

MARKETBEAT CENTRAL LONDON OFFICES

Q1 2026

Better never settles

TECHNOLOGY SECTOR REGAINING MOMENTUM

Activity during the first quarter of 2026 saw the return of the Technology sector, with just over 500,000 sq ft leased – a 26% market share. This was the highest quarterly volume of space leased in this sector since Q4 2021 and the largest market share since Q3 2021. Even during the height of the Technology sector boom of the 2010's, the average market share was around 15%.

However, the type of Technology businesses differs, with the historic demand driven by the growth of big tech like Meta and Google and this current surge driven by AI businesses. In Q1, half of the sector's take-up came from AI business, defined as those where AI is the core product or main model, which equated to 12% of Central London leasing volumes.

Databricks's pre-let of 134,500 sq ft in Fitzrovia was the headline deal of Q1, with the firm committing to a long-term lease, reinforcing their commitment to maintain a significant presence across the capital. Furthermore, Quantexa pre-let over 50,000 sq ft of space at The Delft in Southbank – a deal that saw the firm paying significant rents ahead of prime levels in order to secure the building which suited their requirements – again on a long-term lease agreement.

WHAT NEXT?

This momentum did not stop in Q1. In fact, so far in Q2, another 250,000 sq ft has already been signed by Anthropic and OpenAI, taking 160,100 sq ft and 90,000 sq ft respectively, with more space under offer from these businesses that will contribute to this subsector taking an increasing share of Central London take-up during the course of the year.

However, while demand from these global AI businesses contributes significantly to take-up and market share, we must not forget about the smaller businesses. Though they tend to lease smaller units or flex space, they remain active in the market and their growth potential is likely to result in some future take-up, and as a result, increasing dominance of the Technology sector once again.



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KEY TAKEAWAYS



Central London office take-up totalled 1.92 million sq ft in Q1 2026, down 21% on the 5-year average, 85% of which was Grade A.



Availability reduced marginally to 26.24 million sq ft in Q1, down 0.2% on the quarter but remaining 2% above the 5-year average.



12.05 million sq ft of space was under construction at the end of Q1 – the lowest volume in almost five years – of which 28% is already pre-let.



There was £1.94 billion of investment in Q1, down by 41% on Q4 and 20% below of the 5-year quarterly average. During 2025, £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 Q1.

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MARKET FUNDAMENTALS

	Quarterly Change	12-Month Forecast
1.92M Take-up	▼	▶
26.24M Availability	▼	▼
6.3% Rental Growth, YoY	▲	▲
2.81M Completions, YTD	▲	▼
12.05M Under Construction	▼	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
0.6% 2026 UK Projected GDP Growth	▼	▲
-2.1% 2026 Office Employment YoY	▼	▲
3.75% Q1 2026 Base Rate Bank of England	▼	▼

Source: Moody's Analytics

TAKE-UP: Q1 VOLUMES DOWN, BUT UNDER OFFERS UP

Central London office take-up totalled 1.92 million sq ft in Q1 2026, down by 33% quarter-on-quarter and by 21% on the 5-year quarterly average, following a strong quarter of leasing activity at the end of 2025. However, the volume of under offer space increased by 21% during the quarter to 2.93 million sq ft – of this, 2.13 million sq ft was for grade A space, a 10% quarterly rise. Grade A leasing totalled 1.64 million sq ft, 4% ahead of the 5-year average and accounting for 85% of the quarterly leasing volume, the highest quarterly Grade A share on record. The Wider City market accounted for 60% of the total take-up in the quarter, with 37% taking place in the West End and the remainder in East London. A strong source of demand came from the Technology sector, where a 26% market share was recorded. AI businesses led the way, taking around half of this space and taking a 12% share of total take-up across the market.

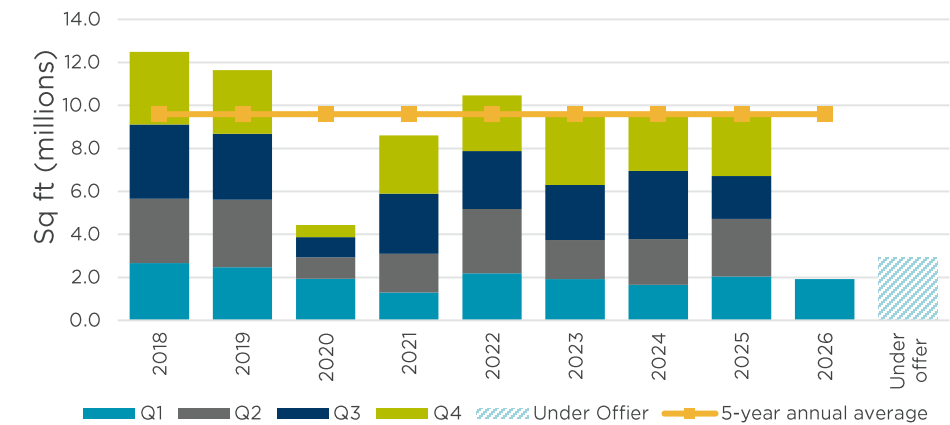
SUPPLY: TRENDS DOWNWARDS FOR FOURTH CONSECUTIVE QUARTER

Availability decreased to 26.24 million sq ft in Q1, down by 0.2% on the quarter but up by 2% on the 5-year quarterly average. Grade A availability declined to 16.33 million sq ft, down by 1.4% during the quarter, but ahead by 18% on the 5-year quarterly average. As a result, the vacancy rate decreased to 8.74% overall and to 5.44% for Grade A. This equated to 3.4 years' supply across Central London overall, with 3.0 years' supply for Grade A stock, although large variations across submarkets are apparent, with less than 2 years' of grade A supply available in Mayfair, City Core, St James's and North of Oxford Street.

