

MARKETBEAT CENTRAL LONDON OFFICES

Q2 2025

Better never settles

RE-RIGHT-SIZING

During the pandemic and recovery period, the rise of home rather than office-based working led many firms to rethink their workplace strategies. This generally took the form of ‘right-sizing’ reducing office floorspace and often substituting desks for collaboration and creativity areas.

This sparked the ‘less but better’ idea, with some firms taking a less space but of better quality. For those who were locked into their leases, many looked to sublet space deemed no longer needed. Sublease supply subsequently surged to a record high in Q1 2021 at 7.05 million sq ft.

This elevated level of sublease supply continued until Q3 2022, when it started to gradually recede. In the following three years, sublease supply has in fact decreased quarter-on-quarter for all bar one of the last 11 quarters, falling to 4.04 million sq ft in Q2 2025. This is comparable with the 3.75 million sq ft recorded in the pre-pandemic Q4 2019.

Interestingly, this reduction has not been from take-up. Instead, 75% of the decline in sublease supply has been driven by firms taking their space back from the market to reoccupy themselves – well above historic levels. This reflects many companies having over-corrected in their right-sizing measures. Uses for the reoccupied space vary between firms, with the return in office occupancy being a commonly cited factor.

New leases are also reflecting this increased need for space, with [London Moves](#) data highlighting that 78% of office movers in 2024 took more space than they were in previously, with the majority also opting for better quality space as well – demonstrating a shift to ‘more and better’.

This trend reflects not only the health of Central London office occupiers, but also the position of the office as the primary and preferred place of work.



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KEY TAKEAWAYS



Central London office take-up totalled 2.55 million sq ft in Q2 2025, 2% up on the 10-year average and 80% of which was Grade A – a record high.



Availability decreased to 27.96 million sq ft in Q2, down 1% versus Q1 2025 and 51% above the 10-year average.



14.40 million sq ft of space was under construction at the end of Q2, of which 33% is already pre-let.



There was £2.05 billion of investment in Q2, down on Q1 but reflecting the highest quarterly volume of the past two years, and taking H1 volumes 65% ahead of the same period in 2024.



Core prime office yields moved in by 25bps to 5.50% in the City and 3.75% in the West End in the first inward movement in four years.

MARKETBEAT

CENTRAL LONDON OFFICES

Q2 2025



MARKET FUNDAMENTALS

	Quarterly Change	12-Month Forecast
2.55M Take-up	▲	■
27.96M Availability	▼	▼
9.2% Rental Growth, YoY	▲	▼
2.27M Completions	▲	▼
15.78M 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	▼	▲
4.25% Q2 2025 Base Rate Bank of England	▼	▼

Source: Moodys

TAKE-UP: GRADE A ACTIVITY DRIVES ROBUST Q2 LEASING TOTAL

Central London office take-up totalled 2.55 million sq ft in Q2 2025, up 2% on the long-term 10-year average and 19% up versus Q1 2025. Grade A leasing totalled 2.05 million sq ft, up 35% against the 10-year average and accounting for 80% of the total quarterly leasing volume – a record high. The Wider City market accounted for 56% of the total take-up in the quarter, with a further 30% taking place in the West End and 15% in East London – the highest quarterly share of activity for East London market since 2020. With 96 transactions in Q2, the average deal size was 27,100 sq ft – the second highest on record. Under offer space at the end of Q2 totalled 2.48 million sq ft having decreased by 12% since Q1 as deals completed.

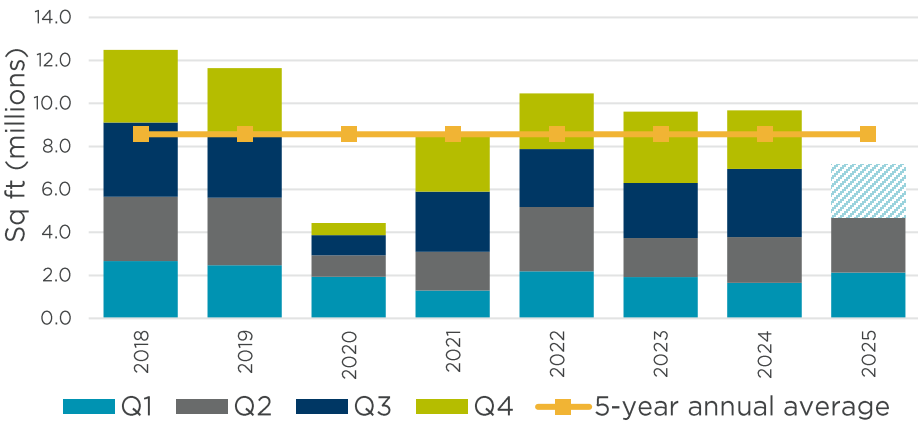
SUPPLY: AVAILABILITY TICKS DOWN AS LARGE SCHEMES DWINDLE

Availability decreased to 27.96 million sq ft in Q2, down 1% on the quarter and 2% down versus Q2 2024, bringing supply to 51% above the 10-year average. Despite the overall reduction in space, Grade A supply increased 3% to 17.89 million sq ft due to the strength of the near-term development pipeline. The vacancy rate decreased to 9.50% overall but ticked up to 6.08% for Grade A. This equated to 2.9 years' supply across Central London overall, with 2.8 years' supply for Grade A stock. At the close of the quarter, there were 40 available properties existing or completing within the next six months which are capable of satisfying a requirement in excess of 100,000 sq ft or above across the capital. This decreases to just four available properties that could meet a 250,000 sq ft or above requirement.

