South East and Greater London Offices

Q3 2025

Investment, Development & Occupational Markets

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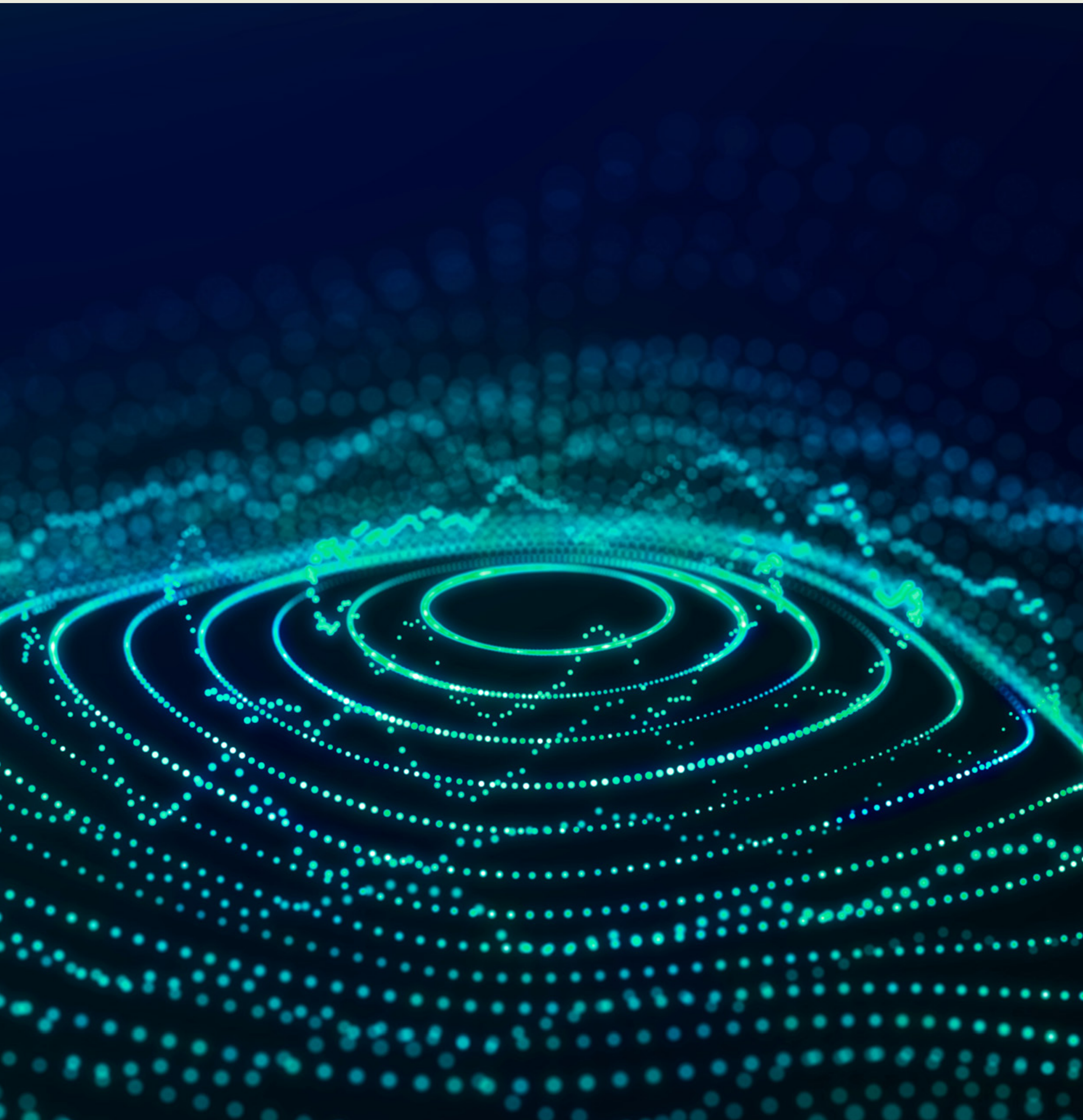


Key takeaways

1

Leasing levels in 2025, the highest since before the COVID-19 pandemic.