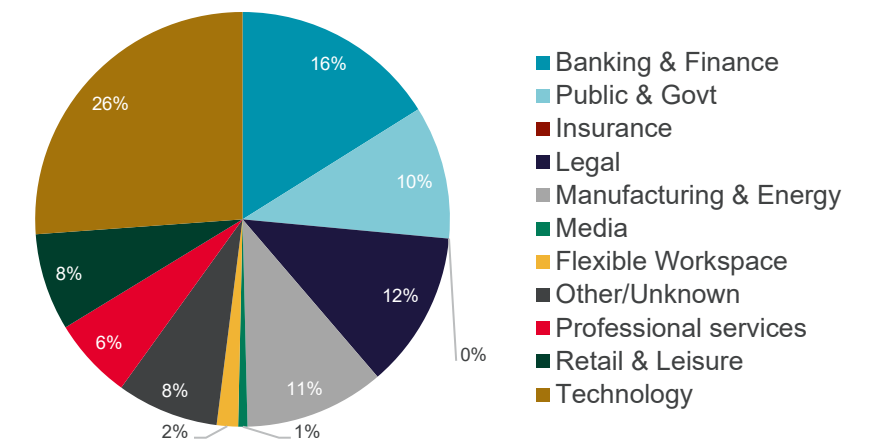
DEVELOPMENT: HIGH Q1 COMPLETIONS DUE TO Q4 OVERSPILL

Development risk remains elevated: 12.05 million sq ft was under construction across the market at the end of Q1, of which 28% is pre-let or under offer and all scheduled to deliver by 2029. There was substantial slippage of schemes due to deliver in Q4 2025 but moving into the first half of 2026, and as a result, completion increased to 2.81 million sq ft, of which 71% was pre-let. Beyond those that are already under construction, there are still schemes in the pipeline which are likely to come forward, however there is a clear deficit between expected deliveries and grade A take-up, which will continue to put upward pressure on rental values.

TAKE-UP BY QUARTER



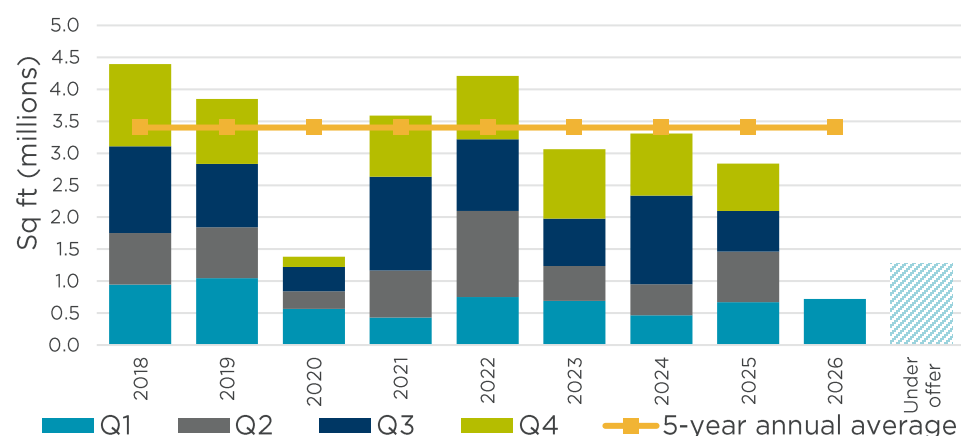
TAKE-UP BY SECTOR YTD



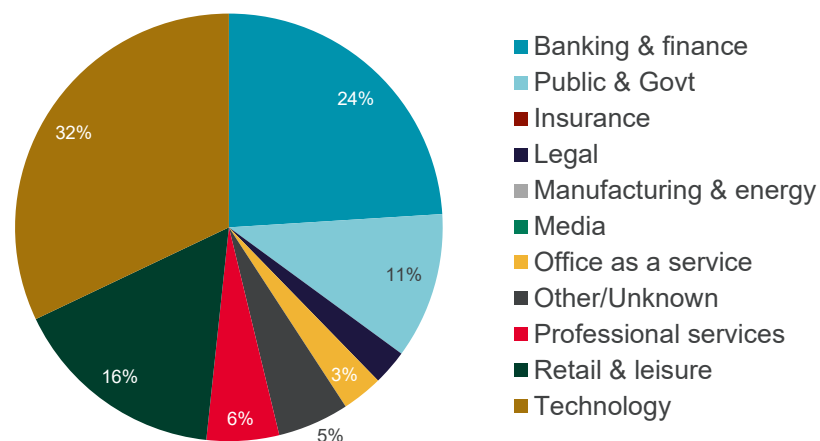
KEY OCCUPIER TRANSACTIONS

Herbert Smith Freehills Kramer	BP	Databricks
268,000 sq ft	191,000 sq ft	134,500 sq ft
1 Appold Street, EC2	Timber Square, SE1	Network Building, W1
City Core	Southbank	Fitzrovia
Pre-let; off-plan	Pre-let; u/c	Pre-let; u/c

