CUSHMAN & WAKEFIELD

MARKETBEAT

CENTRAL LONDON OFFICES

Q4 2025

Better never settles

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FIVE YEARS ON EITHER SIDE, HOW HAS THE MARKET CHANGED?

As we close on 2025, the predominant trend for the Central London occupational market is one of stability. The recovery in 2021 and 2022 paved way for consistent leasing activity, with annual take-up for the period 2023-2025 hovering between 9.5 to 9.6 million sq ft. Where the real shift has occurred between 2015-2019 and 2021-2025 is the quality of space occupiers are seeking – rising from an annual average of 59% for Grade A space pre-covid, to 64% post-covid. In fact, 2025 recorded the highest ever portion of Grade A leasing activity of 74%. However, there is a real mismatch between demand and supply, and submarket variations are widespread.

Prior to 2020, location was not as much of a consideration – leasing activity was widespread and prime rents were maintained or increasing steadily across most submarkets. Since 2021, however, not withstanding heightened economic uncertainty, preference for Grade A coupled with core locations has seen rents increase at a rapid rate along core locations, centered around key transport hubs, resulting in depleting supply in these submarkets. At the end of 2025, the City Core had just 1.1 years of Grade A supply left, against a 10-year average of 1.7 years; while in the West End, Mayfair and St James's had 0.7 years and 1.4 years left. This was 49% and 34% below the 10-year average, respectively.

WHAT NEXT?

Looking ahead, the supply of this core Grade A product is reducing at an alarming rate, with the development pipeline thinning over the next two years, the situation having worsened since Trussonomics in 2022. At that point, capital values for Central London offices plummeted rapidly, and income was the main driver for total returns. Furthermore, construction costs escalated, the effects of which continue to impact development viability. According to the BCIS index, build cost increases are forecast over the next two years, and with modest recovery expected for capital values during this period, it is likely that rents will have to continue to do the heavy lifting in the short term.

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KEY TAKEAWAYS

Central London office take-up totalled 2.88 million sq ft in Q4 2025, up 17% on the 10-year average, 72% of which was Grade A.

Availability decreased once again to 26.28 million sq ft in Q4, down 5% on the quarter but remaining 36% above the 10-year average.

13.48 million sq ft of space was under construction at the end of Q4, of which 37% is already pre-let.

There was £3.31 billion of investment in Q4, up by 95% on Q3 and 37% ahead of the 5-year quarterly average. During the year, £9.76 billion of assets traded, a 61% increase on 2024.

Core prime office yields were held at 5.50% in the City and 3.75% in the West End in Q4.

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MARKET FUNDAMENTALS

	Quarterly Change	12-Month Forecast
2.88M Take-up	▲	►
26.28M Availability	▼	▼
5.4% Rental Growth, YoY	▲	▲
1.06M Completions, YTD	▼	▼
13.48M Under Construction	▼	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
0.1% 2026 Projected GDP Growth	▼	▲
-1.8% 2026 Projected Office Employments	▼	▲
3.75% Q4 2025 Base Rate Bank of England	▼	▼

Source: Moody's

TAKE-UP: STRONG DECEMBER BOOSTS TAKE-UP LEVELS TO ALIGN WITH 5-YEAR AVERAGE

Central London office take-up totalled 2.88 million sq ft in Q4 2025, up 17% on the long-term 10-year average and 45% up versus Q3 2025. Grade A leasing totalled 2.07 million sq ft, 37% ahead of the 10-year average and accounting for 72% of the total quarterly leasing volume. The Wider City market accounted for 60% of the total take-up in the quarter, with 25% taking place in the West End and 15% in East London, with the latter matching proportions recorded in the prior quarter. In Q4, 146 transactions took place, 10% ahead of the 10-year quarterly average, with an average deal size of 19,700 sq ft recorded. Given the strong end to the year, under offer space at the end of Q4 reduced by 12% during the quarter to 2.43 million sq ft.

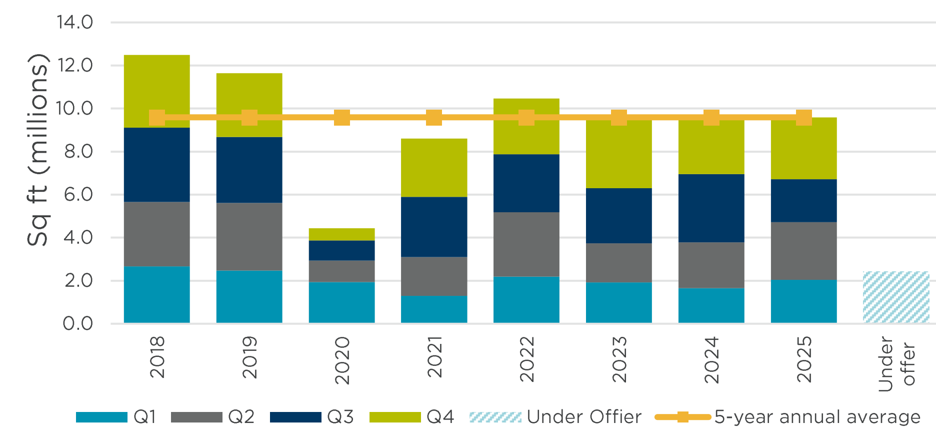
SUPPLY: AVAILABILITY REDUCES IN THREE CONSECUTIVE QUARTERS