2

Reading accounts for 19% of total take-up in 2025.

3

The TMT sector has re-emerged as a key driver of demand, contributing 24% of total take-up.

4

At 1.6m sq ft, speculative development is not keeping pace with demand.

5

Investment shows improvement, with £291m of assets traded in Q3, the strongest quarter of 2025 so far.

6

Prime South East office yields remain at 7.00% providing compelling value against Central London.

Executive Summary

LEASING LEVELS – HIGHEST SINCE BEFORE THE COVID-19 PANDEMIC

In the third quarter of 2025, a total of 806,000 sq ft of leasing transactions were completed across the South East and Greater London office markets, representing a 4.2% increase compared with the previous quarter. Each quarter of 2025 to date has recorded take-up above 800,000 sq ft, marking the first time since 2019 that activity in the first three quarters has consistently surpassed this level. As a result, year-to-date take-up has reached 2.7 million sq ft, reflecting a 15% increase on the same period in 2024 and standing 20% above the long-term average. Overall, leasing activity in 2025 so far represents the strongest performance recorded since before the COVID-19 pandemic.

READING LEADS LEASING ACTIVITY.

Reading has proved the most active market in the South East and Greater London region, accounting for 19% of total office take-up in 2025. The Greater Reading area has recorded 499,562 sq ft of take-up so far this year, representing a 17.5% increase on Q1–Q3 2024 and 56.6% above the long-term average. This strong performance continues to be driven by sustained occupier demand for new, high-quality, and well-located developments.

Notable transactions in the third quarter included Lincoln MGT's agreement with energy company Centrica for a 41,971 sq ft letting at One Station Hill, Reading. In addition, Boehringer Ingelheim, a global pharmaceutical firm, completed a 36,497 sq ft deal at 1180 Winnersh Triangle, owned by Frasers Property UK.

TMT UPTICK SUPPORTS STRONGER MARKET PERFORMANCE.

Following two years of subdued performance, the Technology, Media and Telecommunications (TMT) sector has re-emerged as a key driver of office demand in 2025. So far this year, occupiers from the sector have accounted for 634,000 sq ft of take-up across 68 transactions, representing 24% of total market activity. This marks a significant improvement on 2024, when the sector contributed 372,000 sq ft across 34 deals. In the South East, GVA for the broader digital and communications-intensive industries is estimated to have grown by approximately 6% in 2025, with headcount in the region's TMT sector forecast to rise by a further 6% over the next three years, underlining its increasing importance to occupier demand in the office market.

DEVELOPMENT IS NOT KEEPING PACE WITH DEMAND.

Development activity continues to be limited, with just 1.6m sq ft of speculative office space under construction at quarter end. A significant portion, around 60%, of this pipeline is located in West London and Cambridge, meaning supply levels across other major markets in the South East are tightening.

This limited supply stands in marked contrast to the 3.8m sq ft of active occupier requirements across the region. The Grade A vacancy rate remains below 6%, demonstrating that demand continues to exceed the availability of high-quality space.

INVESTMENT SHOWS IMPROVEMENT

Investment activity across the South East and Greater London strengthened in Q3, with £291 million of assets traded, marking the highest quarterly total recorded in 2025 so far. A key transaction during the period was Iroko Zen's £58 million acquisition of One Lyric Square in Hammersmith, the first deal of the year exceeding £50 million and a clear indication of improving investor appetite for well-priced, high-quality assets. Looking ahead, a further £252 million of investment deals are currently under offer, with an additional £1 billion of assets actively being marketed. Although total investment volumes remain below the long-term average, the data indicates a renewed return of vendors and healthy liquidity from both private equity and UK property companies pursuing core-plus opportunities.

MIND THE GAP

Prime office yields in the South East remained at 7.00% in Q3, reflecting a notable spread relative to London benchmarks. The disparity is particularly evident when compared with yields of 5.25% in the City and 3.75% in the West End, highlighting attractive opportunities for investors seeking value outside the capital. With limited new supply, sustained rental growth, and an improving availability of 'sale-ready' stock, expectations are building that a broader buyer pool and increased competition will begin to place pressure on pricing moving forward.