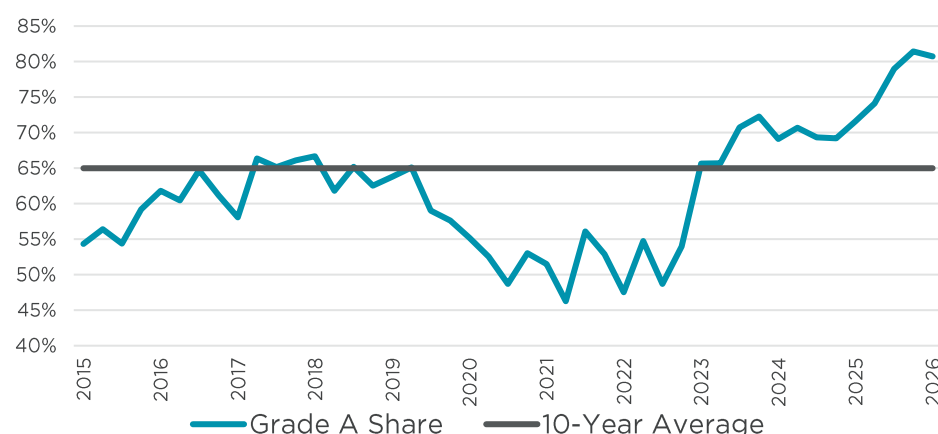
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: LEASING ACTIVITY DRIVEN BY TECHNOLOGY SECTOR AS DEMAND FROM AI BUSINESSES ACCELERATES

West End leasing activity totalled 720,000 sq ft in Q1 2026, down by 3% quarter-on-quarter but 7% up year-on-year. While total take-up was down by 17% on the 5-year quarterly average, grade A activity remains at healthy levels, broadly aligned to the 5-year quarterly average with 562,000 sq ft transacting, accounting for 78% of the quarterly total. The average deal size increased to 18,500 sq ft from 16,100 sq ft in the previous quarter, with Databrick’s pre-let of 134,500 sq ft at the Network Building in Fitzrovia recorded as the largest deal of the quarter, and being a large contributor to the Technology sector accounting for 32% of leasing volumes. Under offer space increase, by 36% during the quarter to 1.27 million sq ft, 26% ahead of the 5-year quarterly average. Grade A under offers accounted for 74%, equating to 941,000 sq ft, up by 35% on both the quarter and the 5-year quarterly average.

SUPPLY: OVERALL SUPPLY UNCHANGED ACROSS ALL GRADES

Availability was unchanged at 10.38 million sq ft in Q1, remaining 21% above the 5-year quarterly average of 8.56 million sq ft. Of this, 74% was of Grade A quality equating to 7.69 million sq ft. This equates to an overall vacancy rate of 8.41% and a Grade A rate of 6.23%, reducing by 7 and 3 basis points, respectively. However, considerable variations between submarkets remain. Mayfair recorded the lowest Grade A vacancy rate of 2.25%, followed by 2.38% in St James’s and 3.77% in the North of Oxford Street. Across the West End market there are 13 buildings able to satisfy a requirement in excess of 100,000 sq ft, with half located in core locations.

DEVELOPMENT: HIGH COMPLETIONS AND PRE-LETTING ACTIVITY IN Q1

Across the West End, 1.16 million sq ft completed in Q1 2026, of which 51% was pre-let. Looking ahead, there is 4.87 million sq ft currently under construction and completing by 2028, with 26% already pre-let or under offer. Of this, 2.63 million sq ft is expected to deliver in 2026, with 26% of this already pre-let or under offer. The undersupply of Grade A supply in core submarkets continues to be a concern, and as a result, rental growth has accelerated, with prime rents having increased for the seventh consecutive quarter to £175 per sq ft, and for super-prime space, rental levels are a lot higher. This will continue to underpin pre-letting prospects, which are likely to increase in market share in the medium term, as the pipeline continues to tighten.

