CUSHMAN & WAKEFIELD

MARKETBEAT
CENTRAL LONDON OFFICES
Q3 2025

Better never settles

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WHERE WILL DEMAND GO?

Recently, demand has concentrated heavily into top quality space in core locations. In fact, Grade A take-up in the City Core and West End Core (Mayfair & St James's) submarkets accounted for 30% of all Central London leasing activity between 2022-25Q3, versus a 21% share from 2015-19.

Looking ahead over the development pipeline, there is 7.18 million sq ft of space under construction and available or likely to deliver by 2030. Grade A take-up levels over the past three years in these core submarkets have averaged 2.99 million sq ft combined per annum. With these levels expected to continue, the outlook is therefore for supply to be considerably outweighed by demand over the medium term.

Grade A availability levels in these core submarkets are expected to drop below 1.0 year's supply of average Grade A demand from 2026 onwards. This presents a strong story for core rental growth, but also raises the question of where will demand go given this significant shortfall of stock?

When similar levels of supply shortages in core markets have been seen in the past, two things have happened: take-up of secondary Grade B stock in core locations has increased; and overall take-up in non-core locations has also increased.

The trigger level for instigating this diversification of demand in the past has been around the 1.0 years' supply level. When Grade A supply falls below this level, core Grade B take-up has averaged 20% outperformance versus the long-term average. Similarly, non-core overall take-up averaged 18% ahead of the typical level over the last 20-years.

With Grade A supply in core markets projected to fall below this level as soon as 2026, history may well be about to repeat itself.

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KEY TAKEAWAYS

Central London office take-up totalled 1.95 million sq ft in Q3 2025, down 21% on the 10-year average, 70% of which was Grade A.

Availability decreased to 27.79 million sq ft in Q3, down 1% on the quarter but remaining 46% above the 10-year average.

14.16 million sq ft of space was under construction at the end of Q3, of which 35% is already pre-let.

There was £1.67 billion of investment in Q3, down on Q2 but 26% higher than Q3 2024. So far this year, £6.43 billion has traded, surpassing full year 2024 volumes.

Core prime office yields were held at 5.50% in the City and 3.75% in the West End in Q3 following the 25bps inward movement of both in the previous quarter.

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MARKET FUNDAMENTALS

	Quarterly Change	12-Month Forecast
1.95M Take-up	▲	▲
27.79M Availability	▼	▼
9.6% Rental Growth, YoY	▲	▼
1.06M Completions	▼	▼
14.16M Under Construction	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
0.3% 2025 Projected GDP Growth	▲	▲
-0.3% 2025 Projected Office Employments	▼	▲
4.00% Q3 2025 Base Rate Bank of England	▼	▼

Source: Moodys

TAKE-UP: SLOW SUMMER, BUT YTD TAKE-UP ALIGNED WITH 2024

Central London office take-up totalled 1.95 million sq ft in Q3 2025, down 21% on the long-term 10-year average and 23% down versus Q2 2025. Grade A leasing totalled 1.36 million sq ft, 10% below the 10-year average and accounting for 70% of the total quarterly leasing volume. The Wider City market accounted for 53% of the total take-up in the quarter, with a further 33% taking place in the West End and 15% in East London – the joint highest quarterly share of activity for the East London market since 2020, tied with Q2 2025. With 124 transactions in Q3, deal counts remain below the 160 per quarter averaged over the last five years. The average deal size was 15,700 sq ft which is down from the exceptionally high 27,100 sq ft in Q2. Under offer space at the end of Q3 totalled 2.77 million sq ft, increasing 12% on the quarter.

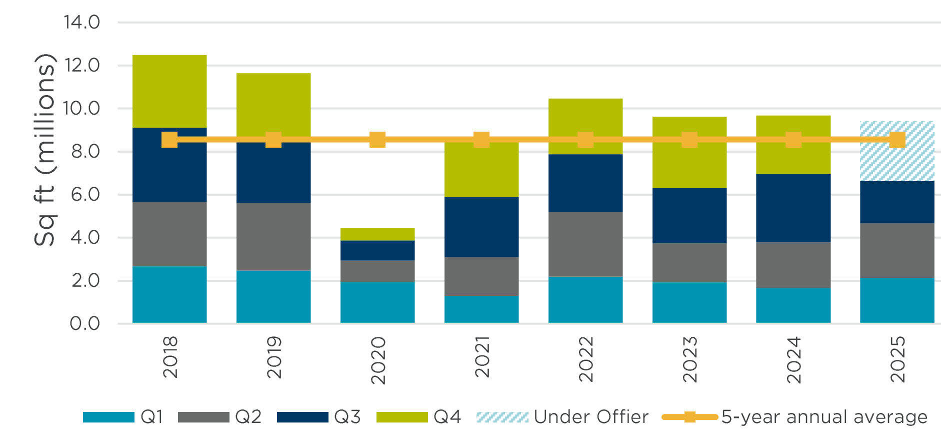
SUPPLY: AVAILABILITY TICKS DOWN AS LARGE SCHEMES DWINDLE

Availability decreased to 27.79 million sq ft in Q3, down 1% on the quarter, bringing supply to 46% above the 10-year average. The near-term development pipeline nudged Grade A supply up 1% to 18.11 million sq ft despite the decline in space overall. The vacancy rate decreased to 9.34% overall but ticked up to 6.09% for Grade A. This equated to 2.9 years' supply across Central London overall, with 2.8 years' supply for Grade A stock – although this decreases substantially in core submarkets. At the close of Q3, there were 40 available properties existing or near to completion capable of satisfying a requirement in excess of 100,000 sq ft or above across the capital. Only four of these could meet a 250,000 sq ft or above requirement.

