stands at 1.3%, which aligns with the long-term quarterly average. However, within the West End Core, the shortage of prime space is very accute, with the vacancy rate falling to just 0.3%.

### DEVELOPMENT PIPELINE FALLS SHORT OF EXPECTED NEW AND REFURB TAKE-UP

The under-construction development pipeline decreased to 6.7m sq ft, following 506,213 sq ft of completions in Q4. The most notable completion during the quarter was The Jellicoe, King's Cross Central, N1C, pre-let to The Office Group, a leading flexible workspace developer and operator with serviced offices across London, the UK, and Germany. This development offers flexible workspace, featuring sustainable design and premium amenities, including a fitness centre, wellness suite, and landscaped terrace.

Currently, 31.0% of the under-construction pipeline is pre-leased, and an additional 31,210 sq ft is under offer. Potential schemes considered 'most likely' to be built could increase the speculative pipeline by a modest 235,610 sq ft and extend the delivery timeframe to 2028.

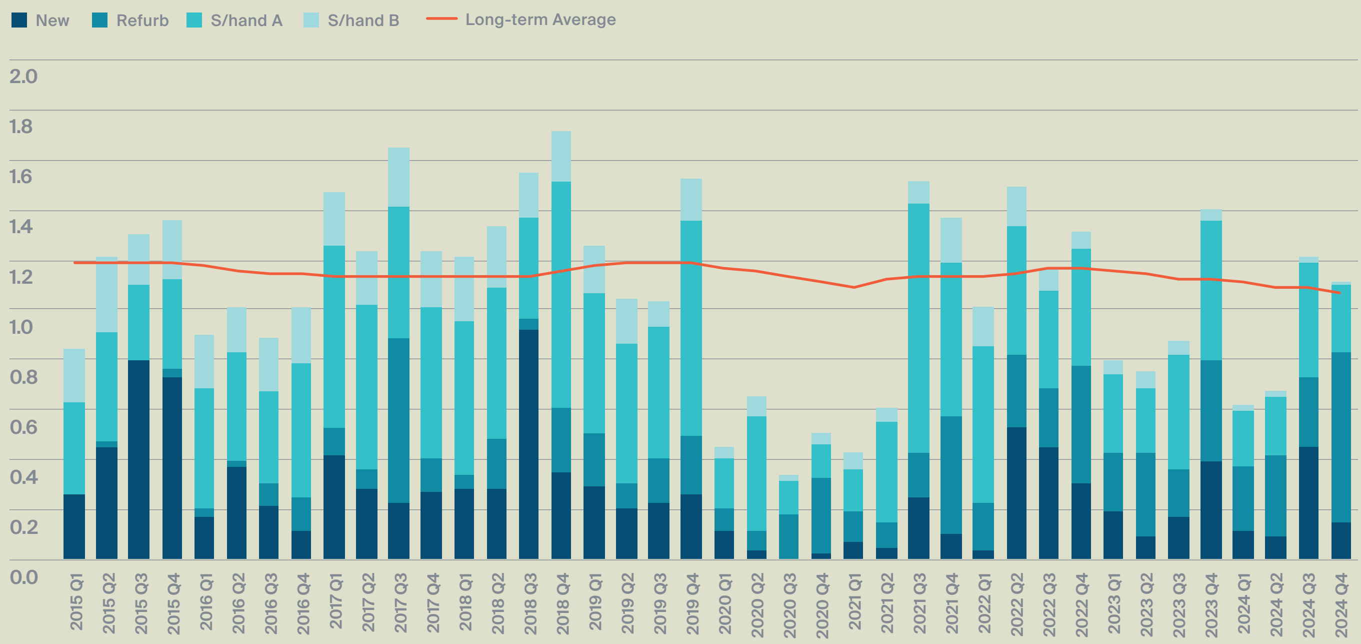
The current levels of the total development pipeline remain well below the long-term average of new and refurbished office take-up. As a result we anticipate a shortfall of 1.9m sq ft of best-in-class office space by the end of 2028.

> "The under-construction development pipeline decreased to 6.7m sq ft, following 506,213 sq ft of completions in Q4."

### PRIME RENTS RISE IN TWO SUBMARKETS

Following a number of key lettings we have raised prime rents in the West End Core and Bloomsbury. In the former, the headline rent increased from £150.00 to £160.00 per sq ft, and in the latter, it increased from £77.50 to £82.50 per sq ft. Rent-free periods remain unchanged at 24-27 months on a standard 10-year lease.

