PART H. UNITED KINGDOM

London



London, Westminster. Architectural illustration.

This part reproduces the London edition; Section 3 compares London with the other twelve metros. As a single-metro edition, it has no comparison section and no city sub-parts; Section H3 sets out the metropolitan growth analysis, including the drivers of growth (Section H3.4).

Data vintage. Employee jobs, pay and population run to 2025, real output and household income to 2024, and detailed employment by industry to 2024. Office figures run to Q3 2026 (rents and yields Q1 2026), logistics to H1 2026, hotels to September 2026 and retail to Q4 2025 and June 2026.

H1. Executive summary and recommendations

> **Recommendations.** Underwrite core prime offices in the City selectively, subject to entry price, and treat West End prime pricing with caution, given its low entry yield and sensitivity to income assumptions; underwrite refurbishment of older offices to Grade A selectively in well-connected locations, with the delivery pipeline in view; take build-to-rent housing in well-connected outer boroughs forward to due diligence, which must first establish the yields this edition does not hold. London has outgrown the UK in jobs both before and since 2019, and its lead in finance and technology has deepened. Central office vacancy is low and falling, and almost all leasing is of Grade A space. Asking rents for homes have risen by about a quarter in four years and the flow of new homes has fallen. But output per job has not grown, real pay has barely risen, international migration has fallen sharply and interest rates are rising. These are market-level judgements by the authors from the evidence in this edition, not findings of the data alone.

One metro, the same method. This edition applies the Observatory's method to London: summary growth indicators and forecasts, growth and pay by industry, location quotients and shift-share against Great Britain, and the forces behind growth, followed by the office market, the logistics, retail and hotel markets, housing and illustrative strategies.

The case rests on eight findings:

1. **London has outgrown the UK in jobs, before and since 2019.** Employee jobs rose 17.5% between 2012 and 2019, against 11.4% for the UK, and 9.1% between 2019 and 2023, against 4.4%. London gained about 87,000 more employee jobs than national growth and its industry mix implied in 2015 to 2019, and about 134,000 more in 2019 to 2023.
2. **Population growth depends on international migration, which has fallen.** Between mid-2012 and mid-2025 net international migration added 1.48 million people, while net moves to the rest of the UK took away 1.51 million. Net international migration fell from 235,320 in the year to mid-2023 to 51,839 in the year to mid-2025, and London's population fell by 26,737.
3. **Output has grown only with jobs, and pay has barely risen.** Real output per job was no higher in 2024 than in 2012. Real median full-time pay rose 2.1% between 2012 and 2025, against 5.2% for the UK, although real household disposable income per head rose 15.3% between 2012 and 2024, against 10.3%.
4. **Specialisation in finance and technology is deepening.** Location quotients against Great Britain rose from 2.04 to 2.30 in finance and insurance and from 1.88 to 2.14 in information and communication between 2015 and 2024. Professional services, finance and technology led the gain over national trends after 2019.
5. **The central office market is tightening.** Central London vacancy fell to 6.3% in Q3 2026 and availability to 19.5 million sq ft, the lowest since 2020 (CBRE). Grade A space made up 92% of take-up in Q1 2026, and about 22 million sq ft of completions is expected in 2026 to 2029 (Savills).
6. **The housing stock grew faster than households, but rents rose.** Between the 2011 and 2021 Censuses the stock grew by 2.27 dwellings per added household, but average household size rose and asking rents rose 26.8% between Q4 2021 and Q4 2025 (Rightmove). Net additions fell to 32,678 in 2024/25 from a peak of 45,677 in 2019/20.

7. **House prices have fallen in real terms.** The average London home cost 6.1 years of a reference household's income in 2024, against a peak of 6.9 in 2016 and 2017. Prices were 12.6% lower in real terms in 2025 than in 2022, but still 2.1 times the UK average.
8. **Rates are rising.** Bank Rate rose to 4% on 5 November 2026. At the Q1 2026 yield observation, Bank Rate was 3.75%: the West End office yield of 3.75% equalled it and the City's 5.25% was 150 basis points above it. Comparisons with November's rate are later rate scenarios, not spreads observed in Q1. GLA Economics expects London's real output to grow 1.7% in 2026 and 2.0% in 2027.

The assumptions this advice is most sensitive to: whether international migration recovers, which drives population and labour supply; whether demand for Grade A offices absorbs the pipeline due to 2029; and the path of UK interest rates, which governs pricing.

H2. Introduction: purpose, method and area

This edition assesses whether, and how, an institutional investor should commit capital to real estate in London. It begins with metropolitan growth, because real estate demand is generated at the metropolitan level and only then allocated to submarkets and buildings.