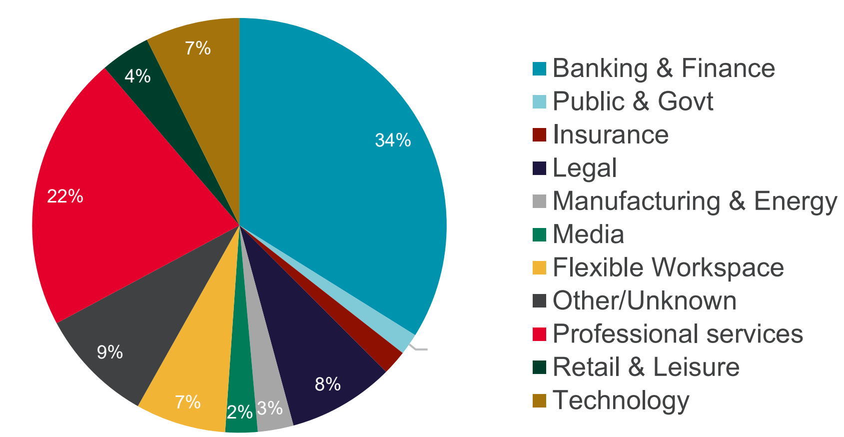
DEVELOPMENT: MEDIUM TERM PIPELINE FALLS SHORT OF DEMAND

The 2.16 million sq ft of new space completed in Q3 2025 brought the total for Q1-3 to 5.69 million sq ft. With a record-high 3.46 million sq ft of space due in Q4 2025, development completions in 2025 as a whole are expected to reach 9.16 million sq ft – also a record high. Across the whole pipeline, a total of 14.16 million sq ft is under construction with 35% pre-let. This amounts to an average of 1.30 million sq ft delivered per annum between 2026-30 – well below typical Grade A demand of 6.05 million sq ft per year.

TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD

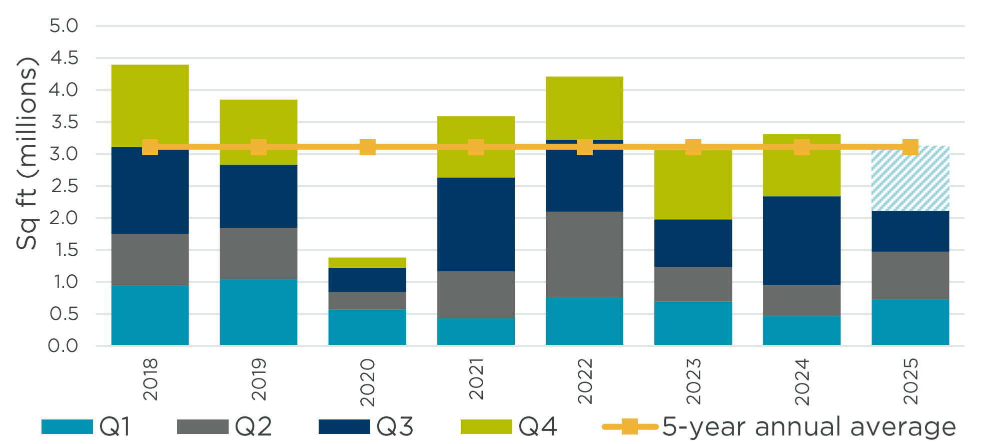


KEY OCCUPIER TRANSACTIONS

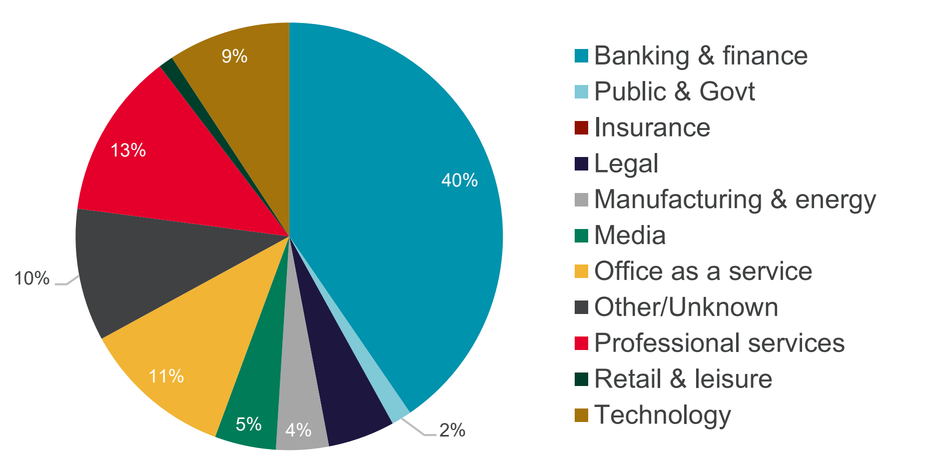
HSBC	Bristows	BMS
171,000 sq ft	68,000 sq ft	64,000 sq ft
40 Bank Street	Bow Bells House, 1-3 Bread Street	The Gherkin, 30 St Mary Axe
Canary Wharf	City Core	Southbank
New Lease	New Lease	New Lease

