LONDON OFFICES: ARE DEMAND AND SUPPLY DEFYING GRAVITY?

(1) Introduction

London Offices #1 provided an update on the London office market as it stood in January 2022. [1] The largely data-led paper showed that investment, construction and take-up of space were all returning to their longer-term averages following the disruption of Covid-19. These trends have continued through the year. But despite these relatively healthy indicators, the paper acknowledged that offices remained largely empty – and still do.

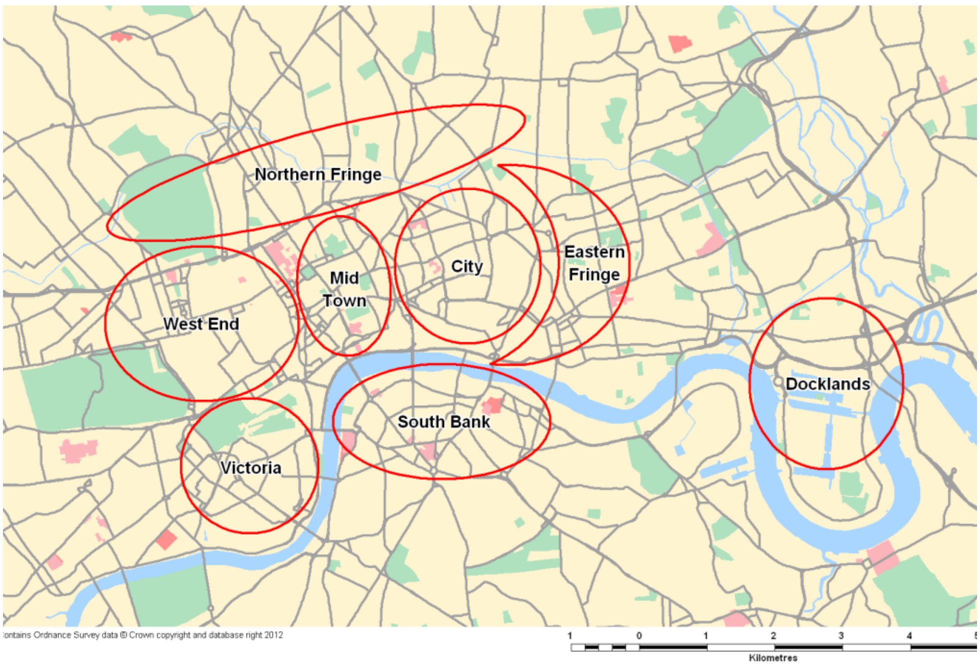
According to Remit Consulting, in May, the number of people returning to work in the office nationally hit the highest level since the start of the pandemic, reaching 27.9%. In London, the average occupancy rate reached 29.3%; while the West End submarket was running at 37.6%. [2] It must be emphasised that, pre-pandemic, offices were only occupied on average at around 60% - so in May they were running at half-of-normal rather than the headline third-of-normal. But still rather empty.

In this more thematic issue we look behind the numbers, at some of the underlying and emerging trends in the London office market.

(2) Polycentricity and innovation districts

In the 1980s, London's office market comprised the City and the West End – both tightly defined – with Victoria as an outpost for mainly government offices. Since this time, the city's business geography has changed radically.

Figure 1 London's polycentric office market



First, Canary Wharf challenged the singular role of the City as the focus for financial services. Then Midtown emerged to unite the City and West End into a contiguous central London market. And the core area expanded outwards in all directions: north via Broadgate, Clerkenwell and King's Cross; west via Paddington; south via the Southbank including More London and the Shard, and east via Aldgate, Shoreditch and Stratford. [3]

There are also a number of emerging centres today. Farringdon lies at the intersection of Thameslink and the new Elizabeth Line, and demand for space here has risen dramatically in anticipation of the new connectivity. Battersea will next year see the opening of Apple's new 500,000 sq ft European HQ; while the Waterloo station area is also undergoing transformation.

Central London is now a polycentric market in which traditional sectoral ties have broken down. Occupiers instead gravitate to quality spaces and places. The City of London has made positive efforts, successfully so, to attract creative and digital firms to its environs; while the West End has attracted wealth managers and fund management business.

