CUSHMAN & WAKEFIELD

MARKETBEAT
CENTRAL LONDON OFFICES
Q1 2025

Better never settles

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READY, SET, LET – THE RISE IN FITTED OFFICES

Fitted offices are becoming increasingly common, a trend that is redefining how businesses approach their office needs. Our analysis of data from Kato, 46% of all buildings with availability in Central London have at least some of their space marketed as fitted, excluding spaces smaller than 5,000 sq ft. When these smaller spaces are included, the percentage rises to 55%. This indicates a substantial portion of the market is moving towards ready-to-use office spaces.

This evolution comes as companies come up against increasing occupational costs – with the combined impact from rising rents, higher service charges and record high fit out costs. Our London Moves 2025 report also demonstrated that companies are taking more space and of better quality – raising costs further. Additionally, business rates are also set to rise by an estimated 38-49% for Central London office occupiers following the 2026 revaluation. All of these factors are putting pressure on occupiers to minimise the cost of moving offices.

One way to do this is to move into fitted space. This avoids the significant upfront capital expenditure of fitting out the space, which was found to be at a record high average of £206 psf for a medium-spec finish and up to £306 psf for high spec in our Fit Out Cost Guide. Additionally, fitted space means that occupiers can also move into the space immediately, minimising any costly double overhead periods where their former and new office leases overlap, as well as being able to enact any growth strategies quicker.

From the landlords' perspective, fitting out space does increase risk. However, having even a single Cat B floor can help lower the void periods across the whole building, with tenants better able to visualise the space. There is also the opportunity to capitalise on a middle ground, where Cat A space is fitted out by the landlord in partnership with the occupier, spreading the cost over the term of the lease. This allows the occupier to avoid the cap ex commitment, and allows the landlord to increase their income returns – a win-win.

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KEY TAKEAWAYS

Central London office take-up totalled 2.13 million sq ft in Q1 2025, 1% up on the 10-year average for Q1 take-up.

Availability increased to 28.35 million sq ft in Q1, up 3% versus Q4 2024 and 57% above the 10-year average.

15.93 million sq ft of space was under construction at the end of Q1, of which 42% is already pre-let.

There was £2.56 billion of office investment in Q1 2025, up 33% on the previous quarter and the highest quarterly volume since Q3 2022.

Across Central London, prime office yields were held in Q1 for a sixth consecutive quarter at 5.75% in the City and 4.00% in the West End.

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MARKET FUNDAMENTALS

	Quarterly Change	12-Month Forecast
2.13M Take-up	▼	—
28.35M Availability	▲	▼
8.9% Rental Growth, YoY	▲	▲
653,000 Completions	▼	▲
15.93M Under Construction	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
0.2% 2025 Projected GDP Growth	▲	▲
-0.4% 2025 Projected Office Employments	▼	▲
4.50% Q1 2025 Base Rate Bank of England	▼	▼

Source: Moodys

TAKE-UP: Q1 1% UP ON 10-YEAR FIRST QUARTER AVERAGE

Central London office take-up totalled 2.13 million sq ft in Q1 2025, 1% ahead of the 10-year average for Q1 take-up. Grade A leasing totalled 1.46 million sq ft, equating to 69% of the quarterly total. Under offer space increased to 2.83 million sq ft in Q1, up 1% versus Q4 2024 but 2% down on the 10-year average, with 74% being of Grade A quality. The City accounted for 62% of take-up volumes in the quarter, which is ahead of the 57% average of the last 10 years. The West End accounted for 34% while East London claimed just 3%. There were 125 deals above 5,000 sq ft in the first quarter of 2025, which is in line with the 10-year Q1 average.

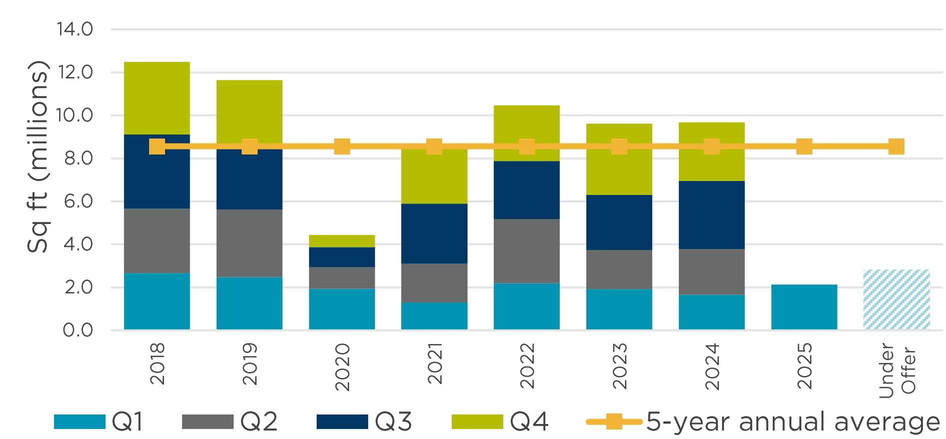
SUPPLY: UNDER OFFER PRE-LETS PUSH SUPPLY UP

Availability increased to 28.35 million sq ft in Q1, up 3% versus Q4 2024 and 57% above the 10-year average. This was caused by a number of major pre-let transactions going under offer in the quarter that would not have otherwise been counted in the supply figures until within six months of project completion. Consequentially, Grade A supply increased by 3% on the quarter to 16.68 million sq ft. The vacancy rate also increased to 9.64% overall and to 5.67% for Grade A space. This equates to 2.9 years' supply overall and 2.6 year's supply for Grade A space – a slight decrease from 2.7 year's supply in the previous quarter due to the strength of demand in this section of the market. There are 35 buildings available capable of satisfying a requirement in excess of 100,000 sq ft, of which 10 are under construction.