WEST END
Q3 2025

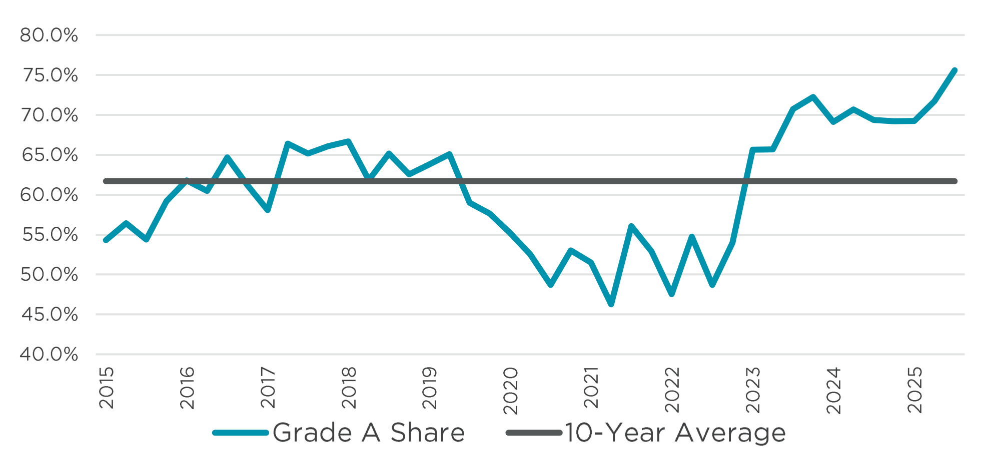
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: GRADE A CLAIMS 71% OF TAKE-UP IN Q3 AND 77% YTD

West End leasing activity totalled 638,000 sq ft in Q3 2025, 27% down on the 10-year average. Grade A activity was also 17% down against the 10-year average with 453,000 sq ft transacting, accounting for 71% of the quarterly total. The average deal size decreased to 13,000 sq ft from 20,100 sq ft in the previous quarter with the largest deal being the 50,000 sq ft pre-let at Elephant, 22 Henrietta Place to General Atlantic. Under offer space increased marginally by 1% to 1.02 million sq ft, 8% ahead of the 10-year average and including three potential deals in excess of 50,000 sq ft. Prime headline rents increased to £165.00 psf in Q3 2025, up 2% from £162.50 psf in Q2 and 16% over the last year.

SUPPLY: CORE SUPPLY REMAINS STUBBORNLY LOW

Availability decreased marginally to 10.66 million sq ft in Q3, 69% above the 10-year average. Of this, 76% was of Grade A quality with the significant near-term development pipeline coming through in non-core submarkets over Q4 2025 and Q1 2026. Vacancy rates for overall and Grade A stock both moved marginally in to 8.73% 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 COMPLETIONS TO GIVE WAY TO DROUGHT

Although only 690,000 sq ft of developments have completed in the West End in Q1-3 2025, a substantial 3.11 million sq ft is expected to complete in Q4. Of the remaining 2025 pipeline, 52% has already been pre-let. A further 3.12 million sq ft is under construction in the market, bringing the total pipeline to 6.23 million sq ft 39% of which has been pre-let. This evidences the impending erosion of Grade A supply as development deliveries fall short of demand for new space, with rental growth expected to persist as a result. Along with cooling inflation and a more positive lending environment, the robust occupational market with this supply-demand imbalance may stoke additional development activity over the medium term, with a further 2.43 million sq ft holding planning permission and funding but which has not yet started on site.