KEY OCCUPIER TRANSACTIONS



Databricks

134,500 sq ft

Network Building, 10 Howland Street, W1

Fitzrovia

Pre-let; under construction



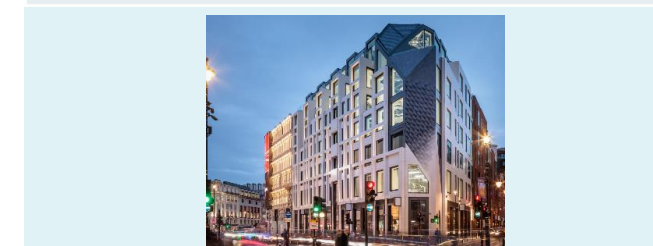
Formula One Group

98,200 sq ft

40 Broadway, SW1

Victoria

New lease



Veriton Fund Management

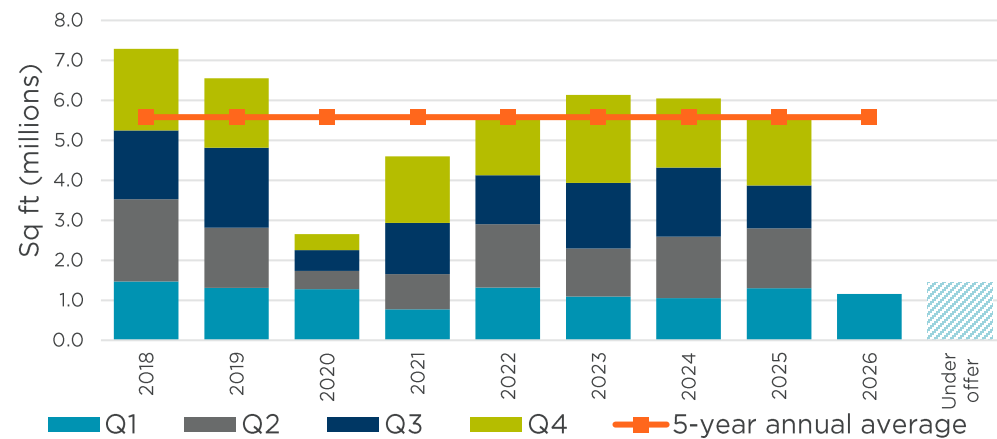
49,400 sq ft

Lucent, 1 Sherwood Street, W1

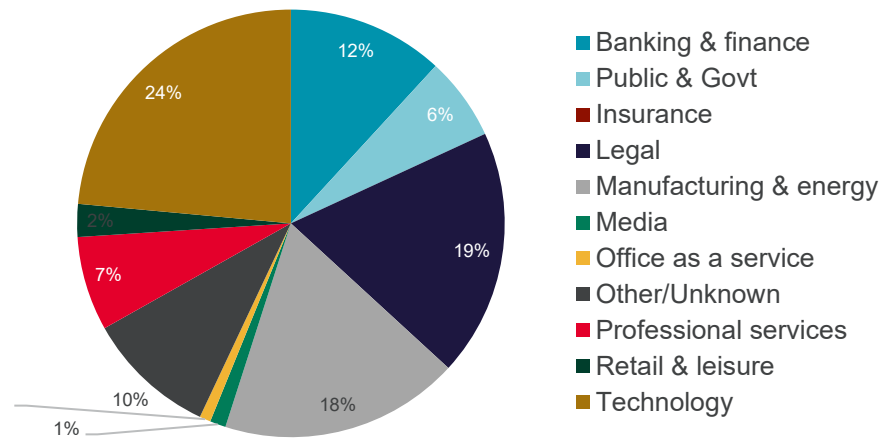
Soho

Assignment

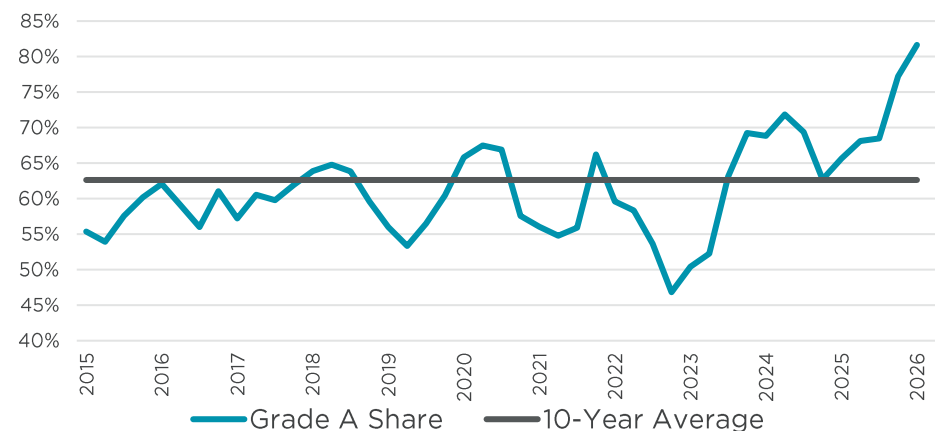
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: Q1 LEASING ACTIVITY REDUCES, BUT IS BROADLY ALIGNED WITH 5-YEAR Q1 VOLUMES

The Wider City reported 1.16 million sq ft of leasing activity in Q1 2026, a 16% quarterly reduction and down by 18% on the 5-year quarterly average. However, volumes are aligned to the Q1 levels recorded over the last 5 years. Of this, 89% was classified as Grade A, totalling 1.03 million sq ft – a record high for the Wider City market. There were two deals over 100,000 sq ft to complete in Q1: Herbert Smith Freehills Kramer’s off-plan pre-let at 1 Appold Street in the City Core – the largest deal across Central London in the quarter – and BP pre-letting space at Timber Square in Southbank. Across the 51 deals in Q1, the average deal size increased to 22,687 sq ft, from 19,100 sq ft in the prior quarter, which is 4% above the 5-year average. Whilst deal activity was lower, under offers increase by 5% during the quarter to 1.43 million sq ft.