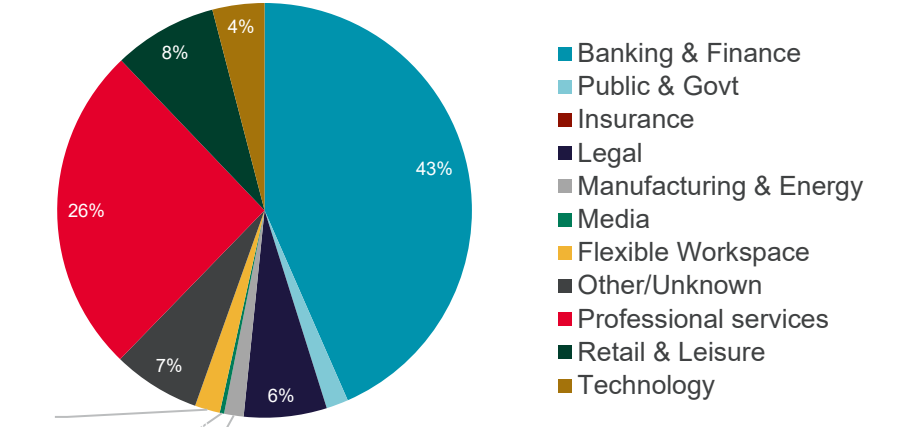
DEVELOPMENT: MEDIUM TERM PIPELINE FALLS SHORT OF DEMAND

A total of 2.21 million sq ft of new space was delivered to market in Q2 2025, the highest quarterly volume since 2020 with 87% of this being pre-let. A further 14.40 million sq ft is under construction, with 33% pre-let and 41% of which is due for completion in 2025. This leaves just 6.76 million sq ft under construction and available completing between 2026 and 2030. Given average Grade A take-up levels are typically 6.05 million per annum, the delivery of new stock is expected to fall well short of demand levels over the medium term.

TAKE-UP BY QUARTER



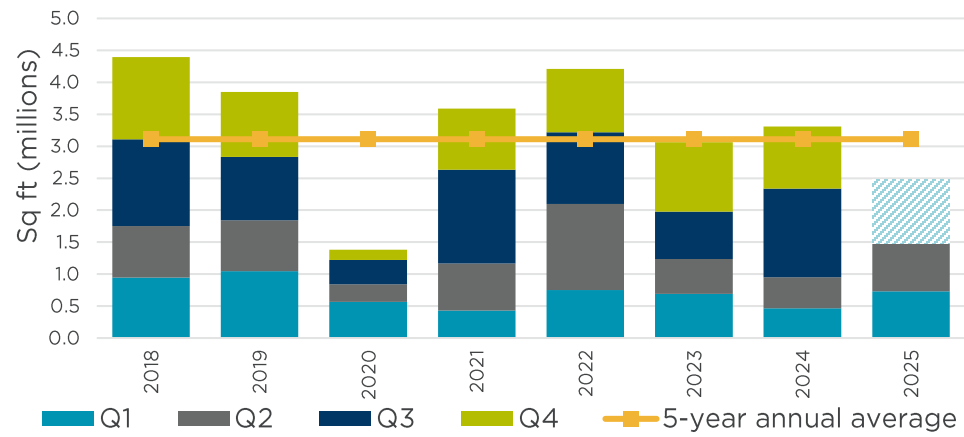
TAKE-UP BY SECTOR



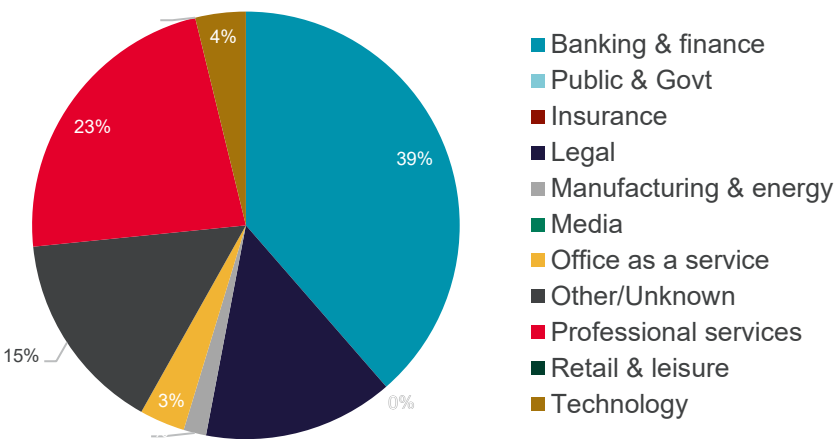
KEY OCCUPIER TRANSACTIONS

Squarepoint	State Street	Lego
404,000 sq ft	195,000 sq ft	192,000 sq ft
65 Gresham Street	100 New Bridge Street	76 Upper Ground
City Core	City Core	Southbank
Pre-let; Off Plan	Pre-let; Under Construction	Pre-let; Under Construction