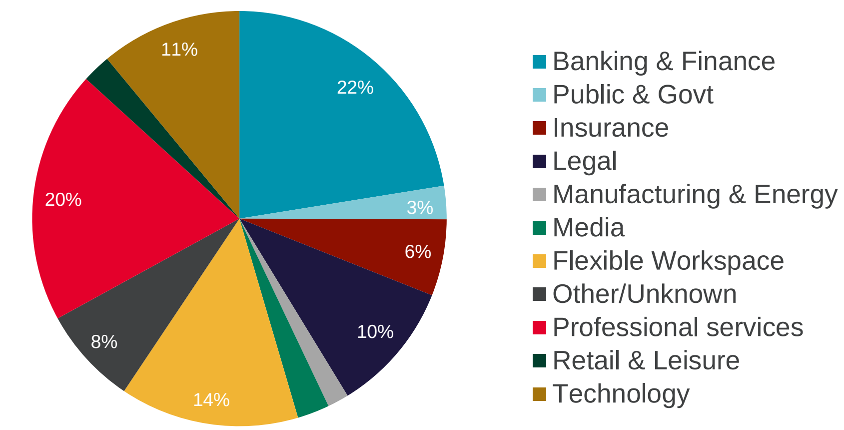
DEVELOPMENT: PIPELINE THINS CONSIDERABLY BEYOND 2025

In Q1 2025, just 653,000 sq ft of new space was completed in Central London, of which 68% was pre-let. There is 15.93 million sq ft of space currently under construction, of which 42% is already pre-let. Additionally, of the total under construction pipeline, 54% is due to complete in 2025 of which 61% is pre-let. This leaves just 5.91 million sq ft under construction and available completing beyond 2025, equivalent to under 1 year's supply of Grade A space – suggesting an impending squeeze on new space.

TAKE-UP BY QUARTER



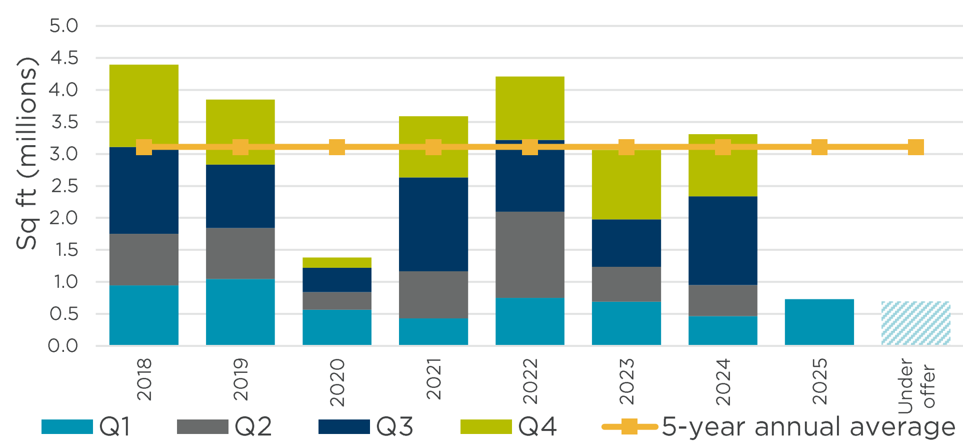
TAKE-UP BY SECTOR



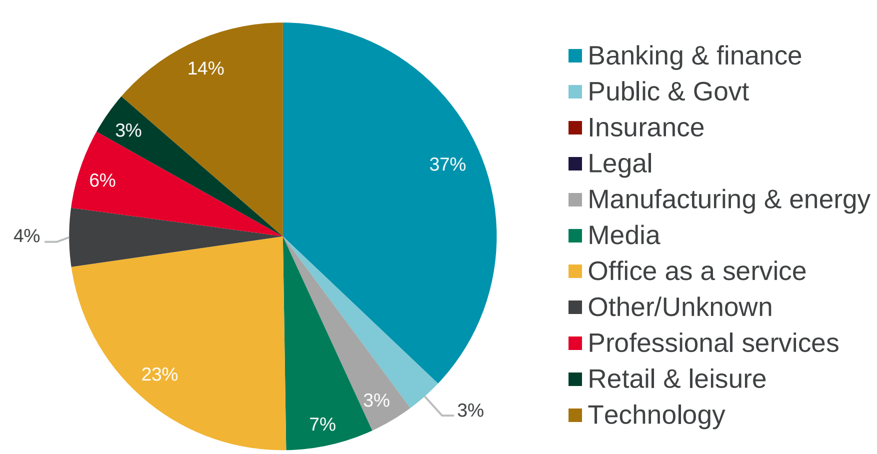
KEY OCCUPIER TRANSACTIONS

Simmons & Simmons	Cleveland Clinic	American Express
155,000 sq ft	110,000 sq ft	81,000 sq ft
Circus, 1-5 London Wall	40 Grosvenor Place	Belgrave House, 76 Buckingham Palace Rd
City Core	Knightsbridge	Victoria
Pre-let; Off Plan	Pre-let; Under Construction	New Lease