Why metropolitan analysis matters. Section 2 explains why the analysis is metropolitan: buildings last for decades, properties of the same type compete mainly within one metropolitan labour and housing market, and the type of growth decides which space is needed, with employment-led growth favouring volume demand and income-led growth favouring premium space.

Area covered. The area analysed is Greater London, the 32 London boroughs and the City of London (9.12 million residents in mid-2025). It is an administrative boundary; the wider commuter belt, from which many London jobs are filled, is excluded. The UK is the reference economy for population, jobs, pay, output, income and prices, and Great Britain for detailed employment by industry and household wealth. Office figures refer to Central London or its City and West End submarkets, and logistics figures to London and the South East.

Method and data. The data come from a workbook compiled for this edition from the ONS, the GLA, HM Land Registry, MHCLG and Rightmove, and from broker research. Headline job growth uses ONS employee jobs (annual averages of four quarters); workforce jobs, which add self-employment, are used only for output per job, because London's quarterly self-employment estimates are volatile. Detailed employment by industry uses the Business Register and Employment Survey (BRES), which covers employees of all employers, public and private; because BRES added PAYE-only businesses from 2015, the sector analysis starts in 2015. Pay is the ASHE median for full-time employees at their workplace, adjusted to 2025 prices with the UK consumer price index.

The investment cases. The report tests three illustrative strategies:

Table H1. The strategies tested

Strategy	Asset	Location	Risk style
A	Stabilised, fully let prime office building	City of London or West End	Core
B	Refurbishment of an older office to Grade A	Well-connected Central London locations	Value-add
C	Build-to-rent housing, new or recently completed	Well-connected outer boroughs	Core-plus

Structure. Section H3 analyses metropolitan growth, Section H4 its implications by asset class, Section H5 the office market, Section H6 logistics, retail, hotels, housing and capital markets and Section H7 the strategies. Section H8 sets out risks and monitoring, and Section H9 lists sources.

H3. Metropolitan growth patterns

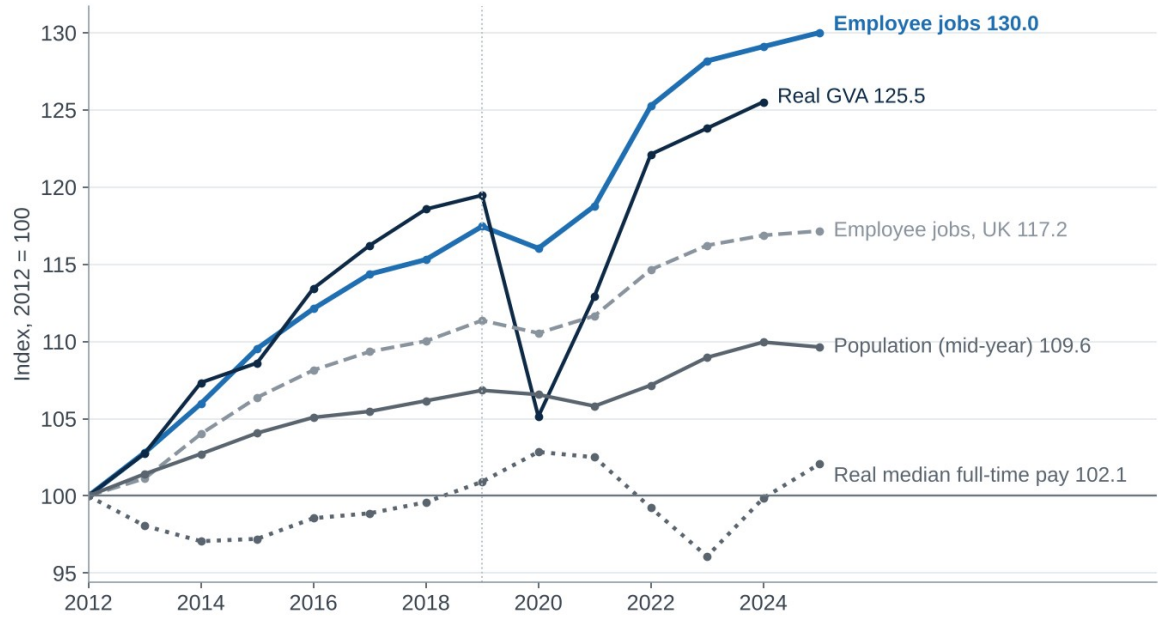
Metropolitan growth is analysed in five steps: summary indicators, population and forecasts (3.1), growth and pay by industry (3.2), specialisation and competitiveness against Great Britain (3.3), the demand- and supply-side drivers of growth (3.4) and the forces behind growth (3.5).