SUPPLY: OVERALL AVAILABILITY CONTINUES TO TICK DOWN WITH SOUTHBANK RECORDING THE LARGEST QUARTER REDUCTION

Availability in the Wider City decreased further, by 2% during the quarter to 12.65 million sq ft in Q1. However, Grade A supply continued to reduce at a faster rate, decreasing by 5% to 7.10 million sq ft. This resulted in the overall vacancy rate falling by 85 basis points to 8.29%, while the Grade A vacancy rate reduced to 4.34% - the latter falling for the third consecutive quarter. Comparing the available stock against average take-up levels over the past three years, this amounts to 2.7 years’ of total supply left to satisfy demand, and 2.1 years’ supply for Grade A. In the City Core, this decreases to 1.8 and 1.1 years’ supply for total and Grade A, respectively – among just a handful of submarkets across Central London with less than 2 years of supply available. As at the end of Q1, there were 11 building on the market capable of satisfying a requirement above 100,000 sq ft, of which 6 are Grade A.

DEVELOPMENT: CLOSE TO HALF OF 2026 COMPLETIONS PRE-LET

Completions in Q1 2026 totalled 1.16 million sq ft, of which 51% was pre-let. A further 3.38 million sq ft is due to be delivered by the end of 2026, with 46% already pre-let. Looking ahead, there is a 4.64 million sq ft currently under construction and delivering in 2027-2029 – of this 41% is pre-let. This consistently high volume of pre-letting activity is continuing to erode supply, as well as putting continued upward pressure on rents. Prime rents increased for the ninth consecutive quarter to £95.00 per sq ft in Q1 and are expected to rise by an average of 5.7% per year over the next 5 years.

KEY OCCUPIER TRANSACTIONS



Herbert Smith Freehills Kramer

268,000 sq ft
1 Appold Street, EC2
City Core
Pre-let; off-plan



BP

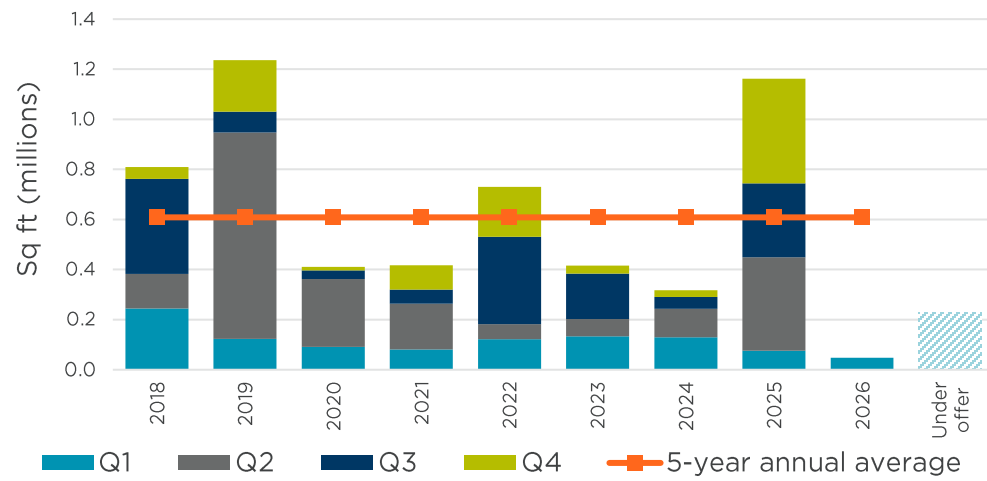
191,000 sq ft
Timber Square (Ink Building), SE1
Southbank
Pre-let; under construction



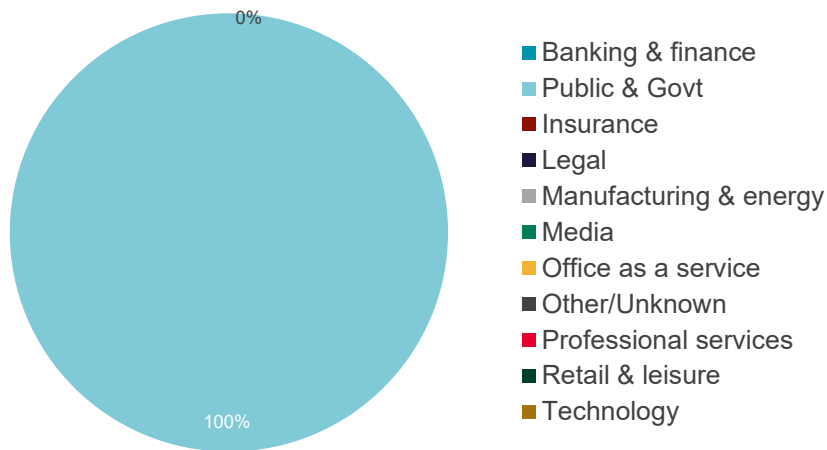
NTT & Tower Research Capital Europe

57,750 sq ft & 41,000 sq ft
Fresh Wharf, 3 Lower Thames Street, EC3
City Core
Pre-let; under construction