Availability decreased to 26.28 million sq ft in Q4, down 5% on both the quarter and year-on-year. Furthermore, grade A availability reduced more, with a 9% reduction during the quarter to 16.56 million sq ft. The strength of leasing activity, in particular for grade A built stock, contributed to this reduction. As a result, the vacancy rate decreased to 8.82% overall and to 5.56% for Grade A. This equated to 2.7 years' supply across Central London overall, with 2.5 years' supply for Grade A stock, although there are large variations across submarkets, with Mayfair, City Core and North of Oxford Street each having just 0.7, 1.1 and 1.2 years' of grade A supply left, respectively.

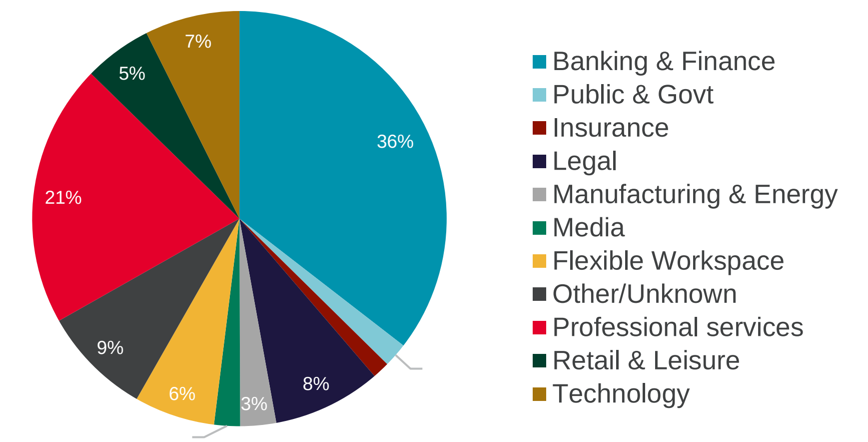
DEVELOPMENT: MEDIUM TERM PIPELINE IN DEFICIT OF EXPECTED DEMAND

During 2025, 5.36 million sq ft of new space completed, of which 59% was pre-let. Q4 was set to see 3.46 million sq ft complete, however only 1.40 million sq ft actually did, with the rest spilling over into 2026. Across the whole pipeline, a total of 13.48 million sq ft is under construction with 37% pre-let, all of which is expected to deliver by 2028. Beyond this, no developments have started construction yet, however as we move through 2026, we should begin to see more developments commence.

