

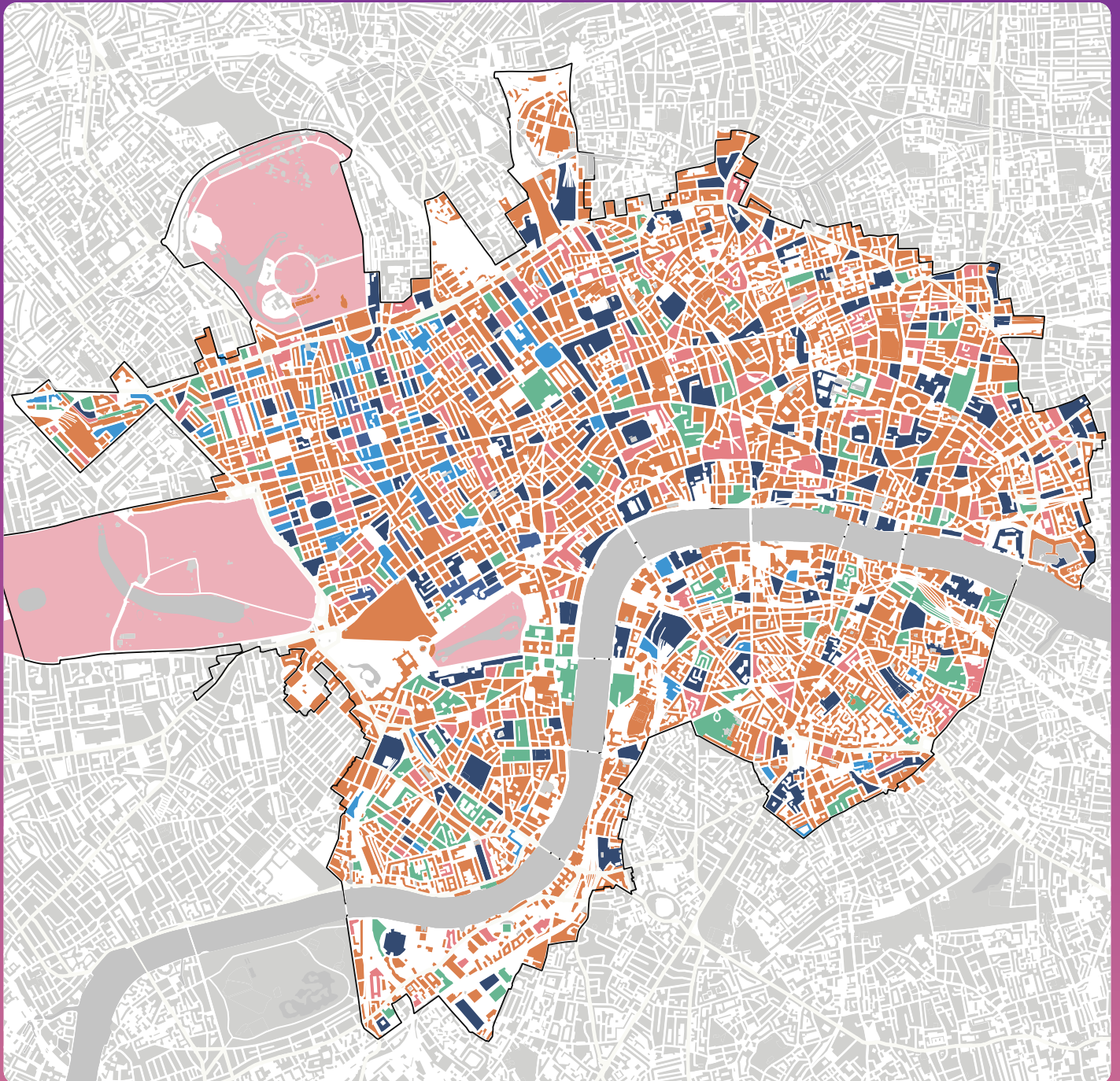
# Space for Change

## Office Space Dynamics in Central London

London Property Alliance

**WPA** | **CPA**  
Westminster Property Association | City Property Association

 **Knight  
Frank**



# About London Property Alliance

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

Combined we represent over 400 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 (CAZ). The Alliance delivers informative events, publishes innovative research and represents our members' interests to politicians and policymakers.

## Report Author



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# Introduction

There is a significant volume of secondary office space across the Central Activities Zone (CAZ), including within the key office markets of the City of London and West End. Much of this stock is concentrated along fringe streets and within mixed-use blocks, such as the City Fringe, Holborn–Midtown edges and West End backstreets. These buildings typically offer smaller floorplates, shallow cores and ageing services. Many are in conservation areas and/or listed, providing additional barriers to upgrade. Vacancy rates and leasing churn are disproportionately high in this segment, where landlords must offer greater incentives to appeal to occupiers. The rent gap relative to Grade A space has also widened as occupiers increasingly prioritise (Environmental, Social and Governance) ESG standards, amenity-rich locations and energy-efficient buildings.

Whilst much of the existing secondary stock could be upgraded through medium- to deep-level retrofit works, a portion risks becoming obsolete if not modernised – potentially dampening economic growth and failing to contribute to the cultural

and economic vibrancy of local communities. In addition, London currently offers just 12 floorplates of 40,000 sq ft or more – with only a few located in the West End – making it clear that secondary stock cannot adequately replace large Grade A space alone.

To close the quality gap whilst safeguarding the supply of Grade A offices and local economic activity, where retrofit is neither structurally nor commercially viable, and demand for office space remains weak – particularly on the fringes of core locations – targeted reuse or conversion to residential, student accommodation, or hotel uses can help to keep these buildings in use.

However, the priority must be a strategic programme of replenishment and renewal: retrofit where possible, new build where necessary, or a blend of the two. This is because central London faces a structural shortage of the workplaces and locations most in demand. To remain globally competitive and economically productive, the capital must deliver workplaces that bring quality,

scale and choice to its core areas whilst breathing new life into locations with secondary office buildings that cannot be retained.

We commissioned Knight Frank, using its extensive expertise and data, alongside the insight and experience from across both WPA and CPA membership bodies to examine the current office market landscape in the CAZ, with a focus on the core markets of the City of London and Westminster, where activity is most concentrated.

It provides an in-depth analysis of central London's secondary office stock – the segment most at risk of future obsolescence – and offers a series of recommendations to ensure a sufficient pipeline of modern workplaces that support economic growth. It provides new data, insight and analysis to shine a light on this important, but often misunderstood market. It suggests solutions for bringing underused secondary buildings back into productive use, so they can contribute to the economic and social prosperity of London's communities.

The CAZ is the UK's economic engine, contributing £315bn in annual GVA, with the City and Westminster comprising over £200bn of this total. High-quality offices are the engine rooms where much of this economic activity happens. Ensuring the replenishment and renewal of secondary office stock is essential to maintaining central London's competitiveness and vibrancy.

**Charles Begley**

Chief Executive,  
*London Property Alliance*



# Executive summary

London's office market is its engine room. The latest data indicates that office-based sectors support about **2.8m jobs across Greater London** and produce almost half of the capital's economic output – **close to £290bn in GVA per annum and around £105,000 per office job. Every 100 office jobs support roughly 40 jobs in supply chains and about 18 on the high street.**

This is concentrated in London's innovation districts where universities, hospitals, studios, investors and head offices all sit within a short walk, turning proximity into new products, ideas, businesses and jobs. These jobs generate spending power that sustains retail, hospitality and transport networks.

The office market is therefore not a neutral backdrop – it is a central driver of London's productivity, tax base and employment ecosystem.

**The City of London alone contributes almost 5% of UK GVA**, powered by its dense clustering of professional, legal and financial services firms. Westminster adds significant economic value through a mix of public institutions, headquarters functions and creative sectors. These districts succeed because ideas, capital and talent share the same streets, and **offices knit those pieces together, so work flows quickly.**

However, central London's office engine is running below capacity just when the capital needs it most. **Across the CAZ, office stock fell from 213 million sq ft in 2018 to 199 million sq ft in 2023** – a net loss of 14 million sq ft. The biggest falls were in Westminster (over 7 million sq ft) and the City of London (over 3 million sq ft), with further drops in Tower Hamlets, Southwark, Camden and Islington. Small gains in Hackney, Wandsworth and Lambeth have not made up the difference. Despite a chronic shortage of office space, what has been lost has not been replaced.

A mix of policy, market forces and macro-economic conditions has exacerbated a changing market reeling from the pandemic. Permitted Development Rights have made it easier to convert offices to homes whilst Article 4 directions preventing conversions were drawn tightly, so many fringe streets remained unprotected from conversion.

At the same time, the cost of upgrading older offices rose, finance costs went up and energy and sustainability standards increased. In many cases, the numbers did not stack up for deep refurbishment, so owners converted buildings or took space out of use.

## Quality definitions

|  |   |  |
|--|---|--|
|  | <b>Prime</b><br>The best quality buildings in the most desirable locations, typically with an EPC rating of A or B. |  |
|  | <b>Grade A</b><br>High quality new or comprehensively refurbished offices, typically with an EPC rating of A or B.  |  |
|  | <b>Grade B</b><br>Second hand offices offering reliable functionality, typically with an EPC rating of C.           |  |
|  | <b>Grade C</b><br>Basic buildings with minimal amenities, typically with an EPC rating of D-G.                      |  |

**Secondary offices**  
Older, second-hand assets from earlier cycles with smaller and irregular floor-plates, lower floor-to-ceiling heights, tighter cores and limited natural light in its current configuration.

## At a glance



Central London experienced a net loss of 14 million sq ft of office floorspace between 2018-2023. The biggest falls were in Westminster (over 7 million sq ft) and the City of London (over 3 million sq ft). As a result, the City of London is now the capital's largest office market, overtaking Westminster.



There is 147.1 million sq ft of secondary office space (Energy Performance Certificate (EPC) bands C-G) in the CAZ – around 56.4% of the total stock. About 101.5 million sq ft of this is located in the City of London and Westminster.



Demand continues to outstrip supply:

- Active demand in London remains high at 10 million sq ft – 7.0% above the long-term average.
- Prime vacancy across the CAZ is 0.8% and Grade A is 1.7%
- There is a shortfall of nearly 11 million sq ft of office space over the next five years.



There is £83.6bn of productivity gains to be unlocked by upgrading secondary office space to Prime or Grade A.



# Executive summary

However, the demand for office space did not disappear. Instead, it moved up the quality ladder as occupiers sought the highest specification workspace in the best-connected areas, in part to entice employees back to the office more frequently and attract talent in a tight labour market. **Since 2020, take-up has concentrated in the Prime and Grade A segment of the market, Grade C has shrunk and large single floorplates are scarce. The CAZ has just 12 ‘large’ floorplates of 40,000 sq ft and above available, with only two of these in the City of London and four in Westminster.**

**Overall, the current development pipeline will not fill this gap between demand for best-in-class space and supply.** On paper, the **15.4 million sq ft of office space due for delivery between 2025-2029 exceeds the 14 million sq ft lost between 2018-2023.** But, in practice, most of this is refurbishment that does not add net new space. A meaningful share is already spoken-for before completion through pre-lets and moves, and a fair slice of the remainder also fails to meet the demand – it sits outside of the City and Westminster, where the shortage is sharpest, or

delivers smaller or mid-specification space rather than Prime or Grade A offices with large floorplates. The result is a low pipeline in practice and a continuing shortfall.

In addition, a majority of CAZ floorspace – **about 147.1 million sq ft, or 56.4% of the total stock** – can be classed as secondary stock, sitting in EPC bands C-G. This challenge is most visible in central London’s most economically productive areas – the West End, Midtown, the City and the City Fringe.

There is a growing need to upgrade these buildings, which in turn presents the opportunity to drive significant economic growth. By today’s benchmarks, **this EPC C-G pool underpins £262bn of investment value, £11.4bn a year of Prime rent to retain and grow, and an increase of £83.6bn in economic output over the next decade if this floorspace is transformed into Prime and Grade A.**

## Overview of key recommendations



### 1. Major office schemes as critical ‘economic’ infrastructure

National planning policy should class major office schemes in city centres as critical economic infrastructure, ensuring that these projects are given ‘very significant weight’ in planning decisions in recognition of their economic and strategic importance to the UK economy. This would put them on the same footing as gigafactories and data centres. In addition, the London Plan should provide a streamlined, time-bound planning route for the retrofit or redevelopment of major office schemes with large, flexible floorplates in recognition of their economic significance. Offices underpin the UK’s service sector economy, which accounts for 84% of jobs and 83% of GVA.



### 2. Economic growth as a public benefit

Economic growth, employment, business opportunities, and productivity should be explicitly recognised in planning policy as a public benefit. This acknowledges that creating jobs and supporting businesses is a societal gain in its own right, not merely a by-product of development. It also reinforces the case for office and commercial projects, ensuring that the spaces needed by modern workforces are delivered where they are most required.



### 3. Address delivery barriers to unlock development

The biggest single barrier to intervention is development viability, exacerbated by a complex and challenging planning environment. Planning obligations and requirements do not reflect the reality of development viability, which has fundamentally changed as a result of increased cost pressures. Planning authorities should reduce and streamline the costs, obligations and regulatory requirements placed on schemes, concentrating on what is genuinely essential for viable delivery.



### 4. Preventing the loss of office space in the CAZ

Total office floorspace across the CAZ should be tracked to ensure it retains enough viable, modern workspace to support jobs, productivity and investment. Without regular monitoring, small, incremental changes such as conversions, long-term vacancies and piecemeal losses can erode London’s economic engine room. Clear indicators and triggers for review should be required to make sure policymakers can intervene before the problem becomes structural, whilst publishing results on a single CAZ map makes trends transparent across borough boundaries.



### 5. Targeted change of use

The London Plan should require boroughs to identify broad areas or types of streets where converting office space to other uses should be more easily allowed. These locations might be characterised by limited office demand, a high proportion of residential or non-commercial uses, low deal activity, or concentrations of older secondary office stock. Outside of these defined areas, policy should allow change of use only where there is clear evidence of sustained lack of demand, economic obsolescence, and an assessment showing that retrofitting or redevelopment as an office is not viable compared with alternative uses.