H3.1 Summary growth indicators

London grew much faster than the UK in jobs, slightly faster in output and population, and more slowly in real pay.

Figure H1. Jobs grew 30% and output 26%; real pay is barely above 2012

Summary growth indicators, Greater London, 2012 to 2025 (index, 2012 = 100)



Sources: ONS, employee jobs (annual averages), regional GVA (chained volume measures, 2023 prices), mid-year population estimates and ASHE median full-time weekly pay; UK CPI; as compiled in the London data workbook; authors' calculations.

Population. London's population rose from 8.32 million in mid-2012 to 9.12 million in mid-2025 (+9.6%, against 9.1% for the UK), or 0.95% a year to 2019, against 0.64% for the UK, and 0.43% a year from 2019 to 2025, against 0.70%. London lost population in 2020, 2021 and 2025.

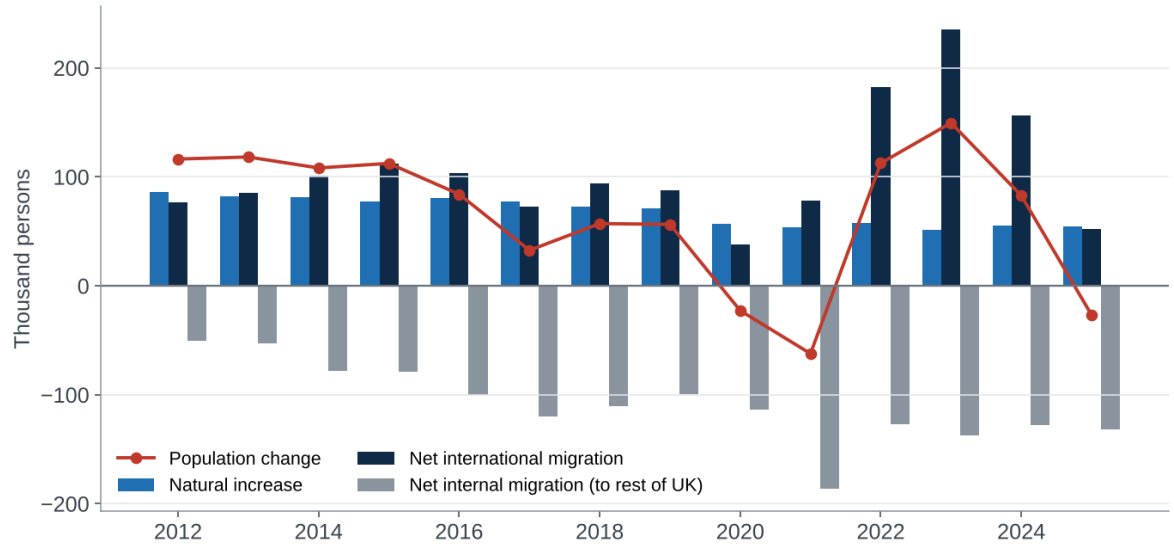
Employment. Employee jobs rose from 4.46 million in 2012 to 5.76 million in 2024 (+29.1%, against 16.9% for the UK), and London's share of UK employee jobs reached 17.9%. Growth was faster than the UK's in both periods: 17.5% against 11.4% in 2012 to 2019, and 9.1% against 4.4% in 2019 to 2023. In 2025 employee jobs grew 0.7%, against 0.2% for the UK. London employee jobs rose 2.8% in Q1 2012, against 0.8% for the UK, for reasons not established; this raises the 2012 base and, if anything, understates growth from 2012.

Output and pay. Real output grew 2.6% a year between 2012 and 2019, against 2.2% for the UK, and 0.9% a year between 2019 and 2023, against 0.8%. London produced 23.6% of UK real output in 2024. Because jobs grew as fast as output, real output per workforce job was about GBP 92,200 (2023 prices) in both 2012 and 2024. Median full-time pay was GBP 958 a week in 2025, 25% above the UK, but in real terms only 2.1% above 2012 (UK +5.2%), after falling 4.8% between 2019 and 2023. Real household disposable income per head behaved differently: it rose 15.3% between 2012 and 2024, against 10.3% for the UK, and was 41% above the UK level in 2024.

Where population growth comes from. Population change is the sum of natural increase, net international migration, net migration to and from the rest of the UK and other changes. London gains people from births and from abroad and loses them to the rest of the UK (Figure H2 and Table H2).