TAKE-UP BY QUARTER



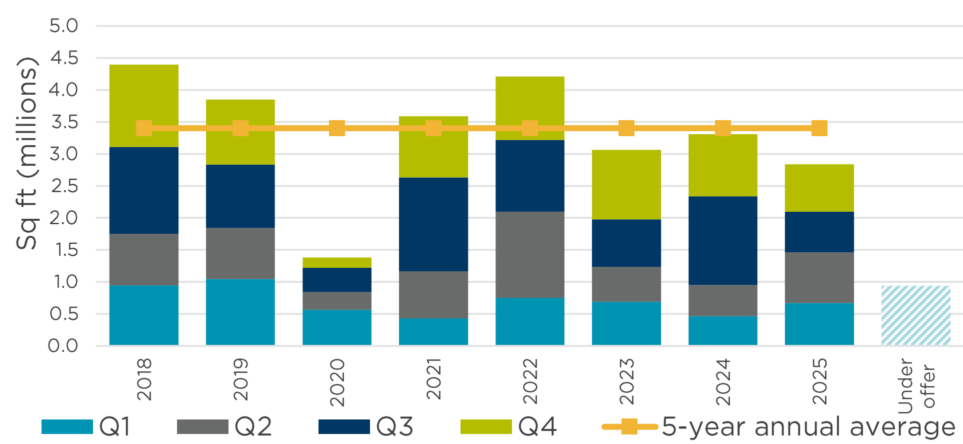
TAKE-UP BY SECTOR YTD



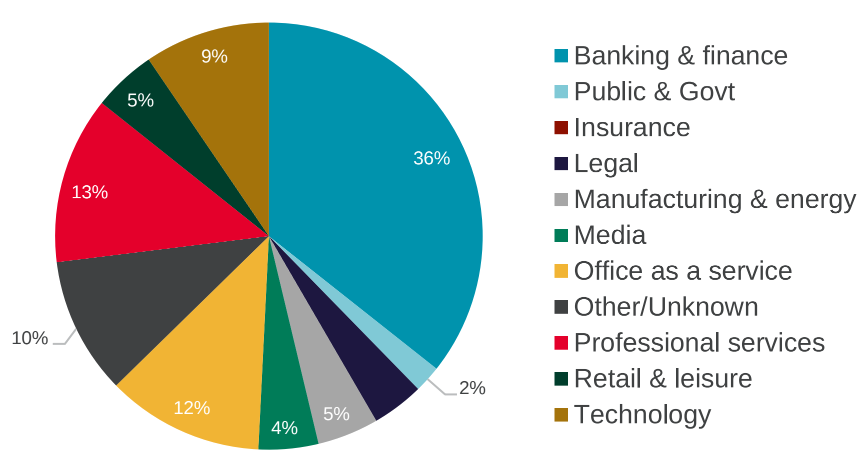
KEY OCCUPIER TRANSACTIONS

Visa	Gibson Dunn & FTI	Ares
300,000 sq ft	155,000 & 103,000 sq ft	128,000 sq ft
1 Canada Square, E14	1 Exchange Square, EC2	1 Hanover Street, W1
Canary Wharf	City Core	Mayfair
New Lease	Pre-let	Pre-let; off-plan

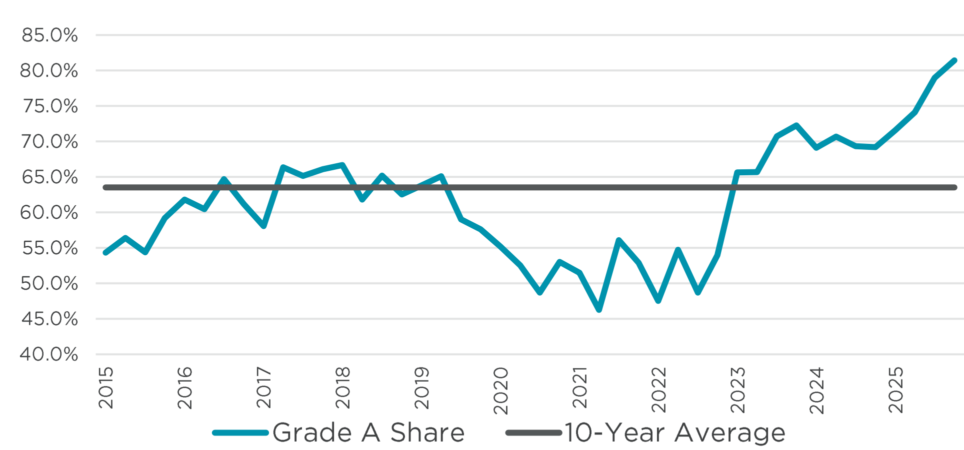
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: GRADE A ACCOUNTS FOR 80% AND 81% OF TAKE-UP IN Q4 AND ACROSS THE ENTIRETY OF 2025 – THE LATTER A RECORD HIGH

West End leasing activity totalled 744,000 sq ft in Q4 2025, an 18% improvement on Q3. What total take-up was down by 14% on the 10-year average, Grade A activity continued to increase – by 30% on Q3 and by 10% versus the 10-year average – with 598,000 sq ft transacting, accounting for 80% of the quarterly total. The average deal size increased to 16,100 sq ft from 12,900 sq ft in the previous quarter, with Ares's pre-let of 128,000 sq ft at 1 Hanover Street recorded as the largest deal of both the quarter and the year. Under offer space reduced as a result, by 8% to 935,000 sq ft, close to the 10-year average. For Grade A however, under offers are up by 6% against the 10-year average to 696,000 sq ft. Prime headline rents increased to £170.00 psf in Q4 2025, increasing for the sixth consecutive quarter.

SUPPLY: OVERALL SUPPLY BEGINNING TO REDUCE, WITH CORE MARKETS EXPERIENCING MORE UNDERSUPPLY

Availability decreased by 3% to 10.38 million sq ft in Q4, 60% above the 10-year average. Of this, 74% was of Grade A quality equating to 7.66 million sq ft. This equates to an overall vacancy rates of 8.48% and a Grade A rate of 6.26%. However, there remains considerable variations between submarkets. Mayfair recorded the lowest Grade A vacancy rate of 1.69% across all of Central London, followed by 2.51% in St James's. Across the West End market there are 17 buildings able to satisfy a requirement in excess of 100,000 sq ft, however less than half a in core locations.

DEVELOPMENT: PRE-LETTING CONTINUES TO ERODE FUTURE SUPPLY

Across the West End, 1.62 million sq ft completed in 2025, of which 32% was pre-let. Looking ahead, there is 6.12 million sq ft currently under construction and completing by 2028, with 41% already pre-let or under offer. Of this, 4.07 million sq ft is expected to deliver in 2026 – the highest expected completion volume on record, however over half is already pre-let. The undersupply of Grade A supply in core submarkets has been a concern over recent years, and has resulted in strong rental growth as competition for the best space in the best locations remains robust. This may continue to support the case for potential development starts. In the West End, there is 2.39 million sq ft of space which has planning in place, and with continued positivity in both the occupational and lending environments, this could be the trigger for these developments to commence.