### 6. Back the Elizabeth line nodes

Capacity and public realm upgrades at Tottenham Court Road, Bond Street, Farringdon, and Liverpool Street should be prioritised to harness demand for well-connected workplaces and maximise the value of the Elizabeth line. At Whitechapel, Canary Wharf and Stratford, focus investment and built-environment improvements on areas with the strongest occupier demand and the greatest potential for larger floorplates. This will enhance central London’s appeal to global occupiers who might not usually consider locations beyond the core but could be drawn by the quality of workspace and connectivity offered by Elizabeth line stations.

# Part 1

## The central London office market

### London’s Central Activities Zone (CAZ)

The CAZ refers to London’s geographic, economic and cultural core and straddles ten of its boroughs.

Despite its geographical distinctiveness, the Northern Isle of Dogs, which includes Canary Wharf, maintains close functional ties with the CAZ, particularly concerning its role in global financial and business services. Consequently, it is frequently considered alongside the CAZ by planners and economists when examining London's core, with the combined area being termed the CAZ+.

Despite occupying just **2.2% of Greater London’s land area**, the **CAZ+ area contributes to almost half (48%) of London’s GVA and accounts for 41% of its jobs**. It is home to **65% of all office floorspace within London, underlining its position as the business and employment heart of the capital**<sup>1</sup>.

Table 1: CAZ+ area of intersect with London boroughs

| Area                   | Area of intersect (sq km) | Share within CAZ+ |
|------------------------|---------------------------|-------------------|
| Westminster            | 14.4                      | 67%               |
| Camden                 | 4.2                       | 19%               |
| Southwark              | 4.0                       | 14%               |
| City of London         | 2.9                       | 100%              |
| Tower Hamlets*         | 2.6                       | 13%               |
| Islington              | 2.4                       | 16%               |
| Lambeth                | 2.1                       | 8%                |
| Wandsworth             | 1.0                       | 3%                |
| Kensington and Chelsea | 0.6                       | 5%                |
| Hackney                | 0.5                       | 3%                |
| CAZ+ total             | 35.0                      |                   |

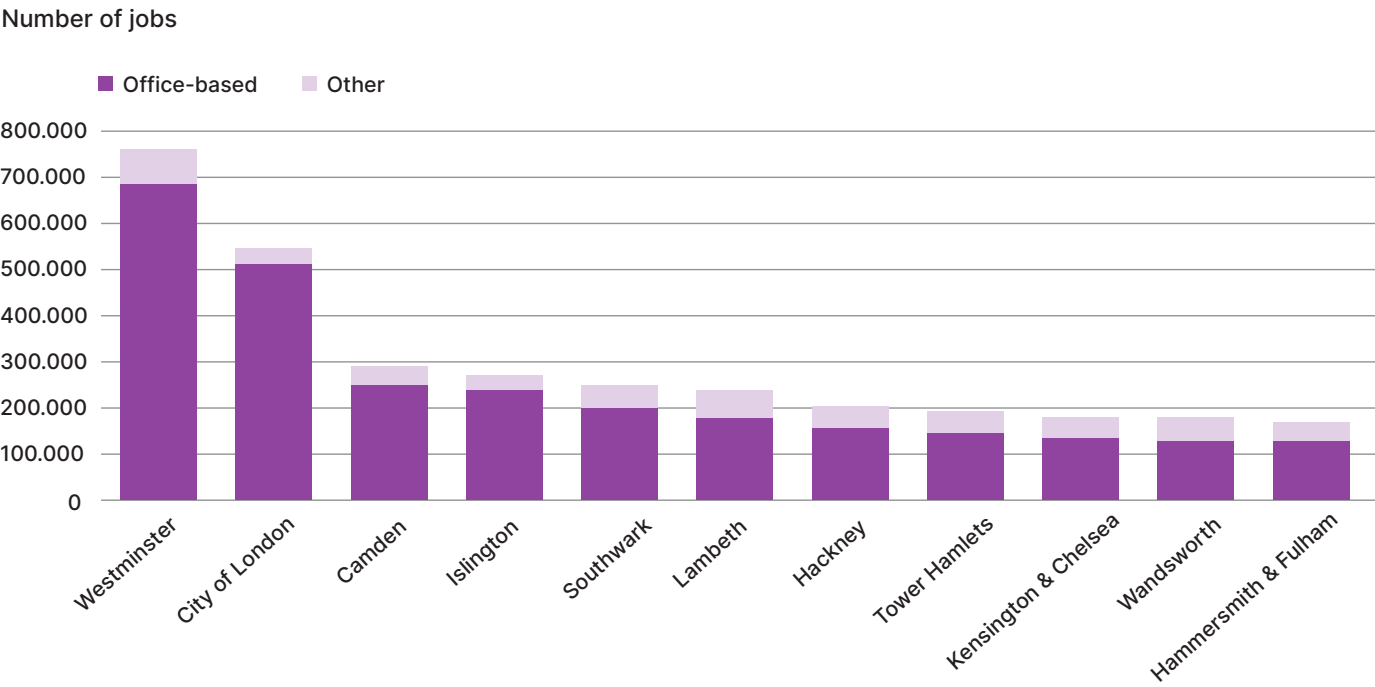
\*Figures for Tower Hamlets include the Northern Isle of Dogs

### Economic contribution of offices in the CAZ

Latest data indicates office-based sectors support approximately **2.8m jobs across Greater London and produce close to £290bn in GVA per annum** - almost half of the city’s economic output, equivalent to **roughly £105,000 per office job**. For every **100 office jobs**, an additional **40 are supported through supply chains and about 18 through local high street activity**.

Much of this is concentrated within London's key innovation districts, where universities, hospitals, creative studios, investors, and corporate headquarters cluster together, turning proximity into collaboration and new opportunities. The income from these roles drives spending that underpins retail, hospitality and transport services across the capital.

Figure 1: Employment by borough



Source: Knight Frank Insight

<sup>1</sup> Good Growth in Central London, London Property Alliance, 2024. Accessed via: <https://www.londonpropertyalliance.com/good-growth-in-central-london-2/>



A falling supply of office stock in central London

Between 2018 and 2023, **office floorspace across central London fell from 213 million sq ft to 199 million sq ft**. This equates to a reduction of **14 million sq ft or 6.5%**. The decline has been most pronounced in Westminster and the City of London, which together account for more than **10 million sq ft of lost space**. Additional reductions have occurred in Tower Hamlets, Southwark, Camden and Islington. Hackney, Wandsworth and Lambeth each recorded modest growth but from relatively small bases and nowhere near sufficient to offset the wider contraction.

The loss of stock reflects a mix of policy and market forces. The extension of Permitted Development Rights has enabled the conversion of offices to residential across parts of central London. **Article 4 Directions have been used to protect the core commercial areas**, but government guidance requires these to be narrowly defined which has **left secondary and fringe locations exposed**. At the same time, development viability has become increasingly challenging. The cost of refurbishing older offices to meet modern occupier standards has risen, ESG requirements have escalated sharply, whilst higher finance costs have further eroded project feasibility. For many owners, conversion

or disposal has been more viable than investing in deep refurbishment.

The contraction is especially striking given the context of the Elizabeth line’s opening in 2022. This was intended to be a catalyst for office growth by expanding labour catchments and reinforcing central London’s locational advantages. Instead, office stock has fallen, and lost space has not been replenished. The result is a missed opportunity: whilst major transport investment has improved connectivity, the contraction of office space has constrained its ability to drive productivity gains.

Looking forward, the pipeline of new and refurbished offices in the CAZ is limited. Some Prime and Grade A developments are progressing and demand for them is strong, but the volume of new stock in planning and under construction is low by historic standards. In practice, this means much of the office space lost between 2018 and 2023 will not return to the market in the foreseeable future. **Without stronger protection against conversion and more support for retrofit, redevelopment and intensification, London risks locking in a structural undersupply of offices just as demand for high-quality space is increasing.**

Table 2: Office stock by borough (million sq ft)

| Area               | 2018  | 2023  | Change in office stock (net) |
|--------------------|-------|-------|------------------------------|
| Westminster        | 58.5  | 51.4  | -7.1                         |
| City of London     | 60.1  | 56.5  | -3.6                         |
| Tower Hamlets      | 26.6  | 24.7  | -1.9                         |
| Southwark          | 14.5  | 13.3  | -1.2                         |
| Camden             | 24.8  | 23.6  | -1.2                         |
| Islington          | 14.3  | 13.7  | -0.6                         |
| Lambeth            | 5.6   | 5.7   | 0.1                          |
| Wandsworth         | 2.8   | 3.2   | 0.4                          |
| Hackney            | 6.2   | 7.5   | 1.3                          |
| Total CAZ Boroughs | 213.3 | 199.4 | -13.9                        |

Source: ONS

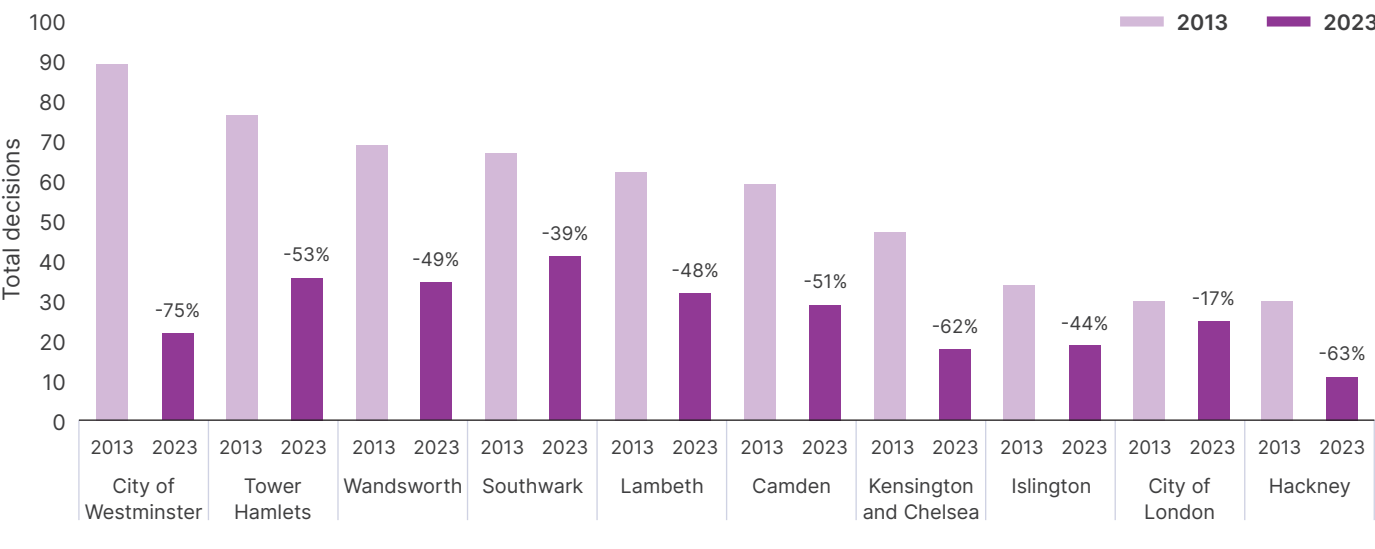
The planning pipeline

There has been a marked slowdown in major (classified as over 1,000 sqm, or 10,764 sq ft) planning applications decided in CAZ+ boroughs, **with levels down by 54% between 2013 and 2023**. Volumes of major applications represent a good proxy for development activity, which can be further correlated to future economic growth.

Whilst Westminster remains one of the busiest planning authorities in the country in terms of the

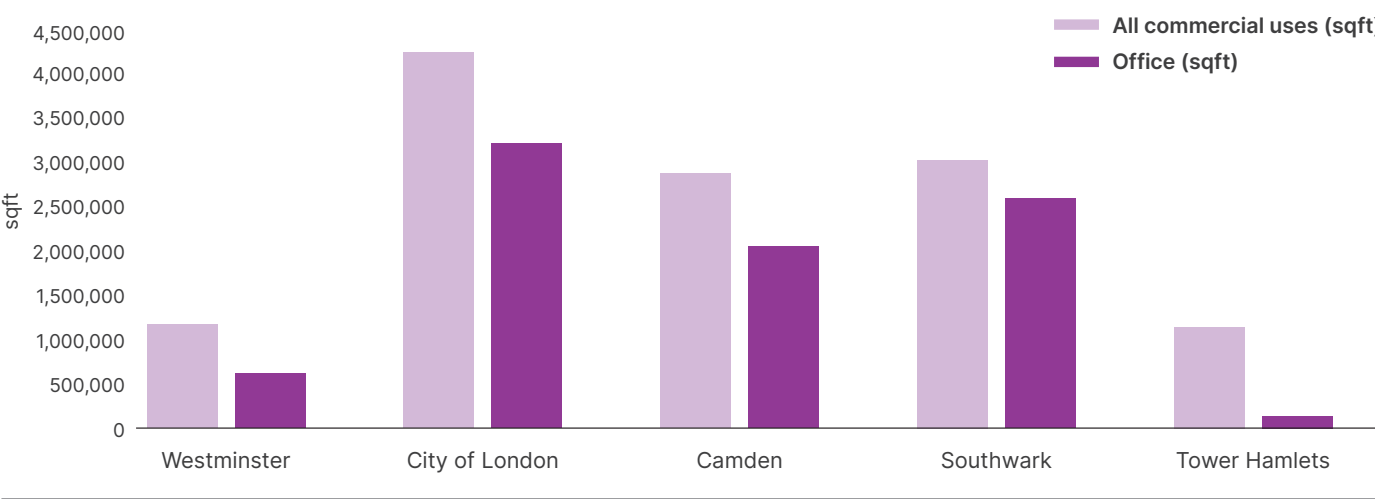
volume of applications received (4,689 in 2023), it also experienced the biggest relative decrease in total application numbers, especially for major ones (**-75% between 2013 and 2023**). Most of its application volume is driven by minor applications, which have limited impact on future growth perspectives.

