



London Office Investment Remains Robust

By Robert Irvine Burns



There are positive signs that the London office investment market is returning to life. Since the ease of lockdown restrictions, trends in [leasing office space](#) in the third quarter show more occupiers returning to London. According to recent figures, 5.1 million sq. ft. had been leased by the start of October. This amounts to over £7.76 billion in transactions for office space leases in Central London.

During the height of the coronavirus pandemic in 2020, it wasn't easy to see how the city would recover. First, an exodus of city workers to their homes left offices sitting empty for months. Then some analysts predicted that the work-from-home culture was here to stay and that office working would never be the same.

However, the London property market has always been robust. Now latest statistics show that the London office market has rebounded from the effects of lockdown restrictions.

Why is there reason to conclude that the London office investment market will make a full recovery? This article examines the trends in leasing office space in the last quarter of 2021.

Increased Occupier Activity

The best indicator of a robust investment market is that occupiers are returning to the Capital. The second quarter of 2021 saw the second consecutive increase in office space lettings, with a growth of 1.6 million sq. ft. in volume. This brought H1 2021 volumes to £5.1bn, which is an increase of 71% of H1 2020.

By the end of the third quarter, uptake in office space in London had reached 5.1 million sq. ft. So, the trends are positive, even though the uptake isn't back to pre-pandemic levels. Companies are adjusting to [hybrid workplaces](#); however, there is still growing demand for working in an office environment.

Improved Investment Performance

By the end of the third quarter in 2021, over 200 transactions resulted in £7.76 billion investment in prime office space rentals. It's been reported that September was one of the best months ever for property investors in terms of leasing office space. As competition increases to close deals on under-offer office space, areas like the West End and City of London have experienced record investment.

For example, in the City Core, vacancy rates dropped from 9.3 per cent to 8.4 per cent. The average vacancy rate for London office space is 7.7 per cent. There has also been a significant drop of 53 per cent in office occupiers wanting to release excess space.

Trends also show that companies are adapting to new workplace environments in a post-COVID-19 world. Demand for flexible office space rose by 8 per cent. And with fewer uncertainties over Brexit, financial companies are returning to the West End and City Core. As a result, office space lets in these areas have increased by 12 per cent and 15 per cent respectively.

Why London Office Investment Remains Strong

While the investment market for London offices continues to grow, it is even more attractive to foreign investors. Whilst some may still have concerns around the inflation of the pound, investment in office space is typically linked to economic growth, not inflation. If the costs of new construction rise, this will only boost the commercial rental market in London.

Looking to invest in London Office Space? Get in touch with our London Property Investment Team today, who can advise you on the best investment opportunities and office acquisitions.

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