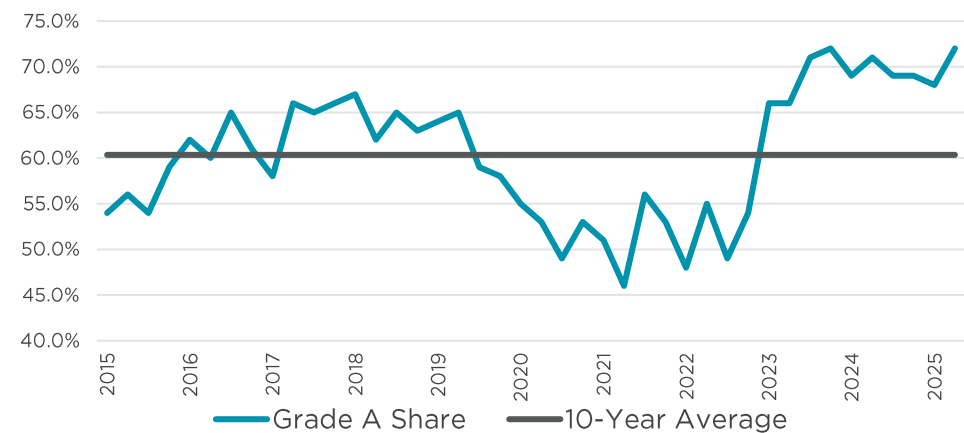
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR



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



TAKE-UP: GRADE A CLAIMS A RECORD HIGH OF 90% OF TAKE-UP

West End leasing activity totalled 742,000 sq ft in Q2 2025, 15% down on the 10-year average. Conversely, Grade A activity was 22% above the 10-year average with 669,000 sq ft transacting, accounting for 90% of the quarterly total – a record high. The average deal size increased to 20,100 sq ft, up 21% against the 10-year average as five deals above 50,000 sq ft completed in the quarter. Of these, four were pre-lets including the largest deal of the quarter: McDermott Will & Emery’s 107,000 sq ft pre-let of 7 Brook Street. While a number of deals completed in Q2, a further 670,000 sq ft went under offer during the quarter, pushing the total under offer to 1.01 million sq ft which is 8% ahead of the 10-year average. Prime headline rents moved up to £162.50 psf in Q2, rising 2% versus Q1 and 16% over the last year.

SUPPLY: CORE SUPPLY REMAINS STUBBORNLY LOW

Availability increased to 10.68 million sq ft in Q2, up 10% compared to Q1 and 74% above the 10-year average. Of this, 75% was of Grade A quality with the significant near-term development pipeline coming through in non-core markets over 2025 pushing supply up. Vacancy rates for overall and Grade A stock both consequentially moved out to 8.76% and 6.61% respectively. There remains a considerable differential between submarkets within the West End, with high quality core stock in short supply – as evidenced by the 2.36% Grade A vacancy rate in Mayfair, the lowest of any submarket. Across the West End market there are 17 buildings able to satisfy a requirement in excess of 100,000 sq ft.

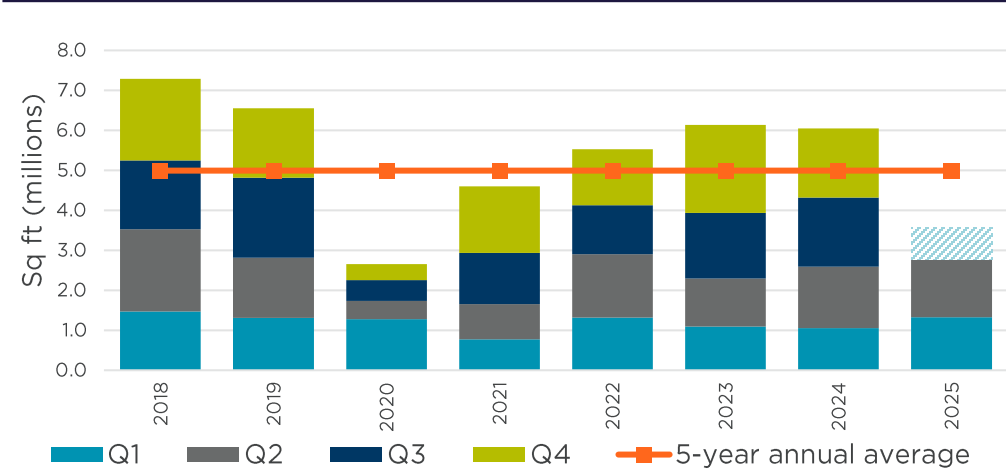
DEVELOPMENT: STRONG 2025 CONTRASTS MEDIUM-TERM DROUGHT

