London HQ City



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CENTRE FOR LONDON

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About London Property Alliance

London Property Alliance brings together the City Property Association and Westminster Property Association to provide a unified voice for the leading owners, developers, investors and professional advisors of real estate across central London.

Combined we represent over 300 members, ranging from FTSE 100 companies and the Great Estates to affordable housing providers and boutique architectural practices. We are not-for-profit, and the only property industry body which represents London's Central Activities Zone. The Alliance delivers informative events, publishes innovative research and represents our members' interests to politicians and policymakers.

About Centre for London

We are London's independent think tank. We are dedicated to researching the city's critical issues. We bring together London's citizens, experts and leaders to discuss, develop and implement the policy solutions to tackle them. We do this through:

- **Research and evidence:** Conducting robust, unbiased research and analysis, and collaborating with Londoners and stakeholders across all sectors, to generate new ideas and recommendations.
- **Convening and collaborating:** Bringing together citizens, experts and decision makers from diverse standpoints to discuss complex issues in a safe space, devise solutions and work out how to implement them.
- **Awareness raising and advocacy:** Being an authoritative policy voice on London and promoting our research and ideas to those with the power to act on them – from the grassroots to local and national leaders – through briefings, publications, social media, press and events.

Executive summary

When Centre for London last examined London's status as a corporate headquarters destination in 2019, the capital was already among the world's leading HQ locations. Seven years on, London has retained that position and strengthened it in several important respects.

London attracts the second-highest value of foreign HQ investment of any city globally. Since 2019, more than three times as many HQs have significantly expanded their footprint in the capital as have reduced it, while the number of head office enterprises in London has increased by 84% between 2019 and 2025. Output in HQ-related business functions has grown by almost 50% since 2019, considerably faster than the wider service economy. Separately, employment in head office functions in London increased by 64% between 2019 and 2023, compared with just 10% across London's wider labour market.

This strong performance matters at a time of wider economic uncertainty. London's productivity growth has been largely flat since the global financial crisis, while its labour market has recently weakened. HQs concentrate high-value business functions, attract investment and create productive jobs across a range of sectors. London's ability to attract, retain and grow them will therefore be increasingly important to its economic success.

Many of the strengths identified in our 2019 report remain - and in some cases have grown stronger. London continues to benefit from a highly skilled workforce, with 46.7% of residents holding a tertiary qualification. The Elizabeth line has widened and deepened the central London labour market by reducing commuting times and improving access to major employment centres. Established sectoral clusters continue to generate strong agglomeration benefits, while AI and life sciences have become increasingly important parts of London's economy. The capital's cultural and quality-of-life offer also remains a significant draw for businesses and talent.

However, the environment in which HQs operate has changed significantly. Corporate occupiers increasingly want flexible, high-quality offices that support collaboration, strengthen corporate identity and encourage people to work together in person. Yet the supply of this kind of space is becoming increasingly constrained.

Vacancy rates for new buildings in prime locations now stand at less than 1%, and the development pipeline is unlikely to ease this pressure quickly. There is an acute shortage of the high-quality, well-connected workspace that many HQ occupiers require.

Almost half of the pre-construction pipeline to 2031 faces multiple barriers to delivery. Retrofitting London's substantial stock of older offices could help ease pressure on supply, but retrofit projects can face many of the same cost, planning and viability challenges as new development and is unlikely to meet demand for the large, high-quality and highly sustainable space required by many HQ occupiers.

The Prime Minister's commitment to fiscal devolution, and ensuring London benefits from a new devolution deal, creates an important opportunity to tackle these constraints and support the capital's growth. Greater fiscal powers would give London government a stronger stake in local growth, together with the incentive and capacity to invest in the infrastructure, skills and workspace on which HQs depend.

London remains exceptionally well placed to succeed as a global HQ city. To capitalise on this position, policy must build on the city's enduring strengths while tackling the growing shortage of high-quality office space and the barriers preventing new and existing stock from meeting occupier demand.



Since 2019...

3×+
Net expansion
More than three times as many HQs significantly expanded as reduced their London footprint.

+84%
HQ enterprises
Increase in the number of head office enterprises in London.

~50%
Economic output
Growth in output from HQ-related business functions, outpacing the wider service economy.

+64%
HQ employment
compared with just 10% across London's wider labour market.

Key goals

This report sets out six goals through which national, regional and local policymakers can support that ambition.

Goal 1
Unlock HQ-quality workspace

- Recognise major office developments as critical economic infrastructure in planning policy.
- National government and the GLA should work with local authorities and industry to review the cumulative costs and barriers affecting the viability of major office developments, and identify targeted measures to unlock investment.
- Make it easier and more cost-effective to retrofit London's existing, underused office space.

Goal 2
Build the skills to deliver it

- National government should devolve the administration of the Apprenticeship Levy to London, so that the GLA, in partnership with boroughs, can improve coordination between the training young people get and the jobs local employers need.
- Building on initiatives such as Skills for a Sustainable Skyline Taskforce, London and national government, construction employers, and industry bodies should coordinate to promote construction careers to young people.

Goal 3
Keep London open to talent

- The Government should enable the expansion of London's transport system to unlock housing and employment growth, while providing sufficient funding to maintain and renew the existing network.
- Introduce a predictable review cycle for work visa routes.
- Review Skilled Worker Visa application fees and reduce the cost of applying for indefinite leave to remain.
- Retain the Graduate Visa and extend it from two to five years, alongside appropriate restrictions on post-graduation work, to support high-skill migration.

Goal 4
Strengthen London's quality of life offer

- Support the delivery of more high-quality rental homes to improve affordability and support London's workforce.
- TfL should expand late-night transport provision to support London's hospitality, cultural and experience economy.
- GB Rail in partnership with TfL should invest in increasing the capacity, frequency, and reliability of services connecting residential areas in outer London and the wider South East with London's core employment hubs.
- Implement the Nightlife Taskforce recommendations where they reduce licensing inconsistencies and cost pressures on hospitality, cultural and night-time economy venues.

Goal 5
Give London the tools to invest in growth

- Strengthen significantly the growth incentive within the business rates system, giving London government the power and incentive to invest in what matters locally.
- Local authorities should allocate a portion of retained business rates growth to place-making around major transport hubs, helping to unlock underused office space and support local economic growth.
- Devolve a share of income tax revenue to London government to promote local growth.

Goal 6
Strengthen London's global pitch

- Building on the work of London & Partners and Opportunity London, London's external partners should coordinate more closely to lead a sustained international campaign promoting London's strengths.

Why headquarters matter

HQs are a strong driver of economic activity against a weak backdrop

Between 2019 and 2026, output in HQ-related business functions has grown by almost 50% [figure 1]**, much faster than the wider service economy.**[1] This strong increase in output is particularly notable as both service-sector and wider economic growth remain weak. Service-sector growth has struggled to return to its peak of 44.2% in May 2022 [figure 1], and overall UK GDP fell by 0.1% in the three months to October 2025.[1]

HQs create jobs across the economy and country as a whole

One of the most visible benefits of HQs for London is the jobs they create – both directly and indirectly. HQ openings have grown the number of jobs in head office functions in London by 63.5% from 66,000 in 2019 to 107,900 in 2023, compared to a 10.2% increase in the job market overall [figure 2 & 3]. This additionality is vital as the capital has faced a contraction in job vacancies alongside rising unemployment, reaching 7.3% in Q1 2026.[2,3] Other UK regions also benefit from London HQs: London-headquartered financial and related professional firms were found to employ around 370,000 people in the sector outside of London.[4]

HQs create jobs indirectly through the ecosystems that support them, such as legal, accounting, and facility management services. HQs also support jobs in the travel and hospitality sectors due to employees hosting business visitors and entertaining clients at local venues.[5] In London specifically, the presence of HQs has helped sustain cultural organisations and associated employment, particularly in the performing arts and gallery sector, through consistent demand and sponsorship.[6]

1 The Index of Services measures the size and growth of different parts of the UK service economy making it a useful measure of economic activity. We use the category "activities of head offices" as a measure of HQ economic output because it covers organisations that carry out core HQ functions, such as setting a company's strategy and overseeing its operations. Head office and management consultancy activities cannot be separated in the data, however, head offices are likely driving the growth as head office employment has risen while management consultancy employment has stayed stagnant

The reception at One Broadgate, home to JLL's UK flagship office, provides flexible amenity space for working and meetings.



HQs attract investment, signal a city's global competitiveness, act as a catalyst for regeneration and support local supply chains

HQ investments added £10.5 billion to London's economy between 2003 and 2025, accounting for 10% of all inward investment into the capital.[1] Between 2003/4 and 2014/15, London & Partners helped 665 foreign companies to establish an HQ function in London. These projects accounted for almost one in three investments over the period and created over 16,400 jobs.[7]

As major occupiers of commercial floorspace, HQ businesses can also play a key role in unlocking wider regeneration schemes. By committing to large-scale pre-lets, they provide developers and investors with the certainty needed to secure financing and bring forward developments that might otherwise struggle to get off the ground.[8] Acting as 'anchor tenants', HQs can help catalyse investment in new public spaces, infrastructure and amenities that benefit surrounding communities, while attracting smaller businesses and SMEs to establish themselves nearby, supporting the growth of thriving local business ecosystems.

HQs deepen agglomeration advantages

HQs can strengthen a city's broader network of businesses by attracting large numbers of high-skilled workers. This expands the talent pool, making it easier for other employers to hire, and supports entrepreneurship across the city.[9]

HQs generate wider benefits for their home cities

HQs generate tax revenues for both local and national governments. This includes direct contributions through business rates, income tax, and indirect contributions through taxes on asset sales and profits and VAT on goods and services bought by HQ workers. These impacts are amplified by the concentration of high-paid workers and high-value activity around HQs, which strengthens the overall tax base and generates additional taxable activity across other sectors.

Corporate HQs, which are multinational in nature, bring in large numbers of both domestic and international visitors for meetings, conferences and public events. In 2024 there were 6.8 million business visits to the UK generating £5.9 billion in spend with HQ-related visits contributing to these figures.[10]

The value of HQs is also indirectly evidenced by the efforts of cities to attract them. Tower Hamlets is working with the Government and GLA to explore bespoke business rates reliefs to incentivise JP Morgan Chase to build its new HQ in Canary Wharf.

These upfront costs in tax relief are set against significant potential economic benefits, with the HQ estimated to create around 7,800 construction-related jobs, contribute roughly £9.9 billion to the UK economy over six years, and create "new employments, training opportunities, and community investments" that can help to address stark inequalities seen in Tower Hamlets.[11]

1 Values are nominal and have not been adjusted for inflation

What drives HQ location decisions?

Access to talent is the single most important factor shaping location decisions across sectors. The size, depth and skill of the labour pool is crucial, which itself is dependent on strong domestic transport infrastructure that connects HQs to a wide talent pool, and a high-performing education system that provides a talent pipeline.

Additionally, large firms often compete for the best people globally, making immigration policies that enable flows of highly skilled talent a critical part of a location's talent offer.[12,13]

Cities must also have sufficient and suitable high-quality office space to host HQs. Quality spaces are important as beyond hosting a firm's operations, HQs also act as an expression of corporate identity and reputation, and the office is used to attract and retain the best talent.[14]

This role is also evolving. Major corporate occupiers now look for buildings that showcase their sustainability credentials and reflect their corporate values, while also considering how the space supports employees and whether it provides the amenities and experience needed to draw people back into the office.

