

Ramidus Consulting: London Office Market Update #8

AI, PHARMA, TOWERS AND STUDIOS

One of London's strengths is the ability of its real estate market to respond to market signals and innovate with new products and solutions. Here are three examples from the past few months.

- In February US developer MCR Hotels bought the iconic BT Tower for £275m. The 189m landmark in Fitzrovia, W1, opened in 1965 as the Post Office Tower, will be converted into a hotel.
- London-based social enterprise Projekt has unveiled a 27,000 sq ft creative hub in Smithfield Market, EC1 which will provide space for creative businesses and host a fashion residency backed by designer Sir Paul Smith.
- British Land and AustralianSuper have submitted a planning application for a permanent cultural venue at the Printworks building in their scheme at Canada Water, SE16, designed by architect Hawkins\Brown.



Each in their own way provides a solution to a knotty problem; but in combination they demonstrate the role of innovation and the continued importance of maintaining a rich mix of uses alongside business activities. Other innovative schemes featured in this Market Update include projects by Edge, Francis Crick Institute, General Projects and Reef Group.

Take-up and vacancy

According to [BNP Paribas](#), Central London take-up in 2023 topped around 11m sq ft, which is slightly below the longer-term average, and reached 2.47m sq ft in Q1 2024. BNP also state that central London vacancy is running at 9.47%, where it has been stuck for around a year. This average ranges between the West End at 6.6%, the City at 10.9% and Docklands at 13.4%. Given that Canary Wharf appears to be suffering some specific problems, the vacancy rates remain relatively modest.

This is particularly so given news from the USA. In April, [Avison Young](#) announced that total available office space in the US had surpassed 1bn sq ft for the first time in history. This is equivalent to nearly 25% of the national stock; and is broadly similar to the total amount of office stock in the UK. There is no question that America's post-pandemic large cities are suffering deeper and longer term travails than London and European cities.

Occupier activity

Financial and professional services continue to dominate the leasing scene. In one of the largest pre-lets for some time, hedge fund **Citadel** has taken 250,000 sq ft at British Land's redevelopment of 2 Finsbury Avenue, EC2 (with an option on a further 130,000 sq ft). The scheme will be completed in 2027. Also in the financial sector,

and in a ray of rare good news for Canary Wharf, fintech company **Revolut** has signed for 113,000 sq ft at the newly refurbished YY London (formerly Thomson Reuters' 30 South Colonnade) for its new global HQ. Revolut began as a start-up in Canary Wharf's Level 39 in 2015. The new space will increase its London footprint by 40%. In further good news for Canary Wharf, Morgan Stanley has re-committed to its 547,000 sq ft EMEA HQ at 20 Bank Street, E14.

The UK-based foreign exchange firm, **Wise**, signed for 80,000 sq ft at HB Reavis' Worship Square scheme, 65 Clifton Street, EC2. The building sits in the Shoreditch area, and Wise will join Frontier Economics (33,000 sq ft). Market sources also suggest **Evercore**, the US-based boutique investment bank, is close to leasing c120,000 sq ft headquarters at the re-developed 105 Victoria Street, SW1 (previously House of Frazer).

According to [Knight Frank](#) demand from law firms in particular has increased, with two-thirds of active requirements targeting the City and Southbank submarkets. The agents report that active requirements from law firms reached 1.35m sq ft in Q1 24; and that the legal sector generally has more than 12m sq ft of lease expiries between 2024 and the end of 2030. Known legal requirements include those of Mayer Brown (100,000-130,000 sq ft); Morgan, Lewis & Bockius (70,000-100,000 sq ft); Reynolds Porter Chamberlain (70,000 sq ft) and Watson Farley & Williams (80,000 sq ft).

In April the [Financial Times](#) reported that consulting firm **Deloitte** had reversed earlier office closures resulting from the pandemic. It leased around 70,000 sq ft at Shoe Lane, EC4, growing its estate by almost a fifth, following "a rise in office attendance".