Figure 2: Major planning applications (>1,000 sqm) decided in CAZ+ boroughs and 2013-2023 percentage change



Source: DLUHC Planning Application Statistics, City of London Corporation for City of London data points

Figure 3: Major planning applications (>1,000 sqm) for office and total commercial floorspace (sq ft) receiving resolution to grant at committee, January 2023-May 2024



Source: Borough Planning Committee reports, Newmark analysis

## Availability and vacancy

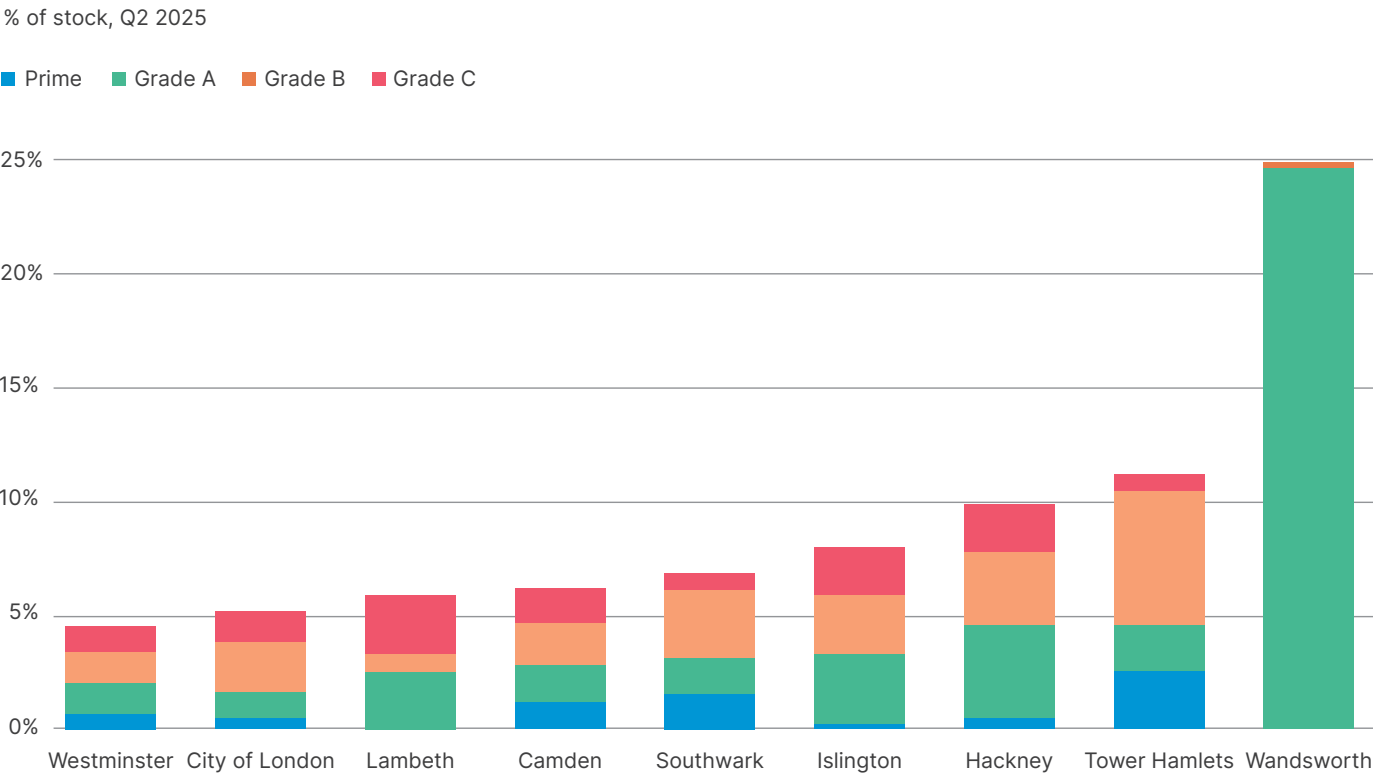
Prime vacancy across the CAZ is 0.8% and Grade A is 1.7%. Both sit well below the combined Grade B and C vacancy rate of 3.5%. The contrast is clearest in Westminster and the City of London, where Prime and Grade A space is in short supply. Lambeth, Wandsworth and Westminster have Grade B and C vacancy rates below the CAZ average, demonstrating core locations within the CAZ have high levels of availability of secondary space.

Furthermore, the CAZ has very few big single floors available. There are only 12 floorplates of 40,000 sq ft and above, only two sit in the City of London and four in Westminster. For these bigger requirements, a true like-for-like option is often like finding a needle in a haystack.

Large floorplates appeal to occupiers as they keep teams on one level, shorten the distance between functions and make collaboration areas work without breaking up departments. They simplify the use of space for hybrid working, allow clean subdivision for growth or consolidation, and support shared amenities without giving up too much net area to circulation. The result is smoother operations, better client experience and space that adapts as needs evolve.

Put together, the lack of large plates and the low Prime and Grade A vacancy create a narrow choice in the core. Where big, high-quality floors are available, they tend to let faster. This has resulted in strong pricing for the limited pool of large, well-specified floors and softer performance where space is smaller, older, or both.

Figure 4: Vacancy rates by quality (CAZ)



Source: Knight Frank Insight

38 Berkeley Square is an 86,000 sq ft office development by Berkley Estate Asset Management in Mayfair, and was pre-let to Chanel in 2023 to become its global headquarters.





## Central clusters and Elizabeth line effect

Since 2020, 7,087 office lettings have been recorded across 2,283 distinct locations, with activity clustering most heavily around the Elizabeth line core and within the CAZ. The West End accounts for half of all deals, anchored on Tottenham Court Road and radiating across Soho, Fitzrovia and Bloomsbury – areas where step-free interchanges, wider pavements and clearer wayfinding now dovetail with dense amenity (hospitality, retail, gyms and third-space options).

Core office locations in the City represent 29% of lettings, with intensity around Farringdon and Liverpool Street, extending into Clerkenwell, Shoreditch and Spitalfields where high-quality workspace, CAT A+ and managed options have accelerated take-up. The Fringe captures 21% – a meaningful share – but market activity is more

dispersed, reflecting mixed stock and uneven amenity maturity.

In addition, the Elizabeth line has lifted Paddington’s market appeal, particularly for occupiers coordinating same-day client sessions from Reading, Heathrow and the Thames Valley without interchanges. By contrast, Whitechapel, Canary Wharf and Stratford still show fewer completions. Here, the Elizabeth line arrived first, whilst neighbourhood amenity, public realm and Grade A pipeline are still catching up. For policymakers, the focus should be on aligning transport interfaces with placemaking (active frontages, safe night-time routes, micro-mobility parking, and clear last-mile wayfinding) to convert footfall into firm occupational demand more evenly across nodes.



Sitting above Bond Street’s Elizabeth line entrance, Hanover Square offers 167,785 sq ft of office space.

## Upcoming demand is high

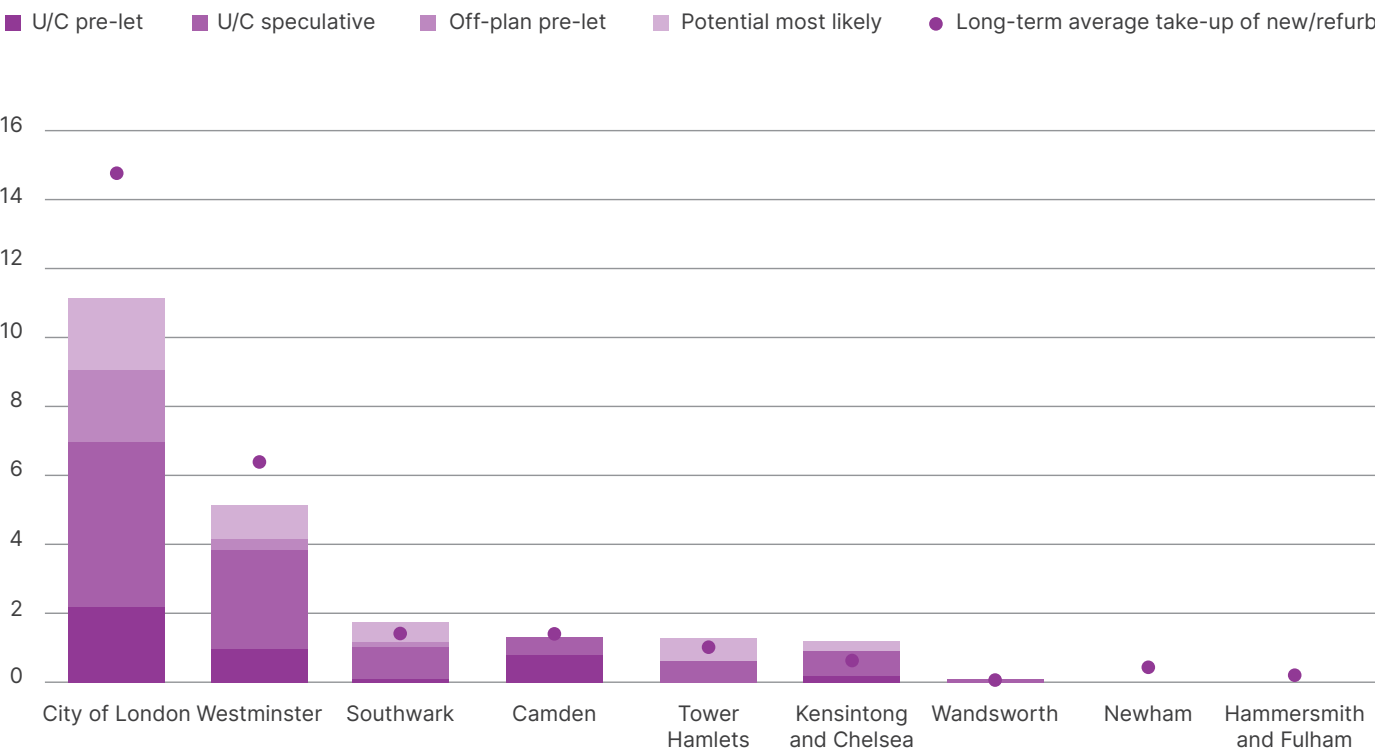
Demand from occupiers seeking workspace remains high in London, currently sitting at 10 million sq ft. This is 7.0% above the long-term average, with the professional sector accounting for 36.4% and financial services 30.8% of live requirements. A large share of the roles feeding this growth is also in London’s creative economy and adjacent knowledge-intensive sectors. For example, design and advertising, film and post-production, games and digital content, architecture and engineering studios, and product and research teams.

These activities gravitate to dense, connected districts because proximity helps ideas move, allows talent networks to deepen and clients are close at hand. Buildings that support this work offer generous daylight, reliable digital infrastructure, flexible plates for team zones and labs or studios,

shared spaces for showcases and learning, and easy access to transit and local amenities.

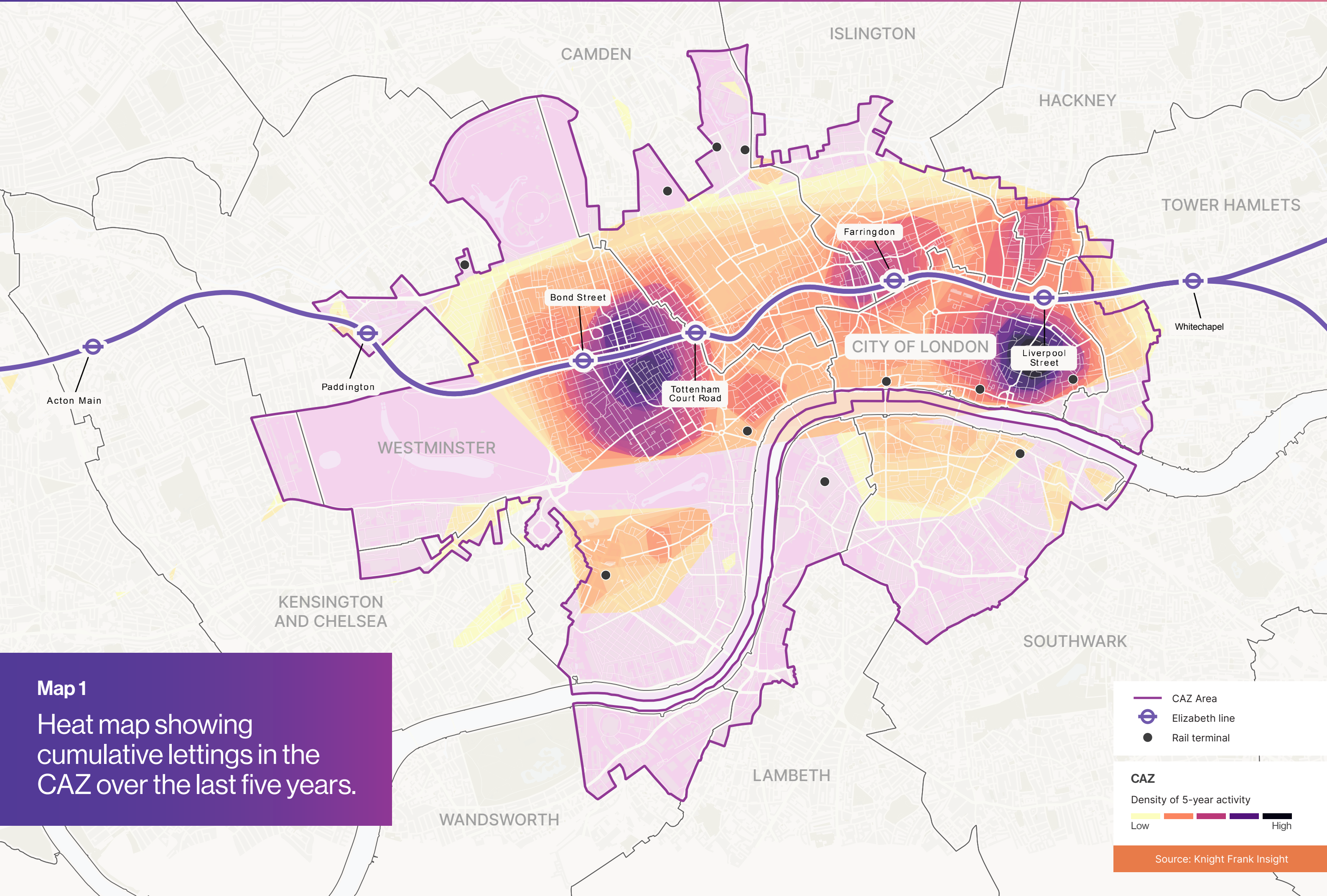
Many of today’s searches are therefore in the higher size bands, which puts a further focus on buildings with larger, regular floorplates in the core. Moreover, occupiers with leases expiring within the next few years are starting their searches earlier, cognisant of the lack of choice they will likely face from a thin development pipeline.

