

# South East and Greater London Offices



Q1 2025

Investment, Development & Occupational Markets

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# Key takeaways



1

Total take-up reached 1.2million sq ft, the strongest opening quarter of a year since 2008.



4

Investment volumes reached £259 million in Q1, with £230 million of office stock under offer.



2

Fourteen deals exceeded 20,000 sq ft, the highest number recorded since 2023.



5

Prime Yields hold at 7.00%.



3

Market vacancy rose to 9.7%, albeit one-third of available space is Grade B.

# Executive Summary

## STRONG START TO THE YEAR FOR SOUTH EAST OFFICE LEASING

The South East office market began 2025 with notable momentum. Leasing activity increased in Q1, with total take-up reaching 1.2 million sq ft – a 39% increase compared to Q4 2024 and the strongest opening quarter to a year since 2008. The scale and breadth of activity was underscored by the completion of 107 leasing transactions, significantly above the five-year quarterly average of 70 and highlighting a broad-based uplift in occupier engagement across the region.

## LARGER FOOTPRINTS UNDERPIN TAKE-UP

A key feature of Q1 2025 was the marked increase in larger leasing transactions. Fourteen deals exceeded 20,000 sq ft, the highest number recorded since 2023. BAE Systems' acquisition of 155,250 sq ft across two buildings at South Oak Way, Green Park, headed examples of larger occupational footprints during the quarter. This deal represents the largest transaction of its kind in over a year. The average deal size rose to 11,650 sq ft, marginally ahead of 2024's average, reflecting the composition of letting activity during the quarter.

## 'BEST IN CLASS' SPACE CONTINUES TO DOMINATE

Tenant preferences remain resolutely aligned with the flight-to-quality trend. Demand is concentrated in modern, energy-efficient,

strategically located buildings, reflecting ongoing shifts in workplace expectations and ESG priorities. In Q1 2025, 86% of total take-up was secured in New and Grade A space, reaffirming the dominance of top-tier buildings and highlighting the bifurcation between premium and secondary assets.

## SUPPLY CONTINUES TO POLARISE

While take-up surged, overall market vacancy rose marginally to 9.7%, with one-third of available space considered lower quality and increasingly ill-suited to modern occupier needs. The development pipeline remains limited, with just over 1.8 million sq ft of speculative office space under construction with a delivery date before 2028, albeit close to two-thirds of this total is located in West London and Cambridge. This subdued pipeline reflects both the elevated cost environment and selective appetite for speculative development – but also amplifies the ongoing pressure on the supply of best-in-class product and opportunities ahead.

## INVESTMENT ACTIVITY EASES, BUT UNDERLYING INTEREST PERSISTS

Following a particularly active Q4 2024, investment volumes moderated during the first quarter. Total investment reached £259 million, 53% below the five-year quarterly average. Nonetheless, market engagement continues to show improvement, with 25 deals transacted, above the quarterly norm of 20. Four

transactions exceeded £20 million, led by the £27 million acquisition of the Brinel building, indicating continued investor appetite for prime assets where pricing aligns with quality and location fundamentals.

## PIPELINE SIGNALS PENT-UP DEMAND

While completed investment volumes softened in Q1, the pipeline of potential transactions points to sustained investor interest. At quarter end, approximately £230 million of office stock was under offer, suggesting a potential rebound in activity in the coming months. In addition, £456 million of assets were being marketed, reflecting renewed confidence among vendors in the depth of buyer demand.

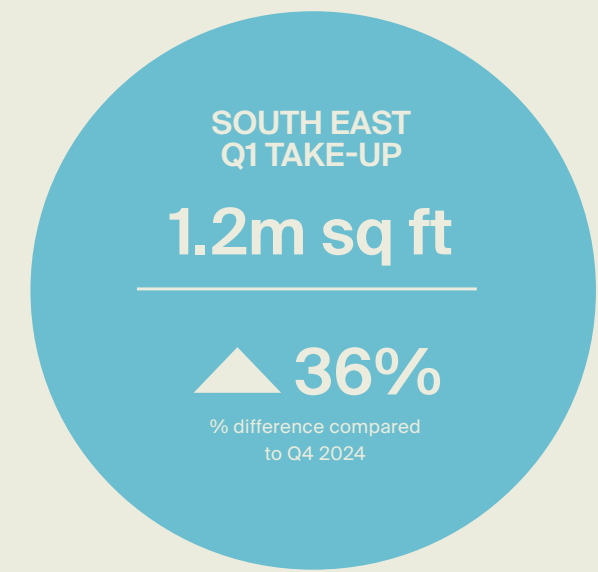
## PRIME YIELDS HOLD STEADY AMID SELECTIVE SENTIMENT

Despite reduced volume, prime pricing remained firm, with yields holding at 7.00%. This resilience suggests that well-let, high-quality assets remain in demand, particularly among investors focused on long-term fundamentals. By contrast, sentiment toward secondary stock remains cautious, as concerns around capital expenditure, obsolescence, and evolving occupier needs weigh heavily on investor appetite. Many investors are adopting a more selective and risk-averse approach, prioritising quality over quantity in a polarised market landscape.