Moody's has signed a pre-let for 145,000 sq ft at 10 Gresham St, EC2, following their announced exit from Canary Wharf. **Legal & General** is close to signing for a new headquarters at Woolgate, EC2. The financial services group looks set to take 130,000-140,000 sq ft.

Away from financial and professional services, the tech sector remains active.

Following the establishment of **Microsoft AI**, to develop consumer AI products and research, including Copilot, in April the firm announced that it would be opening a new AI hub in London "to advance state-of-the-art language models and their supporting infrastructure, and to create world-class tooling for foundation models, collaborating closely with our AI teams across Microsoft and with our partners, including OpenAI". The new hub will be based at 2 Kingdom Street, W2 in the Paddington office district, opposite the global HQ of Vodafone, which is in a JV to develop AI and cloud services with Microsoft. The announcement builds on Microsoft's recent commitment to invest £2.5bn in data centre infrastructure and improving AI skills across Britain.

In another significant boost to London's role in the development of AI, the data infrastructure company [Scale AI](#) has selected London as the location for its first European headquarters. Initially, Scale's investment in the UK will see a workforce

of c50 specialist engineers and software developers, although as Scale's global operations increase, the UK-based workforce is expected to grow.

In recent years there has been a significant growth in demand from regional universities wanting to establish a presence in London, which has obvious attraction to oversee students. In a latest move, the **University of Sunderland** has signed for 95,628 sq ft at Gaw Capital's 4 and 5 HX (formerly Harbour Exchange, E14) in Docklands. The university already occupied c9,500 sq ft in the building.

Life sciences sector

The life science sector remains extremely active. **GSK** is close to opening its new headquarters in the West End, at the junction of new Oxford Street and Earnshaw Street, WC2. The 140,000 building will house around 3,000 staff working a hybrid model. Meanwhile, Danish pharma company **Novo Nordisk** has announced plans for a new AI research facility near King's Cross, N1.

There are two development schemes worth highlighting in this update. First, Delancey has applied for consent to Islington Council for a 200,000 sq ft science and technology building in London's Knowledge Quarter. The scheme, designed by Kohn Pedersen Fox at **176-178 York Way**, N1, will include 130,000 sq ft of research and laboratory space alongside 13,000 sq ft of affordable workspace, and space for community and events facilities.

Secondly, HIG Realty and Lateral have submitted a planning application for a 110,000 sq ft life sciences scheme at **100-136 Cavell Street**, E1, part of the rapidly growing Whitechapel life science cluster, which includes Barts Health NHS Trust, Queen Mary University and Barts Life Sciences. The AHMM-designed scheme will include affordable lab space and incubators fitted with shared specialist equipment.

Reef Group's innovative plans for the re-development of Cavendish Square, W1 are progressing. The plans propose a 280,000 sq ft centre of excellence for wellbeing and healthcare, mixed with retail and leisure. The scheme, next to the Harley Street medical cluster, will be partly subterranean, and will provide purpose built medical accommodation suitable for modern day technology and healthcare, with 8 metre floor to ceiling heights, 80,000 sq ft floor plates with 35 metre clear spans.

The [Francis Crick Institute](#) has appointed Gensler to design incubator spaces at the Regent's Place campus and the Tribeca development in London's Knowledge Quarter, where it has signed agreements with British Land and the BlackRock, GIC and Reef Group consortium, respectively. Under the deals, the Institute has agreed to provide fitted lab and write-up space with shared areas as well as access to its scientific expertise. The facilities will comprise 30,000 sq ft at 20 Triton Street, NW1 at Regent's Place and 52,000 sq ft at the Tribeca, N1

New development

According to [Knight Frank data](#) the construction pipeline is stronger than it was pre-pandemic. During 2019 the construction pipeline was running at around 13m sq ft; it then dipped during Covid to c12m sq ft; but for the whole of 2022, 2023 and start of

2024, it has been running at around 15-16m sq ft. The development scene thus remains active with a number of interesting schemes at various stages of planning and design. There are a number of schemes that merit highlighting.