Figure 5: Under construction (U/C) and potential pipeline by submarket and average take-up of new/refurb (London)



Source: Knight Frank Insight





Map 1  
Heat map showing  
cumulative lettings in the  
CAZ over the last five years.

CAZ Area

Elizabeth line

Rail terminal

CAZ

Density of 5-year activity

Low

High

Source: Knight Frank Insight



# Part 2

## The secondary office market story

### The evolution of workplace specifications

The post-pandemic years have set in motion one of the most significant shifts in workplace dynamics for decades. The return to the office has been uneven: whilst some firms push for full-time presence, most are settling into hybrid models. This shift has recalibrated workplace economics – fewer desks are required on a per-head basis, but occupiers are simultaneously seeking more space per employee. **The paradox is striking: a leaner headcount footprint, but greater emphasis on wellbeing, collaboration zones and client-facing areas.** Yet in the City of London, a shortage of large, contiguous floorplates is nudging occupiers back towards higher density occupation, a reversal of the looser, post-Covid layouts seen in the early part of this cycle.

### How occupier trends are shaping demand

Occupiers are increasingly vocal about their requirements, and a hierarchy of preferences has emerged. Location and connectivity remain paramount. Proximity to major transport hubs is now seen as a productivity asset, not just a convenience. Sustainability credentials have moved from “nice to have” to essential, with some firms under pressure to meet ESG commitments. Large, flexible floorplates are highly prized, allowing for agile working patterns, whilst amenity-rich environments – in and around the building – are viewed as crucial for talent attraction and retention. Features such as generous floor-to-ceiling heights, natural light, and

wellness amenities have become symbols of quality and brand alignment.

As these preferences crystallise, they are reshaping how quality is defined across the London office market. Occupiers are no longer willing to compromise on fundamentals such as location, sustainability, design and layout, and wellness. Landlords are under pressure to demonstrate how their buildings meet these rising expectations.

Overall, there is an increased focus on connectivity and workspace quality, as employers aim to encourage more frequent office attendance, boost productivity, and attract and retain top talent.

### What does a secondary building look like?

Secondary offices are buildings that sit outside the Prime and top-tier Grade A bracket and are usually classed as Grade B or C. From an occupier’s point of view, they tend to be older, second-hand assets from earlier cycles with smaller and irregular floorplates, lower floor-to-ceiling heights, tighter central building cores and limited natural light in its current configuration. Typical typologies include 1980s and 1990s stock, mid-rise perimeter block buildings, or deep-plan schemes where daylight drops off quickly from the façade. ‘End of trip’ facilities for cyclists and other active commuters are often basic, with dated showers and minimal cycle storage, and receptions are functional rather than welcoming. Digital infrastructure can be patchy, and building systems may deliver inconsistent air quality and temperature control across the floor, undermining productivity and wellbeing.

In day-to-day use, these buildings require more compromise. Meeting rooms and collaboration areas can feel squeezed, noise can be harder to control and wayfinding is less intuitive. ESG performance often lags behind modern expectations, which can limit a firm’s ability to meet internal sustainability targets. Whilst secondary space can offer value on rent, it rarely offers an engaging or high-quality user experience without targeted upgrades, for example improved lighting, refreshed amenities, better end of trip provision and selective reconfiguration to create more open and flexible floorplates.

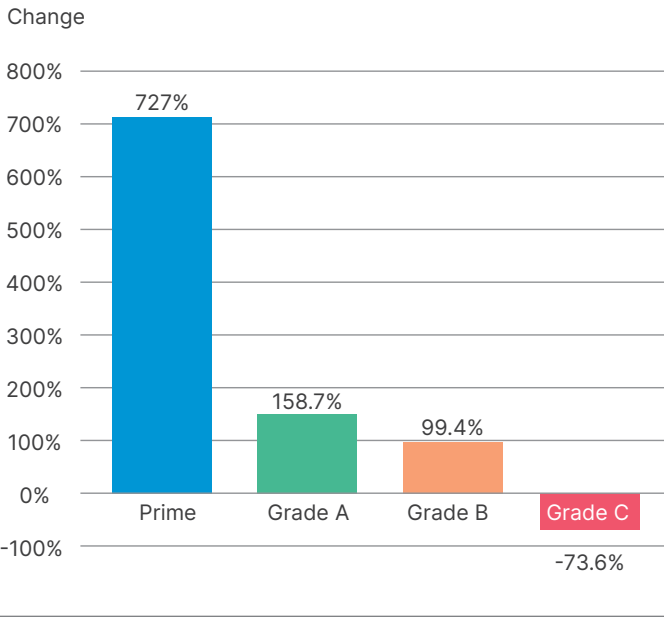
### Increasing polarisation of lettings activity

Since Q4 2020, annual take-up in the CAZ has diverged by specification as occupiers sought better quality workplaces.

Across the same period, Prime and Grade A space represents 60% of the total take-up of floorspace.

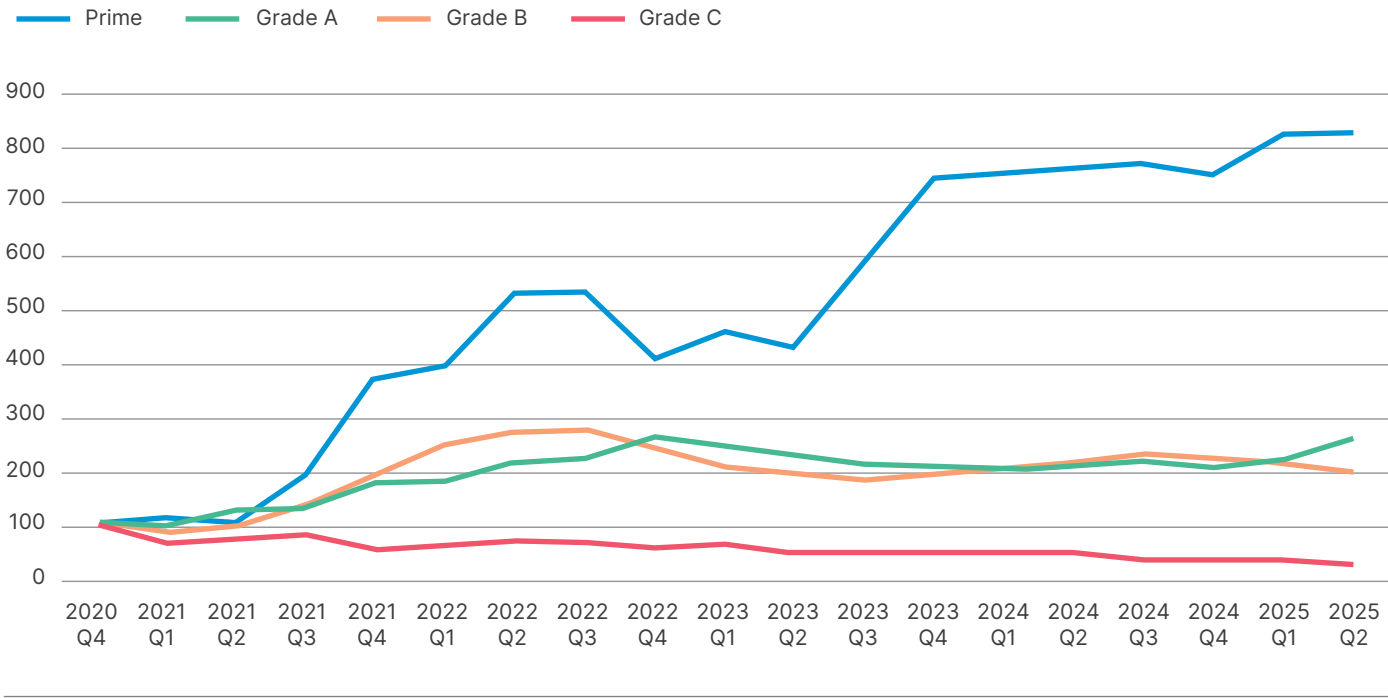
In the City of London, this share rises to almost 70% whilst Prime and Grade A take-up stands at around 50% in Westminster, where heritage buildings and smaller floorplates can constrain top-tier supply.

Figure 6: Annual leasing of floorspace by grade since Q4 2020



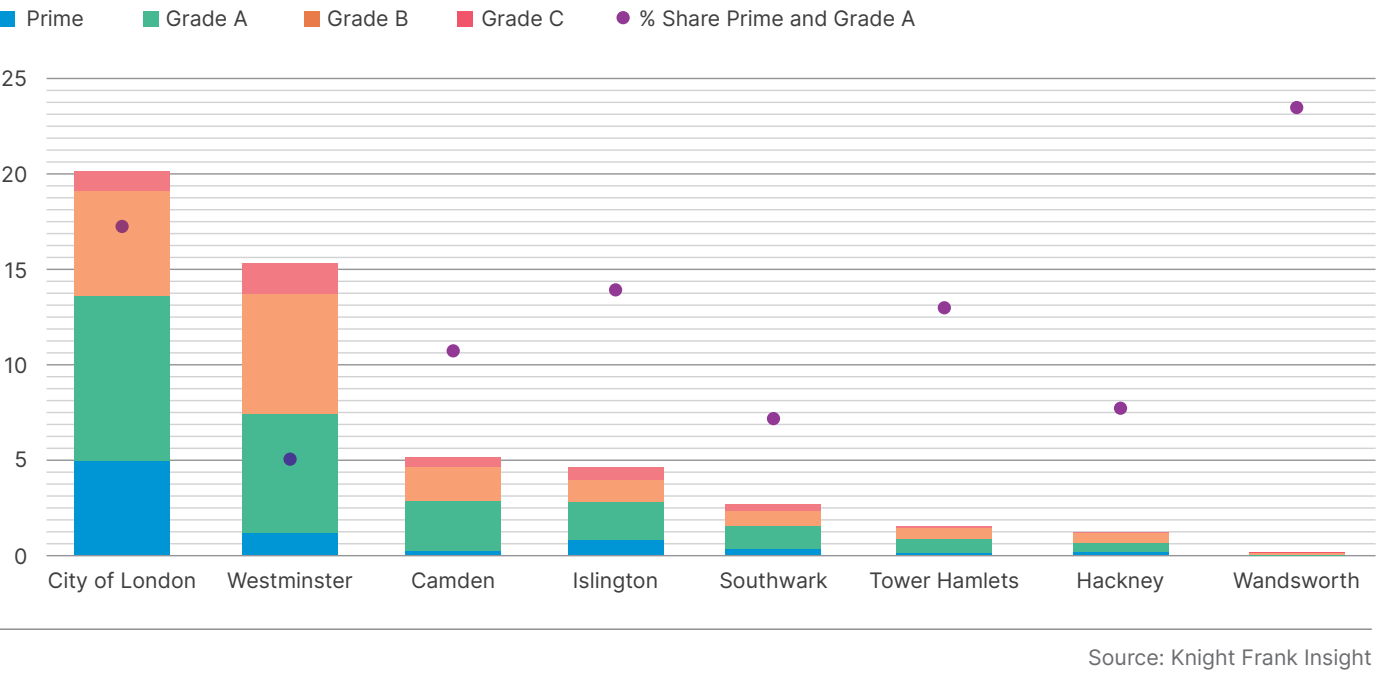
Source: Knight Frank Insight

Figure 7: Take-up by Grade (CAZ)



Source: Knight Frank Insight

Figure 8: Take-up by quality (CAZ)



EPC ratings & secondary market by volume

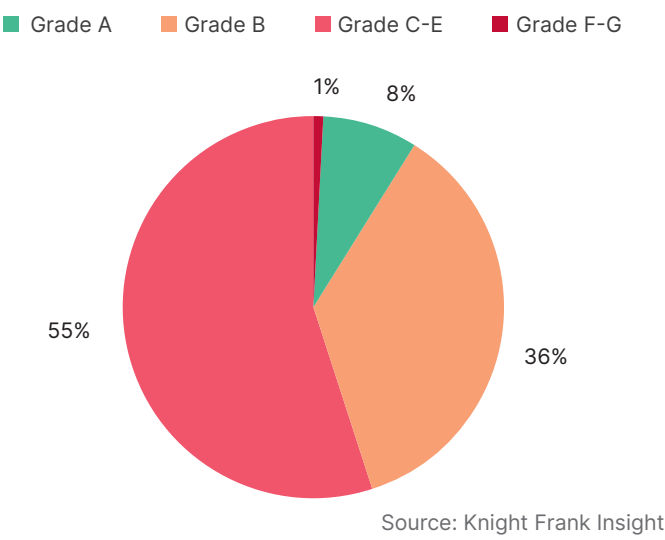
To let out a building, residential and commercial properties legally require an Energy Performance Certificate (EPC), which states the energy efficiency of that building. A rating will range from A, the most efficient to G, the least efficient.

In 2018, the Government first introduced Minimum Energy Efficiency Standards (MEES), which set the minimum energy performance level a property must meet before it can be leased. Since then, MEES has been extended to apply to existing leases (not just new ones), making it unlawful to grant, renew or continue to let non-domestic space with an EPC rating below E without an exemption as of 1 April 2023. In 2020 the Government consulted on proposals to raise the minimum rating of non-domestic Minimum Energy Efficiency Standards, which proposed raising the minimum rating to EPC B by 2030<sup>2</sup>. The design and timings of updates to MEES is still under Government review.