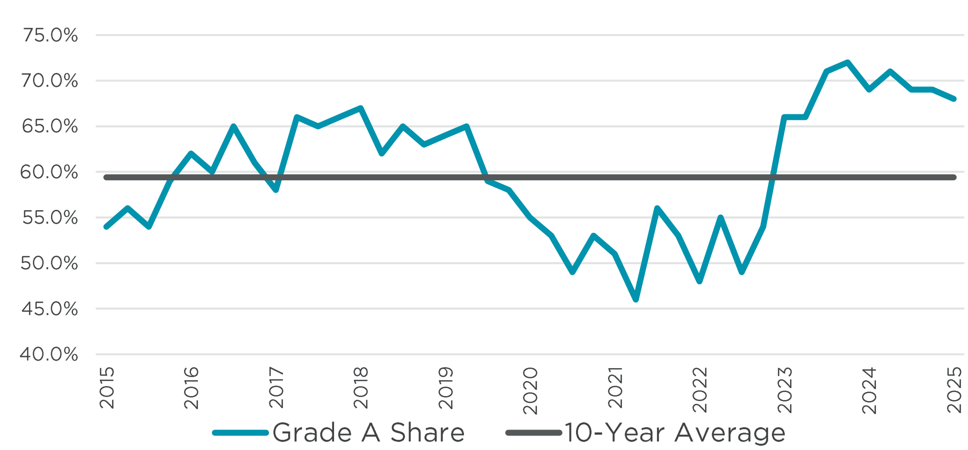
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR



GRADE A SHARE OF TAKE-UP, 12-MONTH ROLLING



TAKE-UP: SUPPLY-DEMAND IMBALANCE IN CORE PUSHES RENTS UP 14%

West End leasing activity totalled 730,000 sq ft in Q1 2025, 17% down on the 10-year average. Across the quarter, 68% of take-up was Grade A totalling 499,000 sq ft. There were 44 transactions in Q1 2025, ahead of the 40 deals recorded in Q1 2024. This amounted to an average transaction size of 16,600 sq ft, slightly down on the 16,800 sq ft record in the previous quarter. Three deals completed which were above 50,000 sq ft, with an additional two under offer at the close of the quarter. Consequentially, under offer space increased to 689,000 sq ft in Q1, up by 16% on the quarter but remaining 26% below the 10-year average. The constrained transactional activity comes as supply shortages in core markets have impacted the translation of demand into take-up. As a result of this imbalance, prime headline rents in the West End increased to £160.00 psf, a rise of 7% versus Q4 2024 and up by 14% over the last year.

SUPPLY: NON-CORE PIPELINE PUSHES SUPPLY TO NEW HIGH

Availability increased to 9.70 million sq ft in Q1, up by 8% on the quarter to achieve a new record high and 63% above the 10-year average. Grade A supply accounted for 75% of available space having risen by 11% versus Q4 2024 to 7.28 million sq ft. This was driven by 1 Olympia in Kensington approaching completion, as well as the addition of pre-lets going under offer into the supply figure. There was a resulting increase in the vacancy rate to 7.98% overall and 5.99% for Grade A supply. However, there is considerable variation within these figures, with Kensington rising to 19.05% Grade A vacancy due to the addition of the 1 Olympia development while Mayfair remains stubbornly low at 2.94% - the lowest across Central London. Across the West End market there are 15 buildings able to satisfy a requirement in excess of 100,000 sq ft, with seven of these being under construction at the close of the quarter.

DEVELOPMENT: STRONG 2025 CONTRASTS MEDIUM-TERM DROUGHT

Just 170,000 sq ft of new supply completed in the West End in Q1 2025, of which 48% was pre-let. Of the 6.54 million sq ft under construction, 38% has already been pre-let. Schemes scheduled to deliver over 2025 amount to 57% of the total pipeline, with 48% of this already being pre-let. This means that just 2.16 million sq ft is under construction and available due to deliver beyond 2025, amounting to under 1 years' of Grade A supply. As a result, demand is expected to continue to outpace supply in the core West End, increasing competition for the remaining spaces and thus stoking further rental growth.