Occupier market

Leasing activity in 2025 has reached its strongest level since before the pandemic, underpinned by a resurgent TMT sector. Limited development and tightening Grade A supply continue to demonstrate an imbalance between demand and availability.

SOUTH EAST TAKE-UP

Q3
0.81m sq ft
▲ 3%
Q-on-Q

Year-to-Date
2.7m sq ft
▲ 6%
Y-on-Y

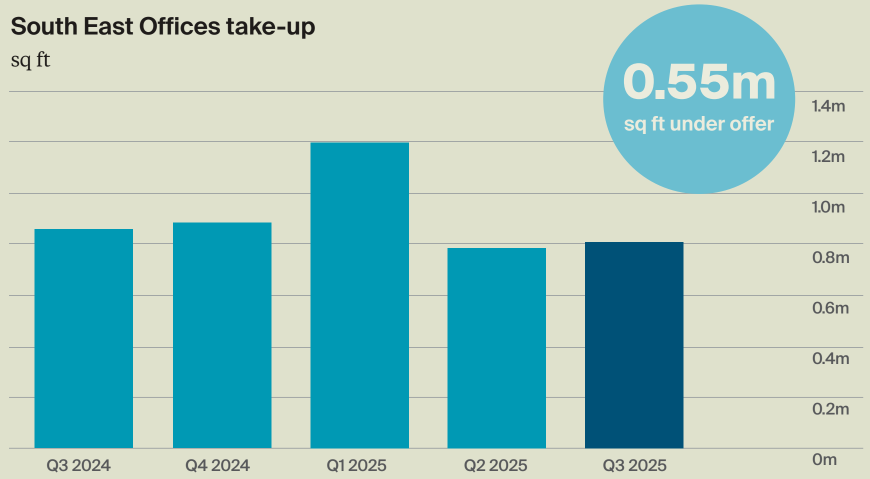
Witan Gate, Milton Keynes

Take-up and supply Q3 2025

	TAKE-UP (SQ FT)	TAKE-UP (VS Q2 2025)	SUPPLY (SQ FT)	SUPPLY (VS Q2 2025)	VACANCY RATE
SE	806,570	▲ 3%	16.3m	▲ 2% New and Grade A space: 65%	10.1% New and Grade A space: 6.7%
M25	393,913	▼ -23%	11.0m	▲ 2% New and Grade A space: 66%	11.1% New and Grade A space: 7.5%
M3	106,503	▼ -38%	2.9m	▲ 3% New and Grade A space: 67%	9.9% New and Grade A space: 6.7%
M4	331,759	▲ 12%	7.4m	▲ 2% New and Grade A space: 76%	13.9% New and Grade A space: 10.6%

Source: Knight Frank Research

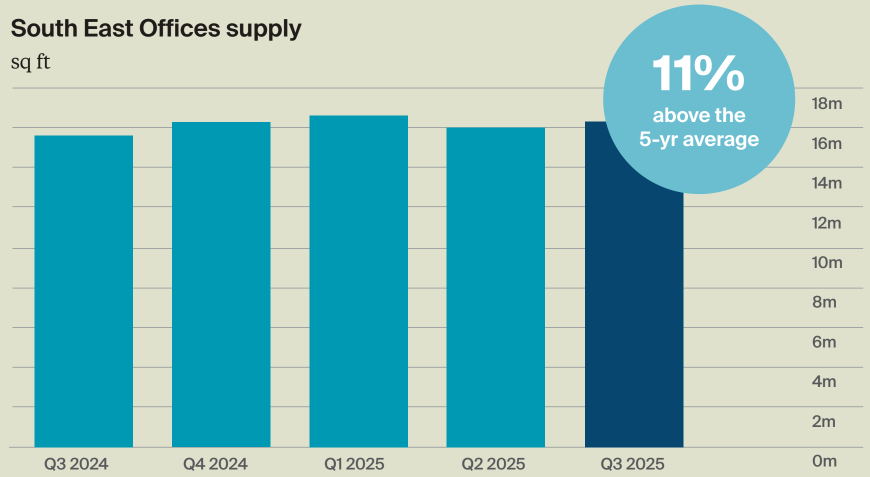
South East Offices take-up
sq ft



Source: Knight Frank Research

RODDY ABRAM
The ongoing shift back to office-first working policies has led to a steady rise in lease event–driven activity. Active companies are consolidating dispersed office footprints into high-quality spaces in well-connected locations such as Reading.