KEY OCCUPIER TRANSACTIONS

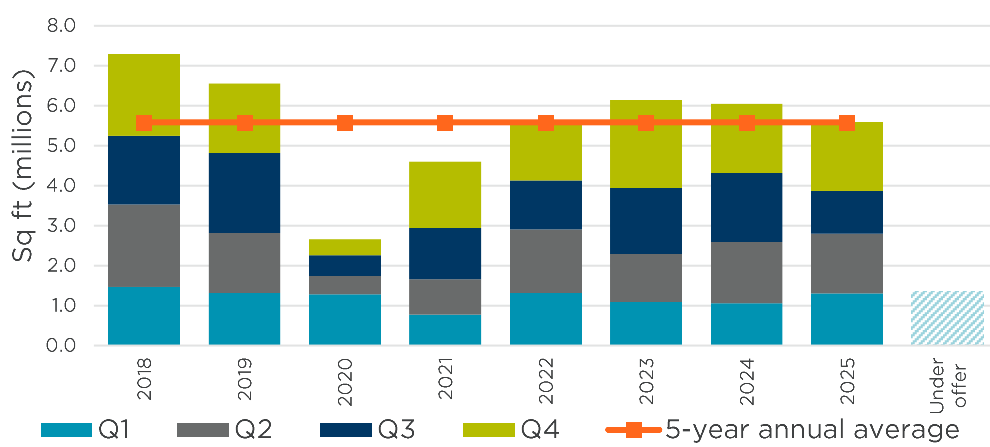
Ares
128,000 sq ft
1 Hanover Street, W1
Mayfair
Pre-let; off-plan

Dr Martens
43,000 sq ft
Whiskey Sierra, 20 Whitfield Street, W1
Fitzrovia
Pre-let; under construction

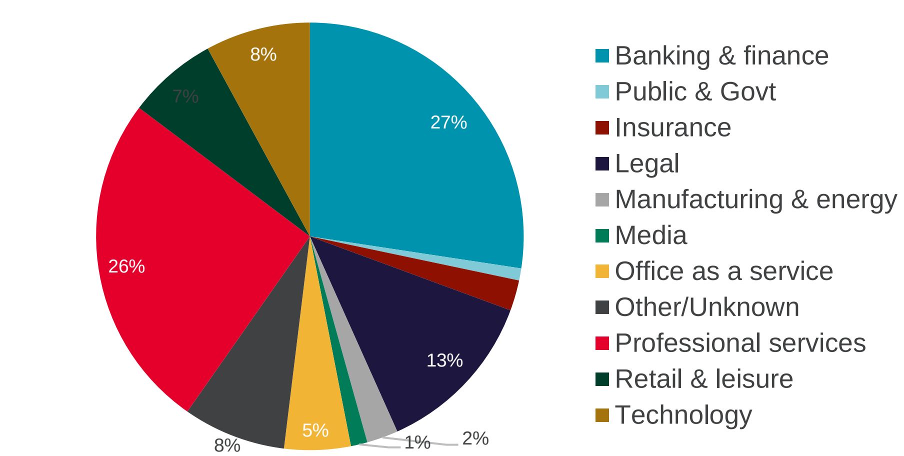
Engineer's Gate
30,000 sq ft
9 Cavendish Square, W1
North of Oxford Street
Pre-let; under construction

WIDER CITY
Q4 2025

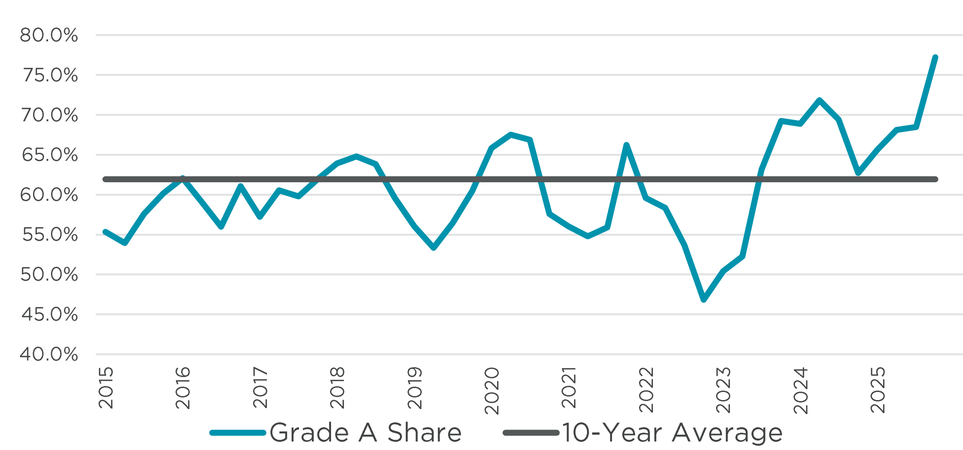
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: STRONG DECEMBER AS 1.16 MILLION SQ FT LEASED

The Wider City reported 1.72 million sq ft of leasing activity in Q4 2025, bolstered by activity in December, which saw 1.16 million sq ft complete. The quarterly total was 61% above Q3 2025 volumes and 22% ahead of the 10-year average. Of this, 82% was classified as Grade A, totalling 1.41 million sq ft. There were three deals over 100,000 sq ft to complete in Q4, adding to the three which completed during the rest of the year, the largest of which was both Gibson Dunn and FTI signing for a total of 258,000 sq ft at 1 Exchange Square. Across the 90 deals in Q4, the average deal size was 19,100 sq ft, which is 1% above the 10-year average. Under offer space reduced to 1.37 million sq ft at the close of Q4, down on both the quarter and the 10-year average by 17% and 18%, respectively. Prime headline rents increased to £91 psf in Q4 2025, up by 5% year-on-year.