Just 89,000 sq ft of new supply completed in the West End in Q2 2025, of which 15% was pre-let. A further 3.38 million sq ft is under construction and completing in H2 2025, amounting to 53% of the pipeline of 6.43 million sq ft. At the close of Q2, 40% of this was pre-let or under offer. This leaves 2.22 million sq ft of under construction and available stock due for completion between 2026 to 2030 – equivalent to less than one year’s supply of Grade A stock. This points to a significant shortfall in deliveries relative to demand, resulting in the erosion of Grade A availability over the medium term and stocking competition amongst the remaining high quality assets in the undersupplied core markets.

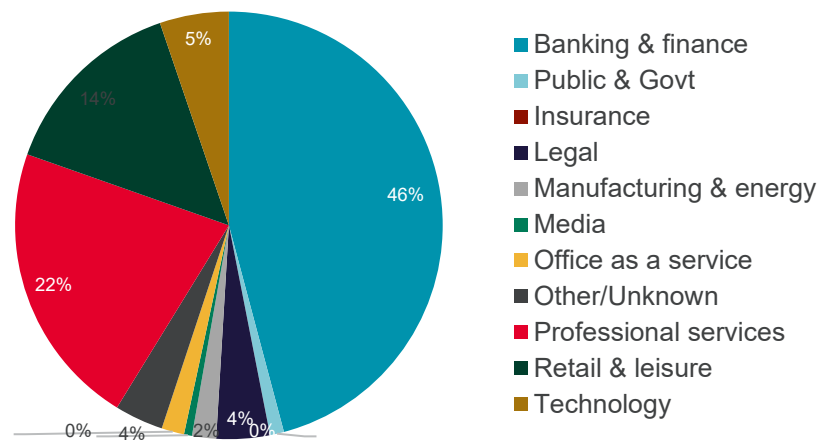
KEY OCCUPIER TRANSACTIONS

McDermott Will & Emery
107,000 sq ft
7 Brook Street
Mayfair
Pre-let; Under Construction
Union Bancaire Privee
77,000 sq ft
Marylebone Place, 1 Wyndham Street
North of Oxford Street
New Lease
The Football Association Premier League
73,000 sq ft
Olympia, 1 Olympia Square
Kensington
Pre-let; Under Construction

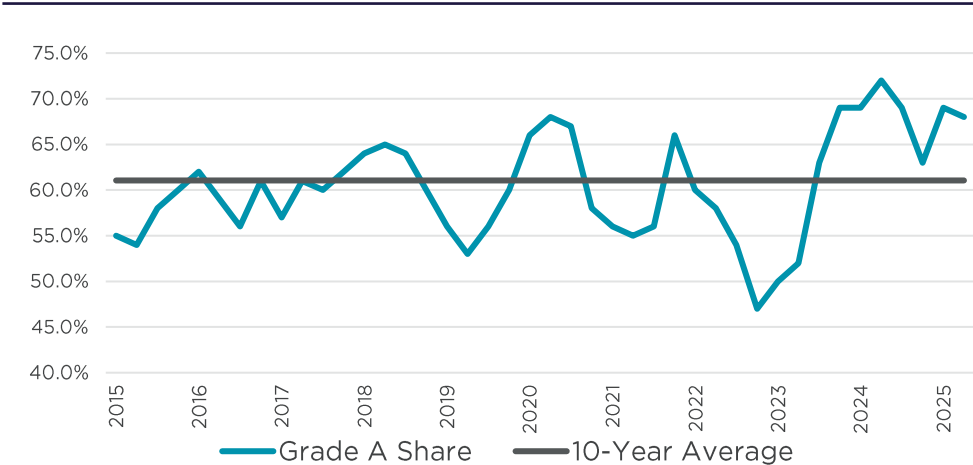
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR



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



TAKE-UP: MAJOR PRE-LETS BOOST QUARTER

The Wider City reported 1.43 million sq ft of leasing activity in Q2 2025, in line with the long term average. Of this, 86% was of Grade A quality which is the highest quarterly share on record and puts the Grade A volume 40% ahead of the 10-year quarterly average at 1.24 million sq ft. Conversely, Grade B leasing totalled just 195,000 sq ft which is the third lowest volume on record. Just 50 deals transacted in Q2 in the Wider City, resulting in the highest average lot size on record at 28,650 sq ft. This reflects the influence of several major pre-let transactions in the quarter, including Squarepoint’s off-plan pre-let of 65 Gresham Street totalling 404,000 sq ft – the largest deal to transact in Central London since HSBC’s pre-let of Panorama, 81 Newgate in 2023. In total in H1 2025, four deals have completed in excess of 100,000 sq ft which equals the record set in 2017 for the most number in any single year. However, under offer space decreased to 1.17 million sq ft at the end of Q2, down 31% against the 10-year average and the lowest figure since 2016. Prime headline rents in the Wider City increased to £88.50 psf in Q2, up 1% from Q1 and 7% up over the last year.