**West End – Take-up**
m sq ft




Source: Knight Frank Research

### LARGER LOT SIZE DEALS LIFT INVESTMENT VOLUMES

In Q4 2024, the West End achieved a turnover of £1.2bn across 35 deals, marking a 54.2% increase from the previous quarter. However, this figure remains 3.2% below the long-term quarterly average. This performance in Q4 contributed to a total annual investment volume of £3.9bn for 2024, which is 25.4% lower than the long-term annual average of £5.3bn.

The increase in investment volumes during Q4 was driven by an improvement in transactions involving larger lots. Deals valued over £100m totalled £0.4bn, compared with £0.1bn recorded in Q3. Consequently, transactions over £100m now account for 34.4% of the market, surpassing the £50-100m lot size category, representing 20.7%. However, transactions under £50m continue to dominate, comprising 44.9% of overall market activity.

Investments have remained concentrated in value-added assets, representing 58.8% of all transactions. This trend highlights a sustained risk appetite for the right types of assets and the resilience of leasing fundamentals.

During this quarter, North American investors overtook their UK counterparts, who had previously held the largest share of transactions. North American investors purchased £0.6bn in office assets, representing 50.9% of the total transaction volume, while investors from the United Kingdom acquired £0.3bn, accounting for 24.8% of the market. Although the UK was not the leading investor in Q4 2024, it remained the top investor for the entire year, with total acquisitions of £1.3bn, constituting 32.3% of the annual transaction volume.

Private capital continued to dominate the West End investment landscape, accounting for £0.6bn in acquisitions and representing 49.9% of all transactions. The next largest group, private equity, comprised 26.6% of investment volumes. Although institutional investment activity remained subdued, it increased by 251.8% in 2024, rising from £0.1bn to £0.4bn.

The quarter's largest deal involved a private investor acquiring 11-12 St James's Square, SW1Y, for £162m. The second most significant transaction involved private equity company Ares, which purchased 45 Pall Mall, SW1Y, for £135.5 million, resulting in a net initial yield of 4.33%.

The value of assets under offer has increased to £1.0bn, up from £0.8bn at the end of Q3. In contrast, the value of assets available for sale has decreased by 5.2% compared to the previous quarter. These indicators suggest a recovering market with strengthening momentum. This positive outlook is further supported by continued stability in prime yields, which have remained at 3.75% for the ninth consecutive quarter.

> "Private capital continued to dominate the West End investment landscape, accounting for £0.6bn in acquisitions and representing 49.9% of all transactions."

MARKETS IN REVIEW

# Docklands & Stratford

**£57.50**
Rent (£ per sq ft)

**0.08 m**
Take-up (sq ft)

**3.74 m**
Availability (sq ft)

**£0 bn**
Investment turnover

**7.50%**
Prime yield

"In Q4, the Docklands and Stratford market saw take-up of 77,065 sq ft across six leasing transactions. Although this marks an increase in leasing activity compared to Q3, the total annual take-up for 2024 reached only 0.3m sq ft, which is 57.2% below the long-term annual average."