This evolution from a tightly-defined core area, single-function market, into a more distributed network of business communities is enormously important in the post-pandemic world. London has never had the type of CBD that is synonymous with many of America's downtowns, and this could be the defining feature of its recovery.

The new business geography allows the city to grow and diversify, responding to the growing need to create mixed residential and commercial communities. There is untapped potential to provide homes in areas previously occupied by offices and other uses as the economy evolves. There is no reason why we cannot create 'innovation districts', where firms and workers co-locate in distinct, amenity-rich neighbourhoods, where start-up firms occupy collaborative spaces with access to everything from legal advice to sophisticated lab equipment. Rather than enduring long commutes, growing numbers of city residents could choose to work and live in places that are walkable, bikeable, and connected by transit and technology. [4]

What a vision for London (and other cities)!

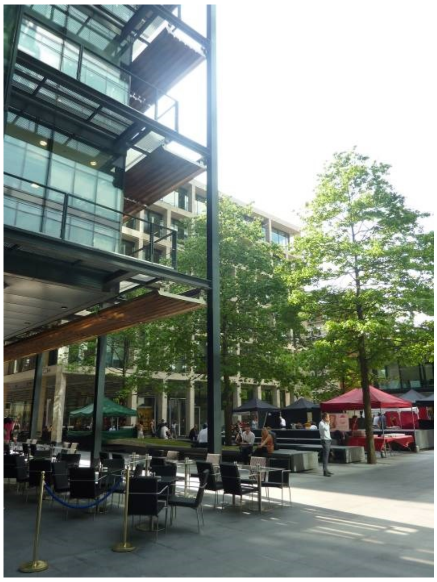
The 200,000 sq ft Foster + Partners-designed workspace scheme, 50 Electric Boulevard in Battersea, next to Apple's new HQ and billed as a new lifestyle destination, incorporating homes, offices and retail, might just provide a loose model for such developments.

(3) Centrifugal to centripetal growth

While it is difficult to quantify, it is apparent that in recent times central London has been attracting businesses from Outer London and beyond. This runs counter to the established centrifugal pattern of businesses relocating from central London to less expensive suburban locations. The process became evident around 2014-16 with relocations including publisher Macmillan from Basingstoke to the Regent Quarter development in King's Cross; Nokia from Farnborough into Paddington; PepsiCo from Richmond to Chiswick Park, and Vodafone from Newbury to Paddington. Other lettings were made to Amazon, IBM, LinkedIn, Skype, Sony and Telefonica Digital;

while Google acquired a 850,000 sq ft development site at King's Cross for its new European HQ.

The process has gathered pace more recently. For example, Amazon, Apple, Facebook, Google, Netflix, Spotify, Tik Tok and Twitter have leased a combined 2.5m sq ft in central London since 2016 (excluding Google's HQ cited above). We also know that Astra Zeneca recently relocated from Luton into King's Cross; GlaxoSmithKline is currently searching for a 150,000 sq ft HQ in central London (as it leaves Brentford in west London) and Merck Sharp Dome has bought Belgrove House fronting onto Euston Road to build a new 195,000 sq ft European HQ.



This centripetal trend is being encouraged by the pool of international skilled workers available in central London, and their desire to be part of the social, leisure and cultural experience available there, rather than that which is on offer in the more typical suburban centres and mono-use business parks. It is also encouraged by the availability of masterplanned, campus environments such as those at Broadgate, More London, Paddington and Regent's Place.

No matter how deep the hybrid pattern of work goes, the centripetal forces of growth in London are likely to continue. Urban mass transit trumps car commuting, scale economies can be achieved, and labour markets can operate efficiently. The sustained, very high levels of demand from young people for rented property in central London demonstrates the value of workspaces with direct access to wider amenities and experience. The missing ingredient is London is the right kind of housing.

(4) The problem with statistics

Occupier demand is widely reported by mainstream property advisors as being more or less back to pre-pandemic levels. For example, Knight Frank report that following a precipitous fall in 2020 in central London, take-up has recovered, ensuring that vacancy has been hovering between 6.8% and 7.8% since Q2 21. [5] This level of vacancy was previously exceeded in 1992-94, 2001-04 and 2008-10, with vacancy rates between 9% and 15%.