Proximity to other firms in complementary sectors is also a big factor in HQ location appeal. This proximity is often referred to as agglomeration, and it is especially beneficial for HQs as knowledge-intensive entities because it facilitates knowledge sharing and provides access to a shared pool of workers.[15] Agglomeration also supports retention as once firms are connected to local labour pools, suppliers, clients, and services, moving becomes more costly and less attractive.

A city's cultural and lifestyle offer and international reputation also factor into HQ location decisions. Senior executives and talent need to view the city as somewhere they would be willing and able to live. This includes meeting practical needs through good housing, schools and transport and a safe environment, in addition to meeting leisure needs through a strong hospitality and cultural offer.

Tax and cost may not determine HQ location decisions on their own, but they can provide a competitive edge.

Our interviews suggested that firms may absorb higher rents or operating costs where a location offers skilled talent, strong clusters or high-quality office space. Cost is therefore rarely the main determinant of HQ location, but it can still influence the final choice between cities with strong fundamentals, especially once property taxes and charges are included.

Is London still the place to be?

London remains one of the most investable cities for HQ projects, demonstrating resilience in the face of successive economic shocks.

London is one of the top destinations for HQ investment globally. Between 2003-2025, London ranked second among cities globally by the value of foreign investment projects to establish or expand HQs in the capital – known as HQ FDI.[1] This position reflects London's long-standing appeal as a destination for HQ investment.

Since 2019, however, London's position as an HQ investment destination has weakened slightly. London's post-pandemic recovery has lagged behind the global total, slipping from second to fifth place among cities for HQ FDI in the period 2019-2025[2] [figure 5].

Most investment into London's HQs still comes from North America. Between 2003 and 2025, investors from North America accounted for $8.7 billion, or 63%, of total HQ FDI into London[3] [figure 6].

By sector, software and IT companies accounted for the largest share of HQ FDI between 2003 and 2025, investing $5.2 billion and creating 20,045 jobs [figure 8]. Financial services was the second largest sector, attracting $4.2 billion, followed by communications, which attracted $876 million [figure 8].[4]

1 Foreign direct investment (FDI) is when an individual, company or government from one country invests into an enterprise in another country, and the investment gives the investor a significant degree of influence over the enterprise. This is generally defined as owning at least 10% of its voting share. For example, if a US company invests in a UK headquarters and ends up owning 15% of its voting shares, that would count as HQ FDI into the UK.

FDI data provides one measure of investment activity, rather than a complete assessment of a city's strength as an HQ location. Rankings by investment value can be influenced by a small number of exceptionally large, capital intensive projects and do not capture the full scale, economic importance or functions of established HQs.

2 Values are nominal and have not been adjusted for inflation. See appendix figure 2

3 Values are nominal and have not been adjusted for inflation

4 Values are nominal and have not been adjusted for inflation

While London's recent FDI performance has softened, wider indicators point to continued strength in its HQ economy.

London also remains one of the world's leading destinations for investment in commercial real estate. London attracted more cross-regional real estate investment than any other European city over the three years to the first half of 2025. It was also the second-largest global destination for cross-border real estate investment in the year to the third quarter of 2025. **Looking beyond investment flows, demand for HQ space and growth in HQ activity remain strong.** As with FDI, the pandemic led to a sharp fall in office take-up in 2020, but recovery has been significant. In 2025, central London take-up reached 10.6 million sq ft, equivalent to 91% of its pre-pandemic level. Alongside this recovery, the number of head office enterprises in London has risen sharply, increasing from 1,735 in 2019 to 3,185 in 2025. Most of this recovery was concentrated in the City where levels reached almost 100% versus take-up in the East and West End sitting at around 82%.

Alongside this recovery in office demand, the number of head office enterprises in London has risen significantly. The number has increased more than six-fold since 2010, from 505 to 3,185 in 2025 [figure 9]. Since 2019 alone, London has added around 1,450 head office enterprises, taking the total from 1,735 to 3,185, an increase of 84% [figure 9].

High demand for office space has reshaped London's HQ market since 2019, with fewer exits and arrivals, and more firms relocating

Since 2020, there has been a growing trend of HQs remaining in their existing buildings, often investing in refurbishment rather than relocating. In contrast, 2019 saw greater churn, with a higher number of firms entering and leaving the capital.

Contrary to early pandemic-era predictions of a reduced need for office space, a growing share of occupiers are "scalers" increasing their footprint while "shrinkers" make up a small and steadily declining minority [figure 10 & 11].

This shift reflects a broader reimagining of what the office is for. The Covid-19 lockdown move to working from home revealed that some office jobs can be worked remotely. In some firms, this can shift the role of the office primarily from a workplace to a place that brings people and teams together. The growing number of "scalers" reflects this as occupiers seek larger, open floorplates with in-house amenities that are designed to support collaboration and attract people back into the office. A notable number of "mergers" - occupiers consolidating multiple offices under a single roof - also reflects this desire for cross-team collaboration in addition to increasing operational efficiencies.

Geographically, most moves stay within the same submarket. This points to the continued importance of agglomeration and having sufficient and appropriate space that allows companies to grow within their preferred submarket. By sector, professional services firms account for the largest share of leasing activity, followed by banking and finance, reflecting the ongoing dominance of these clusters in the capital [figure 12].



Where is London's position strong?

Throughout our interviews, access to talent was highlighted as one of the most important drivers of HQ location decisions and one of London's greatest strengths.

London has a highly-skilled domestic talent pool with 46.7% of Londoners aged 16 and over – around 3.3 million people – having a tertiary education.[16] Helping this supply is the concentration of 33 leading universities, 5 of which – Imperial, UCL, LSE, King's College and Queen Mary - are ranked in the global top 150.[17] Moreover, Oxford and Cambridge universities which are in the top 3 globally, are less than an hour away from the capital.[18]

The Elizabeth line: London's most-used and most-loved railway, strengthening connectivity, housing and quality of life

The Elizabeth line opened in 2022, with 41 stations running from Reading and Heathrow in the west, through central London, to Shenfield and Abbey Wood in the east - including 10 newly built stations.

The line has been pivotal in better connecting people to jobs. 1.5 million people have also been brought within 45 minutes of central London. 62% of passengers felt the opening of the line positively impacted their access to employment. The line has slashed median journey times by almost half for people travelling between Canary Wharf and Abbey Wood, and by 30 minutes between Paddington and Abbey Wood.

The line has also supported employment and economic growth with 125,000 new jobs registered within 1km of an Elizabeth line station between 2022 and 2023. Between 2015 and 2022/23, employment increased by 12% around Farringdon, 31% around Paddington and 12% around Tottenham Court Road. Over the same period, GVA per job rose by 6%, 14% and 10% respectively. Crucially for HQs, the line has also strengthened connections between central London and Heathrow airport.

The Elizabeth line has unlocked new housing. Between 2015 and 2025, around 71,000 new homes were built within 1km of an Elizabeth line station. In October 2024, there were 70,500 homes in the pipeline within 1km of an Elizabeth line station.

Sources: https://content.tfl.gov.uk/elizabeth-line-post-opening-evaluation-full-report.pdf, https://tfl.gov.uk/info-for/media/press-releases/2018/august/elizabeth-line-services-through-central-london-to-start-in-2019

While access to domestic talent access has improved since 2019, access to international professional talent has worsened. Brexit sparked a sustained fall in EU migration with net migration of EU citizens at an estimated -42,000 as of 2025.[19] A series of immigration reforms – including increasing the Skilled Worker salary threshold and restrictions on bringing dependents – have also contributed to falls in migration more broadly.

These trends underline the importance of maintaining London's access to international talent, particularly for sectors that rely on globally mobile skilled workers and executive leadership.

London's strong clusters of complementary firms continue to be an advantage in attracting HQs.

The City, West End and Canary Wharf contain well-established clusters, notably in the financial, professional services and creative industries. Arguably the most visible cluster is in the City, which accounts for one in five financial services jobs in Britain despite making up just 0.001% of the UK's size.[20] The City also has over 100,000 financial and professional services jobs per square kilometre.[21]

The proximity and diversity of these clusters is an additional draw as companies can benefit from cross-pollination. The capital's advantage lies not only in the strength of individual clusters, but in how closely connected they are. Improvements in connectivity, particularly through the Elizabeth line, have made it easier for firms to access talent, clients and business partners across the City, West End, Canary Wharf and the wider South East, strengthening London's position as a network of complementary business districts rather than a collection of isolated centres.

Since 2019, London's agglomerative offer has expanded with the rise of high-growth industries including life sciences, tech, and perhaps most notably, AI - with London now regarded as the European AI capital [figure 14]**.**

London's AI sector emerged with businesses drawn to London by the usual blend of factors – including talent, centrality and prestige.

The continued growth of the sector is owed to persistent cross-stakeholder support. An estimated 22-25 universities in the capital offer AI, machine learning and related degrees. Venture capital funding is abundant.[22] The government has invested in training and sector deals among other support.[23] Lastly, London's established industries have provided strong demand for AI services.

The result is a thriving sector with 5,200 AI companies located in central London, 1,881 of which are headquartered.[24] This has boosted employment including 81,300 employees across Central London, and 19,000 jobs posted between 2025 Q1 and 2026 Q1.[25] This growth is also rapid with AI leasing volumes in 2026 Q1 [figure 14] already exceeding the volumes seen in all of 2025.[26]

London's quality of life offer is central to its appeal. London boasts high-performing schools, public transport and pleasant residential areas alongside a vibrant hospitality offer of over 200 museums, 800 galleries and 240 theatres, together with an array of bars and restaurants.[27,28]

London offers high-quality office stock that is increasingly evolving to meet changing occupier priorities around sustainability, flexibility and employee experience. Latest developments such as Regent's Place and Timber Square for instance, offer sustainability credentials, amenities and flexible floorplates.

Where is London's position at risk?

London's overall office availability is relatively high, but much of this space is concentrated in older buildings and less desirable, poorly connected locations.

At a headline level, London has a healthy office supply with vacancy rates at 8.6% as at H1 2026 - comfortably above the 6.6% 10-year quarterly average. However, London's headline vacancy rate disguises a mismatch between the space that is available and the space major corporate occupiers want.

A significant share of vacant space sits in peripheral submarkets that are less well connected and lack the amenities and placemaking that make core locations attractive.

The type of space available is also a challenge. There is a growing preference among major corporate occupiers for best-in-class offices with take-up of prime[1] space rising by 727% since 2020, while take-up of Grade C space has fallen by 73%.[29]

Much of London's stock does not meet occupier quality requirements and is at risk of becoming commercially obsolete. An estimated 58% of central London office floorspace currently has an EPC rating below B, leaving a substantial proportion requiring upgrades to meet anticipated higher minimum energy efficiency standards.[30]

This trend is reflected in vacancy rates with rates for new-builds at 1.2%, the lowest level in five years, while only 1.7% of refurbished space is available. In prime submarkets, new-build vacancy is even tighter, ranging from 0% to 0.8% [figure 16 & 17].