KEY OCCUPIER TRANSACTIONS

General Atlantic

50,000 sq ft

Elephant, 22 Henrietta Place

North of Oxford Street

Pre-let; Under Construction

Confidential

33,000 sq ft

50 George Street

North of Oxford Street

New Lease

The7stars

33,000 sq ft

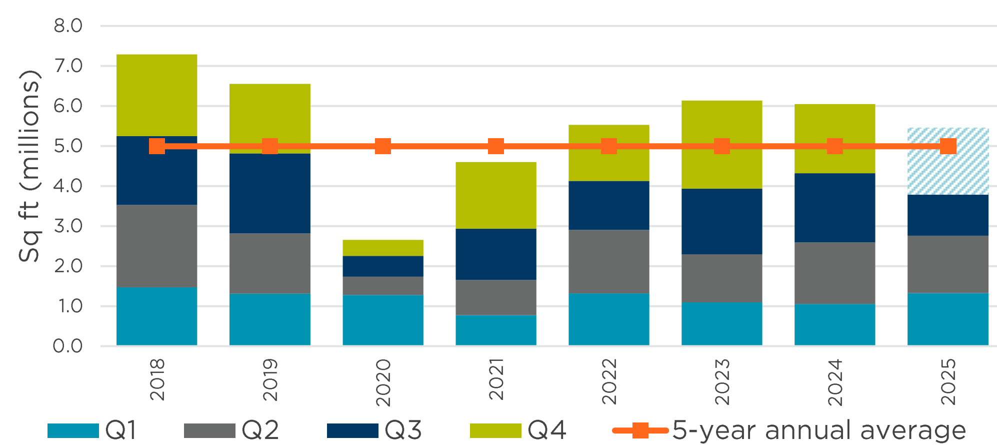
The Acre, 90 Long Acre

Covent Garden

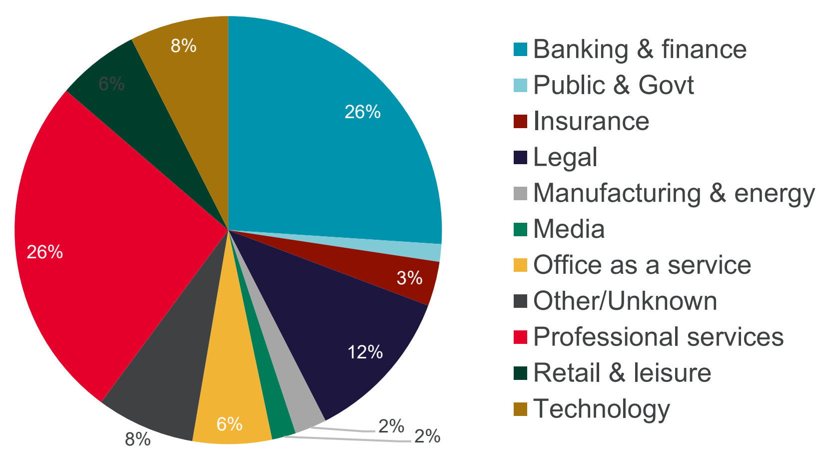
New Lease

WIDER CITY
Q3 2025

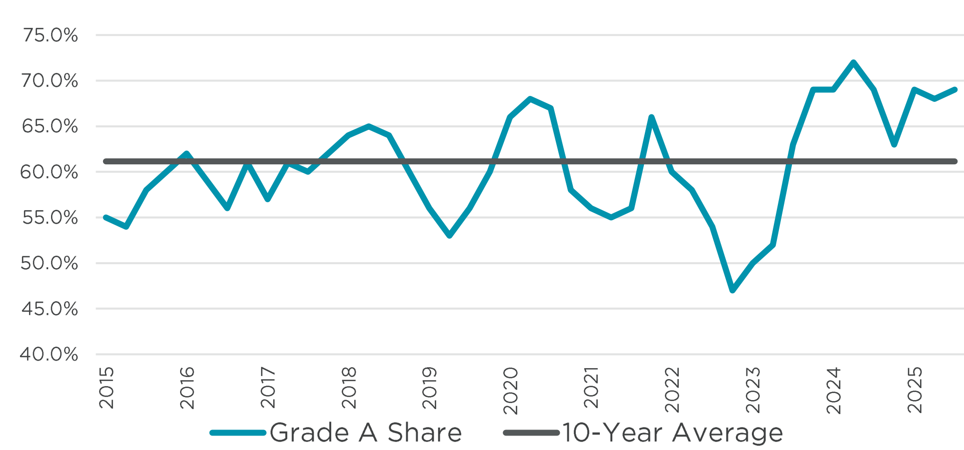
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: LIMITED LARGER LEASES BUT UNDER OFFERS TICK UP

The Wider City reported 1.03 million sq ft of leasing activity in Q3 2025, the lowest quarterly volume since Q2 2021 and down 27% on the 10-year average. Of this, 69% was of Grade A quality totalling 710,000 sq ft. The quarter had a limited number of larger deals with just four transactions above 50,000 sq ft, the largest of which was Bristows 68,000 sq ft letting at Bow Bells House, 1-3 Bread Street. Across the 65 transactions which occurred in the quarter, the average deal size was just 15,800 sq ft which is 15% below the 10-year average. Under offer space increased to 1.66 million sq ft at the close of Q3, up 42% on the quarter to reach the 10-year average. Prime headline rents increased to £89.50 psf in Q3 2025, up 1% from £88.50 psf in Q2 and 5% over the previous year.

SUPPLY: LARGE, HIGH QUALITY SPACES IN SHORT SUPPLY

Availability in the Wider City increased to 14.14 million sq ft in Q3, up 1% versus the previous quarter. Grade A supply increased by 5% to 8.59 million sq ft. This amounted to an overall vacancy rate of 9.35% and a Grade A vacancy rate of 5.68%. Comparing the available stock against average take-up levels over the past three years, the current levels of stock amount to 2.4 years' supply overall and 2.2 years' supply for Grade A. In the City Core, this decreases to 1.7 and 1.5 years' supply overall and for Grade A respectively as the strength of demand has brought supply to down to the second lowest level since the pandemic, with only Q2 2025 reporting lower levels. Supply also diminishes as requirement sizes increase. There are only 13 spaces on the market capable of satisfying a requirement above 100,000 sq ft, of which just eight are of Grade A quality.