SUPPLY: LARGE FLOORPLATES REMAIN SCARCE

Availability in the Wider City decreased by 9% over the quarter to 12.89 million sq ft in Q4. However, Grade A supply reduced more, decreasing by 13% to 7.45 million sq ft. This resulted in the overall vacancy rate falling by 85 basis points to 8.50%, while the Grade A vacancy rate reduced to 4.92% - the lowest level in two years. Comparing the available stock against average take-up levels over the past three years, this amounts to 2.2 years' of total supply left to satisfy demand, and 1.8 years' supply for Grade A. In the City Core, this decreases to 1.4 and 1.1 years' supply for total and Grade A, respectively – both at their lowest levels since the onset of the pandemic. As at the end of Q4, there were 15 building on the market capable of satisfying a requirement above 100,000 sq ft, of which 10 are of Grade A quality including two available to pre-let.

DEVELOPMENT: PRE-LETS CONTINUES TO RISE AS DEMAND FOR NEW DEVELOPMENTS STRENGTHENS

Completions in 2025 total 3.65 million sq ft, of which 72% was pre-let. While 2.38 million sq ft was scheduled to complete in Q4, only half did with the remainder slipping into 2026. Looking ahead, there is 7.38 million sq ft under construction and delivering by 2028, however, despite developments seeming high, the high volume of pre-lets continues to erode supply, with 32% of this space already committed, leaving 4.98 million sq ft of speculative space. A high volume of this will deliver in 2026, including some of the spill over from 2025, however demand remains robust and is likely to outweigh supply over the next five years.

KEY OCCUPIER TRANSACTIONS

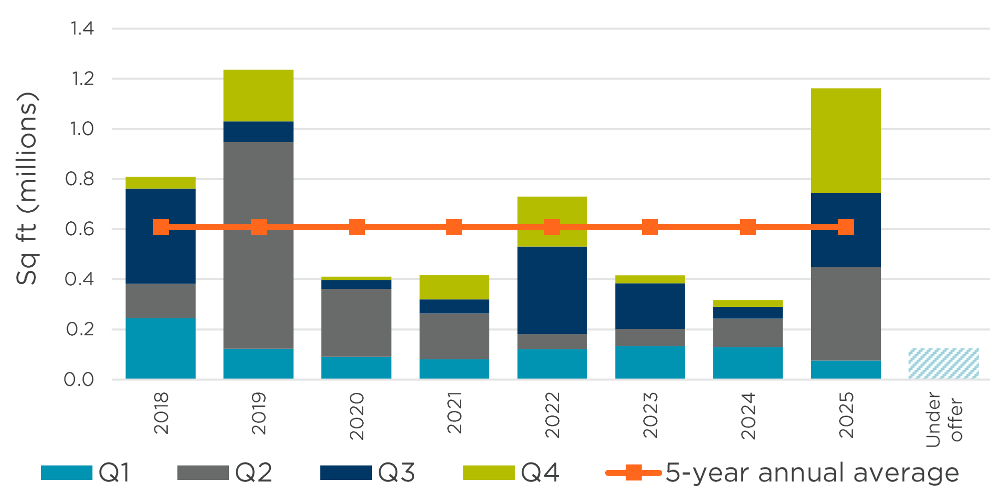
Gibson Dunn & FTI
155,000 sq ft & 103,000 sq ft
1 Exchange Square, EC2
City Core
Pre-let; under construction

London Stock Exchange Group
102,000 sq ft
St Martin's Court, Paternoster Square, EC4
City Core
New Lease (swing space)

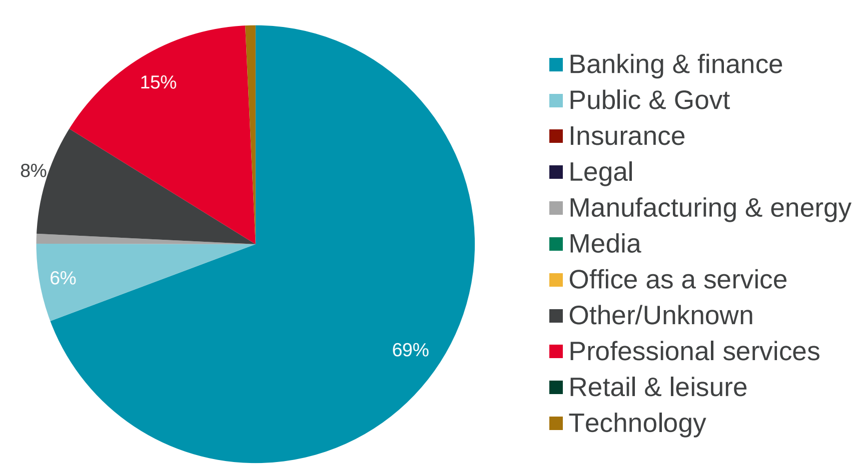
Service Now
55,000 sq ft
EDGE London Bridge, SE1
Southbank
Pre-let; under construction