### EDUCATION SECTOR DOMINATES TAKE-UP IN Q4

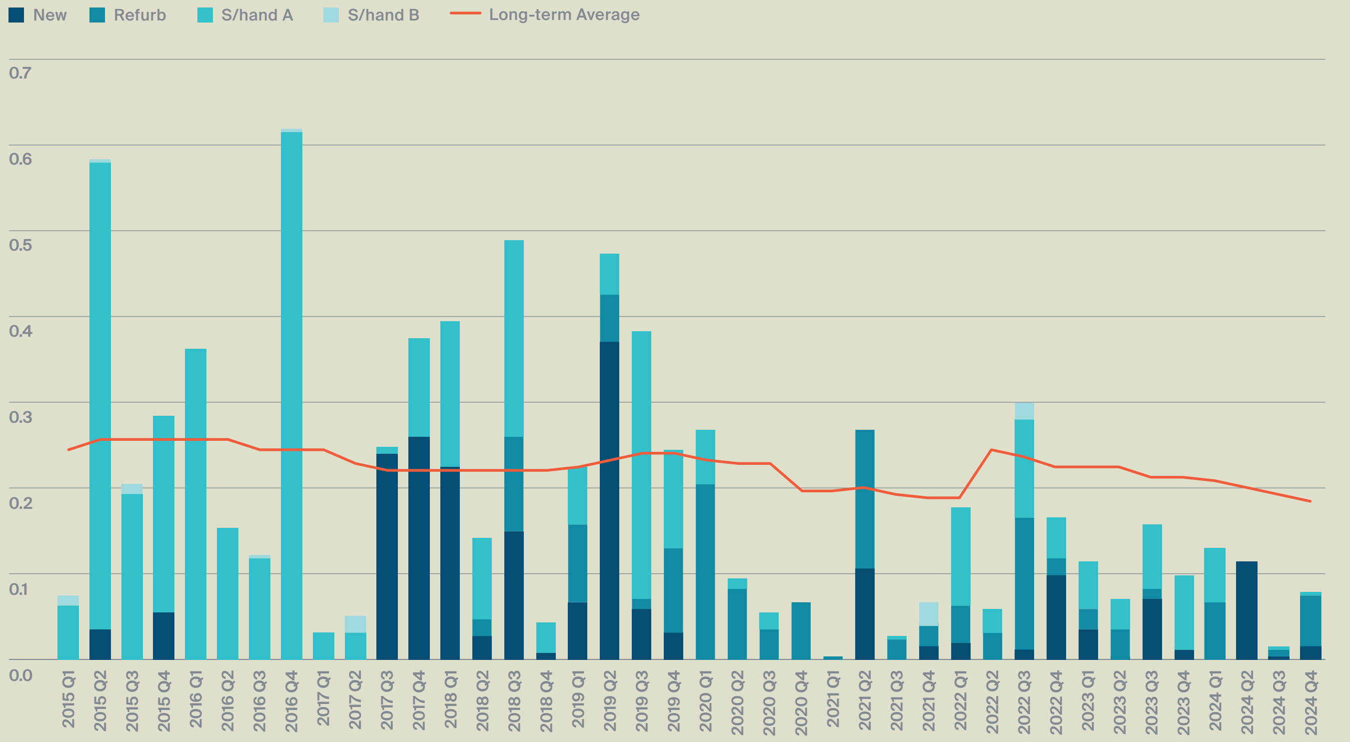
In Q4, the Docklands and Stratford market saw take-up of 77,065 sq ft across six leasing transactions. Although this marks an increase in leasing activity compared to Q3, the total take-up for 2024 reached only 0.3m sq ft, which is 57.2% below the long-term annual average.

The number of transactions signed in Q4 remained low, however, most of the demand was for new and refurbished office spaces, which accounted for 96.1% of leasing activity in Q4. Throughout the year, the take-up of new and refurbished spaces totalled 0.3m sq ft, representing 78.7% of all transactions.

The largest transaction in Q4 involved UCL's acquisition of 44,544 sq ft on the 48th and 49th floors at 1 Canada Square, at a rent of £60.00 per sq ft. This expands the UCL School of Management's footprint in the building to 67,261 sq ft. The second

## Docklands & Stratford - Take-up

m sq ft




Source: Knight Frank Research

largest letting in Q4 was signed by Study Group Ltd, which acquired 10,604 sq ft at the Type Building, part of the Sugar House Island development, at a rent of £39.50 per sq ft. The third largest letting was to the University of Wales, who expanded their existing footprint within 1 Westferry Circus by 10,000 sq ft, at a rent of £32.50 per sq ft.

This means that the top three leasing deals by size in Q4 were all from the education sector, highlighting the appeal of the Docklands and Stratford market to educational institutions and the ongoing transition of these locations into more mixed-use destinations.

### TOTAL AVAILABILITY STEADILY FALLING

Overall availability in the Docklands & Stratford market decreased during the final quarter of 2024 to 3.7m sq ft, resulting in a vacancy rate of 14.6%. While this represents a modest decline compared to the previous quarter, it marks a reduction of 0.5m sq ft compared to the end of 2023, when the overall vacancy rate was 16.6%. However, the vacancy rate remains above the long-term quarterly average of 10.3%.

By the end of 2024, 54.3% of available space in the market was new or refurbished space, equating to a vacancy rate of 8.0%. The remaining 45.7% of available space was second hand quality, with a vacancy rate of 6.7%.