Compounding this challenge is the loss of office stock in prime locations, with office space in the CAZ falling from 213 to 199 million sq ft between 2018 and 2023. This decline has been driven by a combination of office-to-hotel conversions - encouraged by higher returns - alongside the cost and complexity of retrofitting older stock and wider viability and planning challenges impacting new build development.[31,32]

1 Definitions of "prime" office space vary. Within this report, prime refers to high-quality buildings in well-connected and amenity-rich locations with an EPC rating of A or B

London's dwindling office availability is pushing up rents, narrowing occupier choice and forcing businesses to plan moves further in advance, collectively weakening the capital's competitiveness as an HQ location.

Prime office rents reached £190 per sq ft in the West End and £95 per sq ft in the City in Q2 2026, compared with 10-year averages of £125.90 and £74.80 respectively.[33,1] Additionally, larger occupiers in high-value buildings often face substantial business rates increases at revaluation.[34] While some occupiers can absorb these costs, rising rents can price out others, notably start-ups, scale-ups, and occupiers in the creative sector.

Many of these organisations have nevertheless retained a London presence but it is typically smaller, reducing the scale of the benefits London captures. While other UK cities stand to benefit from these relocations, there is still cause for concern if companies facing similar cost pressures in the future opt to relocate overseas instead.

Our interviews and roundtables revealed varying experiences of finding office space in London. Most agreed that major corporate occupiers can still find space, but options are increasingly limited and searches are taking longer. Some had also seen businesses take less space than planned due to suitable larger offices not being available.

Awareness of constrained supply is also prompting some occupiers to initiate relocation decisions earlier or rush to close a deal to secure a place, even in the absence of direct competition.

Yet this comes at a time when space requirements are becoming harder to predict as geopolitical shocks, economic uncertainty and technological change make future headcount and business performance harder to forecast. This creates a tension where businesses must commit to space earlier while having less confidence in their long-term needs. In some cases, companies have exited leases early after failing to grow into the space they had anticipated requiring.

Constrained high-quality office supply presents both an immediate challenge and a longer-term threat to London's competitiveness, as limited new development will likely exacerbate the shortage.

Just over 5.5 million sq ft of development was completed in London in 2025, 16% above the 10-year average and 32% above the 20-year average. However, with 54% of these completions pre-let, this left just 3 million sq ft available to occupiers.

This trend is expected to continue, with 14.4 million sq ft under construction at Q2 2026, of which 9. 3 million sq ft is speculative. However, longer-term delivery is less certain, with around two-thirds of the speculative pre-construction pipeline expected between 2027 and 2031 facing multiple barriers to starting on site [figure 18].

1 Prices are nominal and have not been adjusted for inflation

Several pressures are constraining development, including growing construction costs, labour and skills shortages, high borrowing costs and the uncertainty and unpredictability of the planning system. Schemes must often navigate complex planning requirements, heritage constraints and environmental assessments, working with under-resourced planning departments with differing processes and evolving requirements. The resulting delays can raise financing costs, weaken viability and reduce investor confidence.

London's extensive office stock could help ease current supply constraints but much of it needs upgrading.

Retrofitting buildings and improving their surrounding areas could unlock this stock, but both face significant barriers. Upgrades must navigate many of the same planning, heritage and skills constraints affecting new development and,in some cases, upgrading is not feasible [figure 19].

London's reputational challenge with crime and the perception of some sorts of crime

Crime and safety have become increasingly salient concerns in London since 2019. The issue arose in almost every interview and roundtable for this research. While interviewees generally viewed London as a safe global city, many felt that crime, particularly visible offences such as theft and phone snatching, had become a more prominent concern for residents, visitors and businesses.

London experienced a rise in some forms of crime following the pandemic, with theft and mobile phone theft particularly visible in parts of central London.[35] Several interviewees highlighted the impact this can have on how people experience the city, particularly in major commercial districts and transport hubs.

Alongside crime itself, perceptions of safety have become an increasingly important issue for London's international reputation. Interviewees reported that prospective occupiers, investors and visitors sometimes raise concerns about crime when assessing London as a place to live, work or invest.

A rise in theft coincided with growth in online narratives portraying London as unsafe or in decline. Analysis undertaken for the GLA suggests that "London in decline" narratives increased by around 150-200% between March 2024 and March 2026.[36] Interviewees highlighted a substantial increase in social media content portraying London as unsafe or in decline. While some of this commentary reflects genuine concerns, interviewees also suggested that online discussion can amplify individual incidents and at times present a more negative picture of the city than crime statistics alone would suggest.

There are signs that conditions are improving. Recent efforts by the Mayor, the Metropolitan Police, the City of London Police and the Violence Reduction Unit have contributed to a significant fall in crime. In the first nine months of 2025, London recorded its lowest number of homicides since monthly records began, while violent crime leading to injury fell in all 32 boroughs.[37] Additionally, between June 2025 and 2026 phone thefts in the West End halved and neighbourhood crime fell by 14%.[38] Interviewees suggested that these improvements are beginning to influence perceptions, with international investors and occupiers raising crime less frequently than they did a year earlier.

However, perceptions often take longer to shift than underlying conditions. Continued progress in reducing crime, alongside efforts to communicate improvements effectively, will therefore remain important to maintaining London's attractiveness as an HQ location.

Some interviewees raised concerns that London's reputation as a business-friendly city had weakened in recent years.

Political and fiscal instability, lengthy planning processes and high operating costs can all make occupation, investment and long-term decision-making more difficult. London's fragmented investment landscape can also create uncertainty. Competition between different parts of the capital can strengthen their individual offers, but international investors at times struggle to understand how those offers differ and where they are best placed to locate.

London's growing unaffordability threatens its quality-of-life offer

Housing is central to this with private rents costing 51.7% of average incomes as of 2025 Q4, while an average house sells for 10.6 times average earnings.[39,40] London house prices fell by an average of 2.5% in the year to June 2026.[41] At the same time, private rents continued to rise, increasing by 2.2% in the year to June 2026.[42]

Childcare is also disproportionately expensive in the capital. As of 2025 for part-time childcare costs £210 per week[1] or £84 if eligible for working parent entitlement – 29% higher than national rates.[43]

Consequently, some Londoners are priced out of the city or are enticed by cities where money can stretch further, which, speculatively, has contributed to London's population falling for the first time since 1988, except for during the Covid-19 pandemic.[44,45]

Affordability pressures are also affecting London's cultural, hospitality and night-time economy. Being reliant on in-person business, these industries were hit particularly hard by the pandemic, and recovery has been uneven owing to energy bill and inflation shocks, debt repayments, increased employer National Insurance contributions and weaker midweek and late-night footfall.

As a result, affordability is increasingly becoming a competitiveness issue as well as a social one, affecting London's ability to attract and retain the workforce on which HQs depend.

1 Part-time is defined as 25 hours per week, childcare is defined as nurseries and childminders

London's standing as an HQ city since 2019 has been shaped by a string of trends. How these trends evolve – and how London responds – will shape the capital's future.

The continued expansion of the AI sector could be a major source of growth for a London that has long faced economic stagnation.

AI could increase demand for office space in London by supporting new firms and expanding specialist functions within established businesses. Its longer-term effects are less certain. Automation may reduce employment in some office-based roles, while changing organisational structures could alter the amount and type of workspace that businesses require. The overall long-term effect will depend on whether firm creation and expansion outweigh the displacement of existing activity.

Some have however speculated that we are in an AI bubble.[46] Should the sector collapse, this could damage London's economy and office take-up.

Improved transport connectivity through the Elizabeth line significantly strengthened London's labour pool. While TfL has not secured funding for a similarly large project, the government has confirmed funding for a DLR extension, subject to the approval of a business case.[47] This extension could further unlock jobs notably for HQs around Canary Wharf and East London.

On the contrary for London's talent offer, 2025 saw the population contract for the first time in recent history with affordability pressures a likely contributor.[48] If these pressures persist and London's population continues to decline this could limit London's talent pool.

Globally, the competitive landscape is also changing. Since our 2019 report, the Middle East has overtaken Emerging Europe in its share of investment into London's HQs. This shift has coincided with the region's growing role as a source of global capital, however, the US-Israel-Iran war has since adversely impacted the Middle Eastern economy.[49] It remains uncertain when the conflict will end, but there is speculation that it will leave lasting damage, having exposed the region's underlying economic insecurity.[50]

Finally, the future of London's standing as an HQ city since 2019 will depend on whether it has the office space available to host HQs. The new London Plan is timetabled for adoption in 2028, and the draft version currently published is more pro-growth and pro-densification – a shift that could prove positive in unlocking more office space.

Conclusion

London and the UK economy are under strain. Growth has been sluggish since the financial crisis, while unemployment is stubbornly high. Despite this, London remains one of the world's leading HQ locations, owing to its deep talent pool, sectoral clusters, and quality-of-life offer.

HQs can play an important role in addressing these economic challenges. They create high-value employment, attract investment, support local supply chains, generate tax revenue and create demand across the hospitality sector.

However, the ability of HQs to realise these benefits is increasingly strained by the growing shortage of high-quality office space, a challenge which is already narrowing occupier choice and limiting some firms' ability to expand.

As fiscal devolution becomes central to the Government's agenda, now is an opportune time to act. Greater fiscal powers would give London government a stronger stake in the proceeds of local growth providing both the incentive and capacity to invest in the infrastructure, skills, and office supply that HQs need. Seizing this opportunity is crucial to ensure the capital remains a place where HQs can and want to be, and where London and the wider UK can share in the benefits.

Paddington Square is home to FTSE 100 company Kingfisher's UK headquarters and DS Smith's global headquarters, alongside Capital Group's second-largest investment office globally, with direct connections to Paddington station and the Elizabeth line.



Appendix

Figure 1: HQ output has remained resilient amid a broad downturn in UK service output

Change in the output of HQ's and sections which Support HQ functions, UK (rebased 2019=100)

- Index of Services excluding Government
- Activities of head offices; management consultancy activities
- Office administrative, office support and other business support activities
- Accounting, bookkeeping and auditing activities; tax consultancy

Source: Centre for London analysis of Office for National Statistics (2025). Index of Services

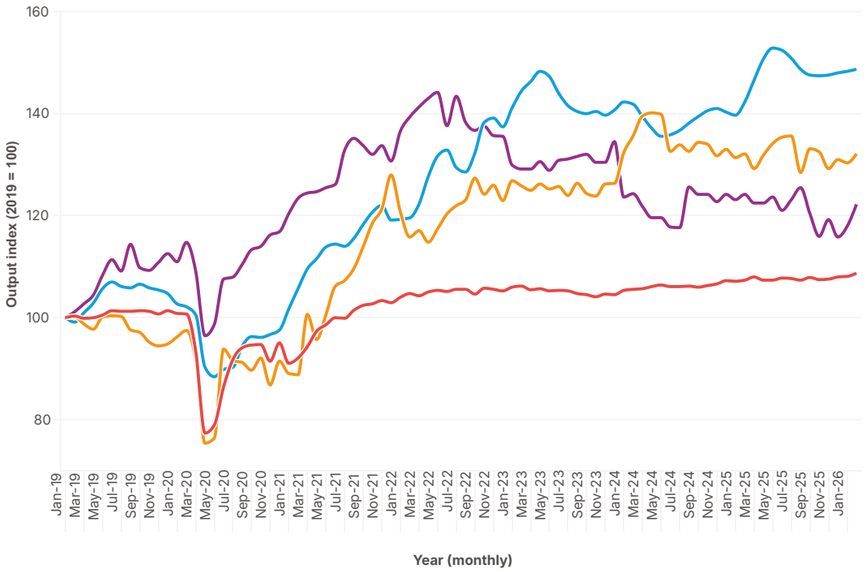


Figure 2: Jobs in HQs accelerated in 2023, demonstrating the sector's resilience against wider economic headwinds