# Occupier market

Occupier activity began the new year with momentum, with deal numbers well ahead of the long term trend. The development pipeline remains constrained and concentrated, with speculative activity limited.



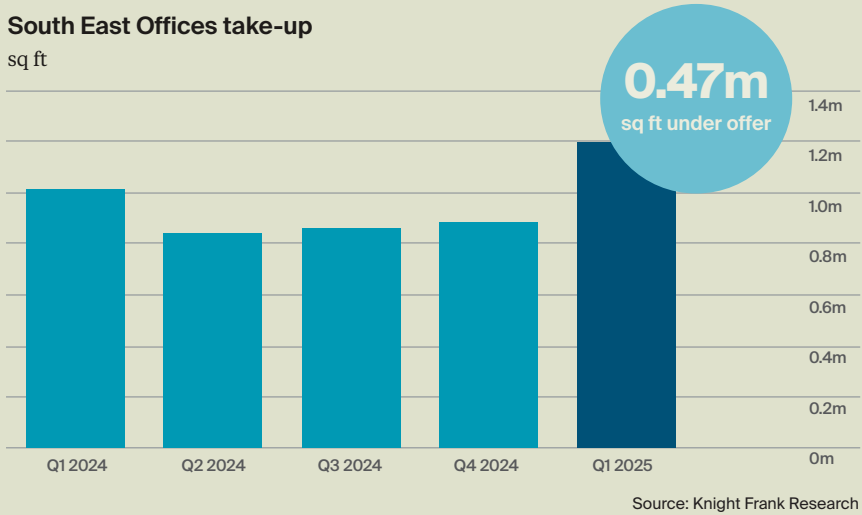
6 Roundwood Avenue, Stockley Park

Take-up and supply Q1 2025

	TAKE-UP (SQ FT)	TAKE-UP (VS Q4 2024)	SUPPLY (SQ FT)	SUPPLY (VS Q4 2024)	VACANCY RATE
SE	1,200,851	▲ 36%	16.6m	▲ 2% New and Grade A space: 71%	9.8% New and Grade A space: 7.0%
M25	569,281	▲ 40%	10.7m	▼ -1% New and Grade A space: 68%	10.7% New and Grade A space: 7.3%
M3	213,947	▲ 116%	2.9m	▲ 8% New and Grade A space: 67%	10.1% New and Grade A space: 6.8%
M4	551,217	▲ 76%	7.1m	▼ -1% New and Grade A space: 77%	13.3% New and Grade A space: 10.3%

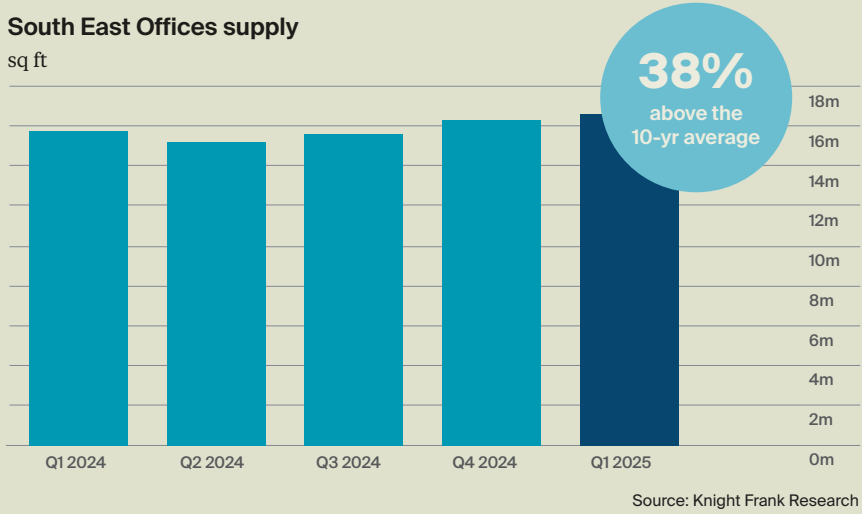
Source: Knight Frank Research

South East Offices take-up  
sq ft



**RODDY ABRAM**  
Occupier appetite to upgrade their headquarters ahead of lease events remains robust. Landlords bringing new or refurbished offices into undersupplied markets are able to command higher rents compared to historic levels, with certain markets witnessing double-digit growth year on year.