The problem here is that, at the same time we are being told that vacancy levels have reached record levels. So what is going on?

On August 22nd, Bloomberg carried a story, citing data from information company CoStar, suggesting that office availability in central London had reached 31m sq ft, a figure that had grown by "*20m sq ft since the end of 2019*". [6] There are two points to make here.

First, vacancy levels in the three most recent market dysfunctions peaked at 33m sq ft (1992); 26m sq ft (2002) and 15m sq ft (2009). While we have not had a major disruption yet in this cycle, we are asked to accept that the 2022 situation is equal to the deep recession of 1992 which witnessed severe over-building.

Secondly, we are asked to accept that 20m sq ft has become available – just in central London – in little more than 36 months. That is equivalent to four Manchesters worth of office space – without having experienced either recession or over-building.

Neither position is plausible.

The London office market operates efficiently with a frictional vacancy rate of around 6% (c17m sq ft) of stock. This level of vacancy offers occupiers choice in selecting new space and it allows space to be under-occupied during often lengthy redevelopment planning procedures. Vacancy above these levels represents a fall in demand relative to supply (of vice versa). So, when media headlines state that, for example, "*equal to twenty Canary Wharf towers lie vacant in London*" they are reporting on something that is barely above 'normal' in a market with nearly 300m sq ft of space.

(5) Occupier demand

Knight Frank report that central London take-up has been running at or around the ten year average since 2022 Q4. [7] This seems counter-intuitive given the alarm bells regarding hybrid working: so who are the occupiers committing to new space?

Figure 2 shows occupier deals over 45,000 since March 2021, twelve months after the start of the pandemic, when its potential disruptive power was understood. A number of points emerge.

- There is a wide spread of sectors represented in the list - finance, professional, digital, creative and life science, among others.
- The spread of postal districts reinforces the polycentric market point made earlier.
- Over one-third of the deals exceed 100,000 sq ft.
- There are only three deals by flexible space providers, but given that the average size of a flex centre being under 20,000 sq ft, this is not surprising.

While average lease lengths have fallen in recent years, the list nevertheless comprises companies making significant commitments to central London real estate – when the full degree of uncertainty caused by the pandemic was already evident. Whether this apparent confidence in a return to the *status quo ante*, proves to be shrewd or misplaced, only time will tell.