In Canary Wharf, the vacancy rate slightly decreased over the quarter to 13.5%. This figure is lower than the market average, but it is 3.3 percentage points above the long-term average. The year-on-year decline is more significant, as the overall vacancy fell from 17.5% at the end of 2023.

At the end of Q4 there was 718,338 sq ft of space under construction in the Docklands & Stratford market, which comprises two schemes. 17 Columbus Courtyard, E14, is expected to reach practical completion in 2026 Q4, delivering 178,338 sq ft of speculative space. One North Quay, E14 is scheduled to complete by the end of 2027, providing 540,000 sq ft of speculative space.

Prime rents are unchanged in both Docklands and Stratford markets. In Canary Wharf, prime rents are £57.50 per sq ft and in Stratford they are £48.50 per sq ft. Rent-free periods also remain unchanged at 27-30 months on a standard 10-year lease.

### NO INVESTMENT ACTIVITY

There was no investment activity recorded in Q4, and there were no transactions under offer heading into 2025. The volume of assets for sale, however, reached £0.3bn which represented an increase of 194.8% quarter-on-quarter.

Prime yields in the Docklands & Stratford remained stable at 7.50%.

**▼14.6%**

Overall availability in the Docklands & Stratford market decreased during the final quarter of 2024 to 3.7m sq ft, resulting in a vacancy rate of 14.6%.

# Key Statistics

| | Q4 23 | Q1 24 | Q2 24 | Q3 24 | Q4 24 | % CHANGE | | 10-YEAR QUARTERLY AVERAGE |
|---|---|---|---|---|---|---|---|---|
| | | | | | | 3 MONTHS | 12 MONTHS | |
| **AVAILABILITY (SQ FT)** | | | | | | | | |
| West End | 6.84 m | 7.04 m | 7.69 m | 7.42 m | 6.68 m | -10.0% | -2.5% | 5.75 m |
| City & Southbank | 13.93 m | 14.08 m | 13.20 m | 12.43 m | 13.49 m | 8.5% | -3.1% | 9.35 m |
| Docklands & Stratford | 4.19 m | 4.44 m | 3.43 m | 3.78 m | 3.74 m | -1.0% | -10.7% | 2.52 m |
| **London** | 24.96 m | 25.56 m | 24.32 m | 23.62 m | 23.91 m | 1.2% | -4.2% | 17.62 m |
| **VACANCY RATE** | | | | | | | | |
| West End | 7.3% | 7.5% | 8.1% | 7.8% | 7.0% | -0.8% | -0.3% | 6.4% |
| City & Southbank | 10.1% | 10.2% | 9.5% | 8.9% | 9.6% | 0.7% | -0.5% | 7.2% |
| Docklands & Stratford | 16.6% | 17.6% | 13.6% | 14.8% | 14.6% | -0.1% | -2.0% | 10.3% |
| **London** | 9.7% | 9.9% | 9.4% | 9.1% | 9.1% | 0.1% | -0.6% | 7.2% |
| **TAKE-UP (SQ FT)** | | | | | | | | |
| West End | 1.40 m | 0.62 m | 0.68 m | 1.21 m | 1.11 m | -8.6% | -21.2% | 1.07 m |
| City & Southbank | 2.42 m | 1.13 m | 1.65 m | 1.78 m | 2.10 m | 17.7% | -13.3% | 1.57 m |
| Docklands & Stratford | 0.10 m | 0.13 m | 0.11 m | 0.02 m | 0.08 m | 370.8% | -21.6% | 0.18 m |
| **London** | 3.92 m | 1.88 m | 2.45 m | 3.01 m | 3.28 m | 9.0% | -16.3% | 2.82 m |
| **ACTIVE REQUIREMENTS (SQ FT)** | | | | | | | | |
| West End | 1.88 m | 2.22 m | 2.32 m | 2.06 m | 1.65 m | -19.8% | -12.2% | 2.08 m |
| City & Southbank | 5.10 m | 5.54 m | 4.42 m | 5.65 m | 4.78 m | -15.4% | -6.2% | 4.43 m |
| Docklands | 0.14 m | 0.44 m | 0.65 m | 0.43 m | 0.46 m | 5.8% | 226.4% | 0.55 m |
| London-wide | 4.80 m | 4.39 m | 3.75 m | 3.44 m | 4.07 m | 18.5% | -15.1% | 2.19 m |
| **London** | 11.91 m | 12.59 m | 11.14 m | 11.58 m | 10.96 m | -5.3% | -8.0% | 9.25 m |
| **UNDER CONSTRUCTION (SQ FT)** | | | | | | | | |
| West End | 5.17 m | 6.22 m | 6.03 m | 6.74 m | 6.74 m | -0.1% | 30.3% | 4.96 m |
| City & Southbank | 9.89 m | 9.11 m | 9.68 m | 9.11 m | 9.96 m | 9.3% | 0.7% | 8.09 m |
| Docklands & Stratford | 0.35 m | 0.53 m | 1.07 m | 0.72 m | 1.42 m | 98.2% | 305.9% | 0.99 m |
| **London** | 15.41 m | 15.86 m | 16.77 m | 16.58 m | 18.12 m | 9.3% | 17.6% | 14.04 m |
| **DEVELOPMENT COMPLETIONS (SQ FT)** | | | | | | | | |
| West End | 0.46 m | 0.46 m | 0.30 m | 0.16 m | 0.51 m | 217.5% | 10.4% | 0.32 m |
| City & Southbank | 0.83 m | 0.50 m | 0.42 m | 1.48 m | 0.31 m | -79.1% | -62.6% | 0.73 m |
| Docklands | 0.00 m | 0.00 m | 0.00 m | 0.34 m | 0.00 m | -100.0% | | 0.11 m |
| **London** | 1.29 m | 0.95 m | 0.72 m | 1.98 m | 0.82 m | -58.8% | -36.5% | 1.16 m |
| **INVESTMENT TURNOVER** | | | | | | | | |
| West End | £1.32 bn | £1.00 bn | £0.99 bn | £0.80 bn | £1.23 bn | 54.2% | -7.2% | £1.27 bn |
| City & Southbank | £0.44 bn | £0.31 bn | £0.56 bn | £0.52 bn | £0.73 bn | 39.8% | 64.1% | £1.84 bn |
| Docklands & Stratford | £0.00 bn | £0.00 bn | £0.00 bn | £0.00 bn | £0.00 bn | | | £0.14 bn |
| **London** | £1.76 bn | £1.31 bn | £1.55 bn | £1.32 bn | £1.96 bn | 48.5% | 10.6% | £3.24 bn |
| **PRIME HEADLINE RENTS (PER SQ FT)** | | | | | | | | |
| West End | £150.00 | £150.00 | £150.00 | £150.00 | £160.00 | 6.7% | 6.7% | 4.1% |
| City & Southbank | £87.50 | £87.50 | £87.50 | £90.00 | £95.00 | 5.6% | 8.6% | 4.3% |
| Docklands & Stratford | £57.50 | £57.50 | £57.50 | £57.50 | £57.50 | 0.0% | 0.0% | 4.8% |