SUPPLY: DROP IN AVAILABILITY FROM REMOVAL OF SUBLEASE SUPPLY

Availability in the Wider City decreased to 13.98 million sq ft in Q2, down 7% on the quarter to the lowest level in three years. While Grade A supply increased 2% up to 8.16 million sq ft, it was Grade B stock that drove the decline with a decrease of 17% to 5.76 million sq ft. Interestingly, this cut in secondary supply was caused not by take-up (which was limited) but by firms taking back space they had previously marketed for subleases for their own occupation. This continues the trend that has been underway since 2022, with companies finding ‘right-sizing’ measures during the pandemic leaving them with too little space as office occupancy continues to rise. The vacancy rate for the Wider City decreased to 9.42% overall but increased slightly to 5.50% for Grade A space, with 13 spaces on the market capable of satisfying a requirement above 100,000 sq ft.

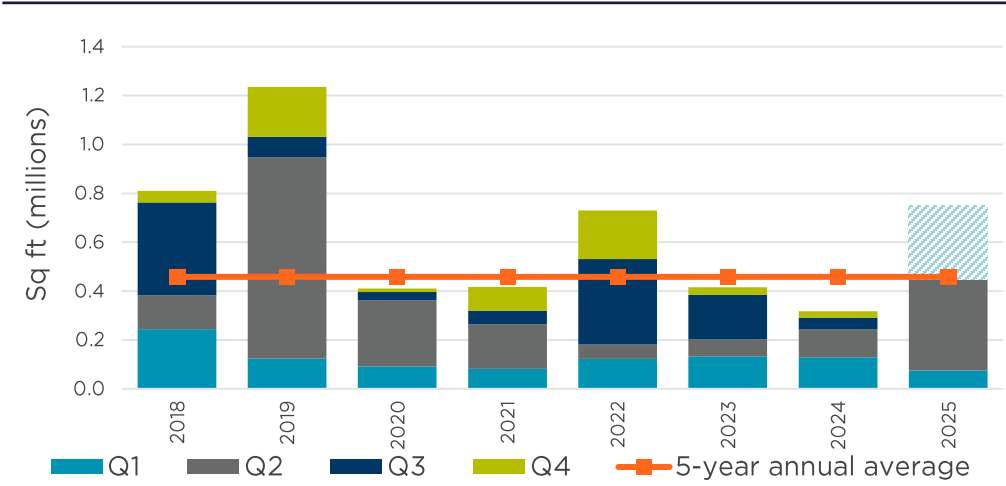
DEVELOPMENT: PRE-LET STRENGTH SUGGESTS SUPPLY SHORTFALL

Completions totalled 2.12 million sq ft in the Wider City in Q2, of which an impressive 90% was pre-let. A further 7.84 million sq ft is under construction across the market, with 29% pre-let at the end of Q2. The majority of this (56%) is due for completion in H2 2025, leaving just 4.54 million sq ft under construction and available being delivered from 2026 to 2030. Given the evident focus on new, high quality space amongst occupiers, this suggests a significant shortfall in the delivery of new stock over the medium term, leading to the erosion of Grade A supply.