EAST LONDON
Q4 2025

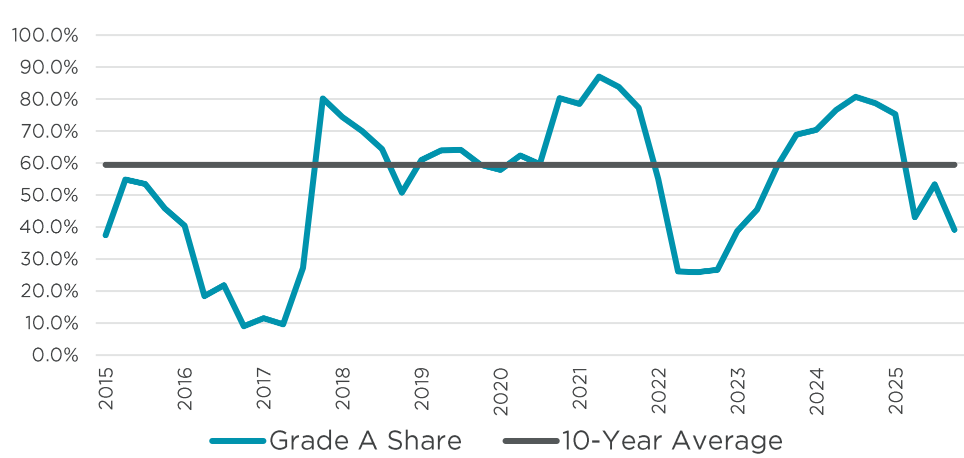
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: HIGHEST VOLUME OF LEASING ACTIVITY SINCE 2019.

East London had its strongest quarter for leasing activity since Q2 2019, with 418,000 sq ft of take-up recorded – this was up by 42% on the quarter and by 123% on the 10-year average. This was largely due to continued activity in Canary Wharf, where Visa's move from Paddington saw the occupier sign for 300,000 sq ft. For East London as a whole, full year take-up of 1.16 million sq ft was recorded, the highest volume since 2019, of which 39% was for grade A. Canary Wharf was the largest contributor, accounting for 78% of total take-up, equating to 909,000 sq ft, with a third being for Grade A space. Despite the strong end to the year, the volume of space under offer at the end of December was up by 31% to 123,000 sq ft, albeit none of this was located in Canary Wharf.

SUPPLY: AVAILABILITY INCREASES MARGINALLY, BUT GRADE A SUPPLY FALLING FOR TWO CONSECUTIVE QUARTERS

Availability in East London increased by 1% to 3.02 million sq ft in Q4, following four quarters of reductions. Nevertheless, supply remains 13% above the 10-year average. While overall supply increased, the Grade A proportion reduced by 1% to 1.45 million sq ft. The overall vacancy rate increased as a result, by 16 basis points to 12.54%, while the Grade A rate was 6.01%. There were eight buildings capable of satisfying a 100,000 sq ft plus requirement across East London at the end of Q4, unchanged from the prior quarter. Of these, four were of Grade A quality.

DEVELOPMENT: ABSENT PIPELINE PERSISTS IN EAST LONDON

No developments were under construction at the close of 2025 in East London. However, there is over 4.7 million sq ft of development with planning consent, only 400,000 sq ft of which could deliver in the next five years. The challenges in viability present across the wider construction industry and office market continue to impact the market, more so in East London, where demand has been challenging over previous years. However, if the strong performance of 2025 continues in the near term, the appetite for office space in developments like Frameworks, and others, may increase. However, they are still unlikely to commence without a pre-let secured.