Source: Knight Frank. Notes: London active requirements includes unspecified target locations. Percentage point difference for vacancy rate.

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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General Note
This report has been prepared by Knight Frank Research, the research and consultancy division of Knight Frank. Knight Frank Research gratefully acknowledges the assistance given by the London office teams in the compilation and presentation of this material. Certain data sourced from LOD. All graph data sourced by Knight Frank.

Technical Note
The following criteria have been adopted in the preparation of this report.

i. All floorspace figures quoted in this report refer to sq ft net.

ii. Take-up figures refer to space let, pre-let, or acquired for occupation during the quarter.

iii. Availability refers to all space available for immediate occupation, plus space still under construction which will be completed within six months and which has not been let.

iv. Availability and take-up are classified into three grades: New/refurbished: Space under construction which is due for completion within six months or space which is currently on the market and is either new or completely refurbished.
Second-hand A Grade: Previously occupied space with air-conditioning.
Second-hand B Grade: Previously occupied space without air-conditioning.

v. Demand figures quoted in this report refer to named requirements for over 10,000 sq ft.

vi. Under construction figures quoted in this report refer to developments of over 20,000 sq ft which are currently underway. They do not include properties undergoing demolition.

vii. Investment figures quoted in this report refer to accommodation where the majority of income/potential income is from office usage and comprises transactions of £1 m and above. The data includes standing investments, site purchases and funding transactions.

viii. This report is produced to standard quarters.
Quarter 1: January 1 – March 31,
Quarter 2: April 1 – June 30,
Quarter 3: July 1 – September 30,
Quarter 4: October 1 – December 31

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