Figure H2. International migration drives growth; London loses residents to the rest of the UK

Components of population change, Greater London, years to mid-2012 to mid-2025 (thousand persons)



Source: ONS, mid-year population estimates (MYEB3, October 2026 release), as compiled in the London data workbook. Other changes, which are small, are not shown.

Table H2. Components of population change, Greater London, year to mid-2025

Births	Deaths	Natural increase	Net international migration	Net internal migration	Other	Population change
104,610	50,399	+54,211	+51,839	-131,961	-826	-26,737

Source: ONS, mid-year population estimates (October 2026 release), as compiled in the London data workbook. The components reconcile with the change in population. These are estimates subject to revision.

Migration drives growth both ways. Between mid-2012 and mid-2025 natural increase added 958,700 people, net international migration 1.48 million, and net moves to the rest of the UK took away 1.51 million. Natural increase fell from 86,067 to 54,211 a year as births declined. London's growth therefore depends on international arrivals, which rose to 235,320 in the year to mid-2023 and fell to 51,839 in the year to mid-2025.

Synthesis by period. Table H3 summarises growth in each period and the type of growth it indicates, in the framework of Section 2.

Table H3. Synthesis of growth patterns by period (average annual % change)

Area	Period	Population	Jobs	Real pay	Real output	Indicative mechanism	Main forces
London	2012-19	+0.9	+2.3	+0.1	+2.6	Consistent with demand-induced; elastic labour supply	Technology, finance, construction; international migration
UK	2012-19	+0.6	+1.5	+0.4	+2.2		
London	2019-23	+0.4	+2.2	-1.2	+0.9	Demand-side evidence; mixed mechanism possible	Professional services, finance, technology, health
UK	2019-23	+0.7	+1.1	-0.8	+0.8	Demand-side evidence; mixed mechanism possible	

Sources: ONS population estimates, employee jobs, regional GVA and ASHE median full-time weekly pay deflated by UK CPI; authors' calculations. Before 2019, strong job growth and minimal real-pay gains are consistent with demand expansion accommodated by elastic labour supply. After 2019, rising jobs and falling real pay can reflect overlapping demand growth, labour-supply expansion, inflation and composition; they do not identify one dominant mechanism. International migration and commuting may respond to jobs as well as expand labour supply independently; see Section 2.

Forecasts. GLA Economics estimates that London's output grew 1.4% in 2025 and that workforce jobs fell 0.4% in the year to Q1 2026, to 6.46 million. Its Summer 2026 reference scenario has real output growing 1.7% in 2026, 2.0% in 2027 and 2.1% in 2028, and workforce jobs 0.5%, 0.8% and 1.0%. UK consumer price inflation was 3.5% in September 2026 (Section F).

Table H4. Historical and forecast growth, London

Indicator	History	Forecast	Forecast source
Population	+9.6%, mid-2012 to mid-2025 (UK +9.1%)	No projection recovered	n/a
Employee jobs	+29.1%, 2012 to 2024 (UK +16.9%)	Workforce jobs +0.5% (2026), +0.8% (2027), +1.0% (2028)	GLA Economics, Summer 2026
Real output	+25.5%, 2012 to 2024 (UK +21.3%)	+1.7% (2026), +2.0% (2027), +2.1% (2028)	GLA Economics, Summer 2026
Real household income	Per head +15.3%, 2012 to 2024 (UK +10.3%)	Aggregate +1.2% (2026), +1.3% (2027), +1.5% (2028)	GLA Economics, Summer 2026
Real median full-time pay	+2.1%, 2012 to 2025 (UK +5.2%)	Not forecast	n/a

Sources: history as Figure H1 and ONS regional gross disposable household income (August 2026 release) deflated by UK CPI; GLA Economics, London's Economic Outlook: Summer 2026, reference scenario, as compiled in the London data workbook. Forecast income is modelled real aggregate household income, not income per head.

Reading for the investor. London's growth is volume-led: more jobs and, until 2024, more people, with real output per job flat and real pay barely above 2012. It has outgrown the UK in jobs in both periods, which sets it apart from Paris (Part G). Household incomes have risen faster than pay, which, in the authors' reading, points to income from sources other than employment, such as property and investment, concentrated among higher-income households.

H3.2 Growth and pay by industry

Employee growth between 2015 and 2024 was led by technology, construction, finance, health and professional services; retail shrank.