Employee jobs in HQs and sectors which support HQ functions

- Legal activities
- Accounting, bookkeeping and auditing activities; tax consultancy
- Activities of head offices
- Management consultancy activities

Source: Greater London Authority (2025), London Employee Jobs (1998-2023). Using Workforce Jobs QMI and the Business Register and Employment Survey. London employee jobs for industry groups (3-digit SIC), 1998 to 2023

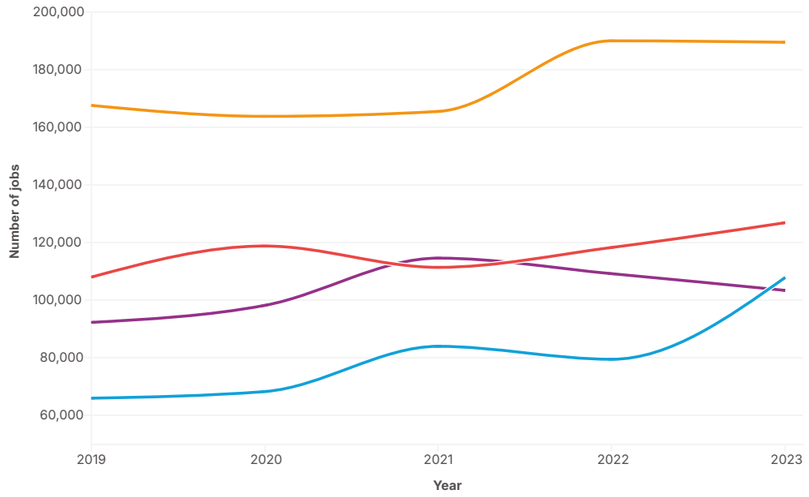


Figure 3:
While London's job vacancy growth has stagnated since 2019, HQ employment has accelerated

Change in employee jobs in HQs and sectors which support HQ functions, London (rebased 2019 = 100)

- Legal activities
- Accounting, bookkeeping and auditing activities; tax consultancy
- Activities of head offices
- Business and other management consultancy activities
- London average

Source: Centre for London analysis of Greater London Authority (2025), London Employee Jobs (1998-2023). Using Workforce Jobs QMI and the Business Register and Employment Survey. London employee jobs for industry groups (3-digit SIC), 1998 to 2023

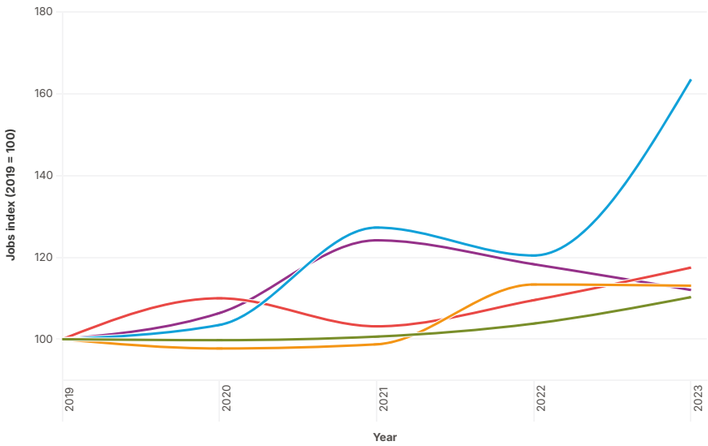


Figure 4:
London has attracted the second-highest amount of HQ FDI of any global city over the long term
Top 20 Global Cities for HQ Foreign Direct Investment by Capital Expenditure,2003–2025

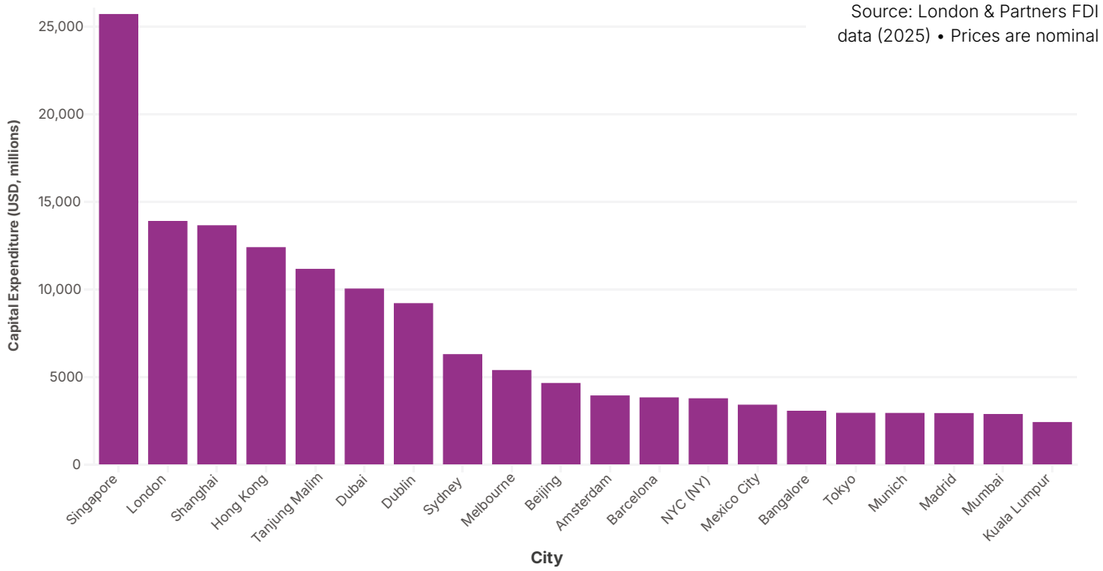


Figure 5: Since 2019, London has slipped to fifth globally for the total value of its HQ FDI
Top 20 Global Cities for HQ Foreign Direct Investment by Capital Expenditure, 2019–2025

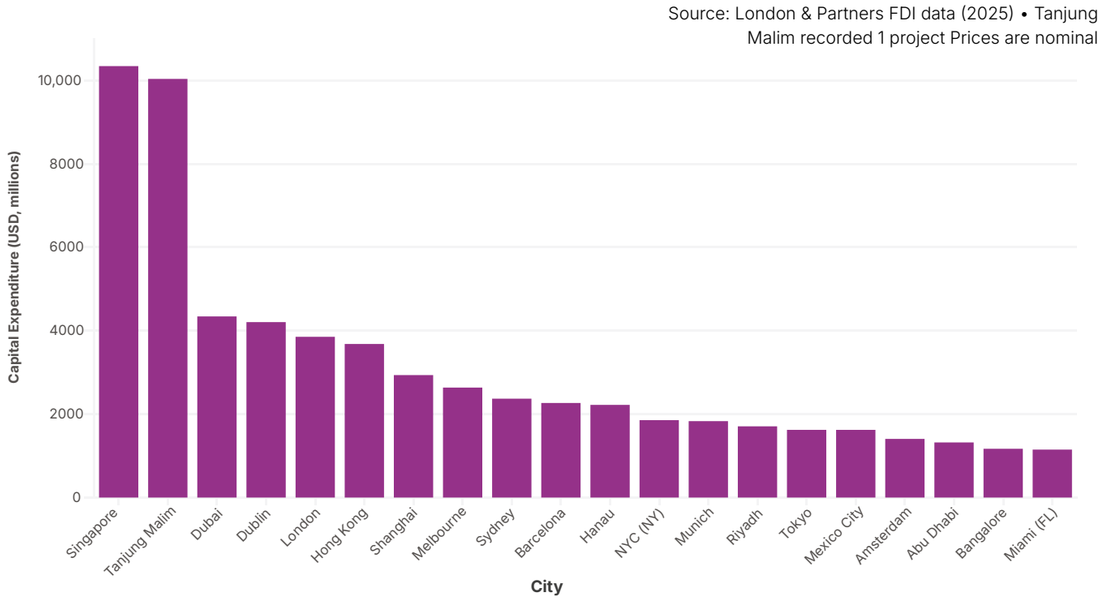
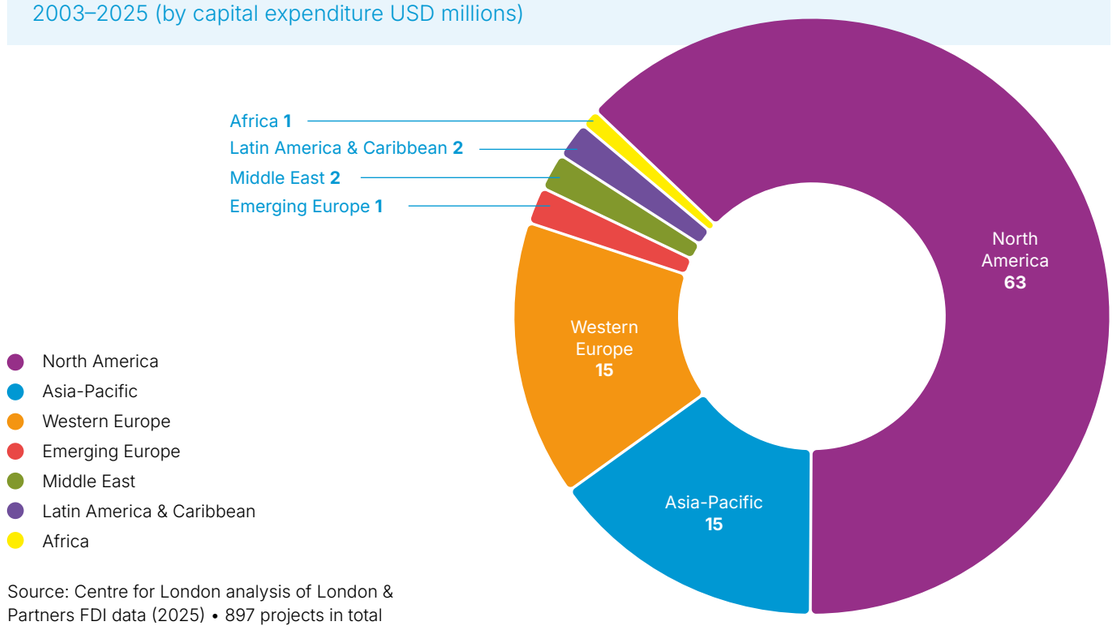
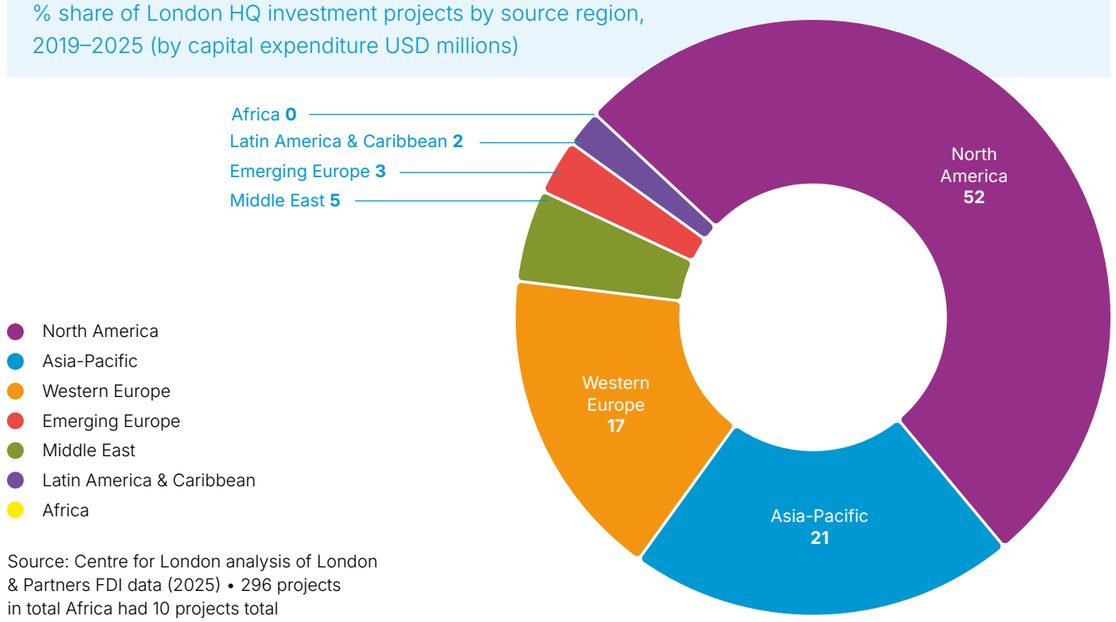