Landsec has been granted consent to redevelop Deloitte's previous headquarters, **Hill House**, EC4. The APT Architects scheme will deliver a 380,000 sq ft, 18-storey office tower with a rooftop restaurant, cultural events space, and a new home for the Shoe Lane Library.

Investor Gamuda Berhad and Castleforge Partners have secured planning consent for the redevelopment of **Winchester House**, EC2 on London Wall, formerly the UK HQ of Deutsche Bank. Architect ORMS will increase the footprint of the building by 40%, to 688,000 sq ft, by late-2027.

At the time of writing, two further towers were due to be considered by the City of London planning committee. Perennial Group and Stanhope's **1 Undershaft**, EC3 could rise to 73 storeys and become London's highest tower. Stanhope is also working alongside Cadillac Fairview, who have announced plans for a new 32-storey office tower at **70 Gracechurch Street**, EC3.

At **45 Moorfields**, EC2 Freshwater Group is seeking to alter a 2020 consent to redevelop Tenter House into 345,000 spread across two buildings.

Just north of the City, General Projects has submitted a planning application for a 185,000 sq ft mixed-use development in **Shoreditch** on a site bounded by Great Eastern Street, Tabernacle Street and Singer Street. The AHMM-designed scheme will comprise 70,000 sq ft of offices, plus 232 long-stay aparthotel studios, 12 new residential apartments and 5,000 sq ft of independent retail, food and beverage, set within half an acre of new green public realm.

Over in Victoria, Stanhope and Mitsubishi Estates have submitted plans to redevelop **1 Victoria Street**, previously the home of the Department for Business, Energy and Industrial Strategy. Architect AHMM has produced a scheme that will transform the 1960s block into a 10-storey, 624,000 sq ft building, including retail, restaurant and leisure space.

Finally, one of the last mainline rail termini to be redeveloped, **Waterloo**, is at last receiving some masterplanning attention. Network Rail and Lambeth council have commissioned Grimshaw Architects to develop the masterplan, which is at early stages.

City towers Despite the pandemic and the arrival of hybrid working, there remains strong investor interest in developing towers in the City. At the time of writing Axa IM Alt announced plans for a 40-storey scheme at 63 St Mary Axe, designed by Fletcher Priest. Figure 1 shows a schedule of planned completions. 40 Leadenhall is due for completion this year, followed by 1 Leadenhall Place in 2025 and 55 Gracechurch Street in 2026.

2027 looks set to be a bumper year for tower completions with 100 Leadenhall Street, 2-3 Finsbury Avenue and 55 Old Broad Street, together accounting for c1.7m

sq ft of new office space; followed by 2028 with 1.2m sq ft completed at 50 Fenchurch Street and 115 Houndsditch.

Figure 1 Planned City of London tall office building schemes

Address	000s sq ft	Height (m)	Storeys	Complete
40 Leadenhall Street	900	170	34	2024
1 Leadenhall Place	430	176	35	2025
55 Gracechurch Street	366	130	32	2026
100 Leadenhall Street	430	247	56	2027
2-3 Finsbury Avenue	893	170	21+36	2027
55 Old Broad Street	400	89	23	2027
50 Fenchurch Street	646	150	36	2028
115 Houndsditch	600	103	24	2028
99 Bishopsgate	340	240	54	2029
99 City Road	700		35	2029
1 Undershaft	970	290	73	2029
55 Bishopsgate	800	285	63	2030
70 Gracechurch Street	775	155	34	2030
85 Gracechurch Street	300	132	32	n/a
63 St Mary Axe	n/a	n/a	40	n/a

The flexible space market

The flexible space market continues to show robust performance, including the occupation of buildings previously operated by WeWork.