Table H5. Employees by industry, Greater London

Industry (SIC divisions)	Employees 2015 (000)	Employees 2024 (000)	Growth	Great Britain growth	Share 2024
Information and communication (58 to 63)	383.0	554.0	+44.6%	+19.3%	9.6%
Finance and insurance (64 to 66)	353.0	446.0	+26.3%	+5.2%	7.8%
Real estate (68)	132.0	143.0	+8.3%	+23.3%	2.5%
Professional, scientific and technical (69 to 75)	665.0	801.0	+20.5%	+21.1%	13.9%
Administrative and support (77 to 82)	528.0	572.0	+8.3%	+5.5%	10.0%
Public administration and defence (84)	217.0	263.0	+21.2%	+21.6%	4.6%
Education (85)	389.0	408.0	+4.9%	+3.5%	7.1%
Health and social work (86 to 88)	506.0	623.0	+23.1%	+17.1%	10.8%
Accommodation and food (55, 56)	374.0	447.0	+19.5%	+17.8%	7.8%
Retail (47)	430.0	407.0	-5.3%	-8.7%	7.1%
Wholesale (46)	150.0	170.0	+13.3%	+0.1%	3.0%
Transport and storage (49 to 53)	227.0	235.5	+3.7%	+17.0%	4.1%
Construction (41 to 43)	141.0	203.0	+44.0%	+19.7%	3.5%
Arts, entertainment and recreation (90 to 93)	129.0	148.0	+14.7%	+11.8%	2.6%
Manufacturing (10 to 33)	114.2	114.4	+0.1%	-3.0%	2.0%

Source: ONS, Business Register and Employment Survey (BRES), employees by two-digit SIC 2007, London and Great Britain, as compiled in the London data workbook; authors' calculations. All employers, public and private. Counts are rounded at source; 2015 is the first year that includes PAYE-only businesses.

Table H6. Full-time pay by industry, London

Industry (SIC section)	Median full-time annual pay 2025 (GBP)	London / UK pay	Real pay 2015 to 2025	UK real pay 2015 to 2025	Real pay 2019 to 2025
Finance and insurance	89,727	1.53	-2.4%	+11.2%	-7.5%
Information and communication	62,216	1.18	+5.3%	+3.4%	+0.7%
Professional, scientific and technical	60,279	1.30	+1.9%	-1.1%	+2.8%
Construction	53,103	1.23	+6.1%	+5.8%	-9.4%
Public administration and defence	49,068	1.18	-6.4%	-5.0%	+0.2%
Transport and storage	46,730	1.17	-4.9%	+2.2%	-8.1%
Real estate	46,107	1.25	-4.2%	-0.3%	+2.3%
Education	45,172	1.13	-4.6%	-2.7%	-5.2%
Administrative and support	44,959	1.25	+15.5%	+11.3%	+10.0%
Health and social work	42,529	1.19	-4.3%	+4.3%	-1.7%
Wholesale and retail	38,939	1.17	+6.2%	+8.0%	+2.7%
Accommodation and food	32,470	1.13	+18.5%	+19.4%	+2.3%

Source: ONS, ASHE Tables 5.7a (London) and 16.7a (UK), full-time workplace gross annual pay, revised editions, as compiled in the London data workbook; UK CPI (April); authors' calculations. Medians are survey estimates and can move by several per cent from year to year.

Growth types by industry. Technology, professional services, construction, administrative support and hospitality combined job growth with rising real pay between 2015 and 2025, a pattern consistent with demand-induced expansion in Section 2; labour-supply elasticity is not estimated; in the authors' reading, the rise in hospitality and support services may partly reflect increases in the statutory minimum wage, which the data do not separate. In finance, jobs grew 26.3% between 2015 and 2024 while real median pay fell 2.4% (UK +11.2%), although the London median remains 53% above the UK's. Health, education, public administration, transport and real estate also lost real pay. Pay is above the UK level in every industry shown.

H3.3 Specialisation and competitiveness

London is Great Britain's centre for finance, technology and professional services, and its lead in finance and technology has grown since 2015; it is under-represented in health, education, retail, manufacturing and, increasingly, transport.