Figure 6: North America also accounts for the greatest share of HQ investment in London
% share of London HQ investment projects by source region, 2003–2025 (by capital expenditure USD millions)



Source: Centre for London analysis of London & Partners FDI data (2025) • 897 projects in total

Figure 7: Since 2019, the Middle East has overtaken Emerging Europe in both the volume and value of investment into London's HQ
% share of London HQ investment projects by source region, 2019–2025 (by capital expenditure USD millions)



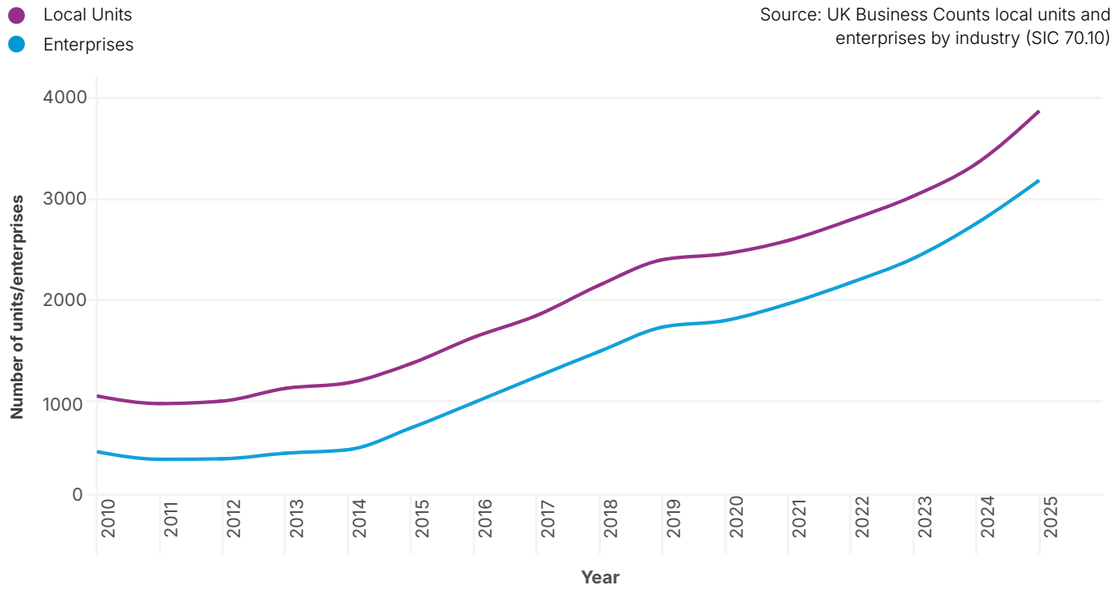
Source: Centre for London analysis of London & Partners FDI data (2025) • 296 projects in total Africa had 10 projects total

Figure 8: While software and IT services accounted for the most HQ FDI projects, financial services attracted a high average capital investment per project
Sectors investing in London FDI HQ activity 2003 - 2025

Sector	Projects	Capex (USD millions)	Avg capex	Jobs created
Total	897	13895	-	48167
Software & IT services	427	5215	12	20045
Financial services	97	4023	41	7764
Communications	63	876	14	2184
Consumer products	23	610	27	3973
Business services	115	504	4	5852
Semiconductors	4	491	123	381
Food and Beverages	19	333	18	934
Coal, oil & gas	10	265	26	907
Textiles	20	205	10	870
Renewable energy	10	169	17	216
Pharmaceuticals	2	159	79	79
Real estate	22	105	5	1087
Hotels & tourism	13	103	8	807
Industrial equipment	8	67	8	168
Metals	5	61	12	84
Leisure & entertainment	8	48	6	432
Business machines & equipment	4	45	11	276
Consumer electronics	4	34	9	120
Biotechnology	5	33	7	353
Non-automotive transport OEM	4	30	8	136
Electronic components	6	29	5	114

Source: London & Partners/Centre for London analysis of fDi Intelligence data, from the Financial Times Ltd 2026 • Select sectors shown

Figure 9: The number of head office enterprises in London has grown steadily over the past 15 years
London enterprises and local units in activities of head offices count



- **Leavers**
  Occupiers that have left London for another UK region or country.
- **Joiners**
  Those that have moved into London from elsewhere.
- **Movers**
  Those that have relocated within London.
- **Stayers**
  Those that have renewed existing leases.
- **Mergers**
  Those that have consolidated multiple offices into a single HQ.
- **Shrinkers**
  Those that have downsized.
- **Scalers**
  Those that have expanded into larger premises.

Figure 10: Most HQ relocations have been in the City Select HQ moves in London since 2019

Source: Centre for London analysis of JLL leasing data

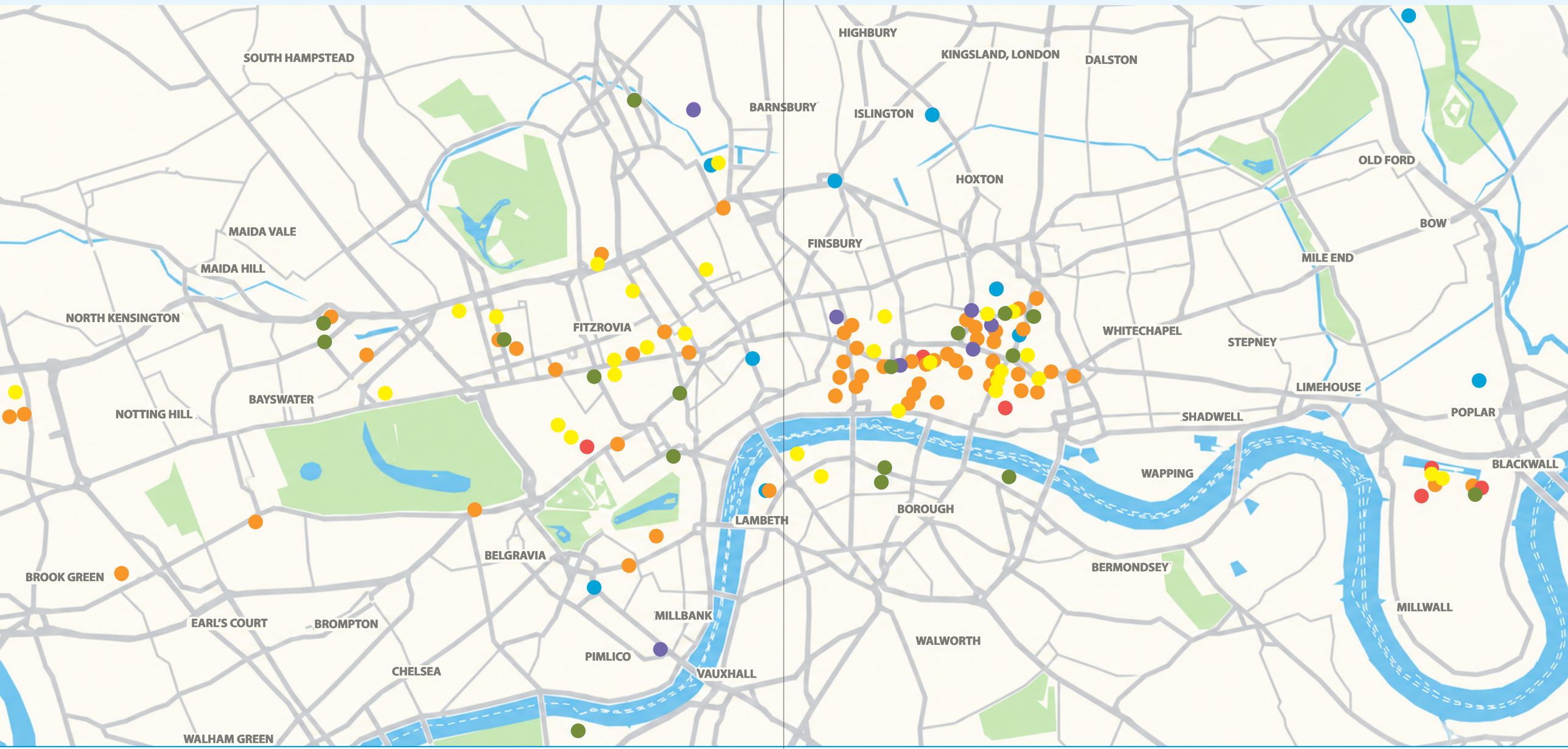
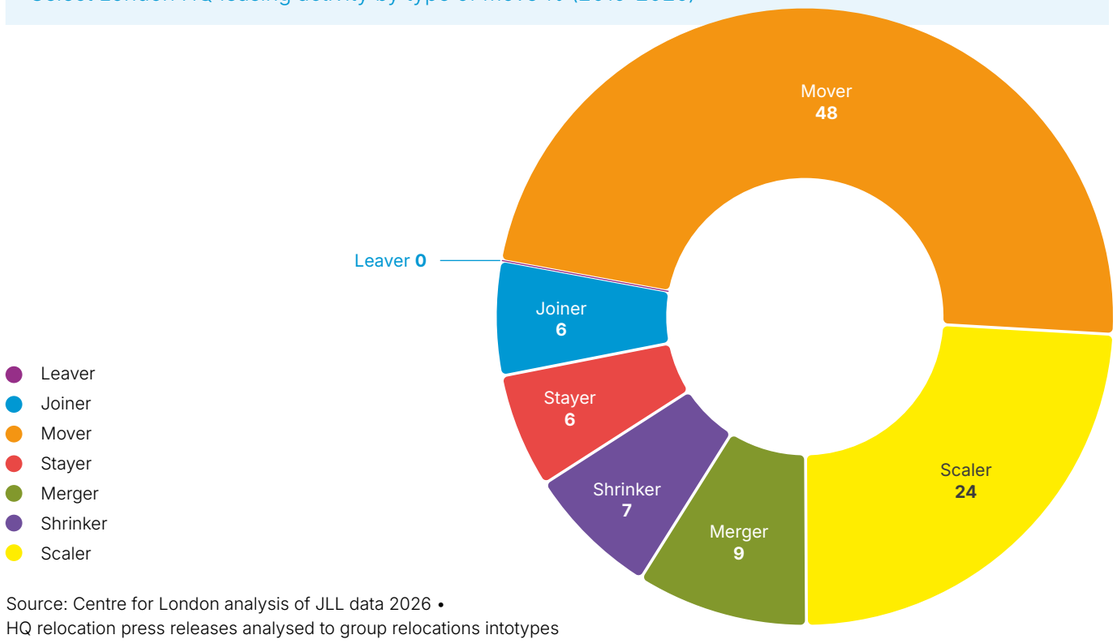
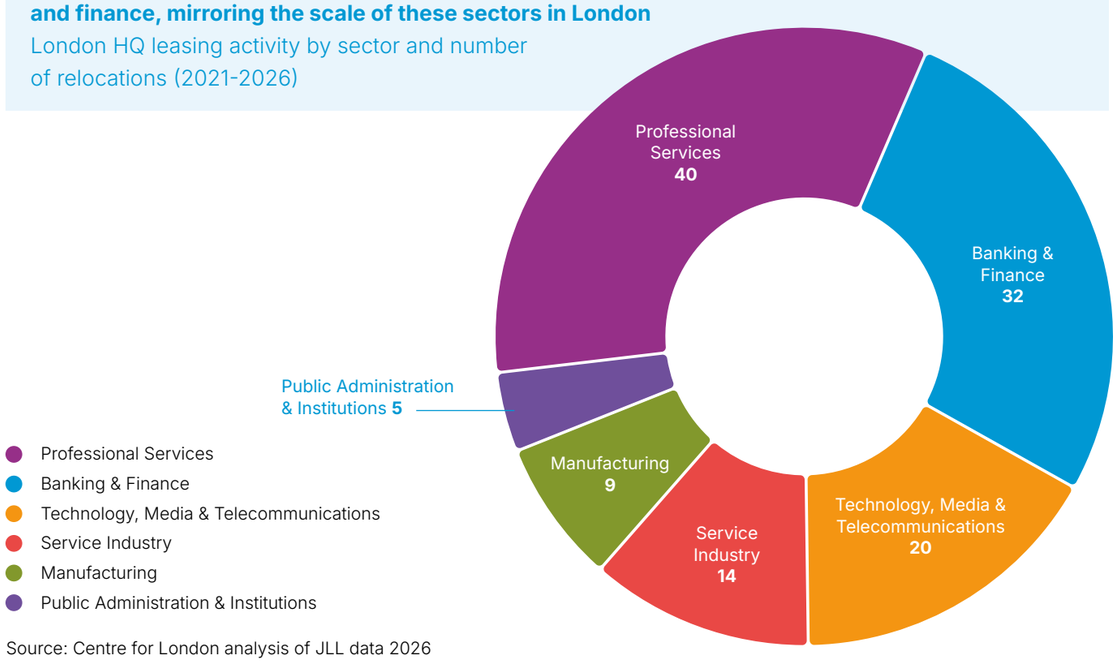