South East Offices supply
sq ft



Source: Knight Frank Research

JACK RILEY
The combination of focused demand, limited new development and declining Grade A vacancy is expected to widen the market imbalance further, creating refurbishment or asset management opportunities in key locations.

Key Occupier transactions Q3 2025

ADDRESS	SIZE SQ FT	OCCUPIER	RENT £ PER SQ FT
Witan Gate House, Milton Keynes	58,128	Connells	£28.50
One Station Hill Reading	41,971	Centrica	£49.50
1180 Winnersh Triangle, Reading	36,479	Boehringer Ingelheim	£33.50
1 Roundwood Ave, Stockley Park, Heathrow	33,339	ACE Laboratories	Freehold Sale
CT2, St Albans	29,683	Skechers USA Ltd	£43.00

Source: Knight Frank Research

Prime Rents

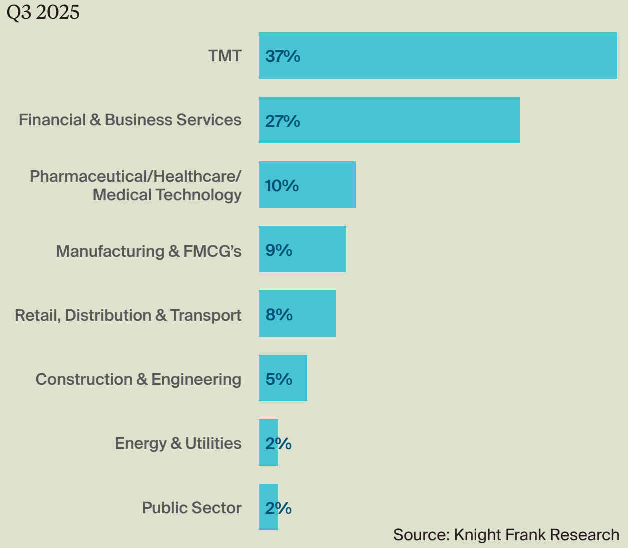