KEY OCCUPIER TRANSACTIONS

Cleveland Clinic

110,000 sq ft

40 Grosvenor Place

Knightsbridge

Pre-let; Under Construction

American Express

81,000 sq ft

Belgrave House, 76 Buckingham Palace Rd

Victoria

New Lease

Confidential

58,000 sq ft

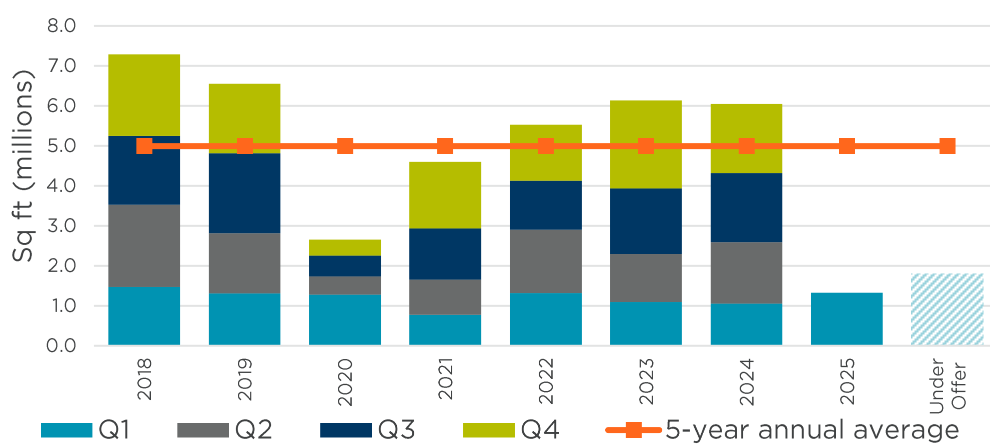
M Building, 334-348 Oxford Street

North of Oxford Street

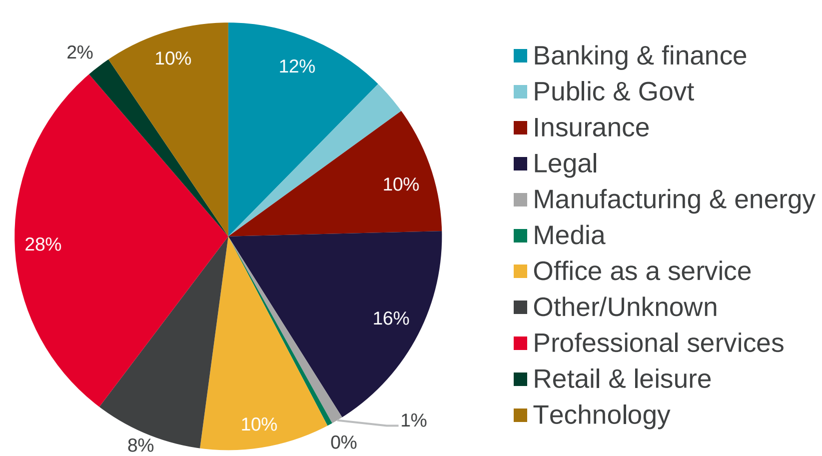
Pre-let; Under Construction

WIDER CITY
Q1 2025

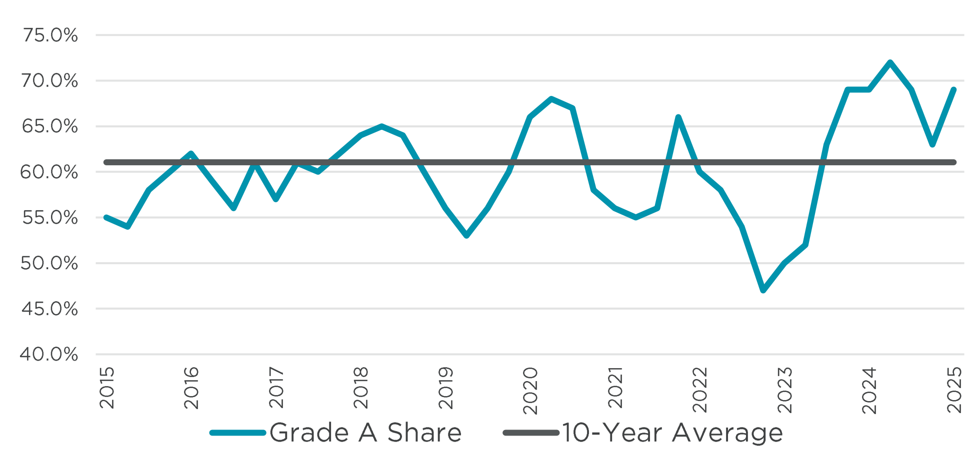
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR



GRADE A SHARE OF TAKE-UP, 12-MONTH ROLLING



TAKE-UP: GRADE A BOLSTERS TAKE-UP ACTIVITY

In the Wider City market, take-up totalled 1.33 million sq ft in Q1 2025 – the strongest Q1 figure since 2018. Despite the total leasing volume being down 8% on the 10-year quarterly average, Grade A activity was in fact 5% ahead of the 10-year average at 919,000 sq ft while Grade B activity fell to 400,000 sq ft – the lowest volume since Q4 2021. This brought the Grade A market share to 69% - the joint second highest share of the last 10 years. With 78 transactions occurring in Q1 2025, the quarter was slightly ahead of the 76 deals averaged per quarter over the last 10 years. Under offer space decreased by 11% quarter-on-quarter to reach 1.80 million sq ft in Q1 2025, however this figure remains 7% ahead of the 10-year quarterly average. Prime headline rents in the City Core increased to £87.50 psf in Q1 2025, up 1.2% on the previous quarter and 9.4% over the last year.