Figure 11: More than three times as many HQs significantly expanded their footprint as reduced it
Select London HQ leasing activity by type of move % (2019-2026)



Source: Centre for London analysis of JLL data 2026 •
HQ relocation press releases analysed to group relocations intotypes

Figure 12: HQ relocations are heavily concentrated in professional services and finance, mirroring the scale of these sectors in London
London HQ leasing activity by sector and number of relocations (2021-2026)



Source: Centre for London analysis of JLL data 2026

Figure 13: It is becoming more common for HQs to increase their footprint in the capital
London HQ relocations, 2021-2025: expansions vs contractions

Source: Centre for London analysis of JLL leasing data 2021-2025

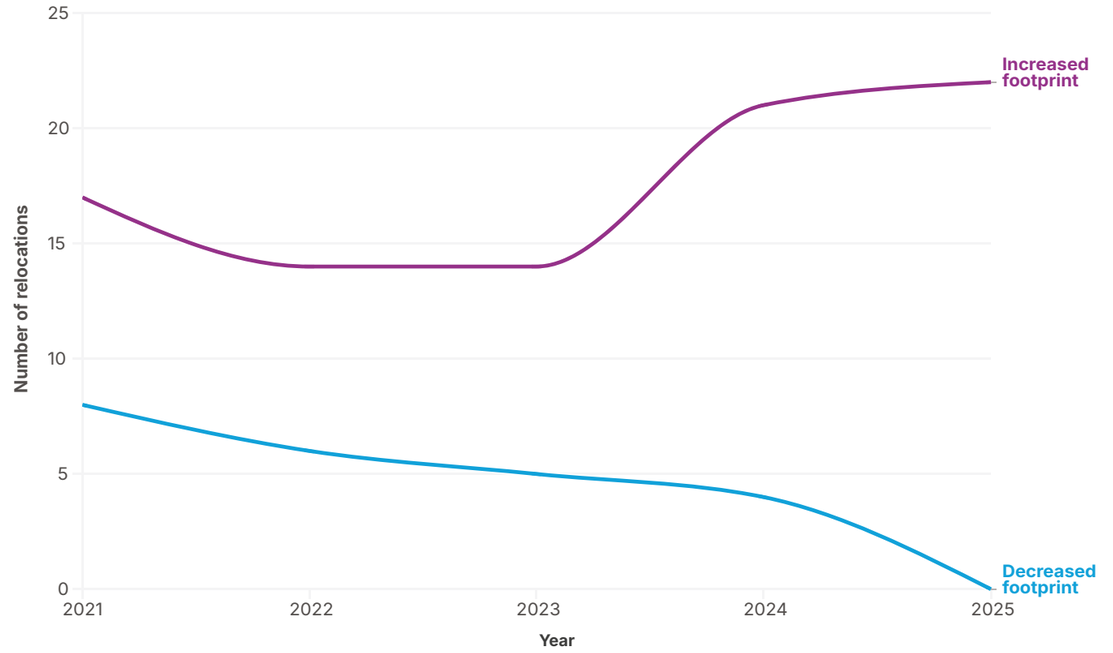
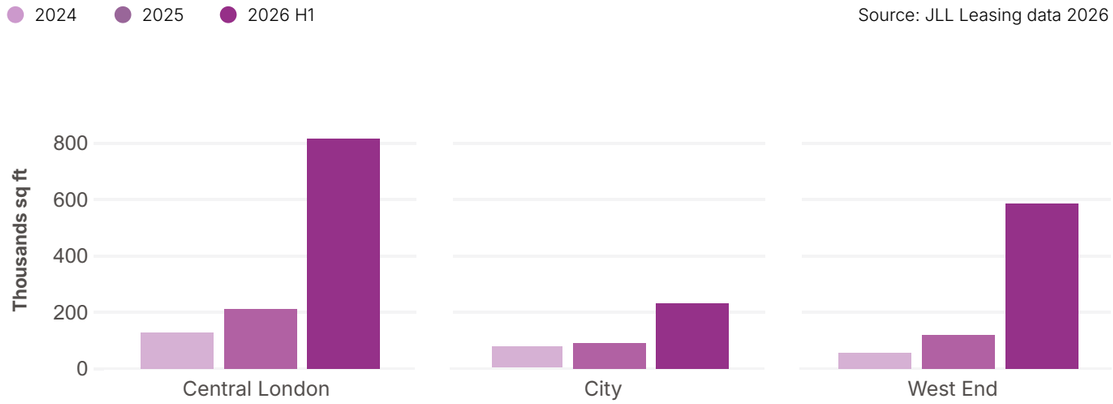


Figure 14: AI leasing in 2026 Q1 has already exceeded full year 2025
Central London AI leasing take up



Source: JLL Leasing data 2026

Figure 15: Vacancy rates are significantly lower in core submarkets

Central London total vacancy rates by submarket, Q4 2025

Source: JLL leasing data 2026

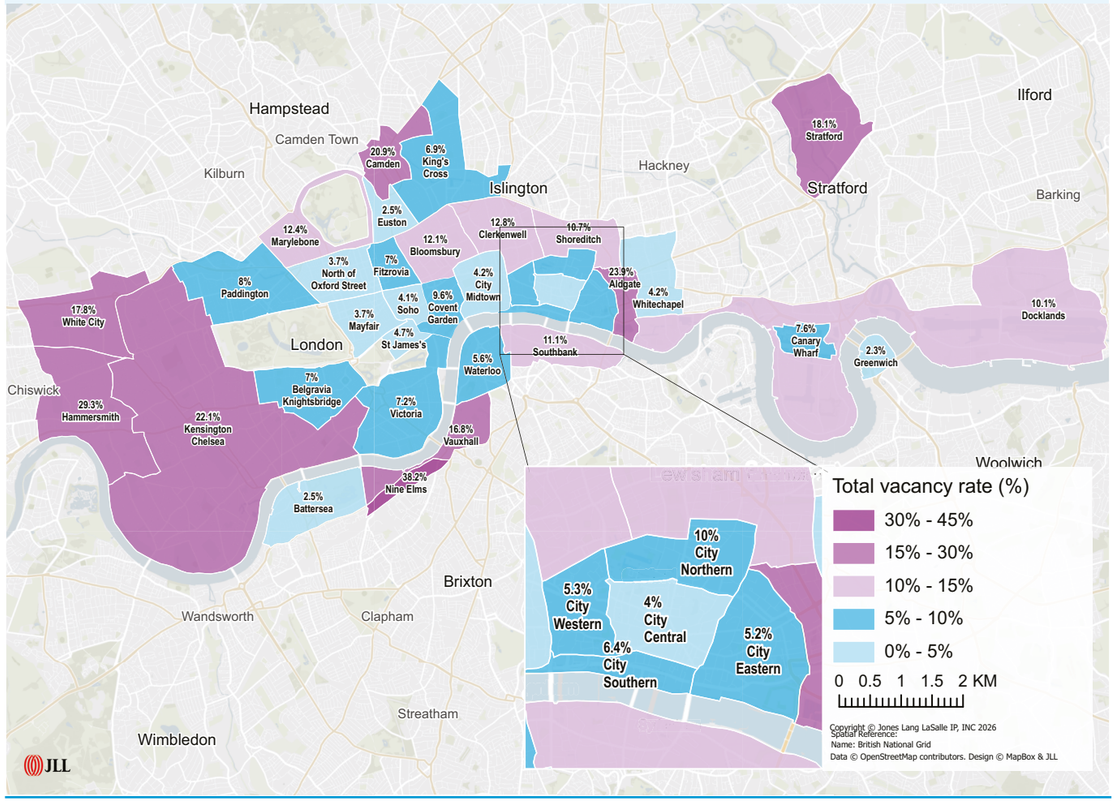


Figure 16: Vacancy rates are significantly lower in new builds which are often more desirable