DEVELOPMENT: PRE-LET STRENGTH SHOWS DEVELOPMENT DEMAND

Completions in Q1-3 2025 total 2.98 million sq ft, of which 81% was pre-let. A further 2.38 million sq ft is scheduled to complete in Q4 2025, with 51% of this being pre-let at the close of Q3. While the level of deliveries is high, the significant pre-letting activity demonstrates the evident appetite for new, high quality space within the Wider City market. Looking ahead, there is 5.36 million sq ft of under construction and available space due to be delivered between 2026 and 2030 – an average of just over 1 million sq ft per year – and with grade A leasing averaging 3.90 million sq ft per year over the three years to Q3 2025, there is a clear gap where supply is unlikely to meet the expected demand.

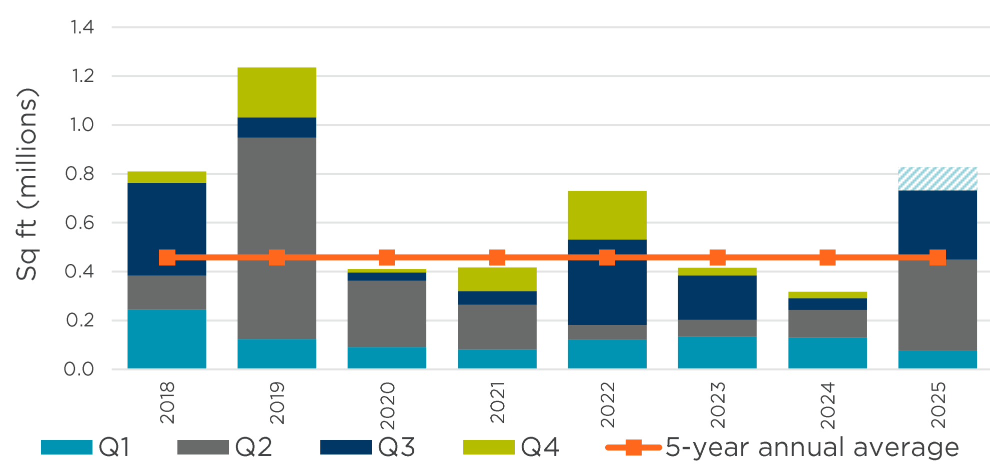
KEY OCCUPIER TRANSACTIONS

Bristows
68,000 sq ft
Bow Bells House, 1-3 Bread Street
City Core
New Lease

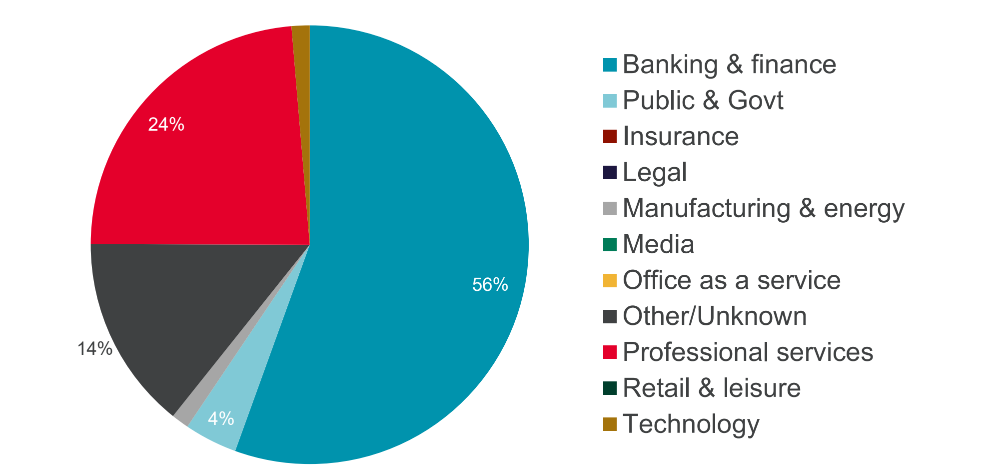
BMA
64,000 sq ft
The Gherkin, 30 St Mary Axe
City Core
New Lease