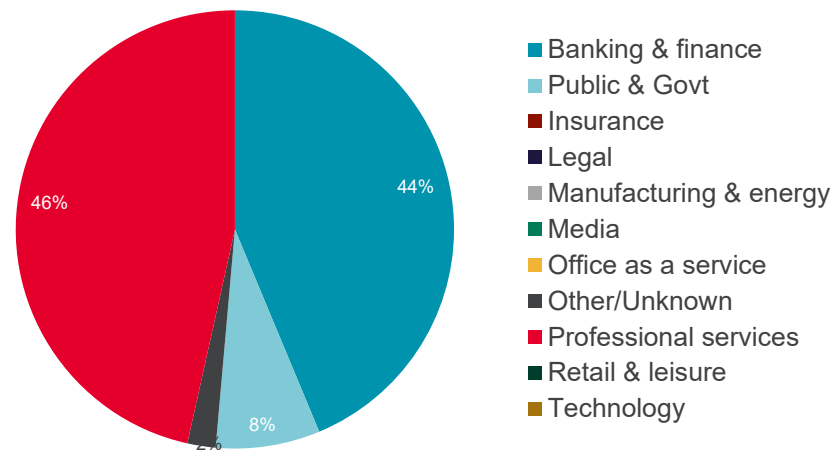
KEY OCCUPIER TRANSACTIONS


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404,000 sq ft
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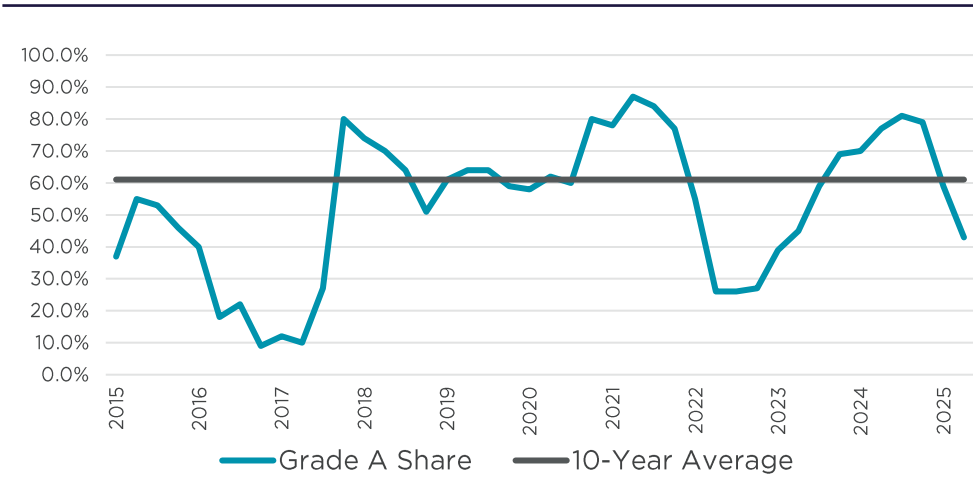
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR



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



TAKE-UP: STRONGEST QUARTERLY LEASING VOLUME SINCE 2019

At 372,000 sq ft, East London has achieved its strongest quarterly take-up figure since 2019, more than doubling the 10-year average. This was the result of three transactions over 50,000 sq ft, with the largest of these being JP Morgan’s 148,000 sq ft sublease of 1 Cabot Square in Canary Wharf. Only 38% of the quarterly total was of Grade A quality, which may reflect the pursuit of value by East London occupiers, as well as the supply of sublease space available. A further 304,000 sq ft of space was under offer at the end of the quarter, up 14% on the 10-year average and suggesting that the strong activity levels in East London may continue over the near term. Prime headline rents remained level at £57.50 psf in Q2 2025, having risen 4.5% over the last year.




SUPPLY: TAKE-UP ACTIVITY LEADS TO 10% FALL IN AVAILABILITY

Availability in East London decreased to 3.29 million sq ft in Q2, 10% down versus Q1 as a result of the transactional activity and no additional stock being brought to market. Grade A supply totals 1.66 million sq ft, amounting to 51% of the total volume available. Despite the reduction, supply levels remain elevated at 28% ahead of the 10-year average overall and 76% ahead of the Grade A 10-year average. The vacancy rate overall decreased to 13.67% in Q2, while the Grade A was 6.91%. There were eight buildings capable of satisfying a 100,000 sq ft plus requirement across East London at the end of Q2.

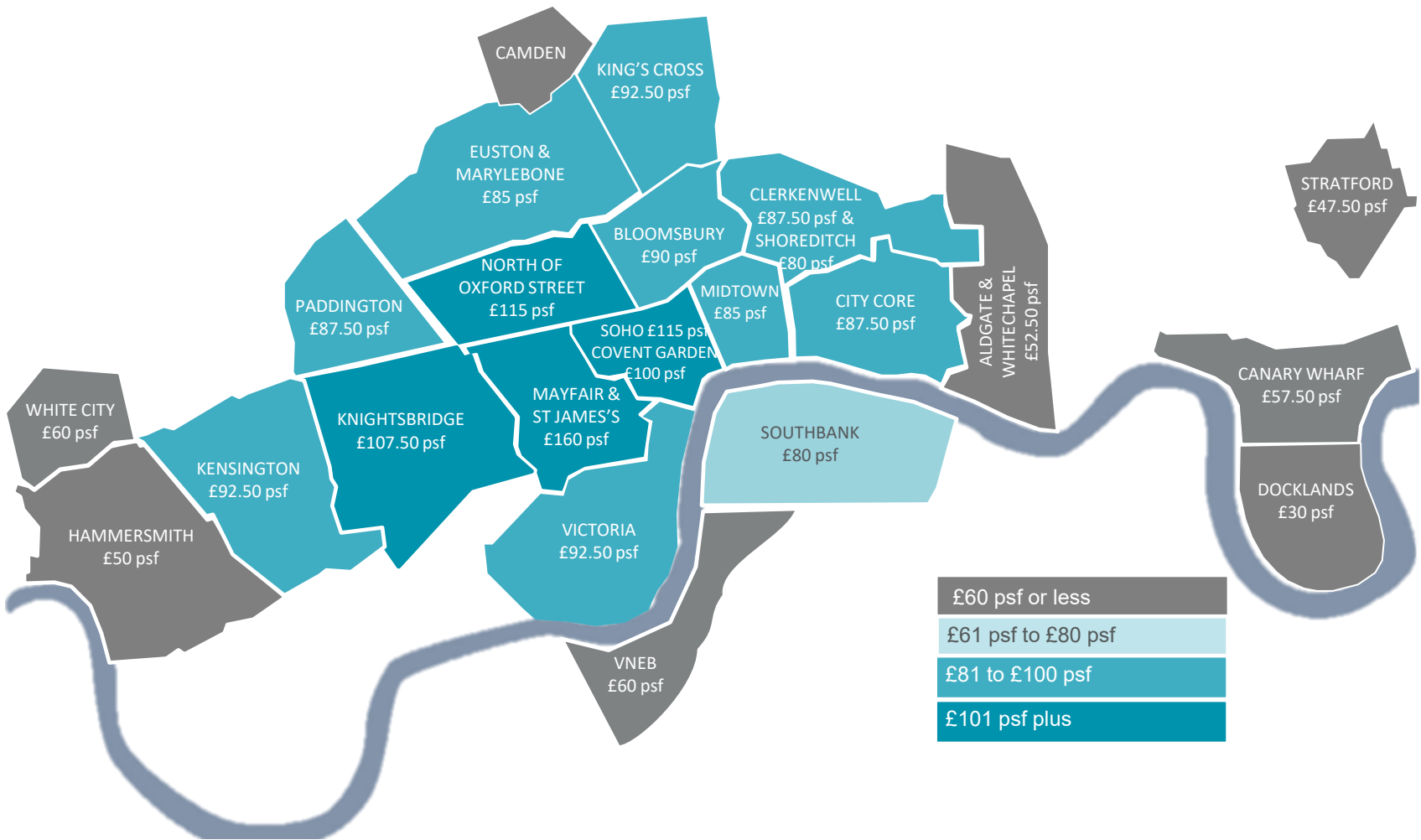
DEVELOPMENT: ABSENT PIPELINE PERSISTS IN EAST LONDON