South East Offices supply  
sq ft



**JACK RILEY**  
The development pipeline beyond 2027 looks thin, meaning that occupiers are engaging with committed schemes ahead of commencement or during the early stages of the construction period.

Key Leasing transactions Q1 2025

ADDRESS	SIZE SQ FT	OCCUPIER	RENT £ PER SQ FT
450 South Oak Way, Reading	110,669	BAE Systems, Leonardo, and JAIEC (GCAP)	Conf.
The Optic, Cambridge	95,709	ARM	£48.00
6 Roundwood, Heathrow	55,520	Reckitt Benkiser	£36.00
Parkview, Uxbridge	46,757	Caretech	Freehold Sale £7m
350 Brook Drive, Reading	44,855	BAE Systems, Leonardo, and JAIEC (GCAP)	Conf.

Source: Knight Frank Research.

# Prime Rents

£ per sq ft

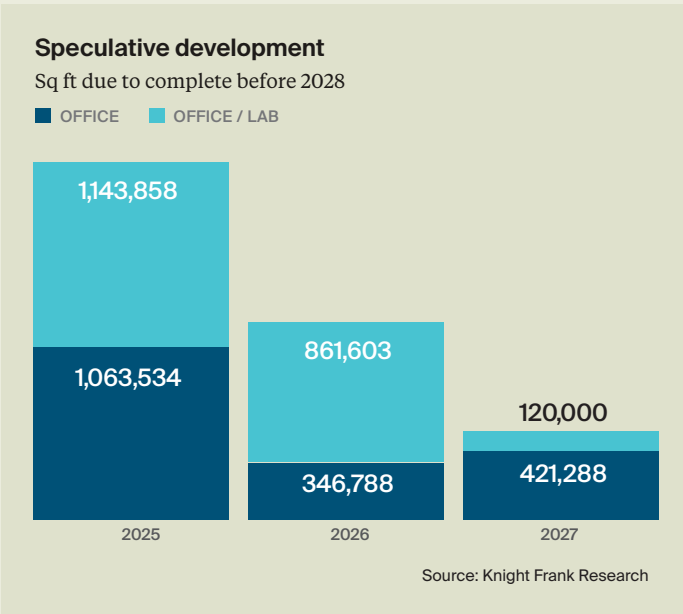
ACTIVE DEMAND: 5.17M SQ FT

Named demand in the South East



DEVELOPMENT: 4.7M SQ FT

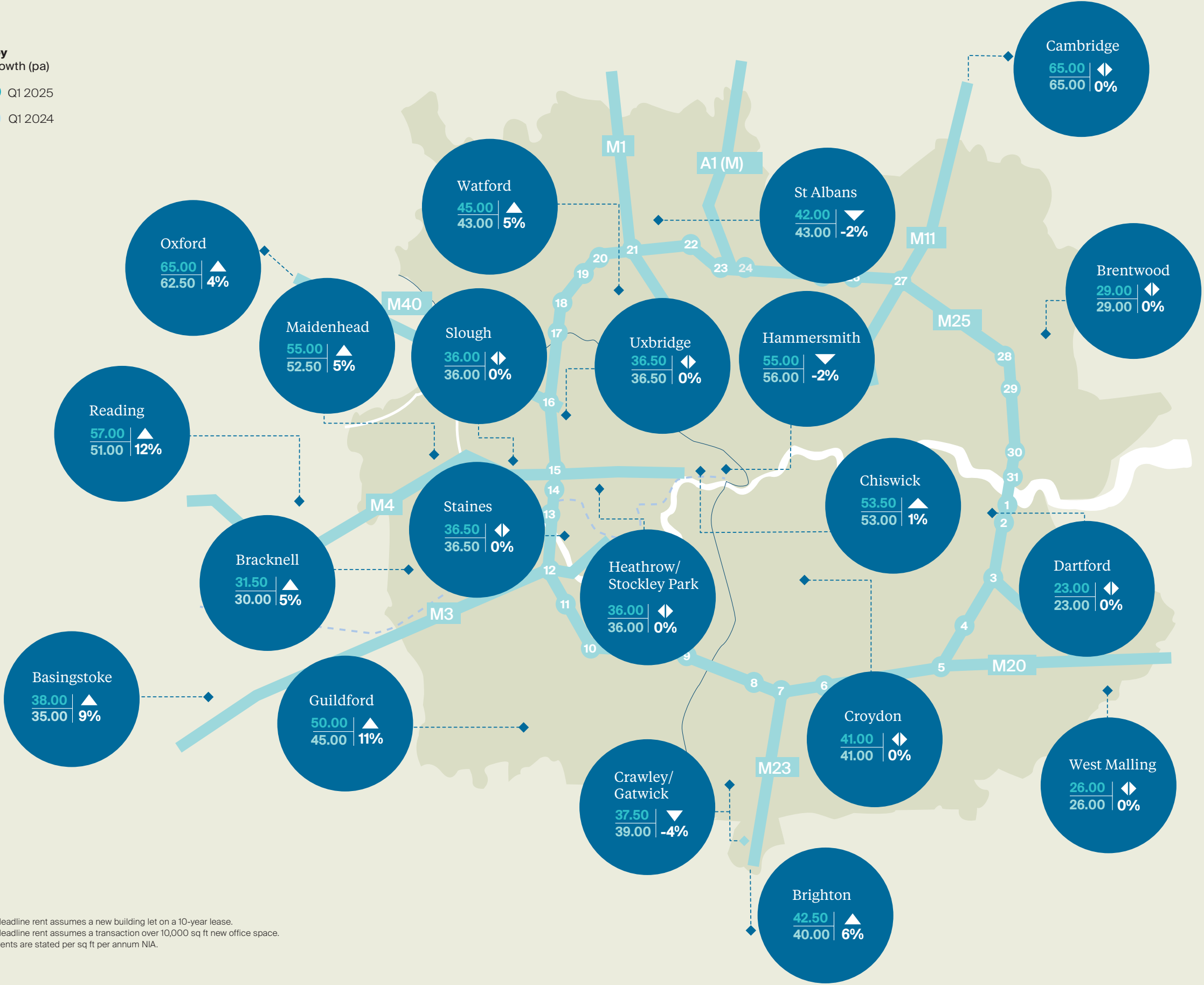
Space under construction in the South East  
0.7m sq ft already leased



Key  
Growth (pa)

Q1 2025

Q1 2024



Headline rent assumes a new building let on a 10-year lease.  
Headline rent assumes a transaction over 10,000 sq ft new office space.  
Rents are stated per sq ft per annum NIA.

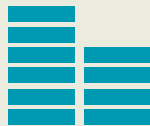


# Investment market

Improving investor sentiment is yet to translate into an uplift in transactions, albeit the level of stock readied for sale is increasing.