RWE Energy
54,000 sq ft
The Northcliffe, 26 Tudor Street
Midtown
New Lease

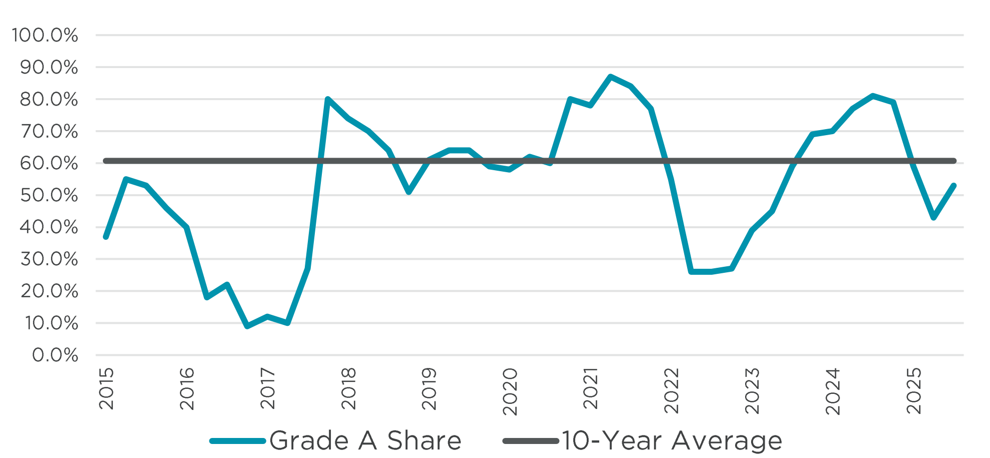
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: STRENGTH CONTINUES WITH ANOTHER MAJOR LETTING

The 285,000 sq ft transacted in Q3 2025 was the third highest quarterly total since 2019, with the previous quarter Q2 2025 being the highest. The quarter's quantum was 55% ahead of the 10-year quarterly average. This continued momentum comes from another significant Canary Wharf letting to a major bank: HSBC's 171,000 sq ft deal at 40 Bank Street. Only four other transactions occurred in Q3, of which one was above 50,000 sq ft. This was UCL's 51,000 sq ft lease at 1 Canada Square. BBVA also exercised a major commitment to Canary Wharf, extending the lease on their existing space for a further 10 years and taking an additional 29,000 sq ft – doubling their floorspace. A further 94,000 sq ft of space was under offer at the close of Q3. Prime headline rents remained level at £57.50 psf in Q3 2025, having risen 4.5% over the last year.

SUPPLY: LETTINGS DRIVE FOURTH CONSECUTIVE FALL IN AVAILABILITY

Availability in East London decreased for a fourth consecutive quarter to 2.98 million sq ft in Q3, 9% down versus Q2 as a result of the transactional activity and no additional stock being brought to market. Overall supply levels are now at their lowest levels since Q3 2021. Grade A supply totals 1.46 million sq ft, amounting to 49% of the total volume available. The vacancy rate overall decreased to 12.68% in Q3, while the Grade A was 6.05%. There were eight buildings capable of satisfying a 100,000 sq ft plus requirement across East London at the end of Q3.

DEVELOPMENT: ABSENT PIPELINE PERSISTS IN EAST LONDON

No developments were under construction at the close of Q3 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 holding planning permission in East London will be unlikely to progress to delivery in the near-term without securing a pre-let.