In practice, offices rated EPC F-G sit at the legal edge, whilst those in bands C-G form the strategic

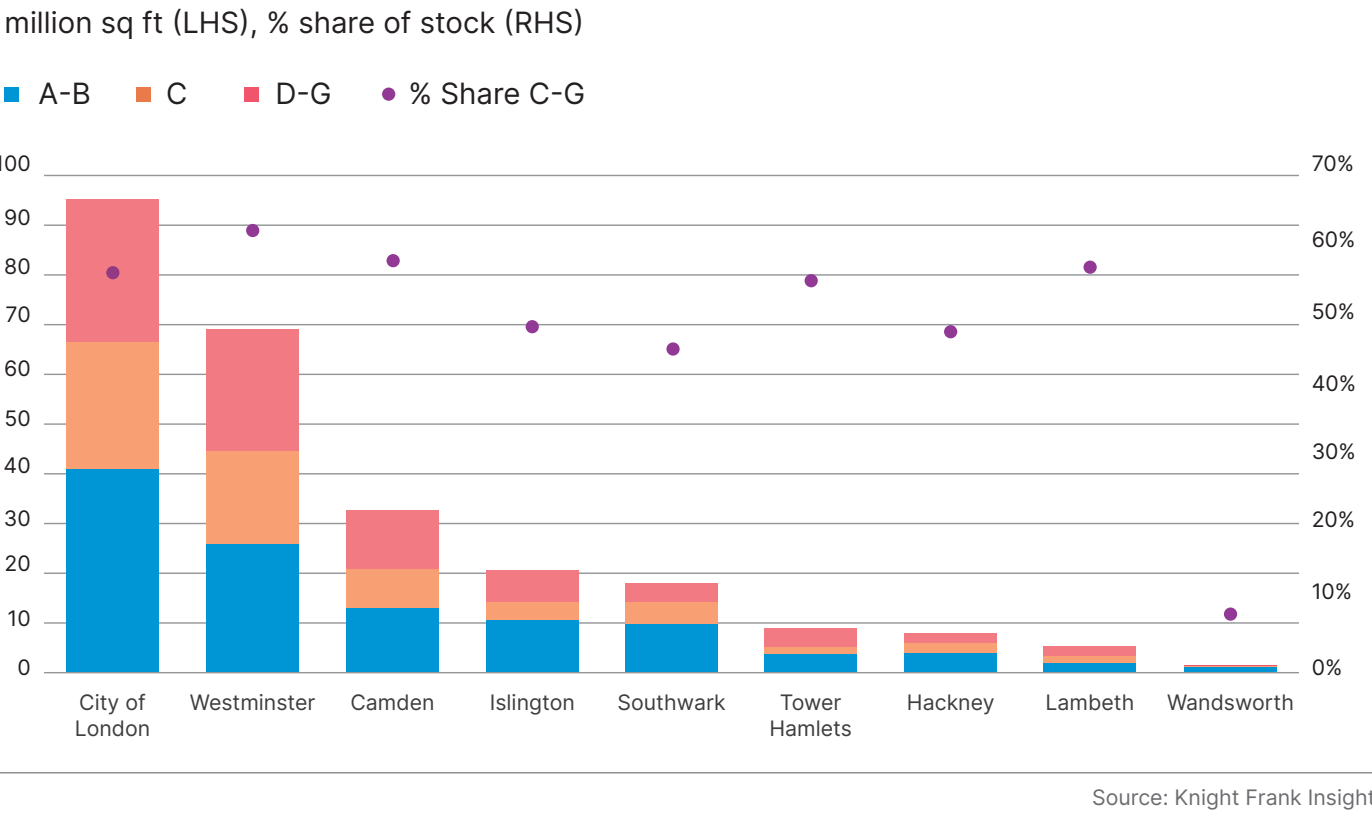
gap that will shape pricing, liquidity and leasing power – and where the buildings most likely to be classified as ‘secondary’ fall. **Across the CAZ, more than half (56.4%) of office floorspace falls within this C-G range, including in the highest value districts of the City of London (56.8%) and Westminster (62.3%).**

Figure 9: CAZ floorspace by EPC rating



<sup>2</sup> Accelerating to Net Zero: Responding to the CCC Progress Report and delivering the Clean Energy Superpower Mission, HM Government. Accessed via: <https://assets.publishing.service.gov.uk/media/67619987d20fc50099e1902f/committee-on-climate-change-2024-government-response.pdf> 13 October 2025

Figure 10: EPC ratings by borough 2025 (CAZ)



EPC C-G clusters – a geography of opportunity

Approximately **6,545 units are rated EPC C-G across 4,577 central London locations**. The pattern forms a **continuous east-west axis that follows the CAZ and the Elizabeth line**, linking Paddington, Tottenham Court Road, Farringdon, Liverpool Street, Whitechapel, Canary Wharf and Stratford. Within this spine, the most intense concentrations lie in the West End, running from Marylebone through

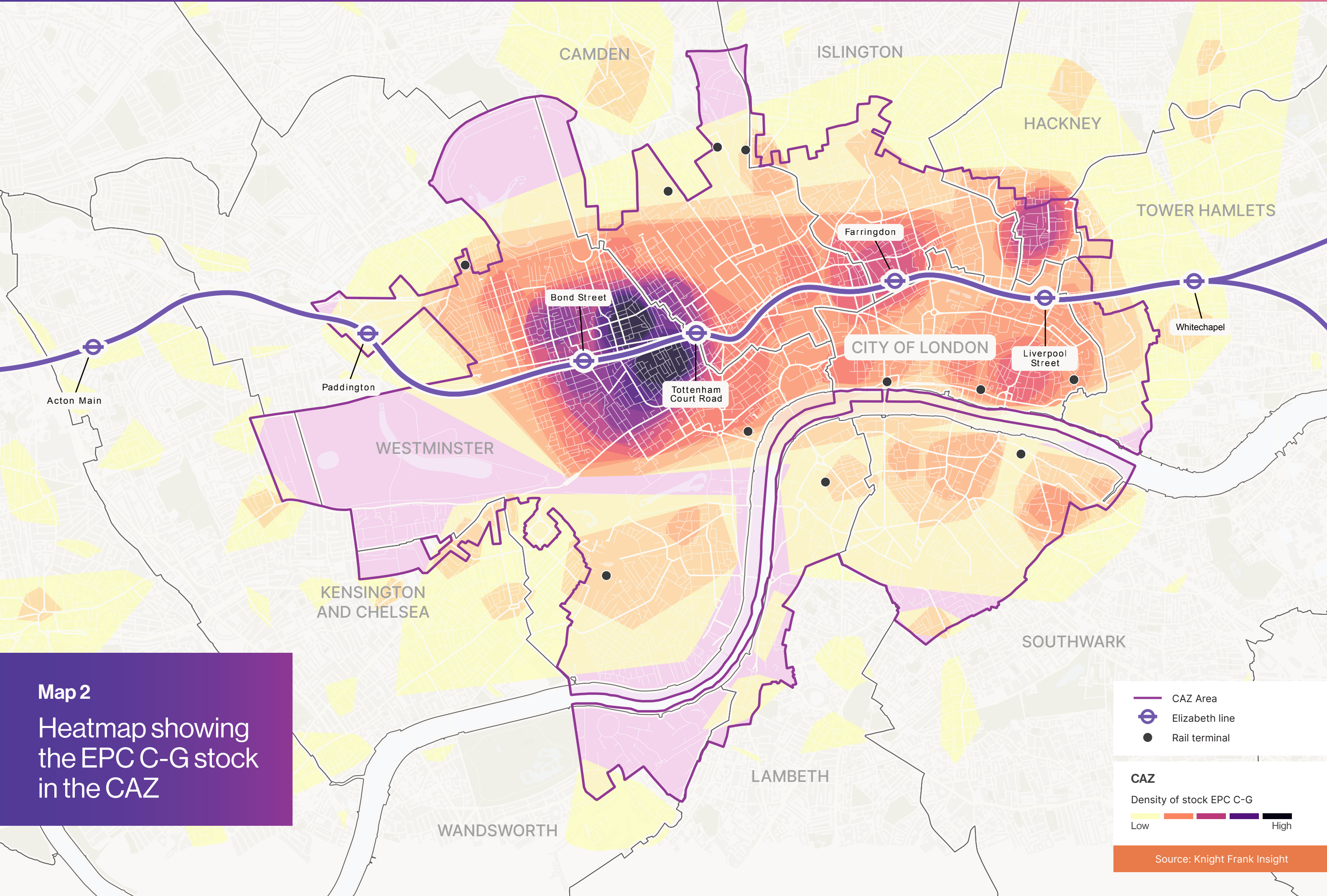
Soho, Fitzrovia and Bloomsbury, then continuing through Holborn and Midtown into the City core and the City Fringe, including Clerkenwell, Shoreditch, Spitalfields and Aldgate. Beyond the core, coherent bands appear along the South Bank and Bankside into London Bridge and Borough, on the Marylebone and Paddington fringes, and along east-of-City corridors that follow established high streets.

Heatmap of the EPC C-G stock in the CAZ

Map 2 (Heatmap of the EPC C-G stock in the CAZ) highlights where buildings are most likely to need improvement. Office upgrades are more likely to be successful where excellent transport meets high-quality public realm and local amenity. At Paddington, Tottenham Court Road, Farringdon and Liverpool Street, step-free interchange, wider pavements, clearer sightlines and better wayfinding shorten the last-metre experience and raise the

lettability of upgraded space. At Whitechapel and Canary Wharf, connectivity is already strong, but outcomes will improve fastest where public realm, ground-floor activation and a pipeline of better-quality stock move forward together.





Map 2  
Heatmap showing  
the EPC C-G stock  
in the CAZ

- CAZ Area
- Elizabeth line
- Rail terminal

CAZ  
Density of stock EPC C-G  
Low High



Where the stock sits

West End

About **3,392 assets, which is 51.9% of the total.** These are highly walkable neighbourhoods where legacy **Grade B and Grade C buildings** sit close to best-in-class space. The contrast is immediately visible to occupiers, which makes the case for refurbishment or redevelopment particularly strong. Around Bond Street, the two new Elizabeth line entrances and upgraded public realm link Mayfair more tightly to the rest of London. Modernised buildings in this catchment benefit from luxury retail, high-end hospitality and strong third-space options within a short walk.

Fringe

About **1,581 assets, which is 24.1% of the total.** South of the river around Bankside, Southwark and London Bridge, and across Clerkenwell, Shoreditch and Aldgate, the opportunity is more neighbourhood-led. Smaller floorplates, creative specifications and managed solutions can perform well where café, cultural uses and short walks to several stations already draw footfall.

City Core

About **1,572 assets, which is 24.0% of the total.** Clusters focus on Farringdon and Liverpool Street, where interchange to the Elizabeth line, the London Underground and National Rail is already in place. The redevelopment and regeneration of Broadgate and Spitalfields has created excellent local amenities. This is where the refurbishment or redevelopment into CAT A+, net-zero-ready space should see the quickest leasing response. Liverpool Street station serves as the eastern anchor, bringing City-wide access and a wide occupier mix from finance to fintech.

Barriers to intervention

The financial viability of development is significantly constrained and is the single biggest barrier to upgrading secondary office space and delivering new, modern workspace. In almost every area, costs have increased significantly and are compounded by uncertainty in the planning system, complex policy and a growing cost of planning requirements.



Challenging & complex planning environment



Rising cost of construction & materials



Rising cost of planning requirements



Increased cost of finance



New energy and sustainability standards

The market impact

With most office floorspace in the CAZ still rated EPC C–G, there is growing pressure to upgrade buildings in central London’s business districts – the city’s most economically productive areas. This challenge is most visible in the West End, Midtown, the City, and the City Fringe, where Map 2 (Heatmap of the EPC C–G stock in the CAZ) shows the highest concentrations of secondary stock.

As occupiers increasingly seek higher-grade, energy-efficient space, demand concentrates in a limited number of premium buildings and prime locations. Nearby streets experience weaker footfall, slower renewal and reduced investment. The best buildings gain pricing power, whilst Grade B and C offices (EPC C and below) in these clusters take

longer to let, rely more heavily on incentives and discounts and are increasingly at risk of functional and regulatory obsolescence.

For landlords, this means longer void periods, higher non-recoverable costs and weaker cash flow. For investors, it results in a smaller buyer pool and softer pricing until the space is upgraded. For the locations themselves, it leads to stagnant pockets that feel left behind.

Moreover, when multiple owners in the same area move to upgrade simultaneously, competition for planning permissions, as well as contractors and materials can also create local bottlenecks that slow renewal further.

Unlocking the opportunity

Applying **Prime benchmarks to EPC C–G floorspace implies there is just over £262bn** of investment stock and about **£11.4bn per year in Prime rent exposure across the CAZ.** As well as a regulatory requirement to meet Minimum Energy Efficiency Standards, upgrading this office stock can unlock economic growth. **By upgrading the quality of EPC C–G stock to Prime and Grade A, an additional £83.6bn in economic output (GVA) could be generated over the next decade in today’s money through productivity gains.**

Table 3: Investment and rental value of upgraded EPC C–G stock (£bn)

| Borough        | Prime capital value | Annual Prime rent |
|----------------|---------------------|-------------------|
| Westminster    | 118.90              | 3.73              |
| City of London | 96.84               | 4.28              |
| Camden         | 19.01               | 1.35              |
| Islington      | 10.14               | 0.75              |
| Southwark      | 8.39                | 0.59              |
| Tower Hamlets  | 5.05                | 0.22              |
| Hackney        | 3.94                | 0.29              |
| Wandsworth     | 0.08                | 0.01              |
| CAZ+ total     | 262.34              | 11.22             |

Source: Knight Frank Insight

Map 2 (Heatmap of the EPC C–G stock in the CAZ) highlights where office stock is at future risk of obsolescence due to low EPC ratings but could be made more economically productive through targeted upgrades and redevelopment. The priority areas are along the Elizabeth line and CAZ spine, which already benefit from strong transport links and high-quality local amenity. Deep refurbishments and redevelopment in these clusters are most likely to lease quickly and support stronger rents. In neighbouring corridors, especially the Fringe and the South Bank, creative specifications and managed solutions can bring space back to market at pace.

In short, the map points to a connected, place-led programme of retrofit and new build. If building performance, transport interfaces and neighbourhood amenity move together, the result is better space for occupiers, stronger absorption for owners and more balanced growth across the CAZ spine.