Brinell Building, Brighton




**£259m\***

South East transaction volumes




**£10.38m**

Average lot size



**7.00%**

Prime net initial yield

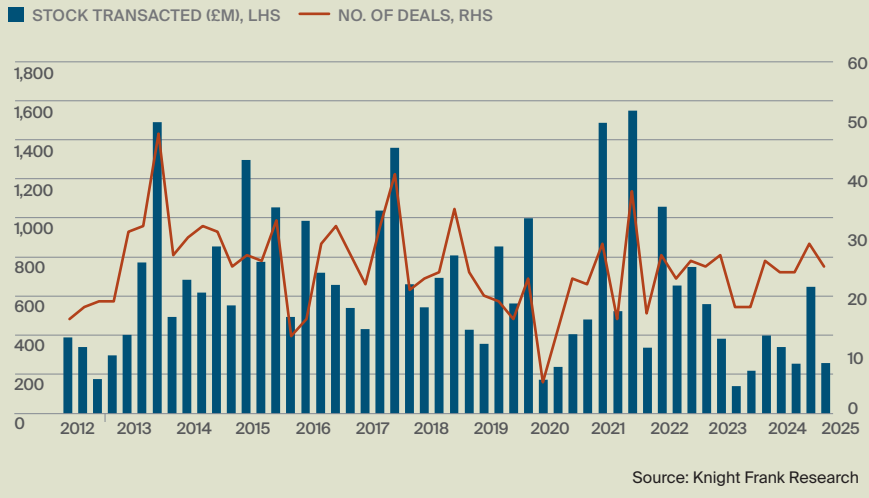


**40%**

Buyers from the UK

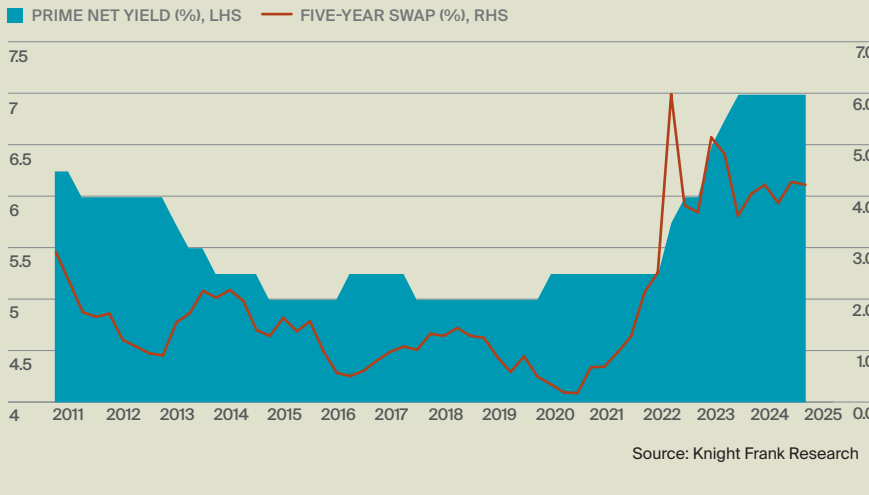
\* Includes occupier acquisition  
Footnote: Headline statistics are representative of Q3 2024

## Investment volumes



**SIMON RICKARDS**  
Investors are slowly buying into the demand and prime rental growth story for new office buildings, which continue to attract blue-chip tenants on strong lease terms.

## Prime net initial yield and finance



**HENRY WYLD**  
Property companies are increasingly recognising the current window of opportunity, and many are eyeing value-add opportunities given their larger upside potential because of depressed values and a shortage of modern office stock.

## Key transactions Q1 2025

ADDRESS	PRICE (£M)	NET INITIAL YIELD	VENDOR	PURCHASER
The Brinell Building, Brighton	£27	7.50%	Orchard Street	Iroko Zen
FORGE, Woking	£26	9.40%	Mayfair Capital	Sun Capital Partners
Great West House, Hounslow	£25	Conf.	McGrath Group	McGrath Group
270-289 Milton Road, Cambridge	£23	4.50%	Private Property Company	Brockton Everlast

Source: Knight Frank Research. GIA

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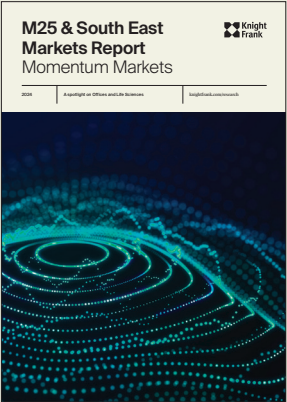


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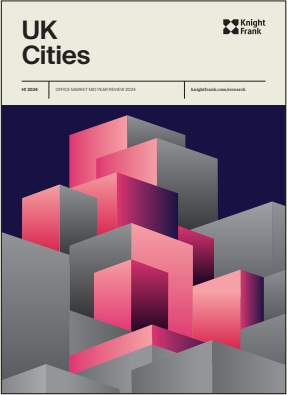
M25 – Markets Report



The London Report



Active Capital



UK Cities



(Y)OUR SPACE



UK Gaming Report



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UK Film and Television  
Studios Market



#### TECHNICAL NOTE

- Knight Frank defines the M4 market as extending from Hammersmith, west to Newbury, incorporating Uxbridge and High Wycombe to the north and Staines and Bracknell to the south. Reading is also included.
- The M3 market incorporates the main South West London boroughs and encompasses Leatherhead, Guildford and Basingstoke extending north to the M4 boundary described above. Farnborough and Camberley are also included.
- The figures in this report relate to the availability of built, up-and-ready office/B1 accommodation within the M25 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.
- Vacancy rate data is based on a total M25 stock measure of 121m sq ft (net), an M4 market stock of 66m sq ft (net) and an M3 market stock of 39m sq ft (net). Please note that a revision to total market office stock figures was applied in Q1 2017 to reflect 'change of use' permitted through the Town and Country Planning Order 2015.
- 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 as the market area shown in the map on pages 6/7. The market statistics quoted as 'South East' or 'South East Study Area' are 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 2025.

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