SUPPLY: AVAILABILITY TICKS UP OVERALL BUT GRADE A DECREASES

Availability in the Wider City market increased marginally by 1% in Q1 2025 to 15.00 million sq ft, up from 14.80 million sq ft in Q4 2024, to be 56% ahead of the 10-year average. Grade A supply made up 54% of the total, amounting to 8.03 million sq ft following a slight decrease of 2% on the quarter amid strong demand. As a result, the overall vacancy rate edged up to 10.11% in Q1 from 9.97% in the previous quarter – the highest rate since Q2 2023 – while the Grade A vacancy rate decreased to 5.41%. At the end of Q1 2025, there were 13 spaces in the Wider City able to satisfy a requirement of 100,000 sq ft or more, with three of these being under construction.

DEVELOPMENT: STRONG 2025 TO BE FOLLOWED BY FALLOW PERIOD

Completions in the first quarter of 2025 totalled just 483,000 sq ft, of which 76% was pre-let. However, 4.70 million sq ft of space is scheduled to be delivered in the Wider City over 2025 which, if fulfilled, would make it the second strongest year on record for completions. Of this space, 73% has already been pre-let, leaving 1.26 million sq ft under construction and available. The total under construction pipeline in the Wider City totals 9.06 million sq ft, with 47% of this being pre-let at the close of the quarter. This amounts to just 3.54 million sq ft of under construction and available space scheduled to complete after 2025 – equivalent to just 1 year's supply of Grade A space. With the continuing preference of occupiers for higher quality space, the limited pipeline over the medium term suggests Grade A supply will be eroded with subsequent upward pressure on rents.