# Part 3

## Change of use

Secondary to something better:  
Targeted change of use in the CAZ

### What the maps show

The lettings map concentrates around Elizabeth and Central line interchanges, whilst the EPC C-G map shows continuous bands of older stock along Midtown edges, east-of-City corridors and back streets off the West End spine. **Since 2020, there have been 7,087 lettings across 2,283 locations**, with the densest clusters around **Liverpool Street, Farringdon, Tottenham Court Road and Bond Street**.

The **EPC dataset records 6,545 assets rated C- G across 4,577 locations**, with the heaviest concentrations in the **West End** and along the **City** and **City Fringe**. Where letting activity is light and extensive EPC C-G stock remains available, secondary offices are realistic candidates for change of use. In the busiest cores such as Oxford Circus, Piccadilly Circus, Green Park, Bond Street, Liverpool Street, Bank, Moorgate and Farringdon, refurbishment or redevelopment for office remains the first call. The case for switching use grows as streets step off the main pitches and building geometry becomes harder to fix.



Custom House, former Government offices will be converted into a 179-bedroom hotel with guest facilities and an extensive cultural offer.

### Why selective change of use

The CAZ depends on a critical mass of offices. Boroughs use Article 4 Directions to require planning applications for certain changes of use in some locations so that the office core is not eroded by automatic permitted development. Westminster, for

example, requires planning permission for moves from Class E to Class C3\* in parts of the CAZ and in designated town centres. The intent is to protect the commercial heart whilst allowing well-located and high-quality reuse in the right streets.

### Where change of use earns its keep

Hotels in Class C1\* work best where theatres, dining and late transport produce structural footfall. Secondary offices within walking distance of Bond Street, Oxford Circus, Piccadilly Circus, Victoria, Liverpool Street and Tower Hill are strong candidates where floorplates can stack into efficient keys and a distinctive façade can be retained.

Purpose-built student accommodation suits older mid-rise blocks close to universities and frequent bus and tube routes. The Camden numbers to March 2024 support selective conversion in Bloomsbury, Fitzrovia and the Midtown edge where the lettings signal is lighter, and EPC risk is concentrated.

### What the evidence shows

Authority Monitoring Reports are the official annual reports that local planning authorities publish to track completions and the development pipeline. Coverage to 2024 is available in some cases and 2022 to 2023 in others.

In **Westminster, the hotel pipeline remains substantial. About 3.51 million sq ft is under construction, with a further 0.62 million sq ft permitted**. Delivery in the latest year reported was around **0.30 million sq ft**. Locations include Soho and Victoria, which aligns with evening economy demand.

**The City of London’s hotel stock has roughly doubled** over the past decade. By **spring 2023, the total stood at about 7,559 rooms**. In that year, **93 rooms were completed and the near-term pipeline included 437 rooms under construction and 249 rooms, with permission not yet started**. This suggests ongoing demand for hotel reuse

Retail and leisure within Class E and related town centre uses can anchor conversions on streets with a strong evening economy. Active ground floors such as food, culture and fitness can sit below new hotel rooms or modernised creative space above.

Residential change of use within Class C3 should be focused. It fits quieter back streets where office geometry is difficult, headroom is limited and daylight is poor, and where town centre services are within easy reach. It should not undercut the strongest office blocks that carry the CAZ economy, lead to long-term fragmentation of ownership or potentially introduce additional economic constraints.

or redevelopment on appropriate streets close to strong transport links.

Student accommodation is growing where universities cluster. Camden’s monitoring to March 2024 records 41 student places approved and 17 completed in that year, with about 240 net additional beds since 2016. This sits within the knowledge corridor north of Oxford Street and lines up with EPC C-G concentrations in Bloomsbury and Fitzrovia. Borough figures for 2024, beyond Camden, are less consistently published at the time of writing.

Retail and leisure have been used to refresh secondary blocks at ground and first floor, whilst upper floors change use. In the City of London, around 106,000 sq ft of net retail was delivered in 2022 to 2023, much of it alongside office renewal. That points to a mixed-format approach on streets with strong footfall.

\* Refer to Appendix, section 'Plain language guide to use classes'. Page 44.

\* Refer to Appendix, section 'Plain language guide to use classes'. Page 44.



## How this links to the maps

Map 2 (Heatmap of the EPC C-G stock in the CAZ) shows clear clusters where change of use is most credible. In the City, these include the Barbican fringe and the eastern edge toward the Tower ward, where leasing activity is lower but C-G concentration is higher. In Westminster, these include Marylebone back streets, the Paddington fringe and the north-west wards, where office demand is thinner, but the improvement pipeline is deep. The same analysis shows that the office core along Bank to Moorgate and Liverpool Street to Farringdon, and the West End core around Oxford Circus to Bond Street, is where improved office space will lease first and hold value.

## Impact on funding

Changing use can have a fiscal impact on local and national funding. Estimates for office-to-residential conversions between 2013 and 2023 highlight the scale of this challenge:

| Borough        | Office space converted (sq ft) | Business rates lost (£/year) | Council Tax gained (£/year) | Net S106/CIL contributions (£, one off) | Net evenue loss (£/year) |
|----------------|--------------------------------|------------------------------|-----------------------------|---|--------------------------|
| City of London | 161,500 sq ft                  | £2.75m                       | £0.30m                      | £1.30m                                  | £2.45m                   |
| Westminster    | 215,300 sq ft                  | £5.00m                       | £0.40m                      | £2.40m                                  | £4.60m                   |

Source: Knight Frank Insight

In the City for example, **converting 161,500 sq ft takes away £2.75m** a year in business rates. Council tax brings back £0.30m. **That leaves an annual gap of £2.45m.** The one-off **£1.30m from Section 106 (S106) and Community Infrastructure Levy (CIL) payments covers roughly half a year of that gap**, then the shortfall returns.

In Westminster, converting **215,300 sq ft removes £5m a year.** Council tax adds £0.40m, leaving £4.60m each year. The **£2.40m one-off again covers about six months** before the gap reopens. Note, however, that local government funding is highly centralised in England. For example, only

## Heritage as an advantage

Many secondary buildings sit in conservation areas or carry valued façades. Heritage is not a barrier and can be the differentiator. Keeping the street face and replanning behind allows new cores, better floor-to-ceiling heights and better daylight, whilst the character that draws people to the area is preserved. This approach suits boutique hotels, student housing, residential and cultural or leisure uses, where a recognisable façade and an animated ground floor add value.

about 5% of the collected business rates in the City of London and City of Westminster are retained by them. This means the majority of the lost business rates revenue flows to central government, so these conversions have fiscal implications well beyond the borough level.

A simple rule of thumb follows. Every **10,000 sq ft that switches from office to homes takes away roughly £0.2m a year.** Over five years, that is about £1m. **Over ten years, it is about £2m.** The more space that converts, the larger and more persistent the hole.





# Part 4

## Case studies

### The Derby London City Dominus

#### Project snapshot

**Operator:** Dominus Hospitality

**Status:** acquired June 2023; planning approved June 2024; opening targeted early 2026

**Scheme:** conversion and extension of a vacant 1950s office into a 234-key hotel with ground-floor restaurant, café and bar, gym, meeting rooms and private dining

**Sustainability:** retention of 100% substructure and c.70% superstructure/façade; BREEAM Excellent targeted; rooftop photovoltaic; efficient plant

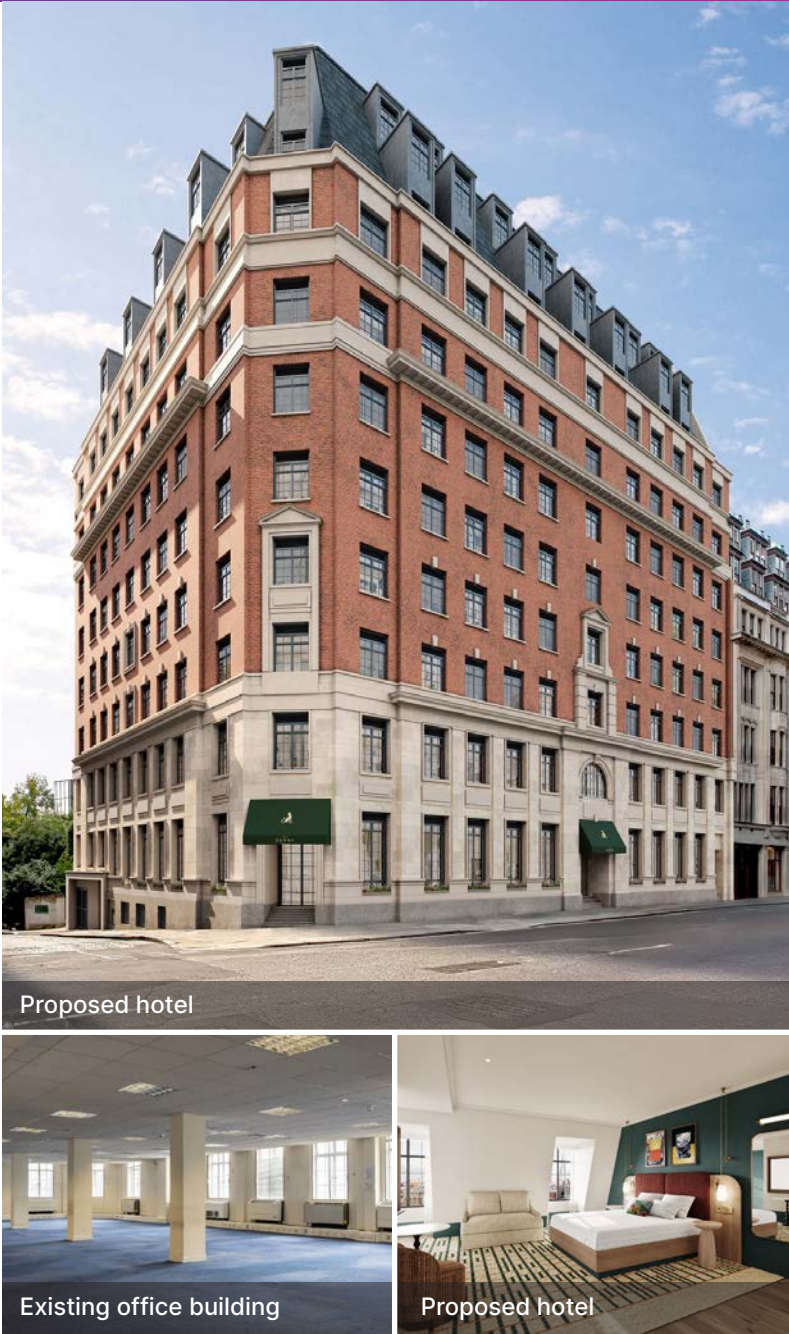
**Location:** Great Tower Street (EC3R) within the City of London with access to multiple London Underground stations

#### Starting position

A vacant 1950s office building of around 55,800 sq ft NIA and 87,200 sq ft GIA. Empty since March 2020, it held an EPC rating of D and was constrained by low floor-to-ceiling heights, dated fabric and

#### Why a pure office strategy did not stack up

Independent viability testing considered full office refurbishment, comprehensive office redevelopment and a hybrid approach. Each route struggled against a benchmark land value once realistic rents, yields, costs and the location's strengths and weaknesses



services, and a small reception. In market terms, it was considered a secondary office in a peripheral part of the City core.

were applied. Office protection policies were addressed directly: the building represents a very small share of City Core stock, sits away from the strongest transport hubs and would remain compromised post-refurbishment by floor heights and energy performance. The conclusion was that loss of office use could be justified and that a hotel would better fit demand and local policy objectives.

### The solution

Re-use the structure and re-position the building as a high-quality hotel, with an animated ground floor and improved street activation.

#### What changed: five pivotal moves

- Kept the bones:** 100% substructure and roughly 70% of superstructure/façade retained, cutting embodied carbon and length of development programme, reducing risk.
- Modern performance:** upgraded envelope and efficient plant, with rooftop photovoltaic. BREEAM Excellent targeted.
- On-arrival rethought:** improved entrances and active ground floor that brings life to Great Tower Street and St Dunstan's Hill.
- Right use for the area:** hotel format matches visitor economy around the nearby Tower of London and the City's cultural draw.
- Placemaking:** aligns with the City Corporation's Destination City ambitions by adding food and beverage amenity (F&B), and social spaces.

### Place impact

The hotel introduces all-day activity and evening footfall to a quieter stretch of Great Tower Street, while respecting the block's townscape rhythm. Visibility to St Dunstan-in-the-East and proximity to major heritage assets helps convert passing visitors into diners and café users. This improves the street experience and supports nearby independents.

#### Lessons for secondary CAZ assets

**Right use, right location:** where office fundamentals are weak, hospitality can outperform if the visitor economy and heritage pull are strong.

**Retain to accelerate:** high structure retention lowers embodied carbon and can shorten delivery.

**Activate the edge:** ground-floor activations facing parks, churches or lanes quickly create a sense of destination.

#### Before/after snapshot

| Metric      | Before (office)  | After (hotel)  |
|-------------|--|--|
| Use class   | Class E (office)   | Class C1 (hotel)                                     |
| Scale       | c. 55,800 sq ft  | 61,500 sq ft   |
| Occupancy   | Vacant since March 2020                                      | 234 rooms, public F&B, meeting space                 |
| Energy      | EPC D (100)  | BREEAM Excellent target, PV, efficient plant         |
| Structure   | 1950s frame  | 100% substructure and c. 70% superstructure retained |
| Interiors   | Low clear heights; dated mechanical, electrical and plumbing | Guest-grade services and finishes                    |
| Street edge | Underwhelming frontage                                       | Activated edges, café/restaurant on street           |



# Part 4

## Case studies

### Thirty One Alfred Place GPE

#### Project snapshot

**Operator:** GPE - delivered as 'Fully-Managed' workspace

**Status:** launched Spring 2025 with early leasing achieved

**Scale:** 42,000 sq ft across 16 units; estimated rental value £8.1m; service margin c.38.6%

**Rental status:** 82% let or under offer, comprising of 15 units let with an average rent of £211. One unit let at £270 per sq ft

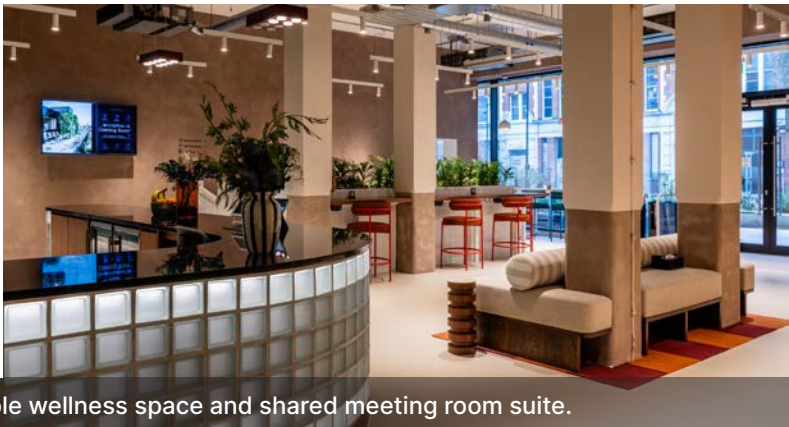
**Location:** Fitzrovia (WC1), within the Alfred Place cluster near Tottenham Court Road Elizabeth line station and the Knowledge Quarter



Alfred Place, Fitzrovia, WC1



Wellbeing amenities include an outdoor terrace, lounge, flexible wellness space and shared meeting room suite.