KEY OCCUPIER TRANSACTIONS

Visa

300,000 sq ft

1 Canada Square, E14

Canary Wharf

New Lease

AXA

21,000 sq ft

1 Stratford Place, E20

Stratford

New Lease

University of Wales

19,000 sq ft

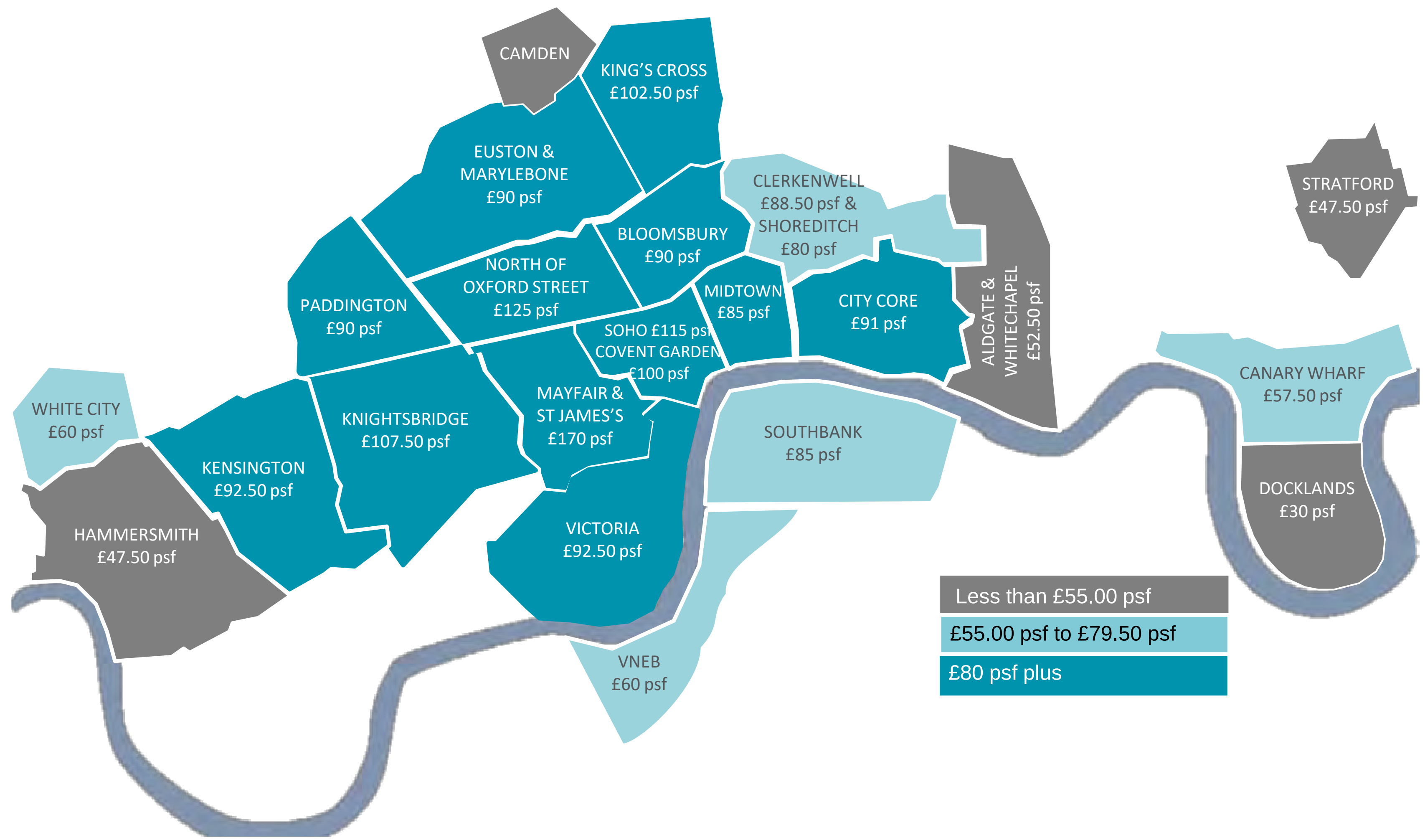
1 Westferry Circus, E14

Canary Wharf

New Lease

RENTAL MAP
Q4 2025

PRIME HEADLINE RENTS



ECONOMY

1.4% UK GDP growth in 2025

1.0% Projected UK GDP growth in 2026

0.9% Inner London GDP growth in 2025

0.1% Projected Inner London GDP growth in 2026

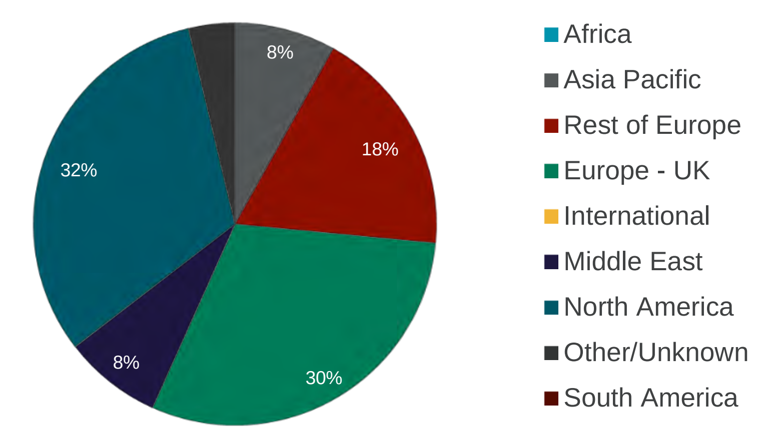
The UK economy rebounded in November, with monthly GDP increasing by 0.3%, after falling -0.1% in October. Growth of 1.1% and 0.3% was recorded in Production and Services, respectively. Looking ahead, GDP in London is forecast to trail that of the UK, due to a combination of reasons including higher cost of living and reduced funding, which is being redirected to other parts of the UK to stimulate growth.