KEY OCCUPIER TRANSACTIONS

Simmons & Simmons

155,000 sq ft

Circus, 1-5 London Wall

City Core

Pre-let; Off Plan

Knight Frank

72,000 sq ft

1 Liverpool Street

City Core

Pre-let; Under Construction

Trainline

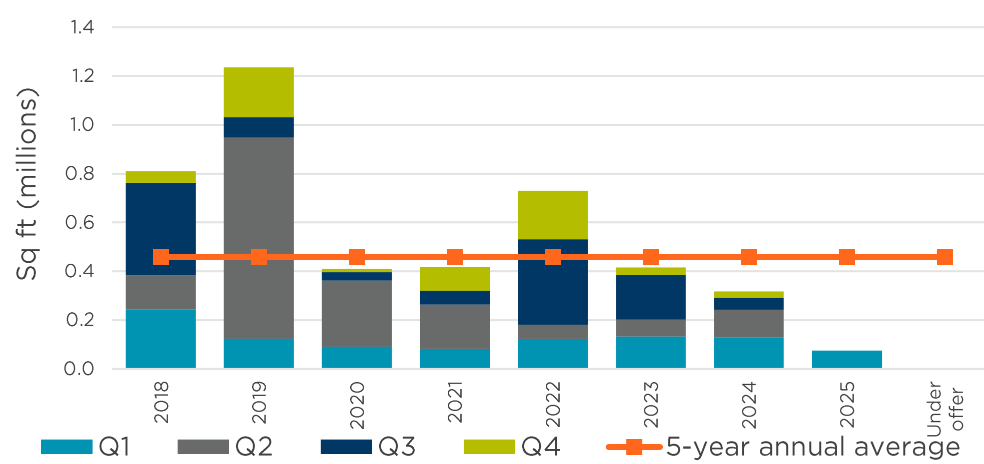
62,000 sq ft

Stonecutter Court, 1 Stonecutter Street

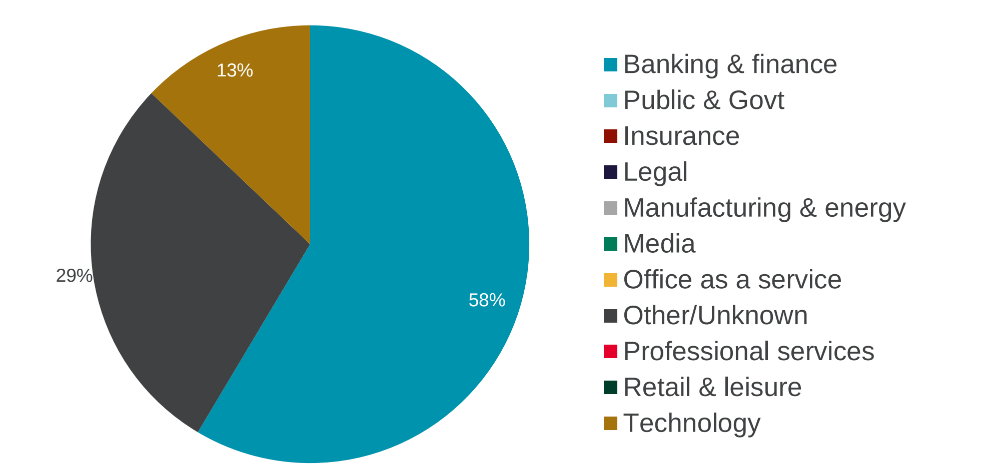
Midtown

Pre-let; Under Construction

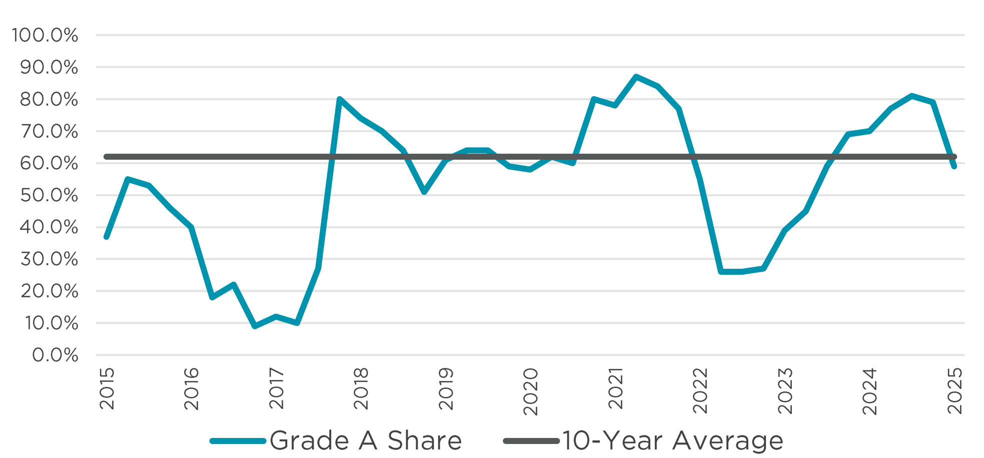
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR



GRADE A SHARE OF TAKE-UP, 12-MONTH ROLLING



TAKE-UP: MAJOR UNDER OFFERS EMERGE IN EAST LONDON

East London take-up totalled 76,000 sq ft in Q1 2025 which was the strongest quarter since Q2 2024 but remains 63% behind the 10-year average. The challenger bank, Zopa's 44,400 sq ft lease at Wood Wharf, 20 Water Street was the largest letting of the quarter and the only Grade A transaction, meaning that the Grade A market share dipped to 59% for the quarter. The two other transactions in Q1 were both of Grade B space, with 14,900 sq ft leased at HX1, Harbour Exchange Square and 9,800 sq ft at 5 Churchill Place. There has been a significant uptick in under offer space in East London over Q1, totalling 336,000 sq ft at the end of Q1. This includes JP Morgan under offer to sublease 145,000 sq ft across seven floors at 1 Cabot Square from Credit Suisse (now UBS), as well as the University of Law under offer for 73,000 sq ft at The Turing Building, 3 Westfield Avenue. Rents remained flat in the first quarter at £57.50 psf in Canary Wharf.

SUPPLY: FOURTH CONSECUTIVE DECREASE IN GRADE A SUPPLY

Availability across East London decreased marginally by 1% on the quarter to 3.65 million sq ft at the end of Q1 2025. This was driven by a 4% reduction in Grade A supply – the fourth consecutive quarter of decline – down to 1.37 million sq ft. This equated to an overall vacancy rate of 15.17% and a Grade A vacancy rate of 5.69% - the lowest level since Q4 2023. There are seven spaces capable of satisfying a requirement in excess of 100,000 sq ft across the East London market.

DEVELOPMENT: ABSENT PIPELINE IN EAST LONDON

At the close of Q1 2025 there were no under construction office developments in East London, however there are a number of schemes with planning consent. Viability challenges across the construction market following a period of considerable inflation as well as the elevated cost of debt suggests that these will be unlikely to progress to delivery in the near-term without securing a pre-let.