No developments were under construction at the close of Q2 2025 in East London. The challenges in viability present across the wider construction industry and office market are also impacting the pipeline in East London, as well as the limited levels of activity seen in the market over the past five years. These factors, along with the increased cost of capital, suggest that even schemes that hold planning permission in East London will be unlikely to progress to delivery in the near-term without securing a pre-let.

KEY OCCUPIER TRANSACTIONS


JP Morgan
148,000 sq ft
1 Cabot Square
Canary Wharf
Sublease

Arden University of Law
91,000 sq ft
The Turing Building, 3 Westfield Avenue
Stratford
New Lease

Elizabeth School London
62,000 sq ft
Exchange Tower HX1 & 2
Outside of Canary Wharf
New Lease

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

While the Chancellor’s Comprehensive Spending Review on the 11th June had limited direct implications for the Central London office market, the subsequent announcement of an end to upwards only rent reviews may prove more impactful. If implemented, the policy (which would only be applied to new leases) may shift the market toward fixed increases and

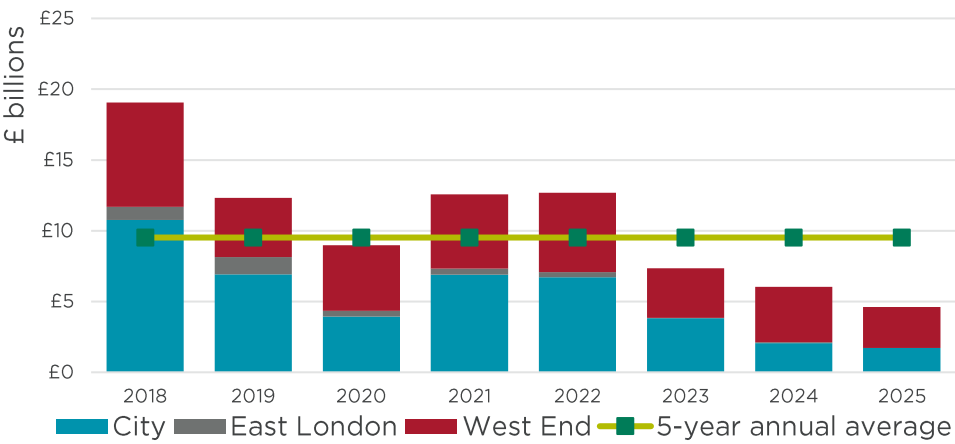
indexed-linked rent reviews. The investment market will need to adjust to any new system in due course, with further implications for development viability.