Figure 2 Central London occupier deals over 45,000 sq ft since March 2021

Address	Postcode	Size sq ft	Deal date	Occupier
1 Triton Square	NW1 3DX	312,000	10/09/2021	Dentsu Aegis
Kimberley House, 21 Holborn Viaduct	EC1A 2AT	263,578	07/03/2022	Hogan Lovells
1-2 Broadgate	EC2M 2QS	254,000	16/11/2021	Allen & Overy
Landsdowne House, Berkeley Square	W1	225,000	16/07/2022	Blackstone
Paddington Square, 31 London Street	W2 1DJ	220,000	24/02/2022	Capital Group
40 Leadenhall Street	EC3A 2BJ	212,000	30/05/2022	Kirkland & Ellis
Belgrove House, Belgrove Street	WC1H 8AA	195,114	01/05/2022	Merck Sharp Dome
Kings Cross Goods Depot, York Way	N1C 4AU	170,000	01/09/2021	TOG
Stonecutter Court, 1 Stonecutter Street	EC4A 4TR	156,451	07/09/2021	Travers Smith
Warwick Court, 5 Pasternoster Square	EC4M 7DX	144,000	01/08/2021	T Rowe Price
1-2 Broadgate	EC2M 2QS	134,000	08/04/2021	JLL
20 York Road	SE1 7PE	132,061	24/05/2021	IBM United Kingdom
Red Lion Court 46 Park Street	SE1 9EQ	128,324	09/12/2021	Aspire Via Studios
50 Finsbury Square	EC2A 1HD	121,200	13/08/2021	Inmarsat
Bloom Building, 12 Farringdon Road	EC1M 6BN	115,000	24/11/2021	Snapchat Limited
70 Berners Street	W1T 3NL	102,150	24/11/2021	Gamesys
41 Lothbury	EC2	100,000	19/072022	Addleshaw Goddard
4 Lindsey Street	EC1A 9HP	86,163	05/03/2021	Tik Tok
1 Portsoken Street	E1 8BT	83,862	01/12/2021	BPP
Eightyfen, Fenchurch Street	EC3M 4BY	80,000	03/03/2022	Aviva
22 Bishopsgate	EC2N 4BQ	78,221	21/10/2021	Apple
40 Leadenhall Street	EC3A 2BJ	77,237	01/06/2022	Chubb Services
Paddington Square, 31 London Street	W2 1DJ	75,452	01/04/2022	Payment Sense
50 Broadway	SW1H 0BL	72,827	14/09/2021	The House of Commons
82 Baker Street	W1U 6AE	71,778	31/03/2021	Brevan Howard
Mayfair Place, 50 Stratton Street	W1J 8LL	70,000	01/06/2021	Lazard
Office Space, 1 New Fetter Lane	EC4A 1AN	67,000	15/04/2021	Sullivan & Cromwell
22 Bishopsgate	EC2N 4BQ	65,589	24/12/2021	Skadden Arps Slate Meaghan
7-11 Herbrand Street	WC1N 1EX	65,024	19/07/2021	Thought Machine
1 Knightsbridge Green	SW1X 7NW	65,000	22/06/2021	Babylon Healthcare
One Knightsbridge Green	SW1X 7NW	63,580	01/09/2021	Bourne Office Space
6-8 Bishopsgate	EC3V 4QT	62,000	12/05/2022	HFW
Aldgate Tower	E1 7PH	61,194	22/12/2021	InfinitSpace UK
2 New Ludgate, 30 Old Bailey	EC4M 7AU	59,878	01/07/2021	Mizuho Bank
121-141 Westbourne Terrace	W2 6BU	59,350	01/09/2021	Future Publishing
25, Cannon Street	EC4M 9BP	57,541	23/12/2021	Dechert
110 Bishopsgate	EC2N 4AY	54,853	12/11/2021	Epiq London
Eightyfen, 80 Fenchurch Street	EC3M 4BY	54,583	11/08/2021	Royal London
60 London Wall	EC2M 5TQ	52,814	19/03/2021	Alliance Bernstein Holding
UK House, 2 Great Titchfield Street	W1W 6SP	52,046	01/07/2021	Octopus Energy
280 Bishopsgate	EC2M 4RB	51,040	20/01/2022	Cognizant
The Walbrook Building, 25 Walbrook	EC4N 8AF	50,707	20/12/2021	Arthur J Gallagher
Premier Place, 2-5 Devonshire Square	EC2	50,000	19/07/2022	Jane Street Capital
Lantern, 75 Hampstead Road	NW1	50,000	09/07/2022	Bauer Media
22 Baker Street	W1U 3BL	50,000	22/06/2022	Forsters
22 Bishopsgate	EC2N 4BQ	50,000	26/05/2022	Convene
Exchange House, Exchange Square	EC2A 2BR	49,865	23/12/2021	Braze
136 George Street	W1H 5LD	45,525	28/06/2021	Smart Pensions
90 High Holborn	WC1V 6LJ	45,303	01/04/2022	University College London

Reducing footprints? There is widespread anticipation that occupiers will radically reduce their real estate footprints in the wake of hybrid working. To this end we analysed occupational deals completed during the pandemic to try to establish whether occupiers were moving to larger or smaller premises; which is a far more difficult task than might be expected. However, we found a small sample of firms, as shown in Figure 3. As can be seen, and contrary to the prevailing narrative, most of the occupiers in this list have increased their workplace footprints.