#### Starting position

GPE acquired the building in 2015 for £16m. It presented as secondary office stock, requiring a full uplift to meet contemporary demand. Floorplates

and services did not support best-in-class performance, amenity provision was limited and there was untapped rooftop potential.

#### The solution

Refurbish and re-position the building as a hospitality-led offer with turnkey fit-out, on-site operations and enhanced amenity.

##### What changed: five pivotal moves

- 1. Structure and plant optimised:** plant refurbished and relocated to release more floorspace and existing frame retained.
- 2. Rooftop unlocked:** a new communal roof terrace plus private fifth-floor terraces, created premium workspace and outdoor amenity.
- 3. End-of-trip added:** new showers and cycle storage provided additional amenity for occupiers.
- 4. Hotel-level operations:** delivered as Fully-Managed with concierge, facilities, and a single all-in bill to reduce friction and speed take-up.
- 5. Cluster strategy:** launched alongside nearby acquisitions to build a critical mass on Alfred Place and sustain appeal.

#### Place impact

The scheme strengthens Fitzrovia's streetscape and attracts spillover demand from Tottenham Court Road and the nearby Knowledge Quarter. By adding a roof terrace, wellness amenities and a high-comfort arrival, the building supports recruitment and talent retention and lifts local spend, whilst the cluster approach improves retention for customers looking to expand within a single neighbourhood.

#### Lessons for secondary CAZ assets

**Deliver the full experience:** a Fully-Managed model can unlock premium rental values and faster leasing where traditional CAT A office would underwhelm.

**Make outdoor space and wellness amenities core anchors:** terraces and wellness facilities are now essential features of premium offices, providing greater access to fresh air, expanding choice in how and where people work, and increasing dwell time by creating more comfortable, engaging environments.

**Build clusters, not one-offs:** a neighbourhood portfolio supports customer graduation and drives demand. Recent nearby moves at The Courtyard and Whittington House reinforce the Alfred Place cluster.

#### Before/after snapshot

| Metric            | Before                           | After  |
|-------------------|----------------------------------|--|
| Offer             | Basic CAT A-style office         | Fully-Managed (fitted, operated, all-in)   |
| Scale             | 42,000 sq ft potential underused | 42,000 sq ft/16 units operating at premium rental values   |
| Amenity           | Limited                          | Roof terrace, private terraces, meeting suite, wellness, work zones  |
| Building services | Legacy plant and layouts         | Plant refurbished/relocated; modernised services   |
| Customer friction | Higher fit-out and set-up burden | Shortform, increasing speed to occupation and reducing voids   |
| Rent profile      | Sub-prime risk                   | 88% let or under offer comprising of 15 units let with an average rent £211. One unit let at £270 per sq ft. |



# Part 4

## Case studies

### 60 Brook Street & 56 Davies Street Grosvenor & Mitsui Fudosan UK

#### Project snapshot

**Status:** due to complete in Summer 2027

**Scheme:** two best-in-class new build offices featuring large modern floorplates, roof terraces, outstanding amenities and leading environmental credentials

**Scale:**

60 Brook Street: 78,543 sq ft

56 Davies Street: 71,451 sq ft

**Sustainability credentials:** Both buildings are targeting: BREEAM Outstanding, 5\* NABERS targeted, WELL Enabled, EPC A

**Location:** Mayfair (W1)

#### Starting position

Both addresses were historic Mayfair buildings with attractive façades but fell short of modern office standards internally with smaller and irregular floorplates, constrained cores, dated plant and limited end-of-trip facilities. Energy performance and comfort lagged, and arrivals felt functional rather than welcoming. Well-located, but under-performing for the West End core.

#### The solution

Delivered as part of Grosvenor and Mitsui Fudosan UK's South Molton development, 60 Brook Street and 56 Davies Street are set to become two of the world's most prestigious offices.

Located in the heart of Mayfair, nestled between the world famous Claridge's hotel and the new Bond Street Elizabeth line station, they offer corporate headquarters fit for the 21st century.

Retaining the elegance of Mayfair's rich history while offering modern luxury, both buildings feature large, contemporary floorplates, generous roof terraces, exceptional amenities, and leading environmental credentials - all set discreetly behind a mixture of modern and historic façades.

Benefitting from the wider redevelopment taking place at South Molton - the West End's largest mixed-use development - these new offices will be set amongst a dynamic mix of retail, cafes and restaurants, and attractive, greener streetscapes. In the same development, Oberoi will deliver its first UK Hotel.

Due to complete in Summer 2027, they are a uniquely rare opportunity to lease large-format, prime new build office space in Mayfair.

56 Davies Street and 60 Brook Street, Mayfair, W1 (CGI)





# Part 4

## Case studies

### Thirty High Landsec

#### Project snapshot

**Status:** under construction; practical completion expected Q3 2026

**Scheme:** transform a 1960s brutalist tower into a future-ready destination with high ESG performance, panoramic views and amenity-rich, flexible workspace. Delivery as shell and core with a flexible mix of CAT A, fitted CAT B and MYO short-term offices and bookable meeting rooms

**Sustainability:** deep retrofit approach targeting 90% structural retention, 60% reduction in embodied carbon, 80% reduction in operational energy; targeting NABERS 5\* and BREEAM Outstanding

**Location:** Victoria (SW1E), within the Cardinal Place cluster by Victoria London Underground and National Rail station

#### Starting position

A well-known landmark with strong visibility but legacy limitations - older envelope and windows, dated plant, lower floor-to-ceiling heights than a new build, constrained amenities and limited end-of-trip facilities. The brief was to keep the character and scale of the building whilst delivering a step change in sustainability, comfort and day-to-day experience.



Pictured above: Thirty High, Victoria, SW1E (CGI by Binyan); To the right: the former 1960s building.

### The solution

Refurbish and re-position rather than rebuild, respecting the original design intent to align heritage sensitivity with upgraded public realm, amenity offer and ESG outcomes. Retain most of the frame and revitalise the concrete façade. Replace approximately 1,800 windows with high-performance glazing. Extend the ground floor for a statement arrival and the roof for skyline amenities. Reconfigure services and floor plates to support a full spectrum of workspace offers, from MYO flexible offices to long-term multi-floor leases. All-electric heating and cooling via heat pumps underpins the operational energy step-down.

#### What changed: five pivotal moves

- Retention plus extension:** ground and rooftop extensions deliver amenity and presence while a high level of frame retention reduces embodied carbon. The iconic rooftop “crown” is retained and adapted rather than rebuilt.
- Wellness and end-of-trip:** new basement wellness suite and best-in-class cycle, shower and locker provision.

- All-new services:** full MEP replacement with all-electric heat pumps and new air-handling plant.
- Façade upgrade:** concrete repaired and treated for longevity. Internal insulation and new strip windows increase daylight and improve comfort and aesthetics.
- Hospitality on top:** levels 29 and 30 set aside for restaurant, bar, tenant lounge and event space with panoramic views across London.

### Place impact

Thirty High sits at the heart of the Victoria transport hub and Landsec’s wider Victoria campus. The upgraded Cardinal Place public realm provides the foundation. New soft landscaping and an art plinth add character and wayfinding. The bold green glazed-tile reception and large double-height windows create street-level activation and clearer sightlines on Bressenden Place. The building’s amenities serve both customers and visitors, reinforcing Victoria’s role as a mixed-use destination.

### Before/after snapshot

| Metric              | Before (office)          | After (hotel)  |
|---------------------|--------------------------|--|
| EPC/ certifications | N/A                      | EPC A targeted. NABERS 5* and BREEAM Outstanding targeted. WiredScore Platinum targeting                                       |
| Operational energy  | N/A                      | 80% reduction estimated  |
| Embodied carbon     | Legacy structure         | 60% reduction vs new-build pathway. Target <400 kgCO <sub>2</sub> /m <sup>2</sup>  |
| Structure retained  | Unknown                  | 90%+ retained  |
| Offer               | Basic CAT A-style office | MYO flexible offices, fitted CAT B, bookable meeting rooms, CAT A floors   |
| Amenity             | Limited                  | Wellness suite, high-quality end-of-trip facilities, café and collaboration spaces, rooftop restaurant, bar, lounge and events |
| Building services   | Legacy plant             | Full replacement. All-electric heat pump heating and cooling   |



# Part 5

## Policy interventions and recommendations

London’s office market faces strong future demand, a limited pipeline of about **15.4 million sq ft to 2029**, and a large secondary base that needs upgrading. In the City and Westminster alone, around **101.5 million sq ft sits in EPC bands C–G**. Viability is stretched by finance and build costs and a complex and challenging planning environment.

A combination of ageing office stock, a limited pipeline of modern, new workplaces that occupiers are actively seeking and a dramatic loss of floorspace threatens London’s ability to attract global businesses and support innovative new companies as they grow. Not only does this risk stalling economic growth, but London’s reputation as a major international city for commerce. Today’s businesses are globally mobile and if the right space in the right locations does not exist in London, they will choose other international cities as their home. Increasingly, this is Paris.

The solution, therefore, is not the displacement of the workspace most in demand to other local authority areas, but faster, clearer routes to creating best-in-class workplaces by either retrofit or redevelopment in the locations most in demand. **In these areas, a positive planning system must enable sustainable redevelopment when this is the only way to deliver this workspace. Major office schemes with large, flexible floorplates should be treated as critical economic infrastructure such as data centres and gigafactories – reflecting their economic significance.**

Planning requirements need to be reviewed and updated to reflect that viability in commercial development has fundamentally changed. Local authority planning officers must prioritise the financial and regulatory contributions – and the amount – they most want to see from applicants. These have grown at an alarming rate and are impacting viability.



### 1. Major office schemes as critical ‘economic’ infrastructure

National planning policy should class major office schemes in city centres as critical economic infrastructure, ensuring that these projects are given ‘very significant weight’ in planning decisions in recognition of their economic and strategic importance to the UK economy. This would put them on the same footing as gigafactories and data centres. Offices underpin the UK’s service sector

economy, which accounts for 84% of jobs and 83% of GVA.

The London Plan should adopt a proactive planning approach that directly enables the retrofit or redevelopment of major office schemes with large, flexible floorplates in the locations where they are most needed and hardest to deliver — particularly along the Elizabeth line corridor. These projects should be offered a streamlined, time-bound planning route in recognition of their economic significance, and designated as critical economic infrastructure on a par with gigafactories and data centres.



### 2. Economic growth as a public benefit

Economic growth, employment, business opportunities, and productivity should be explicitly recognised in planning policy as a public benefit. This acknowledges that creating jobs and supporting businesses is a societal gain in its own right, not merely a by-product of development. It also reinforces the case for office and commercial projects, ensuring that the spaces needed by

modern workforces are delivered where they are most required. At the same time, it provides planners, developers, and policymakers with a consistent framework to assess proposals, enabling a better balance between economic value and other planning considerations.

In London, CAZ boroughs are required under the London Plan to support jobs and economic growth in their commercially active districts, but by explicitly recognising growth as a public benefit, it ensures that this objective carries weight in planning decisions and development proposals delivering jobs and commercial floorspace are prioritised.



### 3. Address delivery barriers to unlock development

The biggest single barrier to intervention is development viability, exacerbated by a complex and challenging planning environment. Planning obligations and requirements do not reflect

the reality of development viability, which has fundamentally changed as a result of increased cost pressures. Planning authorities should reduce and streamline the costs, obligations and regulatory requirements placed on schemes, concentrating on what is genuinely essential for viable delivery.







### 4. Prevent accidental loss of office space in the CAZ

Authority Monitoring Reports - the annual official reports that record development completions and pipeline by use class - should track total office floorspace to ensure the CAZ keeps enough viable, modern workspace to support jobs, productivity and investment. Without regular monitoring, small, incremental changes such as conversions, long-term vacancies and piecemeal losses can quietly erode London's economic engine room. Clear indicators and triggers for review should be required to make sure policymakers can intervene before the problem becomes structural, whilst publishing results on a

single CAZ map makes trends transparent across borough boundaries. This can support business planning, reassure investors, and provides communities with clarity about what is likely to happen in their area.

Borough plans should mirror the CAZ geography and identify a shortlist of strategic sites and station areas suitable for office-led intensification; and complementary list of streets where selective change of use can be supported. A well-monitored mix of office clusters, cultural uses, public-realm improvements and activity on quieter streets creates a more vibrant and economically resilient city centre. This helps sustain footfall, jobs, and local services, making central London more adaptable to future shocks.



### 5. Targeted change of use

The London Plan should require boroughs to identify broad areas or types of streets, where converting office space to other uses should be more easily allowed. These locations might be characterised by limited office demand, a high proportion of residential or non-commercial uses, low deal activity, or concentrations of older secondary office stock. Any flexibility would need to sit within clear safeguards relating to location, heritage, active ground-floor uses, daylight, and overall design quality.