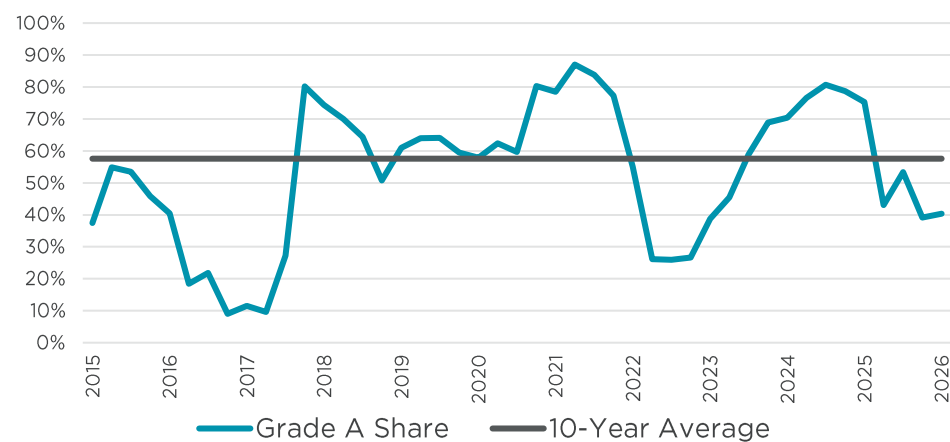
TAKE-UP BY QUARTER



TAKE-UP BY SECTOR YTD



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



TAKE-UP: LEASING ACTIVITY FALLS IN Q1, BUT UNDER OFFERS UP

Following on from strong leasing activity in East London at the end of 2025, just 47,500 sq ft was leased in Q1 across two transactions, all of which was for grade A space. However, the volume of space under offer increased by 85% during the quarter to 227,500 sq ft – of this, 84% was for grade A space. This was 40% ahead of the 5-year quarterly average. This takes leasing activity for the 12-months to the end of Q1 to 1.13 million sq ft, the second highest 12-month figures in five years, behind the 1.16 million sq ft recorded in Q4 2025.

SUPPLY: AVAILABILITY INCREASES ACROSS ALL GRADES

Availability in East London increased by 6% to 3.21 million sq ft in Q1. Despite this, volumes were down by 12% year-on-year and by 8% on the five-year quarterly average. When looking at just the grade A proportion, this equated to 1.54 million sq ft – a 48% share – which is 21% ahead of the five-year quarterly average. The overall vacancy rate increased as a result, by 81 basis points to 13.34%, while the Grade A rate was 6.40%. There were six buildings capable of satisfying a 100,000 sq ft plus requirement across East London at the end of Q1, and of these, just two were Grade A.

DEVELOPMENT: ABSENT PIPELINE PERSISTS IN EAST LONDON

No developments were under construction at the close of Q1 2026 in East London. However, there is over 6.9 million sq ft of development with planning consent across 14 schemes – only three of these could deliver by 2030, equating to close to 900,000 sq ft. 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 may increase, particularly for schemes where planning has been secured. However, they are still unlikely to commence without a pre-let in place.