Figure 3 Sample of occupational deals showing change in footprint

Occupier	Sq Ft	New address	Change in sq ft
Allen & Overy	250,000	2 Broadgate	Decrease
Apple	78,000	22 Bishopsgate	Increase
Bauer Medias	50,0000	75 Hampstead Road	Increase
Blackstone	225,000	Berkeley Square	Increase
Brevan Howard	72,000	82 Baker Street	Increase
Capital Group	220,000	Paddington Square	Increase
Chubb Services	77,000	40 Leadenhall Street	Increase
Forsters	50,000	22 Baker Street	No change
Hogan Lovells	264,000	21 Holborn Viaduct	No change
Kirkland & Ellis	212,000	40 Leadenhall Street	Increase
Merck Sharp Dome	195,000	Belgrove Street	Increase
Pirella Weinberg	30,000	80 Charlotte Street	Increase
Skadden Arps	65,000	22 Bishopsgate	Increase
Snapchat	115,000	Bloom, Farringdon	Increase

What conclusions can we draw from this small dataset? It must be emphasised that it should not be taken as hard evidence that the pandemic is not having a reducing impact on demand; the sample would need to be much larger and more structured for this to be concluded. Perhaps the most that we can draw is that the future will be more nuanced than many commentators anticipate.

(6) Lights, camera, action

The gross value of UK creative industries, which includes TV and Film, has grown three times as fast as the wider economy since 2010. ‘TV and Film, Video and Radio’ was the second largest contributor to GVA in 2018, contributing £20.8bn to the UK economy. The UK’s contribution to global film production grew from a 14% in 2010 to 25% in 2019. [8] This growth in seen in the rapid expansion of studio space.

While not directly part of the office market, studios are a visible sign of London’s wider attractiveness to the creative industries ecosystem (which does include offices). Figure 4 shows a selection of new studio projects announced since 2020 around outer London and the M25. Combined, these projects promise 25,000-30,000 new jobs.

Figure 4 Studio announcements around London, 2020-2022

Location	Investor/operator	Plans
Shinfield, Berks	Blackhall Studios	£150m investment; 3,000 jobs.
Bray, Berks	Bray Film Studios	Upgrade of nine sound stages, workshops and offices; 1,500 jobs.
Marlow, Berks	Dido Property	Purchase of 85 acres; 5,000 jobs.
Park Royal, London	Garden Studios	Leased 62,000 sq ft new studio.
Dagenham, London	Hackman Capital	Leased 500,000 sq ft; 1,200 jobs.
Elstree Studios, Herts	Hertsmere Council	£15.6m for two new studios; 800 jobs.
Enfield, London	Location Collective	Leased 10 acres, 224,000 sq ft studio.
Enfield, London	Netflix	Leased 230,000 sq ft studio.
Longcross, Surrey	Netflix/Aviva	Leased 72 acre studio site.
Shepperton, London	Netflix	800,000 sq ft extension, Shepperton South.
Slough, Berks	Pinewood Studios	1.4m sq ft extension; 20 new stages, workshops and offices; 8,000 new jobs.
Winnersh Triangle, Berks	Stage Fifty	200,000 sq ft studio/office/workshops; 500 jobs.
High Wycombe, Bucks	Stage Fifty	Eight-stage studio, supporting 750 direct jobs.
Broxbourne, Herts	Sunset Waltham Cross	1.2m sq ft studio, including 21 sound stages; 4,800 jobs.

Netflix already leased more than 435,000 sq ft at the current Shepperton North facility, which totals 560,000 sq ft. At the Pinewood site, Disney had previously pre-let the 100,000 sq ft Pinewood West development, and a further 150,000 sq ft is being built at the Pinewood East site. The Sunset Studios, backed by Blackstone and Hudson Pacific will create one of the UK's largest film and television production locations, and will include 21 sound stages totalling 470,000 sq ft, 420,000 sq ft of workshop and mill space, and 250,000 sq ft of stage-adjacent production office and support space as well as amenity, basecamp, and backlot spaces.

The office market is increasingly being influenced by the creative sector through complex supply chains. London Offices #2 described the growth of the Life Science sector in London, which is having a similar impact. [9] It is therefore important to be aware of such secondary sources of demand for prime offices.

(7) Towering ambitions

So much for demand. We now turn to the supply process.

A recent Financial Times article (15th August 2022) suggested that Europe's office market is about to endure "*the toughest conditions since the financial crisis*", as "*rising interest rates and a surge in building costs threaten to choke off its recovery from the pandemic*". [10] The article reported that tightening financial conditions had "*driven the cost for office owners of servicing their debt above the rental income they* *receive for the first time since 2007*". The result was a cooling of investment into the sector and probable distress for highly leveraged office companies.