Table H7. Location quotients by industry, Greater London (Great Britain = 1.0)

Industry	LQ 2015	LQ 2019	LQ 2024	Share of employees 2024	Reading
Information and communication (58 to 63)	1.88	1.96	2.14	9.6%	Highly specialised; rising
Finance and insurance (64 to 66)	2.04	2.11	2.30	7.8%	Highly specialised; rising
Real estate (68)	1.60	1.54	1.32	2.5%	Specialised; falling
Professional, scientific and technical (69 to 75)	1.61	1.48	1.51	13.9%	Specialised; stable since 2019
Administrative and support (77 to 82)	1.21	1.22	1.16	10.0%	Specialised; slightly falling
Public administration and defence (84)	1.00	1.00	0.94	4.6%	Close to Great Britain
Education (85)	0.87	0.83	0.83	7.1%	Under-represented
Health and social work (86 to 88)	0.78	0.77	0.77	10.8%	Under-represented
Accommodation and food (55, 56)	1.05	1.06	1.00	7.8%	Close to Great Britain
Retail (47)	0.89	0.81	0.86	7.1%	Under-represented
Wholesale (46)	0.77	0.81	0.81	3.0%	Under-represented
Transport and storage (49 to 53)	1.00	1.01	0.83	4.1%	Under-represented; falling
Construction (41 to 43)	0.63	0.77	0.71	3.5%	Under-represented; gaining
Arts, entertainment and recreation (90 to 93)	1.08	1.08	1.04	2.6%	Close to Great Britain
Manufacturing (10 to 33)	0.28	0.29	0.27	2.0%	Under-represented

Source: as Table H5; authors' calculations, which match the quotients in the workbook. All employers, public and private.

Table H8. Shift-share decomposition, Greater London, 2015 to 2019 and 2019 to 2023 (thousands of employees)

Industry	Change 2015-19	National	Mix	Regional	Change 2019-23	National	Mix	Regional
All industries	+332.7	+228.4	+17.3	+87.0	+420.1	+220.4	+65.5	+134.2
Information and communication (58 to 63)	+60.0	+17.8	+14.6	+27.6	+79.0	+18.6	+25.6	+34.8
Finance and insurance (64 to 66)	+34.0	+16.4	-4.1	+21.8	+47.0	+16.2	-9.3	+40.0
Real estate (68)	+8.0	+6.1	+4.6	-2.7	+12.0	+5.9	+12.2	-6.0
Professional, scientific and technical (69 to 75)	+16.0	+30.8	+19.8	-34.7	+155.0	+28.6	+59.9	+66.5
Administrative and support (77 to 82)	+38.0	+24.5	-0.5	+14.0	+11.0	+23.7	-22.8	+10.1
Public administration and defence (84)	+12.0	+10.1	-1.1	+3.1	+27.0	+9.6	+18.6	-1.2
Education (85)	-14.0	+18.0	-20.1	-11.9	+15.0	+15.7	-4.2	+3.4
Health and social work (86 to 88)	+21.0	+23.5	-5.6	+3.1	+79.0	+22.1	+38.3	+18.6
Accommodation and food (55, 56)	+53.0	+17.3	+23.2	+12.4	+11.0	+17.9	+17.2	-24.1
Retail (47)	-39.0	+19.9	-28.6	-30.3	-5.0	+16.4	-41.4	+20.0
Wholesale (46)	+14.0	+7.0	-5.3	+12.3	-11.0	+6.9	-7.9	-10.0
Transport and storage (49 to 53)	+34.0	+10.5	+11.1	+12.3	-15.0	+10.9	-2.3	-23.7
Construction (41 to 43)	+57.0	+6.5	+11.6	+38.8	+3.0	+8.3	-2.8	-2.5
Arts, entertainment and recreation (90 to 93)	+11.0	+6.0	+6.2	-1.2	+11.0	+5.9	+0.5	+4.6
Manufacturing (10 to 33)	+7.9	+5.3	-4.3	+6.9	-2.5	+5.1	-6.1	-1.5

Source: ONS, BRES, as compiled in the London data workbook, whose two-digit decomposition this table sums into industry groups; the components reconcile with the change in each row. National, Mix and Regional are the national growth effect, industry-mix effect and regional shift against Great Britain. The regional shift is an accounting residual, not a causal estimate. Selected groups are shown; the total covers all industries. Two-digit results move a lot between periods, so groups are shown instead.

Quotients and shares. A quotient shows concentration, not size. Finance (2.30) and information and communication (2.14) have the highest quotients and 7.8% and 9.6% of employees; professional services (13.9%), health and social work (10.8%) and administrative and support services (10.0%) are the largest employers.

What the decomposition shows. Between 2015 and 2019 London gained 332,700 employees: national growth explains 228,400, its industry mix 17,300 and a positive regional shift 87,000, led by construction (+38,800), technology (+27,600) and finance (+21,800), while professional services (-34,700) and retail (-30,300) grew more slowly than nationally. Between 2019 and 2023 it gained 420,100: national growth explains 220,400, the mix 65,500 and the regional shift 134,200, led by professional services (+66,500), finance (+40,000), technology (+34,800) and health (+18,600). Hospitality (-24,100) and transport (-23,700) fell behind. Unlike Paris, London has gained within its specialised industries, not only from specialising in them.