KEY OCCUPIER TRANSACTIONS



Cambridge Education Group

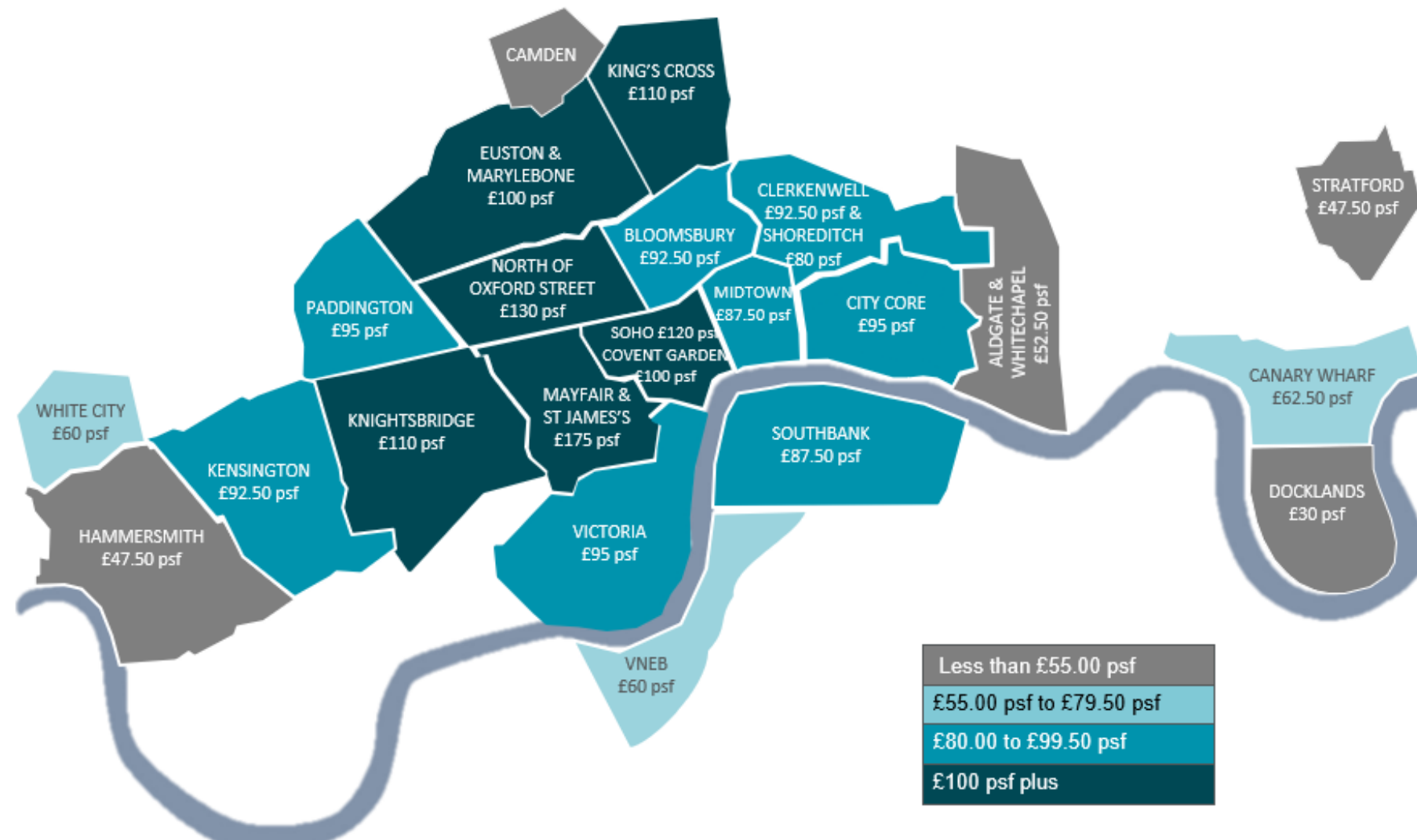
39,600 sq ft
2 Redman Place, E20
Stratford
New lease



York St Johns University

7,900 sq ft
Export Building (Republic), E14
Wider Docklands
New lease

PRIME HEADLINE RENTS



ECONOMY

1.4%

UK GDP growth in 2025

0.6%

Projected UK GDP growth in 2026

0.6%

Inner London GDP growth in 2025

-0.3%

Projected Inner London GDP growth in 2026

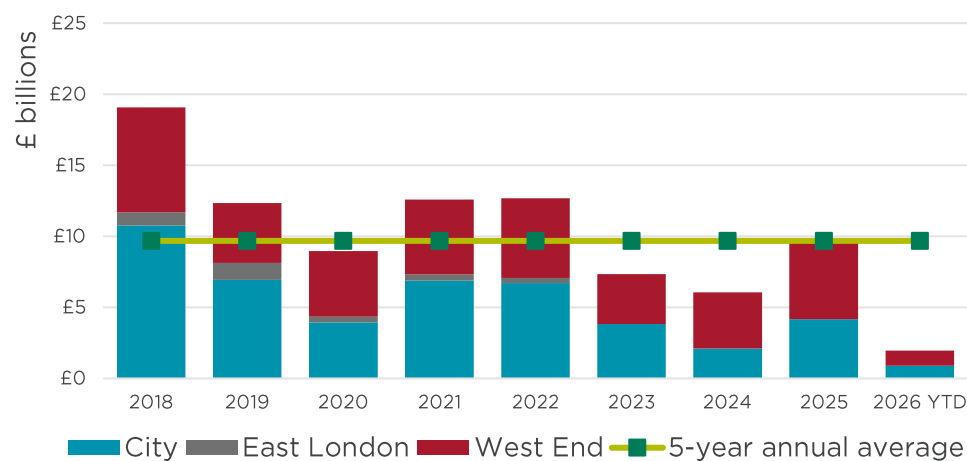
The most recent monthly GDP release covering February 2026 showed GDP growth of 0.5%, following 0.3% growth recorded in the three months to January 2026. This was driven by growth of 1.2% in Production, with the Services output increasing by 0.5% during the three-month period. Construction however reduced by 2.0%. Despite falling, this was an improvement on the 2.8% recorded

in both the three months to December 2025 and January 2026.