In these areas, new uses could include:

- hotels near cultural venues or major transport hubs,
- student housing close to universities,
- cultural or leisure uses, and
- carefully located residential development.

Outside of these defined areas, policy should allow change of use only where there is clear evidence of sustained lack of demand, economic obsolescence, and an assessment showing that retrofitting or redevelopment as an office is not viable compared with alternative uses. Policy should avoid encouraging unintentional long-term vacancies.



### 6. Unlock economic value through sustainable retrofit of heritage buildings

Heritage assets and buildings in conservation areas often face strict planning constraints when seeking to improve energy performance or specification. To unlock their long-term potential and maximise their contribution to economic growth, planning authorities should provide clear guidance on acceptable retrofit measures, streamline approval

routes, and offer targeted incentives to support sympathetic energy and performance improvements. Integrating these measures into local and regional plans ensures heritage buildings can be modernised responsibly, enhancing sustainability, safeguarding their future, and contributing to London's broader climate and economic objectives.



### 7. Back the Elizabeth line nodes

Prioritise capacity and public realm upgrades at Tottenham Court Road, Bond Street, Farringdon and Liverpool Street to harness demand for well-connected workplaces and maximise the value of

the Elizabeth line. At Whitechapel, Canary Wharf and Stratford, focus investment and built-environment improvements on areas with the strongest occupier demand and the greatest potential for larger floorplates. This will enhance central London's appeal to global occupiers who might not usually consider locations beyond the core, but could be drawn by the quality of workspace and connectivity offered by Elizabeth line stations.



### 8. Incentivise office retention in core areas through business rates

The current regime for local government funding results in weak linkages between the finances of local authorities and the size of their tax base. This is because local government budgets are determined by central government. Whilst mechanisms such as (a modest degree of) business rate growth retention and the New Homes Bonus

currently exist, these are destined to be diluted or even abolished under the Government's Fair Funding Review 2.0.





The Government should rethink this policy and create much stronger incentives around business rate retention for local areas. This could be for a substantial period of time, so that council borrowing can take place against projected retained revenues to help pay for investment in infrastructure and public realm improvements.

# Appendix

## Quality definitions for commercial office space

|  |   |
|--|---|
| <b>Prime</b><br>The best quality buildings. New or comprehensively refurbished, rich in amenities, in the most desirable locations, with the highest accreditations and a strong focus on occupier wellbeing. Typically targeting BREEAM Outstanding or Excellent and an Energy Performance Certificate (EPC) rating of A or B.  | <b>Grade A</b><br>High quality new or comprehensively refurbished offices, rich in amenities with strong sustainability and wellbeing credentials. Typically targeting a BREEAM accreditation between Pass and Very Good and an EPC rating of A or B. |
| <b>Secondary</b><br>Secondary offices are buildings that sit outside the Prime and top-tier Grade A bracket and are usually classed as Grade B or C. From an occupier's point of view, they tend to be older, second-hand assets from earlier cycles with smaller and irregular floorplates, lower floor-to-ceiling heights, tighter cores and limited natural light in its current configuration. They are typically in EPC bands C-G. <ul style="list-style-type: none"><li><b>Grade B:</b> second hand offices offering reliable functionality, some end of trip facilities, staffed reception, and moderate sustainability and wellbeing credentials. They are typically in EPC band C.</li><li><b>Grade C:</b> basic buildings with minimal amenities, limited sustainability and wellbeing features. These carry the highest obsolescence risk. They are typically in EPC bands D-G.</li></ul> |   |

## Plain language guide to use classes

|  |   |
|--|---|
|  <b>Class E</b><br>Covers commercial, business and service uses including shops, cafés and restaurants, offices and clinics. |  <b>Class C1</b><br>Covers hotels, boarding and guest houses.  |
|  <b>Class C3</b><br>Covers dwellinghouses, which means homes including flats and houses.                                     |  <b>Purpose built student accommodation</b><br>Ordinarily assessed on its own merits through a planning application and is often supported by nomination agreements with universities. |

## Plain language guide to EPC bands

| Band | Plain language     | Typical building profile   | MEES context  |
|------|--------------------|--|---|
| A    | Excellent          | Best-in-class, newly built or redeveloped to top sustainability standards (e.g. net zero-ready, BREEAM Outstanding)    | Exceeds current and proposed standards; future-proof                        |
| B    | Very Good          | High-performing modern offices with efficient heating, ventilation and air conditioning, good insulation, LED lighting | Meets current standards and aligns with 2030 EPC B target                   |
| C    | Good               | Reasonably efficient stock - often 1990s-2000s buildings with some upgrades  | Likely to comply with proposed 2027 EPC C minimum                           |
| D    | Below Average      | Older buildings with basic services or outdated plant  | Lettable today, but may require upgrades by 2027                            |
| E    | Limited Efficiency | Mid-20th century or non-refurbished buildings; basic fabric and services   | Currently the legal minimum; will become non-compliant as standards tighten |
| F    | Inefficient        | Typically nearing obsolescence, in need of significant refurbishment   | Already unlawful to let without exemption since April 2023                  |
| G    | Very Inefficient   | Obsolete or poorly performing buildings; major overhaul required   | Already unlawful to let; high retrofit or redevelopment risk                |



## History and context of London’s Central Activities Zone<sup>3</sup>

The totemic *Greater London Plan* in 1944, envisaged post-war decentralisation from central and inner London. During the 1950s, the London County Council supported central government moves to shift people and economic activity out of the central area. Nevertheless, post-war conversions of residential properties into offices, followed by a commercial building boom during the 1950s and 1960s, led to a large growth in offices. Between 1945 and the early 1960s, office floor space in central London increased by a third, with a sharp decline in manufacturing and in the number of residents. This increase in office-based work, coupled with a sharp growth in car ownership, led to what became known as the ‘evil of congestion’. In 1957, the London County Council issued a *Plan to Combat Congestion in Central London*, which warned that the spread of new office buildings threatened all the other activities vital to the success of the metropolis.<sup>4</sup>

Local and central government policy subsequently sought to limit office building in central London, including the Wilson government’s ‘office ban’ imposed in 1964.<sup>5</sup> Bi-partisan government policy sought to move economic activity out of central London, preferably to other parts of the country. A ‘Location of Offices Bureau’ had already been created by the Macmillan government in 1963 to encourage occupiers to leave the city centre.<sup>6</sup> Borough councils retained planning restrictions designed to protect existing ‘industrial’ uses in central London.

These local policies led to what would today be seen as implausible protected uses such as a wholesale fruit and vegetable market in Covent Garden, Billingsgate fish market in the City, and coal-burning power stations at Bankside and Battersea. Covent Garden market operated in central London until 1974, whilst Bankside (latterly oil-burning) power station only stopped generating electricity in 1981. As recently as 1985, the Greater London Council’s *London Industrial Strategy* made no mention of central London as a key driver of London’s economy.

Attempts to protect former industrial uses led to dereliction, particularly on the edge of the centre, in areas such as Shoreditch, Battersea and the South Bank. The final vestiges of such constraint could be seen in Fitzrovia’s ‘garment district’, which lingered on into the 2010s, though similar policies still exist to protect Savile Row and Belgrave Square. Ironically, the move to reform planning rules since the 1980s has allowed many new, contemporary, districts to spring into life.

In planning and other government documentation, the concept of the ‘Central Activities Zone’ in strategic London policy replaced the former, generic, ‘Central Business District’ and ‘Central London’ at about the time the Greater London Authority was created in 2000, expanding the embryonic CAZ first identified by Westminster City Council. The first London Plan, published in 2004, had a section on the CAZ and, within it, the first mention of ‘International Centres’ in a key London planning document.

Against today’s backdrop of a discussion of the purposes of ‘International Centre’ status (which has been embedded in each iteration of the *London Plan* since 2004), it is important to note that the concept of ‘central London’, including its major retail and entertainment facilities, was not identified until relatively recently. That is, there was no explicit policy or even discussion about policy, in terms of ‘London’s global competitiveness’ or ‘the UK’s attractiveness to inward investment’.

Central London was, until the 1990s, in many ways, simply the fortuitously created agglomeration of public buildings, museums, galleries, offices, shops, transport, concert halls, markets, homes, restaurants, roads, monuments, cathedrals, exhibition halls and people which existed in today’s CAZ. It was not deliberately created, and the planning system (itself only initiated in the late-1940s) has inevitably faced complex challenges in producing appropriate policy for such a unique area. The most recent official commission to review London government, published in 1960, recognising that several of the proposed new boroughs were responsible for sub-parts of central London, proposed that the new Greater London Council should be the planning authority for major planning decisions in central London.<sup>7</sup>

Few studies of London’s planning, government or economic development, even since the mid-1980s, have considered the centre of the city, still less its international functions, in much detail. In 1989,

the government produced a *Central London Rail Study*, which has proved to be hugely influential in shaping the delivery of the Jubilee line extension, Thameslink and Crossrail.

The study often credited with being the intellectual starting point for successive *London Plan* policies, the London Planning Advisory Committee-led *London World City* report of 1991, briefly mentioned the ‘central business district’, but did not propose policies for the area.

Separately, the development of local-level data analysis, the policy concerns of Business Improvement Districts and, recently, the impact of the Covid-19 pandemic on city-centre office occupation have led to the production of several reports about central London’s economy, productivity and importance to the UK economy.<sup>8</sup>

<sup>3</sup> From Jan, Alexander and Travers, Anthony, *International centre status for the West End and Knightsbridge*, for New West End Company and The Knightsbridge Partnership, unpublished, 2024, pp 3-5

<sup>4</sup> For a full exploration of the evolution of central London from 1945 till the mid-1960s see William A Robson, *The Heart of Greater London Proposals for a Policy*, Greater London Papers No 9, London School of Economics and Political Science, 1965

<sup>5</sup> Oliver Marriott, *The Property Boom*, Abingdon Publishing, 1989, p 11

<sup>6</sup> Robson, *ibid*, pp 15-20

<sup>7</sup> Gerald Rhodes (ed), *The New Government of London The first five years*, Weidenfeld and Nicolson, 1972, pp 307-308

<sup>8</sup> For example, see Guilherme Rodrigues and Stuart Bridgett, *Capital Losses: the role of the capital in the UK productivity puzzle*, Centre for Cities (in partnership with EC BID), 2023. Available on-line at: <https://www.centreforcities.org/publication/capital-losses-the-role-of-london-in-the-uks-productivity-puzzle/> and Arup, *The future of the office in central London*, Central London Forward, 2022. Accessed on-line at: [https://centrallondonforward.gov.uk/wp-content/uploads/2022/11/CLF\\_Future-of-the-Office.pdf](https://centrallondonforward.gov.uk/wp-content/uploads/2022/11/CLF_Future-of-the-Office.pdf)

Policy and regulatory landscape

Policy context, in brief

Policy shapes how much office space stays in the centre, how quickly it can be renewed, and whether it matches what occupiers want.

CAZ and CAZ+ the London Plan

The London Plan, the Mayor of London’s spatial development strategy, which shapes the built environment across the capital, identifies the CAZ as an internationally and nationally significant office location. It supports keeping and renewing offices in the most accessible places and encourages mixed use where it strengthens the centre. The aim is to create vibrant, successful centres with a critical mass of jobs, services and culture. Offices are considered a ‘strategic function’ within the CAZ and given greater priority over residential in the majority of its boundaries, and as such, offices are protected unless there is no reasonable and demonstrable prospect of future office use.

The Mayor is in the process of bringing forward a revised London Plan. In 2025, the Greater London Authority (GLA) consulted on its Towards a new London Plan discussion document, which outlined areas of interest and potential policy approaches for the next London Plan, which is expected to be published in draft for consultation in 2026. The document re-enforces the role of the CAZ

as an economic driver, with a suggestion that scope to significantly increase residential delivery above existing levels may be limited. There were suggestions of potential amendments to the CAZ boundary and perhaps a smaller, more focused CAZ, identification of key areas with high demand and concentrations of economic activity (such as Oxford Street, Euston) and potential amendments to Opportunity Area designations. The draft Plan should outline what these boundary changes are (if any) and whether there will be associated policy changes around intensification of offices and/or changes of use to alternative land uses, such as hotels. The document also suggests a continuation of adoption of affordable workspace policy, possibly to be directed at a London Plan level and possibly to be expanded to other commercial uses (not just offices).

Each borough within London has its own local development plan, which must be in general conformity with the London Plan.

Overview of key local authority policies

City of London

The City of London is in the process of bringing forward a revised local plan, the City Plan 2040. The City Plan is in the latter stages of adoption and is anticipated to be adopted in summer 2026. **The Plan includes a strategic economic objective to deliver a minimum requirement of 1.2 million sqm NIA/ 1.6 million sqm GIA additional office floorspace by 2040** and to provide flexible and adaptable workspace that meets the needs of different sectors and business sizes. Offices will be protected where there is an identified need or where the loss would cause harm to the primary business function of the City.

Current adopted Local Plan policy emphasises renewal, flexible layouts, amenities and strong ESG performance, supported by culture and placemaking, whilst the City Corporation’s forthcoming Offices SPD will give further guidance about the protection of offices and changes of use from office to other use classes.

Article 4 Directions remove office-to-residential permitted development.

Westminster

The current adopted City Plan 2019-2040 identifies the CAZ as a global office centre, with new and improved floorspace supported in principle in appropriate parts of the CAZ and other locations in the borough. The net loss of office floorspace from the CAZ to residential or hotel use will only be acceptable in certain circumstances. Policy aims to provide a range of workspace types.

to be adopted shortly. This includes a new Retrofit First policy, which establishes specific criteria to be achieved to progress with substantial or full demolition. Scoping has begun on a review of its full City Plan.

Article 4 Directions protect clusters such as Victoria and Paddington.

Westminster is in the process of bringing forward a Partial Review to its City Plan, which is anticipated

Other central boroughs

Camden and Islington use affordable workspace and Article 4 to support SMEs and knowledge intensive firms. Southwark and Tower Hamlets focus on mixed use growth areas that retain employment floorspace alongside homes. Kensington and Chelsea and

Hammersmith and Fulham emphasise town centre vitality and design quality. Wandsworth uses area frameworks, for example at Nine Elms, to secure new space and a broader range of specifications.





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