Central London total vacancy rates by submarket, Q4 2025

Source: JLL leasing data 2026

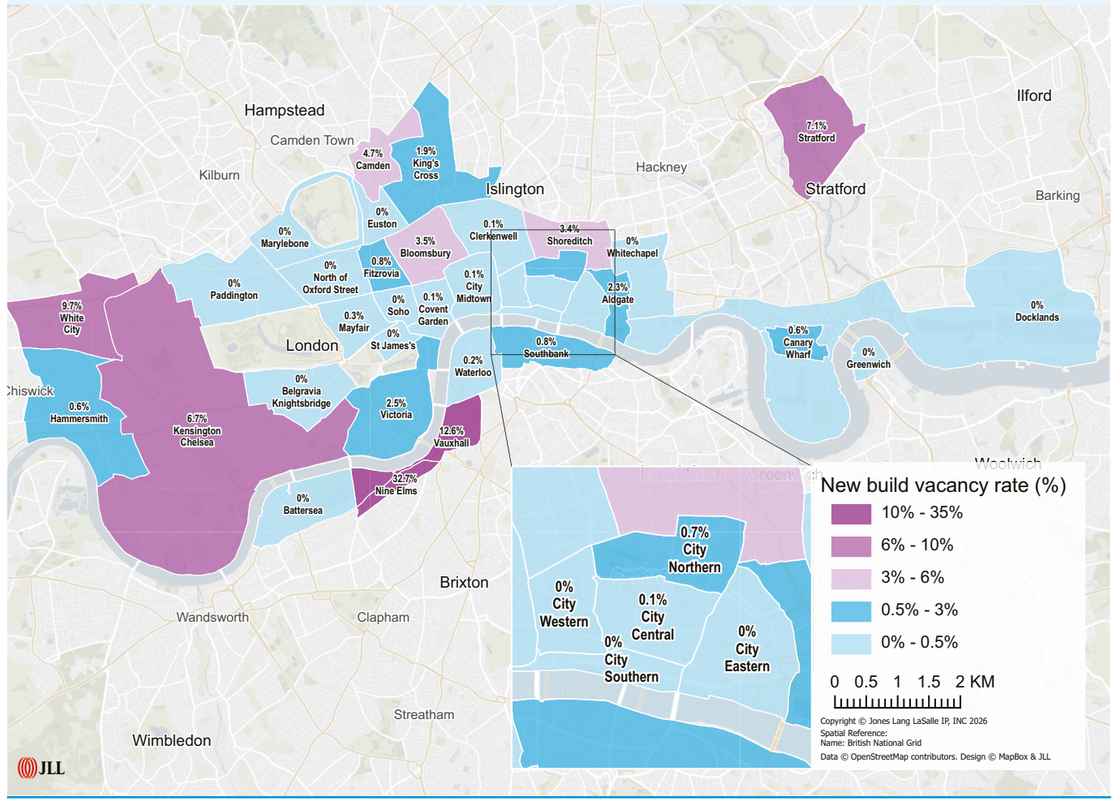
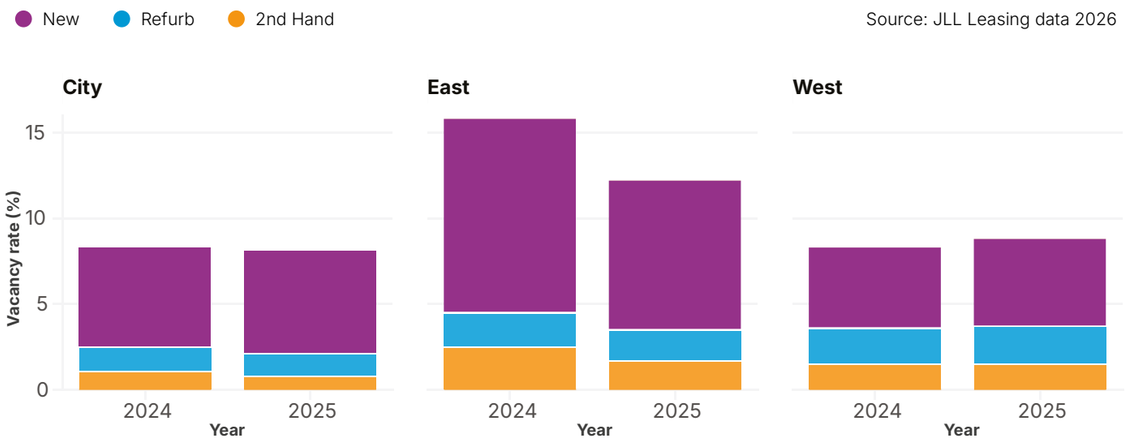


Figure 17: Availability of new and refurbished office space is low and shrinking

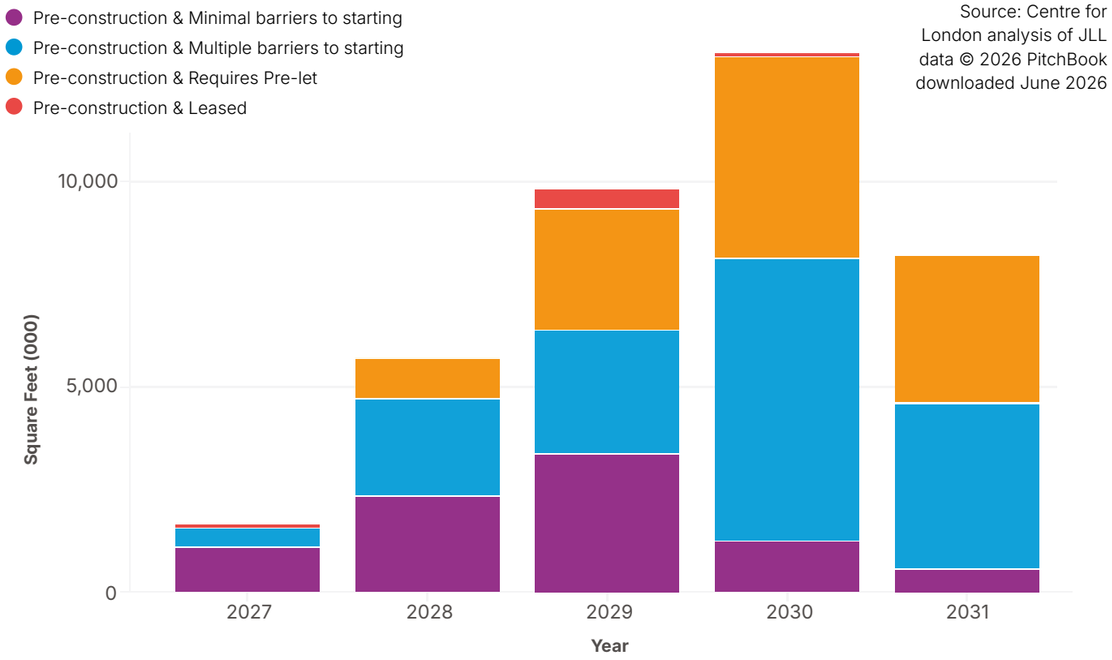
Vacancy rates in London by office type



Source: JLL Leasing data 2026

Figure 18: A significant portion of pre-construction space is pre-let or facing barriers to delivery, further exacerbating low availability

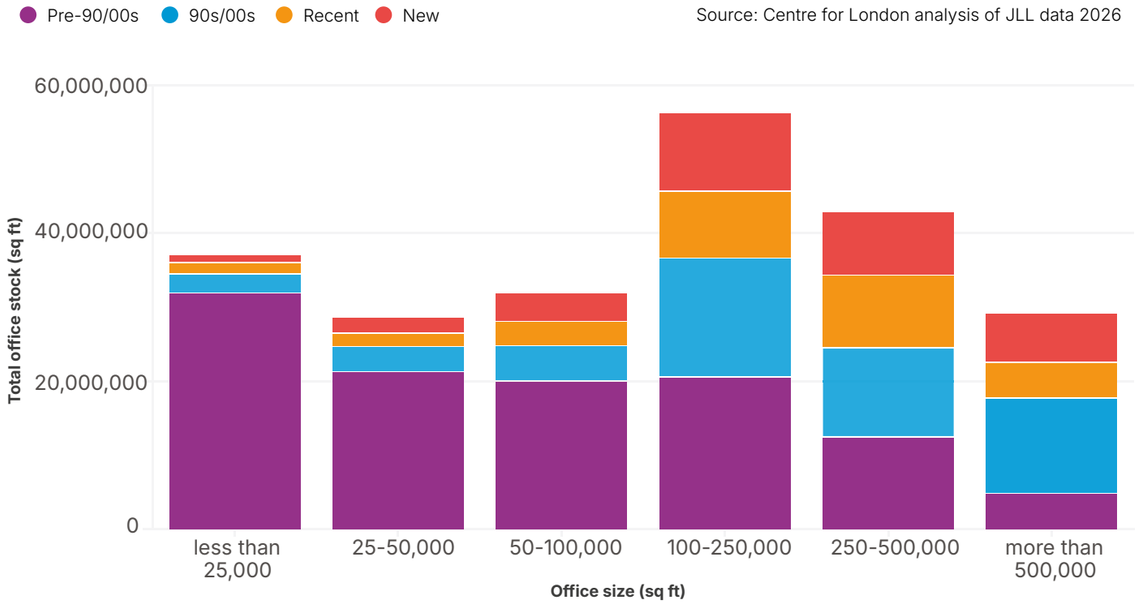
London's pre-construction pipeline by subcategory



Source: Centre for London analysis of JLL data © 2026 PitchBook downloaded June 2026

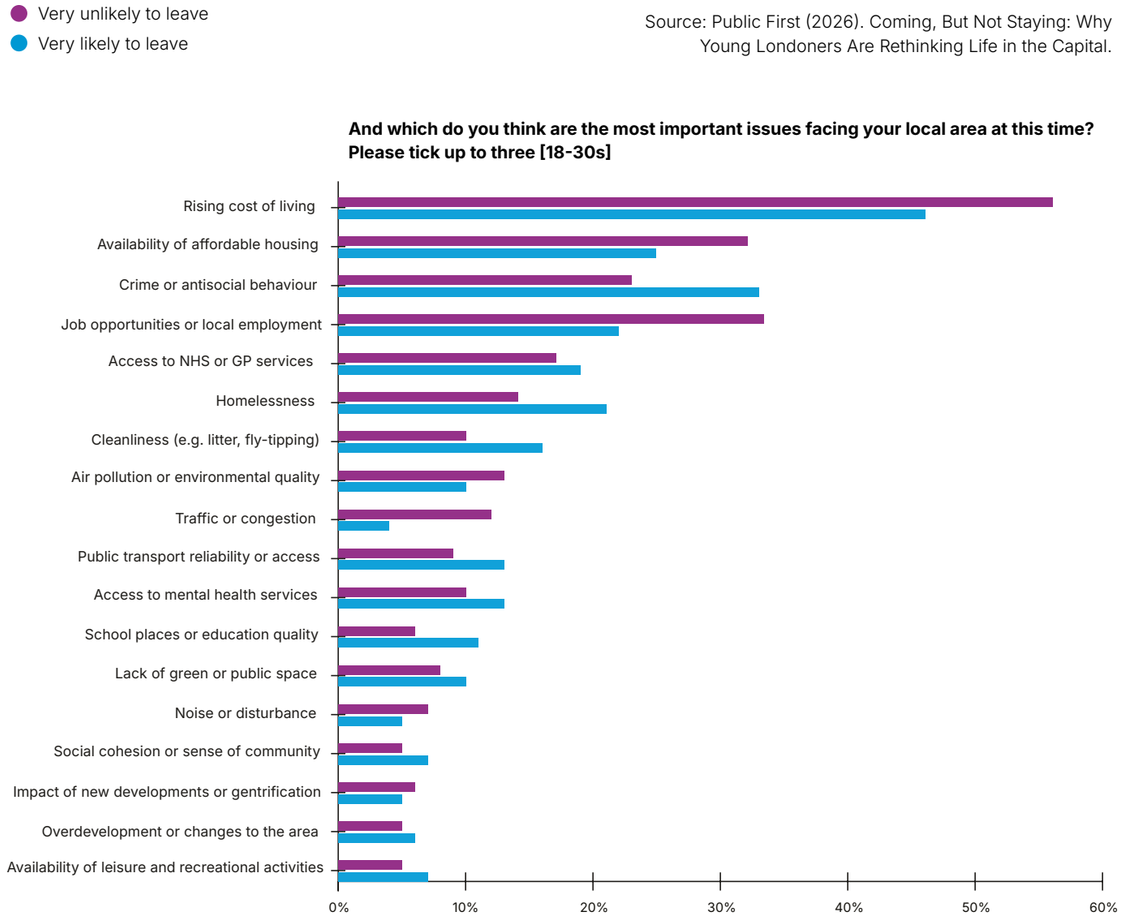
Figure 19: London's office stock is concentrated in older buildings that are harder to adapt to modern occupier requirements