£ per sq ft

ACTIVE DEMAND: 3.8M SQ FT

Named demand in the South East

Active named demand by sector

Q3 2025



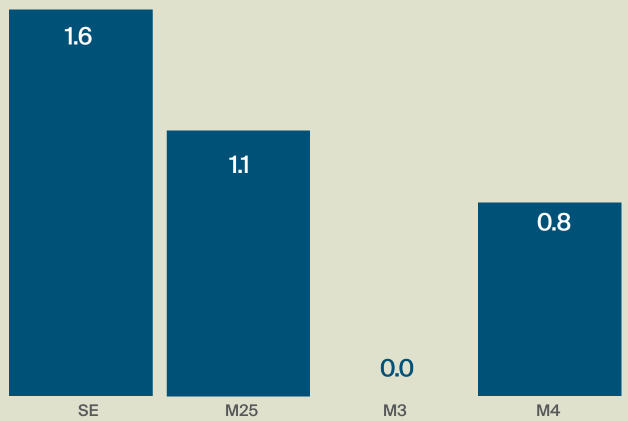
Source: Knight Frank Research

DEVELOPMENT: 2.1M SQ FT

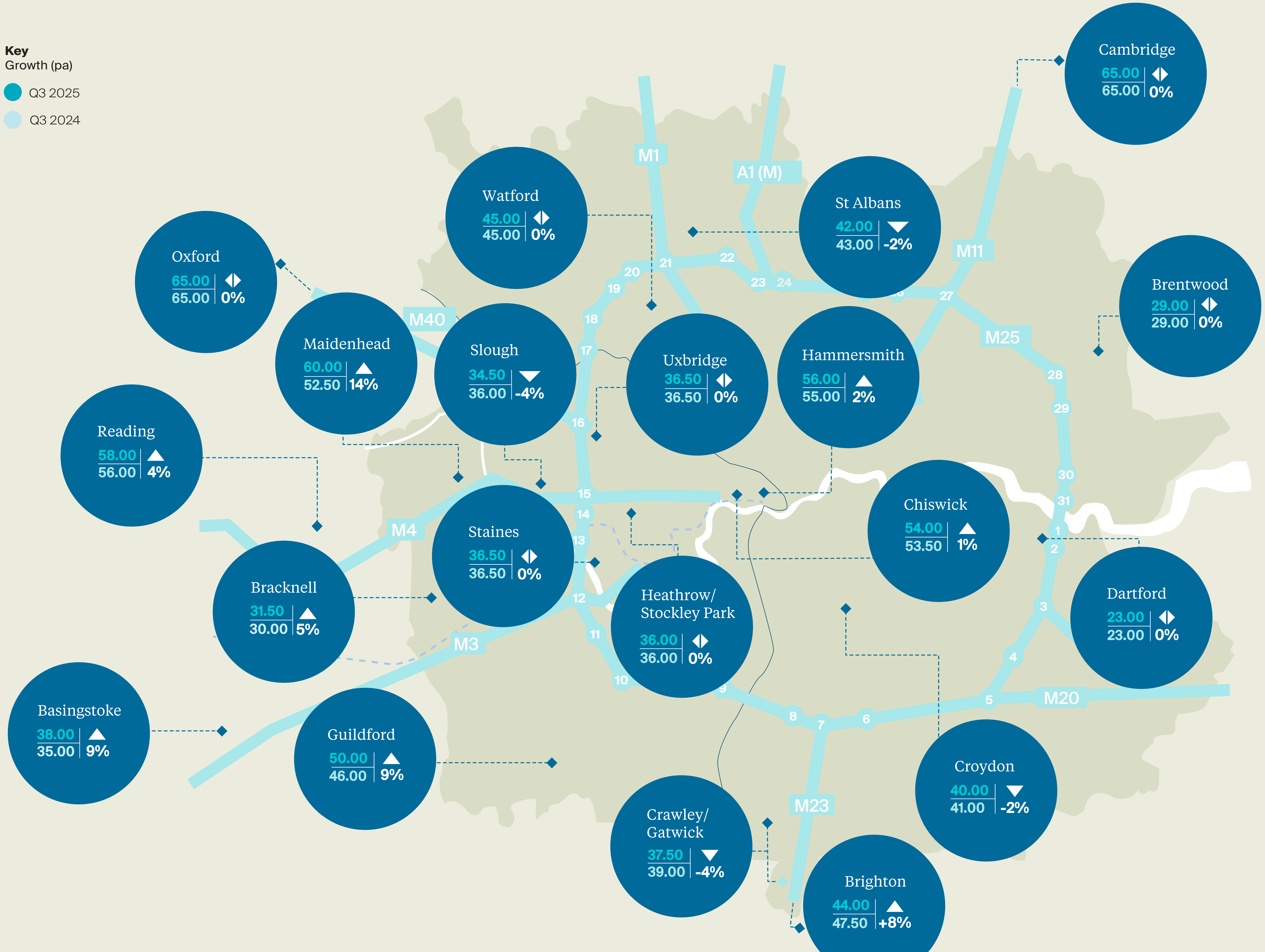
Space under construction in the South East
1.6m sq ft already leased

Speculative development

M Sq ft due to complete before 2029



Source: Knight Frank Research



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

Office investment reached its highest quarterly total of 2025 so far, though overall volumes are still below the long-term average. Yields remain historically high, although increasing competition could add some pricing pressure moving forward.