H3.4 Drivers of growth: demand side and supply side

Following Chapter 3 of Sivitanides and Mourouzi-Sivitanidou (2020), the drivers of metropolitan growth are divided into those that raise demand for an area's output and those that raise its supply of labour. Demand drivers raise jobs and real pay together; supply drivers raise jobs but hold real pay down. Tables H8a and H8b rate each driver for London. The ratings are the authors' judgement from the evidence cited; where this edition has no evidence, the tables say so.

Table H8a. Demand-side drivers of growth, London

Driver	Rating	Evidence
National economic influences	Weak to moderate	GLA Economics estimates London output grew 1.4% in 2025 and forecasts 1.7% in 2026; UK inflation 3.5% in September 2026 and Bank Rate raised to 4% in November 2026 (Section F).
Specialised business services	Strong, gaining	Location quotients of 2.30 (finance) and 2.14 (technology) in 2024, up from 2.04 and 1.88 in 2015; regional shifts of +40,000 in finance, +34,800 in technology and +66,500 in professional services in 2019 to 2023.
Visitor economy	Strong	Hotel occupancy 87.6% and revenue per available room GBP 227.65 in September 2026, against 85.6% and GBP 151.28 for the UK sample (HotStats, RSM); one month only.
Construction activity	Moderate, fading	Construction had the largest regional shift in 2015 to 2019 (+38,800), but net housing additions fell from 45,677 in 2019/20 to 32,678 in 2024/25.
Public, health and education services	In line	Health and social work employees grew 23.1% in 2015 to 2024 (Great Britain 17.1%); public administration in line with Great Britain; education under-represented.
Investment in buildings	Moderate	Nominal investment in dwellings rose from GBP 9.6 billion in 2011 to GBP 25.1 billion in 2022 and in other buildings from GBP 18.2 billion to GBP 30.4 billion (ONS, experimental). No capital stock series is available for London.

Sources: GLA Economics, London's Economic Outlook: Summer 2026; ONS, Consumer price inflation, September 2026; Bank of England decision of 5 November 2026 (Section F); RSM, Hotels tracker (HotStats), September 2026; ONS, BRES, MHCLG net additions and experimental regional GFCF; authors' calculations.

Table H8b. Supply-side drivers of growth, London

Driver	Rating	Evidence
International migration	Strong, but falling	Net inflow of 1.48 million in mid-2012 to mid-2025; 235,320 in the year to mid-2023, 51,839 in the year to mid-2025.
Migration to the rest of the UK	Negative	Net outflow of 1.51 million in mid-2012 to mid-2025, and 131,961 in the year to mid-2025.
Natural increase	Positive, declining	Births exceeded deaths by 86,067 in the year to mid-2012 and 54,211 in the year to mid-2025.
Housing supply as a constraint	Tight	Asking rents +26.8% between Q4 2021 and Q4 2025; net additions down to 32,678 in 2024/25; average Census household size rose from 2.47 to 2.54 between 2011 and 2021.

Sources: ONS, mid-year population estimates; Rightmove, Rental Trends Tracker; MHCLG, Table 122; ONS and GLA, Census 2011 and 2021; as compiled in the London data workbook.

How the drivers explain the growth pattern. London's specialised services provide demand-side evidence, while international migration and commuting expand the pool of workers. Before 2019, rapid job growth and minimal real-pay gains are consistent with demand growth accommodated by elastic labour supply. After 2019, real pay fell despite strong employment growth, leaving demand, independent supply shifts, inflation and composition difficult to distinguish. Weak output per job and pay growth do not establish that gains accrued to capital owners: that requires profit and ownership evidence absent here. The broad implication is volume demand with constrained employee purchasing power, alongside sector-specific demand for higher-quality space.

What could change the balance. The fall in international migration, if it persists, would make London's labour supply less elastic: job growth would slow, but real pay could rise. Tight housing supply works in the same direction by making it harder for workers to move to London.

H3.5 Forces behind growth and the five-year outlook

Preliminary conclusion: London has grown through its global role in finance, technology and professional services, met by international migration, rather than through rising productivity or real pay.

1. **Global specialisation.** Finance and technology are more concentrated in London than in 2015, and they gained jobs faster than nationally after 2019.
2. **International migration.** Arrivals from abroad more than offset net moves to the rest of the UK until 2024, but fell sharply in 2025.
3. **Flat productivity and pay.** Real output per job was the same in 2024 as in 2012, and real median pay rose only 2.1% in 2012 to 2025.
4. **Rising household incomes.** Real disposable income per head rose 15.3% in 2012 to 2024, much faster than pay.