Although ONS data remains challenged by low response levels, the indication is that employment across the UK economy has continued to decrease in Q2 2025. The number of payrolled employees

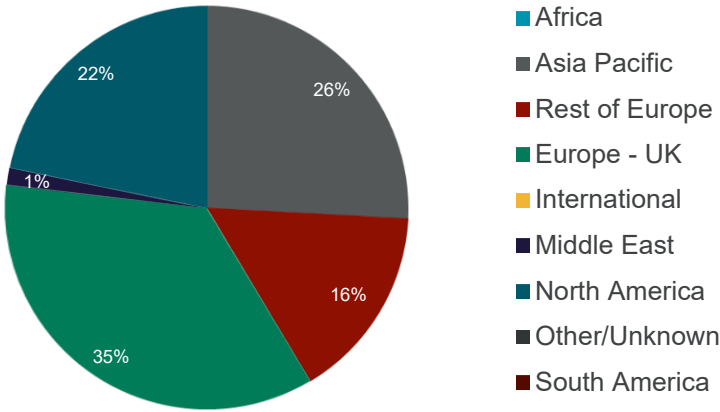
has decreased by 115,000 in the year to April 2025, with the unemployment rate rising to 4.6% - the highest since 2021. Vacancies have also fallen below pre-pandemic levels for the first time.

Along with limited growth, a weaker labour market adds to the likelihood of an August base rate cut, however there remain considerable inflation risks that may sway the decision.

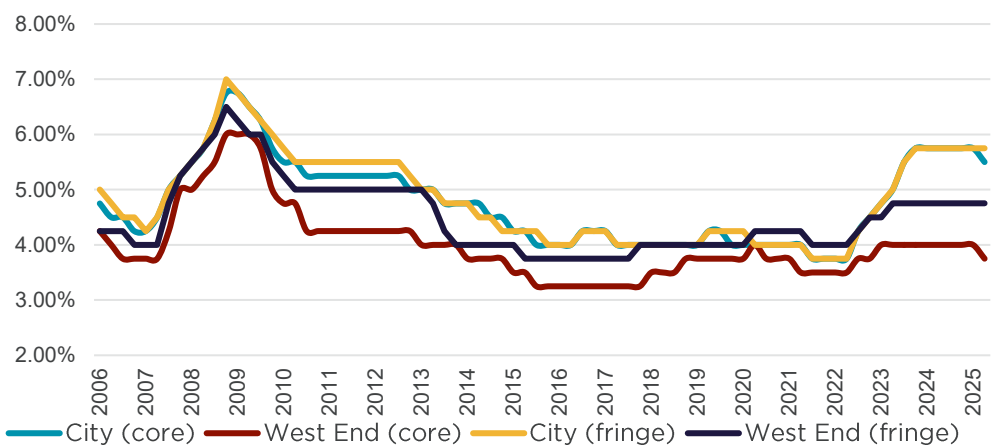
INVESTMENT VOLUMES



INVESTMENT BY PURCHASER ORIGIN



YIELDS



VOLUMES: WEST END REMAINS TOP FOR SEVENTH QUARTER

The second quarter of the year saw 44 deals totalling £2.05 billion transact across the Central London office investment market. This was 20% below the previous quarter but the second highest quarterly volume in two years. This brought H1 2025 volumes up to £4.61 billion, up 65% on H1 2024.

The West End maintained its majority share of activity for a seventh consecutive quarter, with £1.19 billion transacting in the market amounting to 58% of the total for the quarter as smaller lot sizes continue to be favoured by the current market. The Wider City claimed the remaining £856 million of invest in the quarter with no deals completing in East London for a fourth consecutive quarter. The largest deal of the quarter was a ‘US Bank’ purchasing 100 New Bridge Street for £333 million, closely followed by Crosstree’s purchase of the Argyll Portfolio for £330 million.


UK investors were the most active purchaser group of the quarter, transacting £713 million which equates to 35% of the total traded. This was followed by Asia Pacific investors who reported their most acquisitive quarter since 2023 with £520 million of purchases. UK firms were also the largest vendors of the quarter, selling 57% of the total volume in Q2, followed by North American companies who accounted for a further 32%. On a net basis, this meant UK investors continued to reduce their exposure to Central London offices for a sixth consecutive quarter withdrawing £452 million in Q2. North American and Middle Eastern firms also divested by £210 million and £30 million respectively. Conversely, Asia Pacific investors committed an additional £460 million to Central London offices in the second quarter, with European investors (excluding the UK) also increasing their commitment by £208 million.


At the close of Q1, there was £4.62 billion worth of assets available or at the bids stage which is up on the £3.88 billion at the end of Q1. A further £2.23 billion was under offer, also up on the £1.49 billion of the previous quarter.

YIELDS: FIRST INWARD YIELD MOVEMENT IN FOUR YEARS

Prime office yields in core markets moved in by 25bps in Q2, marking the first inward movement since 2021. This put City yields at 5.50% and the West End at 3.75%. Although the economic outlook remains clouded by uncertainty, expectations of additional rate cuts over 2025 and beyond – as well as the relative strength of the Central London office market internationally – provide optimism for further upticks in activity and yield compression over the medium term future.

KEY INVESTMENT TRANSACTIONS


100 New Bridge Street, EC4
£330 million
Purchaser: US Bank
Vendor: Helical & Orion Capital

Argyll Portfolio
£330 million
Purchaser: Crosstree
Vendor: Alpine Grove Partners & The Baupost Group

11-12 Hanover Square, W1
£170 million
Purchaser: Aware Super c/o Delancey
Vendor: Aviva & PSP



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