Against such a bearish backdrop, one might expect the supply process to be falling back dramatically. So what is playing out on the ground? One insight into this is the level of activity in developing office towers.

Despite the pandemic, proposals and consents for office tower schemes continue to come through. Figure 5 shows a schedule of recent and planned completions. 100 Bishopsgate and 22 Bishopsgate were completed in 2019 and 2020, respectively. These are to be quickly followed by 6-8 Bishopsgate and 40 Leadenhall in 2023, and then 1 Leadenhall Place in 2024, delivering a combined 2.2m sq ft.

Figure 5 Selected City of London tall office building schemes

Address	000s sq ft	Height (m)	Storeys	Complete
1 Undershaft	970	290	73	2026
55 Bishopsgate	800	285	60	2027
22 Bishopsgate	1,275	278	62	2020
100 Leadenhall Street	430	247	56	2027
6-8 Bishopsgate	913	185	50	2023
1 Leadenhall Place	430	183	36	2024
100 Bishopsgate	900	172	37	2019
40 Leadenhall	900	170	34	2023
2-3 Finsbury Avenue	893	170	32	n/a
70 Gracechurch Street	775	155	34	2030
50 Fenchurch Street	646	150	36	2028
55 Gracechurch Street	366	146	32	2026

Further out, in 2026 and 2027, 1 Undershaft (the tallest in the City), 55 Gracechurch Street, 100 Leadenhall Street and 55 Bishopsgate are all due for completion (total 2.6m sq ft). The latter will be realised by investor Schroder Capital and development manager Stanhope. Designed by Arney Fender Katsalidis, 55 Bishopsgate will become one of the tallest buildings in the City at 285m.

French investor (and owner of 22 Bishopsgate) Axa IM bought 50 Fenchurch Street on a 250-year lease from the 500 year old livery company, the Clothworkers' Company. Axa plans to build a new skyscraper on the Fenchurch Street plot rising 36 storeys, and is scheduled for completion in 2028.

The prospective schemes summarised above promise over 7m sq ft of tall building space. Other large schemes coming forward this year include the former ITV studios on the Southbank and the Daily Express site in Fleet Street.

- In August this year, London mayor Sadiq Khan decided not to call in plans to redevelop ITV's former South Bank studios at 72 Upper Ground. Developer Mitsubishi Estate and development manager CO-RE propose a 2.5-acre, commercially led mixed-use scheme comprising 850,550 sq ft of workspace.

- Chinese Estates Holdings will invest around £429m to redevelop the art deco former Daily Express building, one of Fleet Street's most iconic buildings, and the neighbouring River Court. The former will be refurbished, while the latter will be redeveloped into a 21-storey tower, with around 540,800 sq ft of office space and c18,600 sq ft of retail space.

These two schemes are cited here merely to illustrate the more general picture implied by the tower developments. The Overall picture is one of supply being maintained. The promotors of the schemes described above will respond to market signals and progress accordingly. However, for whatever reason, they do not seem to be dissuaded by the widespread anticipated impact of hybrid working, let alone that of the widely flagged economic disruption next year.

(8) Retail to office conversion

Much has been written in recent years about the loss of offices to (mostly) residential development. Some outer London centres have almost ceased to function as office markets as a result. But during the pandemic a new twist on the conversion trend was observed. This was the spate of decisions to convert landmark retail buildings to (mainly) office use. Take Oxford Street and its surrounds; the following have been announced just since 2021.

- Owner of the 350,000 sq ft former **Debenhams** department store, Ramsbury, submitted a planning application to refurbish and extend the building. The new scheme will comprise 376,000 sq ft of office space and just 72,000 sq ft of retail and leisure.
- **John Lewis Partnership** is selling its eponymous 680,000 sq ft store as a development opportunity. A selected developer/investor will convert the building into a slimmed down, 300,000 sq ft store plus 300,000 sq ft of offices.
- Although they have since run into planning difficulties, **Marks & Spencer** revealed plans to redevelop its flagship Marble Arch store into three levels of retail and six levels of office space totalling 300,000 sq ft.
- Publica Properties Establishment is working on plans to refurbish the 115,000 sq ft **House of Fraser** store to create restaurant and sports facilities, along with 145,000 sq ft of office space.
- A British Land and Norges Bank JV plans to redevelop the block above **West One Shopping Centre** at Bond Street Station. The scheme will deliver c100,000 sq ft of offices.