KEY OCCUPIER TRANSACTIONS

HSBC

171,000 sq ft
40 Bank Street
Canary Wharf
New Lease

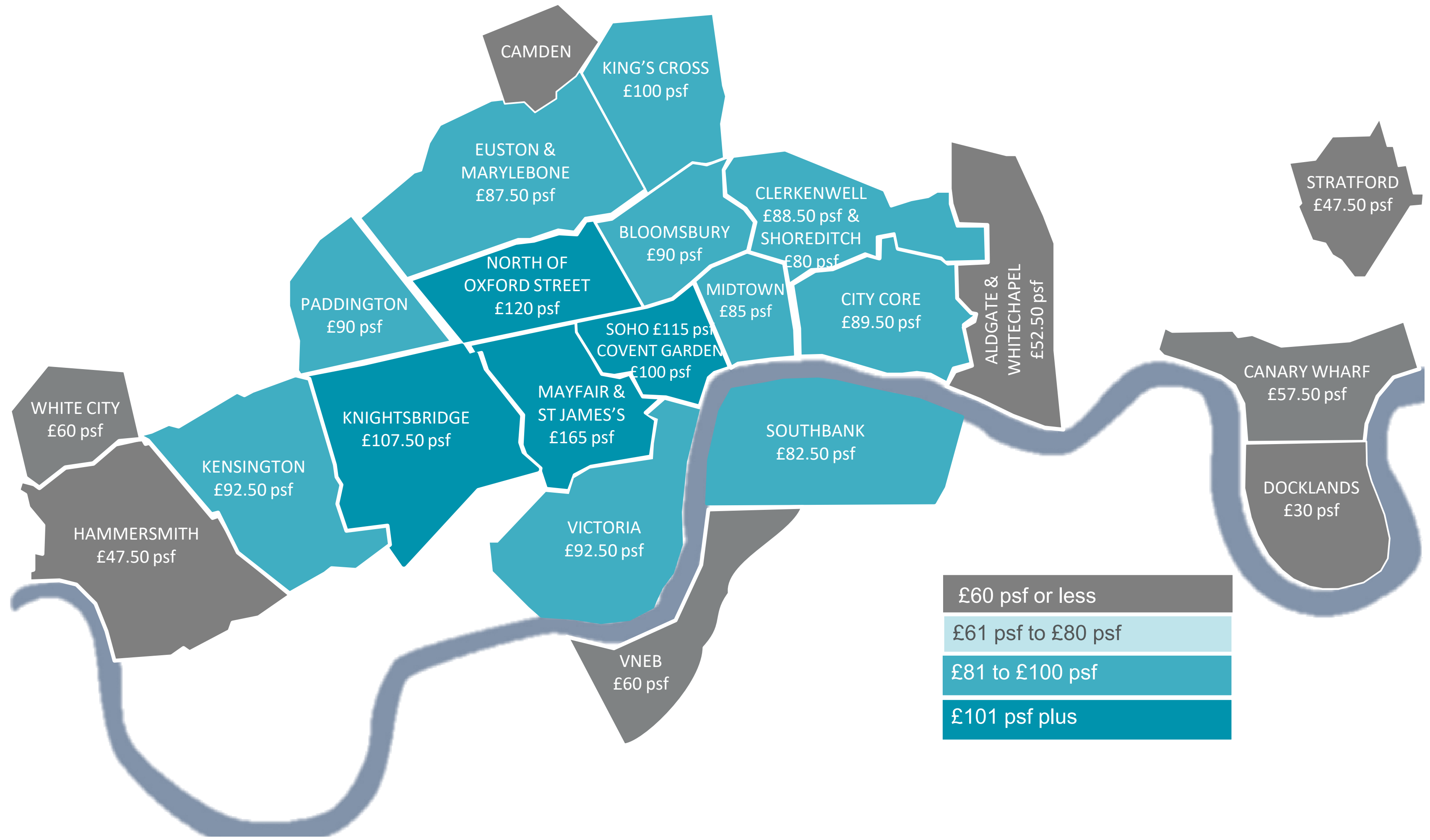
UCL

51,000 sq ft
1 Canada Square
Canary Wharf
New Lease

BBVA

29,000 sq ft
1 Canada Square
Canary Wharf
New Lease

PRIME HEADLINE RENTS



ECONOMY

1.1% UK GDP growth in 2024

1.5% Projected UK GDP growth in 2025

-0.1% Inner London GDP growth in 2024

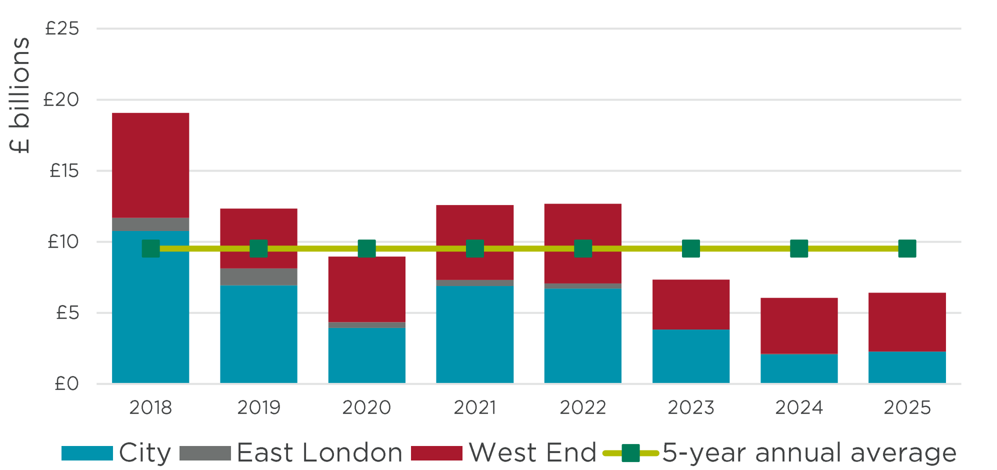
0.3% Projected Inner London GDP growth in 2025

Real GDP stagnated during July 2025, following 0.4% growth in June. Services and construction output both increased output by 0.1% and 0.2% respectively, albeit this was offset by production falling by 0.9% in the month. As of the end of July, it means that GDP has expanded 1.2% year-on-year, putting growth amongst the highest in the G7.

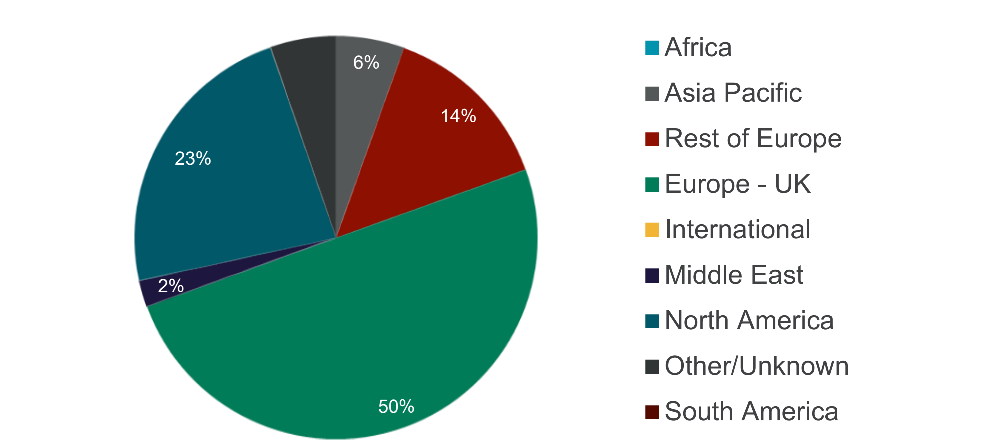
Despite inflation rising to 3.6% in June, the MPC delivered the expected 25 basis point cut to 4.0% on 7 August, continuing the cut-hold-cut pattern established since the easing cycle began. The decision reflected growing concerns about labour market deterioration. However, the 5-4 vote split was closer than anticipated – and only reached after two rounds.