KEY OCCUPIER TRANSACTIONS

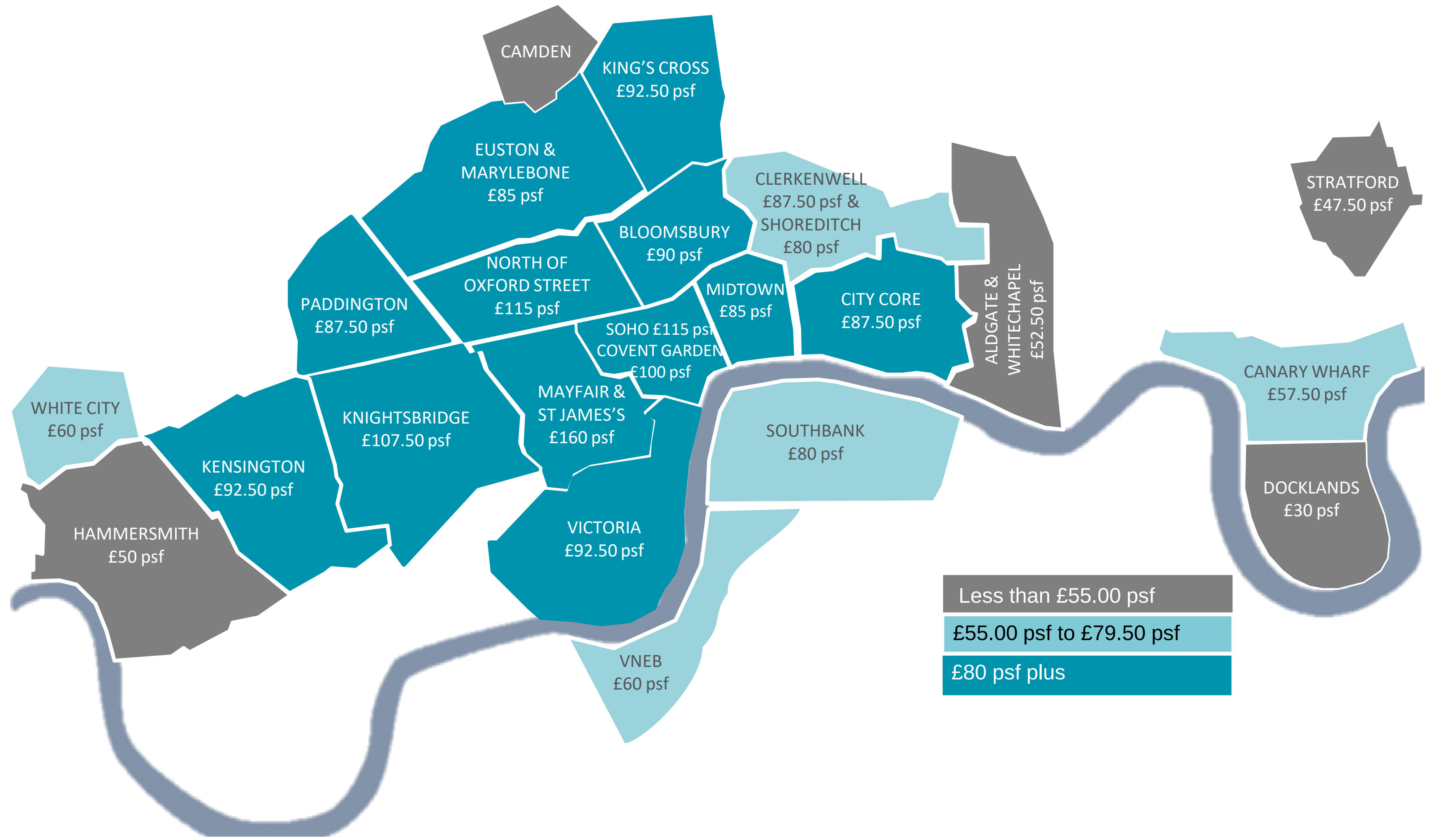
Zopa
44,400 sq ft
Wood Wharf, 20 Water Street
Canary Wharf
New Lease

Confidential
14,900 sq ft
HX1, 1 Habour Exchange Square
Outside of Canary Wharf
New Lease

CSC Administrative Services
9,800 sq ft
5 Churchill Place
Canary Wharf
New Lease

RENTAL MAP
Q1 2025

PRIME HEADLINE RENTS



ECONOMY

1.1% UK GDP growth in 2024

0.7% Projected UK GDP growth in 2025

-0.2% Inner London GDP growth in 2024

0.2% Projected Inner London GDP growth in 2025

On April 2nd, the US Government announced widespread 'reciprocal' tariffs. The widespread market turmoil, commodity price falls and the bond sell-off has led the US Government to call a 90 day pause, notwithstanding the base tariffs, on all countries except for China.

The end result is unclear, however the most likely impact is a drag on global and UK economic growth.

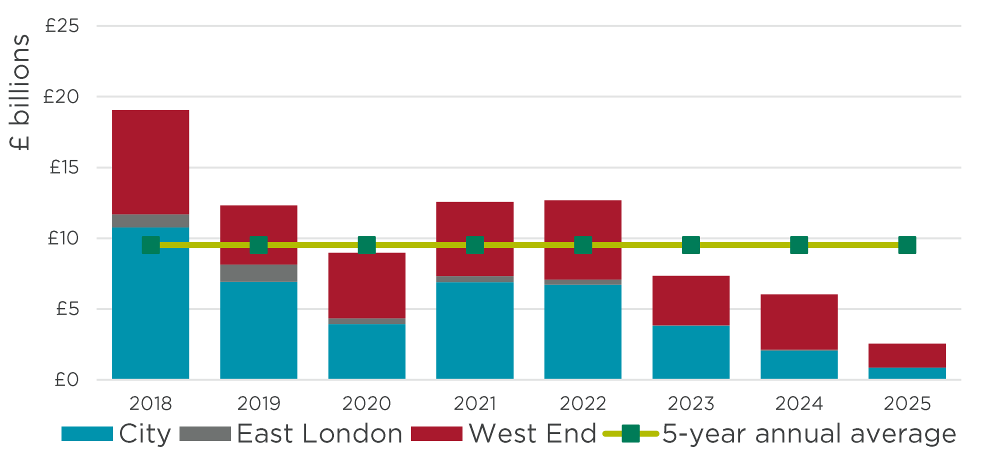
In the short-term, the bond markets remain volatile, impacting relative pricing on real estate. On April 9th, UK 30-year gilts went as high as 5.649%, their highest since May 1998.

By April 10th, they were down in the region of c.5.4%. 10 year gilts were c.4.7% on 10th April, only coming in slightly from their high of 4.8% on 9th April.