On 18 December, the MPC voted to cut interest rates by 25 basis points to 3.75%. Following on from that, CPI unexpectedly increased to 3.4% in December, up from 3.2% in November. Nevertheless, we still expect inflation to come down during 2026. With rates held firm at the 5 February meeting, we expect at least one cut during the year.

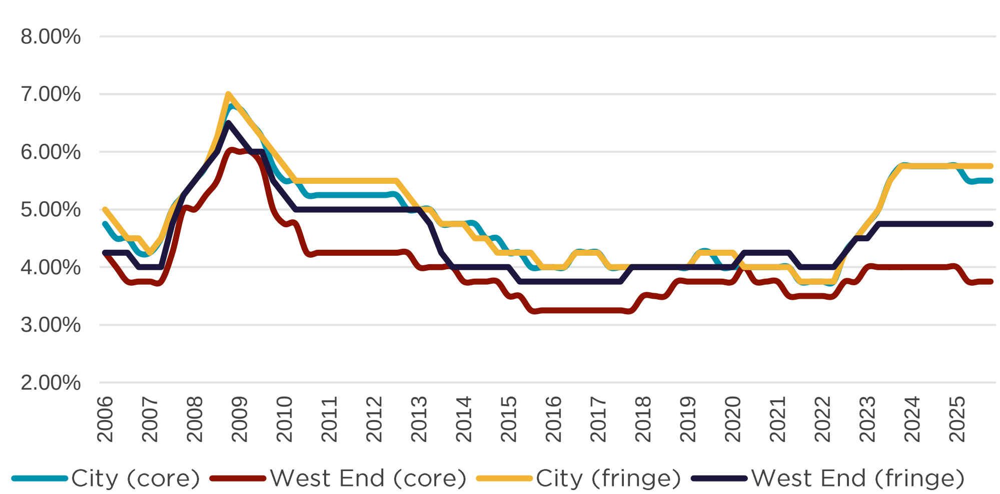
The UK PMI for December was positive, at 51.4, with the Flash PMI for January recording a sharp increase to 53.9. This was driven by an uptick in business optimism and strong order numbers, with the Services PMI as high at 54.3; Manufacturing positive but more muted at 51.6. While the Flash PMI could be revised, there is the feeling of post-Budget positivity across the business environment.

INVESTMENT VOLUMES

INVESTMENT BY PURCHASER ORIGIN



YIELDS



VOLUMES: 2025 VOLUMES UP 61% ON 2024 TO REACH 5-YEAR AVERAGE

The final quarter of the year saw 68 deals totalling £3.31 billion transact across the Central London office investment market. This was 95% above the previous quarter and 72% ahead of Q4 2024. This took volumes for the year to £9.76 billion, up 61% on 2024 and 1% above the 5-year annual average.

Activity in the City market rebounded in Q4, with £1.89 billion trading and taking a 57% market share – the highest volume since Q3 2022 and first time the City has taken a higher proportion to the West End since Q3 2023.

2025 saw liquidity of larger lot sizes return to the market, with 21 deals over £100 million completing, compared with 11 in 2024. This includes the acquisition of 70 St Mary Axe, EC3 for £333 million, the largest deal in Q4. We are tracking 11 deals over £100m that are currently under offer or have exchanged since the start of 2026, suggesting continued improvements in larger lot size liquidity.

Whilst UK investors continue to be acquisitive, transacting just over £1 billion in Q4, a 30% market share, they were overtaken by North American investors, who purchased £1.05 billion during the quarter (32% market share). However, for the year, it was domestic investors what were most active, taking a 36% share, followed by European (21%) and North American (20%) buyers. UK buyers have also been the largest vendors since Q2 2022, selling over £1.2 billion in Q4 and £5.4 billion throughout the year, taking their net investment in 2025 to –£2 billion.

At the close of Q4, there was £4.19 billion worth of assets available or at the bids stage, which is down on the £5.3 billion at the end of Q3, due to the large volume of transactions at the end of the year. A further £3.16 billion was under offer, up on the £2.83 billion of the previous quarter.

YIELDS: YIELDS WERE UNCHANGED IN Q4

Following the first inward yield shift in four years in Q2, prime office yields were held stable across all Central London submarkets in Q4. City yields remain at 5.50% and the West End at 3.75%. However, further base rate cuts during the first half of the year are expected and could help to unlock investment opportunities and lead to further compression of pricing throughout 2026.

KEY INVESTMENT TRANSACTIONS

70 St Mary Axe, EC3

£333 million

Purchaser: Hayfin Capital Management & Capreon Asset Management

Vendor: Nuveen Real Estate

Worship Square, 65 Clifton Street, EC2

£177.5 million

Purchaser: Hines

Vendor: HB Reavis

7 Old Park Lane, W1

£85.4 million

Purchaser: Oval and SVP

Vendor: Gruppo Romeo

MARKETBEAT

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