The UK Composite PMI picked up momentum in the summer rising from 51.5 in July 2025 to 53.5 in August. This marked the fourth consecutive month above the 50.0 growth threshold, and the fastest growth rate in the last 12 months. This was driven by a services sector growth – with the Services PMI increasing from 51.8 to 54.2, the highest level since April 2024.

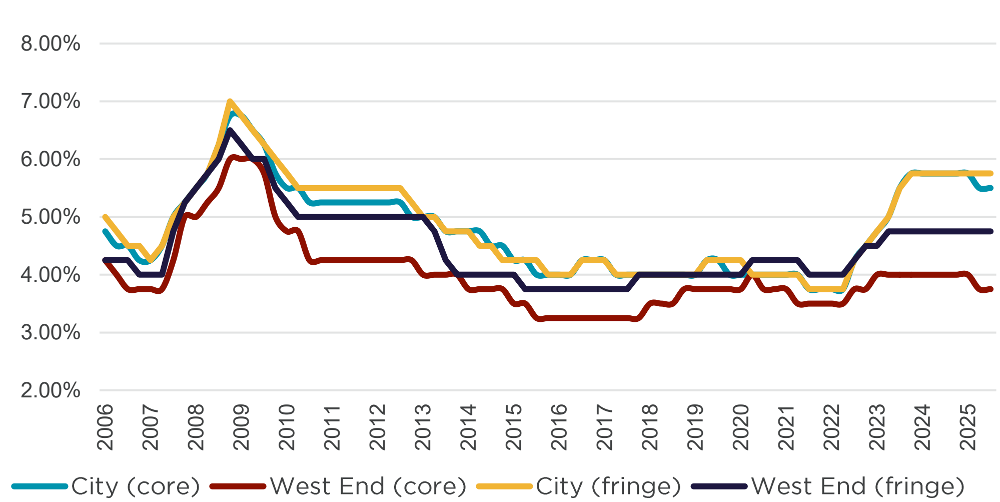
INVESTMENT VOLUMES



INVESTMENT BY PURCHASER ORIGIN



YIELDS



VOLUMES: Q1-Q3 INVESTMENT SURPASSES FULL YEAR 2024 TOTAL

The third quarter of the year saw 49 deals totalling £1.67 billion transact across the Central London office investment market. This was 24% below the previous quarter but 26% above the same period of 2024. This took volumes for the year so far to £6.43 billion, up 56% on Q1-Q3 2024.

Activity remained strongest across the West End for the eighth consecutive quarter, with £1.24 billion transacting across 32 deals, a 74% market share.in addition. The remaining £430 million was traded in the Wider City, with no deals completing in East London for a fifth consecutive quarter. Just two deals over £100 million completed during the quarter, the acquisition of the Ministry of Justice, Petty France, SW1 for £245 million and the £130 million purchase of North and South Notting Hill Gate, W11. Looking forward however, we are tracking ten deals over £100m that are currently under offer or have exchanged since quarter end, suggesting continued improvements in larger lot size liquidity.

UK investors remained the most active purchaser group of the quarter, transacting £837 million which equates to half of the total traded. This was followed by North American investors who acquired £397 million, a 23% market share. UK buyers were once again the largest vendors of the quarter, selling over £1.1 billion in Q3, followed by North American companies who accounted for a further 14%. Investors from both North America and other European countries outside the UK recorded the highest net investment of £144.5 million and £117.3 million, respectively.

At the close of Q3, there was £5.3 billion worth of assets available or at the bids stage which is up on the £4.62 billion at the end of Q2. A further £2.83 billion was under offer, also up on the £2.23 billion of the previous quarter.

YIELDS: YIELDS WERE UNCHANGED IN Q3

Following the first inward yield shift in four years, prime office yields were held stable across all Central London submarkets in Q3. City yields remain at 5.50% and the West End at 3.75%.

With inflation remaining about the Government's 2% target, there is expectation for further base rate cuts over the next six months This, together with strong occupation fundamentals, could aid in unlocking further opportunities for investors in Central London and lead to further yield compression in 2026.

KEY INVESTMENT TRANSACTIONS

Ministry of Justice, Petty France, SW1

£245 million

Purchaser:
Arora Group

Vendor:
Landsec

Notting Hill Gate, North & South, W11

£130 million

Purchaser:
Marguilis Family

Vendor:
Frogmore

10-15 Finsbury Circus

£143 million

Purchaser:
Aware Super and Delancey

Vendor:
Union Investment

MARKETBEAT

LONDON OFFICES

Q3 2025

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