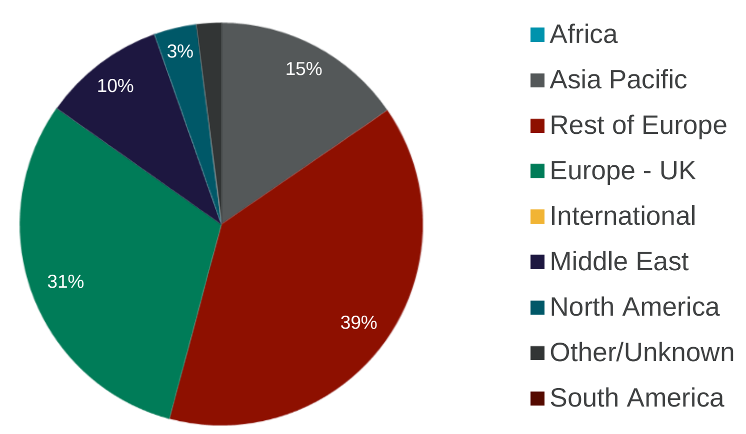
Comparatively, real estate equities have held up well but were c.6% down on pre-liberation day levels, albeit with a robust recovery on April 10th. Over the same period, the FTSE100 was down c.8%.

For Central London, while a global slowdown will impact growth, the services-focused nature of the majority of office occupiers may help to partly insulate the market.

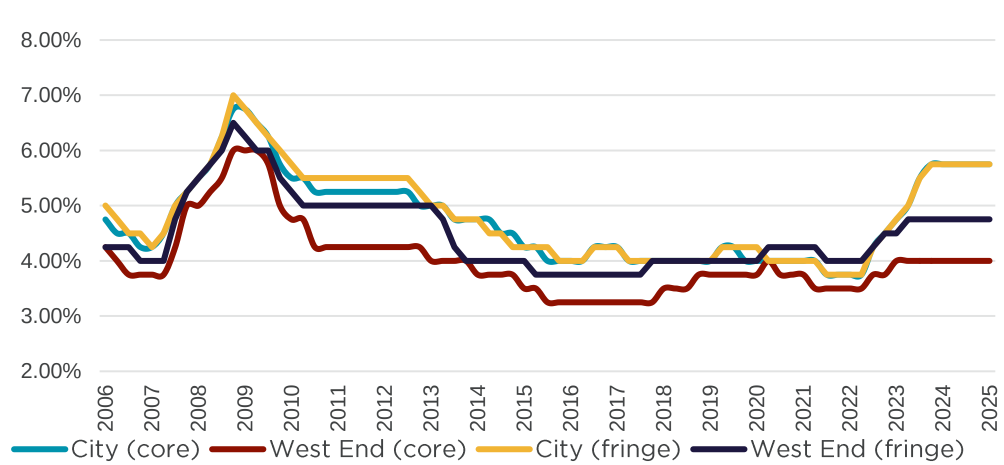
INVESTMENT VOLUMES



INVESTMENT BY PURCHASER ORIGIN



YIELDS



INVESTMENT VOLUMES: EUROPEAN FIRMS PUSH STRONG Q1 VOLUMES

The first quarter of 2025 saw £2.56 billion of office investment transactions, up 33% on the previous quarter and the highest quarterly volume since Q3 2022. Nonetheless, the figure remained 24% down against the 10-year long-term average.

Achieving its highest quarterly total since Q2 2022 at £1.71 billion, the West End claimed the majority share of transactions for the sixth consecutive quarter at 67% - well in excess of the 47% average share over the last 10 years as smaller lot sizes continue to be favoured by the current market. The Wider City claimed the remaining 33% of investment volumes as no deals were recorded in East London for a third consecutive quarter. There were 40 deals transacted in the quarter across Central London, giving an average lot size of £64.07 million. Q1 also reported the first transaction in excess of £500 million since Q3 2022, with Norges Bank Investment Management purchasing a 25% stake in the Covent Garden Estate for £570 million.

European companies (not including the UK) were the most active purchaser group in Q1 2025, claiming 39% of the total transacted volume – the highest share since Q2 2020. This was followed by the UK with 31% and the Middle East with 10%. In terms of vendors, UK companies were the most active, with 74% of transactions being sold by UK companies by volume, followed by North American firms at 13% and Asia Pacific with 10%. This amounted to a considerable net investment of £873 million by European companies into the Central London office market – the highest figure for this region since 2021. Middle Eastern investors increased their exposure by £223 million, with Asia Pacific investors increasing by £107 million.

At the close of Q1, there was £3.88 billion worth of assets available or at the bids stage which is up on the £3.15 billion at the end of 2024. A further £1.49 billion was under offer at the end of the first quarter.

YIELDS: RATE CUTS ON THE HORIZON COULD THAW PRICING FREEZE

Across Central London, prime office yields were held in Q1 once again at 5.75% in the City and 4.00% in the West End. This is the sixth consecutive quarter of yields being at this level. If expectations of multiple rate cuts in 2025 materialize (which are still broadly expected despite global economic turbulence rippling out from changes in US policy), we expect this to have a positive impact on pricing going forward, leading to increased levels of activity.

KEY INVESTMENT TRANSACTIONS

Covent Garden Estate, WC2

£570 million; 25% stake

Purchaser:
NBIM

Vendor:
Shaftesbury Capital

2 Finsbury Avenue

50% stake; £1.5 billion GDV

Purchaser:
Modon Holdings

Vendor:
British Land & GIC

150 New Bond Street, W1

£247 million

Purchaser:
Prada

Vendor:
M&G

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