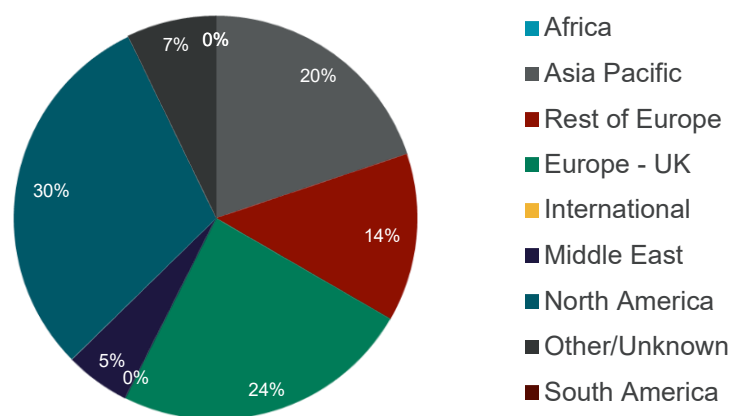
Heightened geopolitical uncertainty has already fed into the lending market. At its latest vote, the MPC held the Bank Rate at 3.75%, citing they will continue to monitor the impact of rising oil prices on inflation, which increased by 3.3% in March 2026.

The S&P Global Composite PMI deteriorated sharply in March, falling to 50.3, below the estimate of 51 and sharply down from February's 53.9, barely remaining in expansionary territory. Until a resolution to the conflict in the Middle East is found, there will be continued uncertainty in the key economic drivers that influence business, and real estate, decisions.

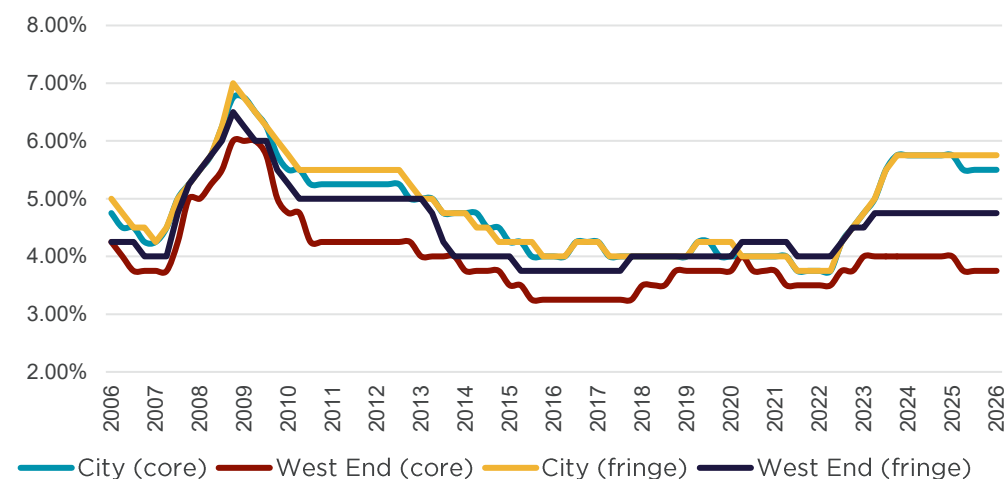
INVESTMENT VOLUMES



INVESTMENT BY PURCHASER ORIGIN YTD



YIELDS



VOLUMES: Q1 VOLUMES REDUCE FOLLOWING STRONG 2025 PERFORMANCE

In Q1, £1.94 billion of office space was traded across the Central London office investment market. This was 41% below the previous quarter and 20% below the five-year quarterly average. This took volumes for the 12-months to the end of Q1 to £9.15 billion – the second highest total in the last three years.

The West End market was slightly ahead, with £1.05 billion trading in Q1 and taking a 54% market share. The remaining £899 million was transacted in the Wider City market, with no deals taking place in East London as at the end of the quarter.

While volumes were down during the quarter, liquidity of lot sizes over £100 million remained, with seven trading during the quarter, totalling £989 million. This was ahead of the six which completed in Q1 2025, albeit the total value of £1.65 billion was a lot higher.

Following on from Q4 2025, purchasers from North America were the most active during the quarter, taking a 30% market share, equating to £591 million. This group also recorded the highest net investment of £519 million, acquiring more than they sold. Domestic purchasers followed, acquiring a total of £471 million, a 24% market share, however they were the largest vendor group, resulting in negative net investment of £703 million during the quarter.

There is currently £4.32 billion worth of assets available or at the bids stage, which is up on the £4.19 billion recorded at the end of 2025. A further £2.22 billion is under offer, up on the £3.16 billion of the previous quarter.

YIELDS: YIELDS WERE UNCHANGED IN Q1

Following the first inward yield shift in four years in Q2, prime office yields were held stable across all Central London submarkets in Q1. City yields remain at 5.50% and the West End at 3.75%. Given the on-going geopolitical crisis in the Middle East, the likelihood of base rate cuts during the course of 2026 has minimised, and as a result, the probability of yield compression has reduced for this year, but sentiment is likely to change if a ceasefire is agreed in the near term.

KEY INVESTMENT TRANSACTIONS



Wells & More, 45 Mortimer St, W1

£172 million

Purchaser: Feldberg Capital

Vendor: Great Portland Estates



The Copyright Building, 25-33 Berners St, W1

£146 million

Purchaser: Ares Management

Vendor: Union Investment



45 Cannon Street, EC4

£112 million

Purchaser: Global Relay

Vendor: AOG / Morgan Real Estate



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Better never settles