In combination, the proposals promise around 1.1m sq ft of new office space in the West End, where it has become increasingly difficult to assemble parcels of land for substantial office schemes in recent years. There are also plans to redevelop the Selfridges site, including an element of offices.

In addition to these Oxford Street projects KKR, the Global investment firm, has bought furniture store **Heal's** on Tottenham Court Road and surrounding estate in

2021 from Columbia Threadneedle for £112m. It will partner with developer General Projects to transform the building into a mixed-use space, incorporating a new Heal's store on the lower floors. The upper parts of the new space will be transformed into 140,000 sq ft of maker workspaces and rebranded as The Manufactory, in a nod to the Grade II* listed building's industrial heritage manufacturing furniture sold in the store.

What do these conversions from retail to office tell us about the London office market? Perhaps first they tell us more about the state of the retail sector! It might be that the proposals recognise the severity of issues in the retail sector and are, simply, a response to that.

In terms of offices, significant new stock will be created with good access to the new Elizabeth Line (Tottenham Court Road and Bond Street) in an area that has been starved of new space for some years. Much will depend upon the 'placemaking' within which the offices sit: open, permeable spaces, with ancillary uses and a sense of place and connectivity will all be critical.

(9) London market overview

Office work and office occupation have been undergoing almost constant change for the past two decades in response largely to digital technology; but also due to wider pressures including: cost efficiency, sustainability, health and wellbeing, personal choice over workstyles and competition for skilled staff. Economic, business, technological and social pressures have been pushing on the 'knowledge economy', bringing about change in the amount and nature of space required, and workplace design and management. The recent pandemic has served to accentuate many of these forces of change.

In this paper we have reviewed some of the broader trends that lie behind the bold statistics normally used to summarise the market, and the emerging picture is perplexing. First, the positives ….

In common with other major cities, the benefits of economic agglomeration in London have not been altered by the pandemic, merely the manner in which we engage with the workplace. Mass urban transport and scale economies in supporting services ensure sustainable and efficient growth. And key to this aspect is the continuing attraction of London to international workers; workers who don't simply contract to a global employer, but who also come to London to enjoy the wider experience of a global city, and all that goes with that.

As a Global City, London will need to continue to adapt. The recent growth in the creative and life science sectors illustrates the potential to adapt to new economic opportunities. The city's polycentric character affords a great opportunity to foster innovation districts, bringing work and homes together.

As we have argued elsewhere, just as the era of the large, monolithic corporation is on the wane, so too is the era of the large, monolithic container within which work has taken place, the office. As firms adopt more agile workstyles and as supply chain networks become more complex, offices will become 'less generic' and less single purpose, and will have to work harder to provide choice, flexibility and experience. London has the ability to meet these challenges, but city planning will need to adapt to changing circumstances also.

But despite these longer term positives, there is huge short-term uncertainty. We have for example, seen that demand is being maintained, with many companies making significant commitments to new real estate – often increasing their footprints rather than shrinking in response to hybrid working. Superficially at least, these firms do not anticipate any great change in working styles. Perplexing.

At the same time, the rush to build office towers and assemble other large schemes (including converting retail stores) shows no sign of abating: investor-developer confidence remains high. There is yet to appear any sign of an adjustment in supply to recognise the widely anticipated impact of the pandemic. The supply process has become much more sensitive to research over the past two decades and so it is very difficult to explain why the gap between demand and supply expectations is possibly greater today than at any time since 1990. Perplexing.

And while demand and supply seem to be defying the gravitational logic of the pandemic, it is just possible that the real estate market has more to fear in the medium-term from economic uncertainty than it has to be concerned about hybrid working. Like the key property market indicators, share prices have also defied economic gravity in recent times while, just like property (residential as well as commercial), equities and bonds are arguably overvalued. The odds on an economic correction appear to be shortening almost daily, and the prospect seems to be that this could be a big one.

Whether from the implications of the pandemic, or from the looming economic crisis, it would seem that the London office market is entering rocky waters. From the former it will need to evolve; the latter it will need to endure.

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