Strata, Staines

£291m*

South East transaction volumes

£12.90m

Average lot size

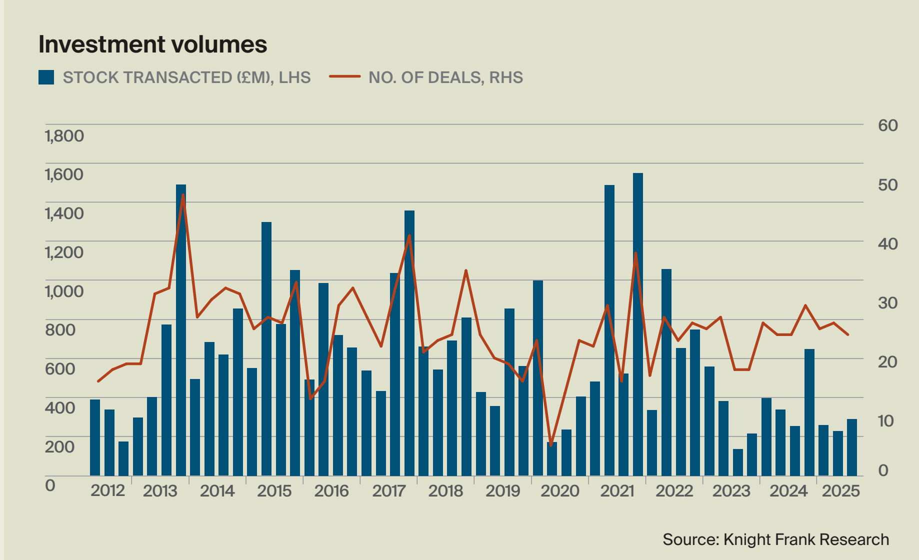
7.00%

Prime net initial yield

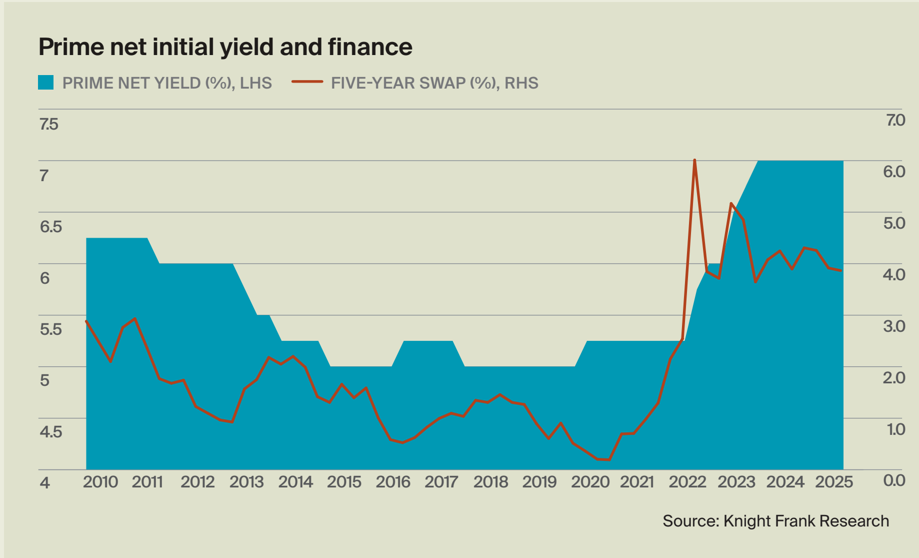
52%

Buyers from the UK

* Includes occupier acquisition
Footnote: Headline statistics are representative of Q3 2025



SIMON RICKARDS
Improving deal flow suggests that opportunistic buyers are showing renewed confidence in prime assets supported by strong occupier profiles. The increase in available sale stock is also expected to attract a wider pool of investors back into the market.



HENRY WYLD
Pricing for prime assets has now stabilised, with buyers and sellers showing greater alignment on current market values. Given the limited level of new development, there is a strong case that acquiring and refurbishing secondary assets in prime locations presents an increasingly attractive opportunity.

Key transactions Q3 2025

ADDRESS	PRICE (£M)	NET INITIAL YIELD	VENDOR	PURCHASER
One Lyric Square, Hammersmith	£57.0m	8.70%	Schroders	Iroko Zen
National Air Traffic Services (NATS) Centre, Fareham	£37.50m	11.43%	NatWest Pension Trustee Limited	NATS (En Route) PLC
Linac House, Crawley	£34.25m	8.65%	LaSalle Investment Management	Citi Bank
Strata, Staines	£20.15m	12.77%	M&G	David Samuel Properties Limited

Source: Knight Frank Research

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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 30th September 2025.

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