- Operator **Halkin** has taken 40,000 sq ft at 107 Cheapside, EC2 in space owned by Invesco Real Estate. This will be Halkin's seventh London site.
- The **Boutique Workplace Company** has signed a management agreement for a 10,000 sq ft centre at 16-18 Middlesex Street, Aldgate, EC4 – the operator's fourth opening already in 2024 to reach a total of 40 centres. Opening is planned for the autumn.
- WeWork's vast portfolio of centres continues to be re-deployed. **Re-Defined** has taken over their 60,000 sq ft facility on the Southbank; while **Industrious** has taken their 70,000 sq ft centre at 131 Finsbury Pavement, EC2.
- **The Brew** has announced plan to triple the four sites it currently operates.
- **Orega** will make its West End debut with a management agreement 35,000 sq ft in Pearson's 80 Strand, WC2.
- Developer **Grosvenor** has committed to more than doubling its flex offering to around 300,000 sq ft, with eight new London openings in 2024 alone.

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Instant Group suggest that large companies are increasingly using flex space and will drive the growth of managed space, the fastest-growing flex segment. Currently at 5%-10% of the total flex market, Instant forecasts managed space reaching 50% of the flex market by 2030.

Away from offices ...

The Government Property Agency has been given the go-ahead to develop a cutting-edge headquarters for the **European Centre for Medium-Range Weather Forecasts** at the University of Reading in Berkshire. Construction of the 186,000 sq ft building will begin this year, with completion expected in autumn 2026. The facility will provide space for up to 300 scientists and staff to support world-leading work on all aspects of weather prediction systems, forecast production and research into climate change.

In [London Office Market Update #2](#) we highlighted the importance of the film and TV production industry in and around London; and in [London Office Market Update #7](#) we highlighted the role of the planning system in frustrating proposals for new schemes. These two issues recently collided in Marlow, just to the west of London. The [Financial Times](#) described how **Marlow Film Studios** was hoping to build a studio complex on a disused gravel quarry by a dual carriageway and linked to the M40. The £750m scheme would have created 2,000 direct jobs and £3.5bn in production investment over a decade. However, the planning authority bowed to a local pressure group who considered the scheme “*very large, overbearing and out of character*”.

This is a classic example of the different, parallel worlds of box-ticking planning and real economy and national advancement, where a few dozen local protestors can frustrate the delivery of nationally-important investment.

Outlook

The total number of jobs in London reached 6.58m in Q3 2023, up 8.2%, or 500,000 jobs on the pre-pandemic December 2019 level. The total indicates that one million additional jobs have been created since 2014, a growth of 21%, to 6.61m, while the number of jobs in the office economy ¹ has grown by 26%, to 2.73m.

London also remains attractive to overseas investors. According to [Ernst Young](#) foreign direct investment in the UK and London remains strong. In 2023, there were 985 UK projects (up 6% on 2022) compared to 1,194 in France and 733 in Germany. London retained its position as No1 region, with 359 projects (up 20% on 2022) compared with Île de France (Paris) on 300 projects.

Looking forward, our final example of innovation in London real estate is Edge's first London project, EDGE London Bridge, in St Thomas Street, SE1 on London's

¹ SIC 2007 sectors J (Information & Communications), K Financial & Insurance), L (Real Estate), M (Professional & Scientific) and N Admin & Support).



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Southbank. The project aims to convert a 26-storey tower into London's most sustainable office tower, designed to achieve both BREEAM Outstanding and WELL Platinum certification. The c250,000 sq ft tower, designed by Pilbrow & Partners, will add a new public park with landscaping next to the building, connecting to a publicly accessible ground floor, including amenities for both building's occupiers and the wider community.

[Edge](#) describe the building as featuring underfloor air supply in combination with natural ventilation will provide optimal air quality which, together with natural light from the floor-to-ceiling windows and radiant cooling, will provide a healthy environment for the building's users. The green podium will offer an inviting and lively entrance area to meet and connect. Due to complete in 2026, this is the kind of innovative approach to replacing London's physical stock of space that will become increasingly important in the years ahead.

Dr Rob Harris
Principal, Ramidus Consulting Limited
<https://www.ramidus.co.uk>