London HQ office stock by age



Source: Centre for London analysis of JLL data 2026

Figure 20: Young Londoners cite rising cost of living and crime or antisocial behaviour as the top issues facing their local area



Source: Public First (2026). Coming, But Not Staying: Why Young Londoners Are Rethinking Life in the Capital.

Firgure 21: London's FDI growth has outpaced the global total over the long term
Number of FDI projects, London and the world (rebased, 2003=100)

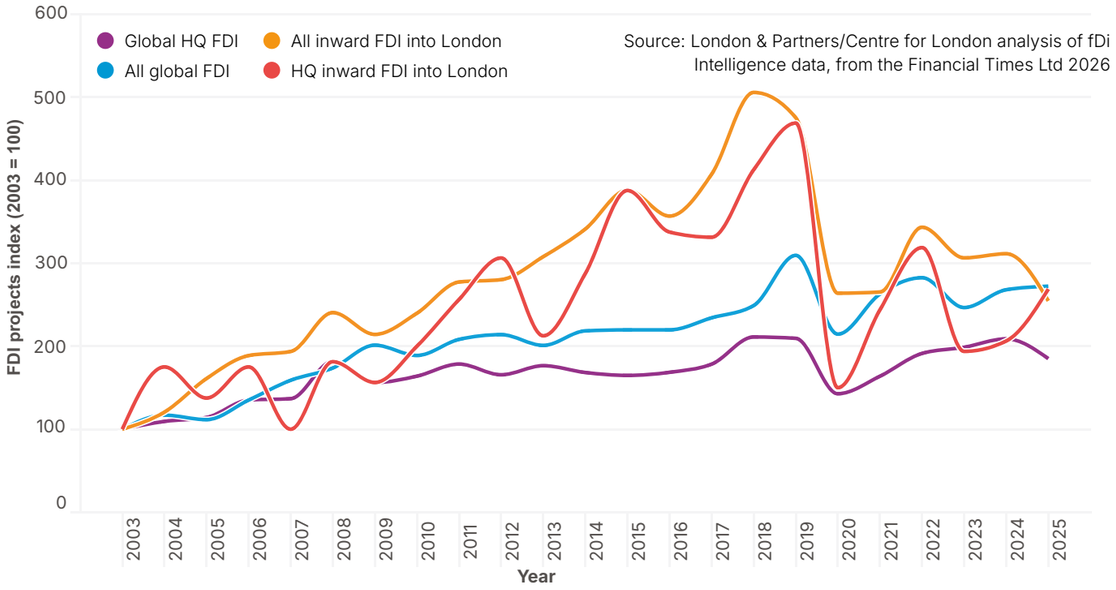


Figure 22: London's post-pandemic FDI recovery has been slower than the global average
Number of FDI projects, London and the world (rebased, 2019=100)

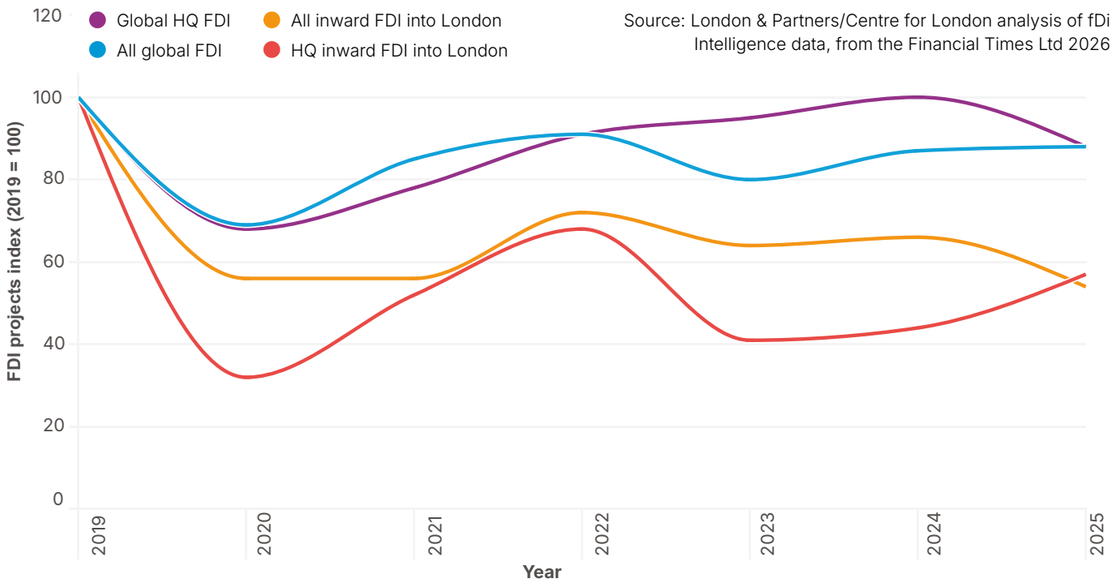


Figure 23:
London has attracted more HQ FDI projects than any other global city over the long term
Top 20 Global Cities for HQ Foreign Direct Investment by Number of Projects, 2003–2025

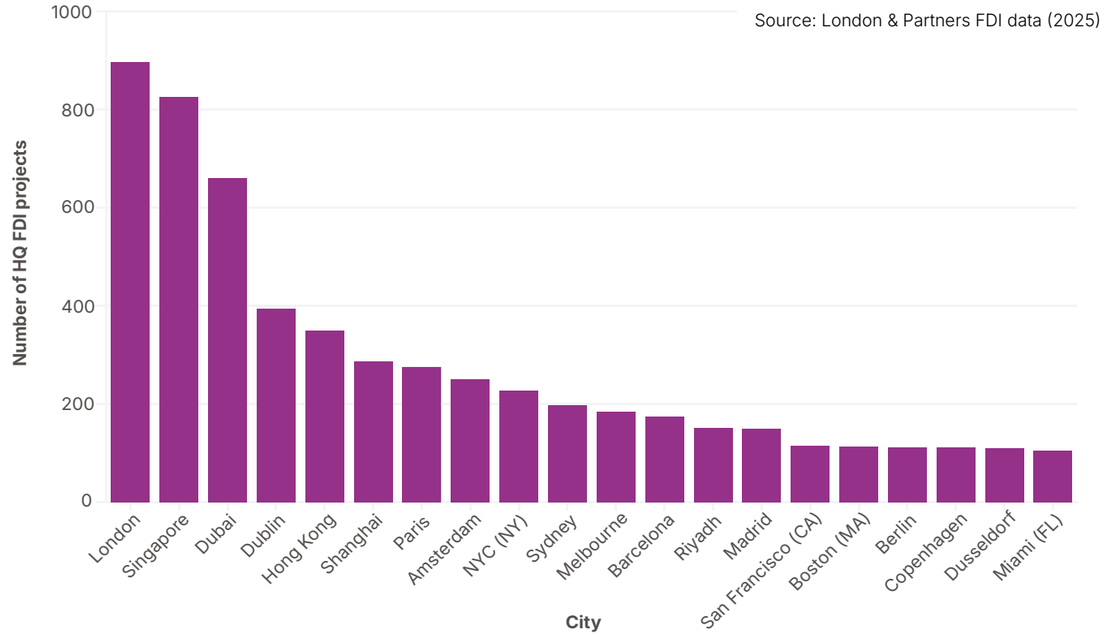
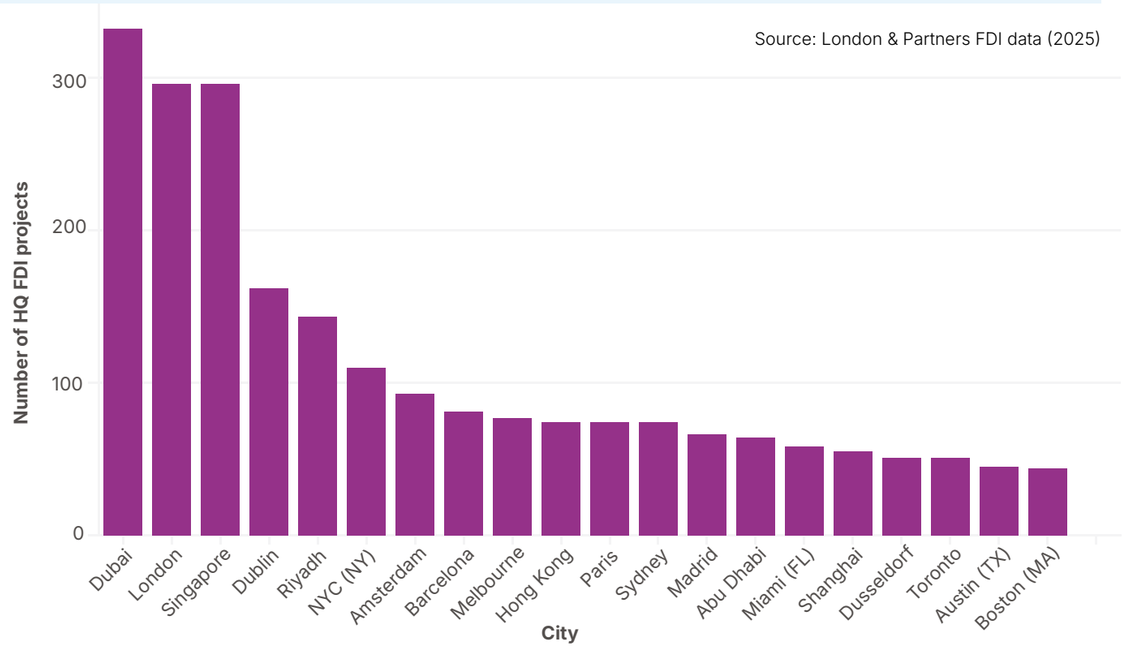


Figure 24: Since 2019, London has slipped to second among global cities for HQ FDI projects
Top 20 Global Cities for HQ Foreign Direct Investment by Number of Projects, 2019–2025



Endnotes

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