Will these forces persist? GLA Economics expects output growth of about 2% a year and job growth below 1% to 2028, which would mean rising output per job for the first time in the period. The main constraints are lower international migration, higher interest rates and housing costs.

H4. Growth prospects and real estate markets

Over the next five to ten years, London's growth most clearly supports Grade A offices and rental housing; it supports hotels, while the evidence for logistics inside London is weaker and does not support secondary offices without refurbishment.

Table H9. Asset classes and London's growth pattern, five to ten years

Asset class	Evidence	Demand evidence	What benefits most	Key caveat
Grade A offices	Strong	Finance, technology and professional services gaining; Grade A 92% of take-up	City and West End core, refurbished space near transport	22 million sq ft due in 2026 to 2029; Low West End entry yield; sensitivity to income assumptions
Secondary offices	Weak	Almost all leasing is of Grade A space	Refurbishment candidates	Refurbishment cost and planning
Rental housing	Strong	Asking rents +26.8% since Q4 2021; net additions falling	Well-connected outer boroughs	No residential yield data; lower migration
Hotels	Moderate to strong	September 2026 occupancy 87.6%; RevPAR 50% above the UK sample	Central hotels	One month of data; no pipeline
Logistics	Weak to moderate	Transport and storage employees +3.7% in 2015 to 2024 (Great Britain +17.0%)	Inner M25 units	Vacancy about 9.5% in London and the South East
Retail	Selective	Prime Central London rent index +7.6% a year; Oxford Street vacancy 0.4%	Prime streets	Retail employees -5.3% in 2015 to 2024

Sources: Sections H3, H5 and H6 and the sources cited there. Evidence ratings are the authors' judgement.

What the growth evidence does not support. Secondary offices without a refurbishment plan; large logistics schemes inside London on the evidence of employment alone; and industrial space for manufacturing, whose share of jobs is 2%.

H5. The office market

Central London is one of the few markets in the series where demand for offices is rising, and the space let is almost all Grade A.

Table H10. Central London office market indicators

Indicator	Value	Period	Source
Take-up	3.2 million sq ft	Q3 2026	CBRE
Take-up, year to date	8.1 million sq ft	Q1 to Q3 2026	CBRE
Availability	19.5 million sq ft	End of Q3 2026	CBRE
Vacancy	6.3%	End of Q3 2026	CBRE
Average prime rent, City	GBP 130.80 per sq ft a year	Q1 2026	Savills
Average prime rent, West End	GBP 165 per sq ft a year	Q1 2026	Savills
Grade A share of take-up	92%	Q1 2026	Savills
Development completions	1.4 million sq ft	Q1 2026	Savills
Completions expected	22 million sq ft (25% not started)	2026 to 2029	Savills
Prime yield, City	5.25%	Q1 2026	Savills
Prime yield, West End	3.75%	Q1 2026	Savills

Sources: CBRE, Central London Office Figures Q3 2026 (26 October 2026); Savills, Central London office market, Q1 2026; as compiled in the London data workbook. Take-up is gross leasing, not net absorption. CBRE's Q3 and Savills' Q1 figures are different providers and dates and are not compared with each other.

Demand and supply. Take-up rose to 3.2 million sq ft in Q3 2026 and availability fell for a fourth consecutive quarter to 19.5 million sq ft, the lowest since 2020, with vacancy at 6.3% (CBRE). Demand is concentrated on new and refurbished space: Grade A accounted for 92% of take-up in Q1 2026 (Savills). About 22 million sq ft is expected to complete in 2026 to 2029, a quarter of it not yet started.

Rents. Average prime rents were GBP 130.80 per sq ft in the City and GBP 165 in the West End in Q1 2026 (Savills). These are prime averages and say little about secondary rents, which this edition does not hold.

Reading for the investor. Demand from London's growing industries is for Grade A space, so it is met by new construction and by refurbishing older buildings to Grade A, not by absorbing the existing secondary stock. The pipeline due by 2029 is the main risk to rents.

H6. Logistics, retail, hotels, housing and capital markets

Logistics, retail and hotels. Large-warehouse vacancy was 9.48% in London and the South East and 9.69% inside the M25 at the end of H1 2026, with 13.4 million sq ft available (Savills). Prime retail is strong: Bond Street Zone A rents were GBP 2,750 per sq ft in Q4 2025 (Cushman & Wakefield), Oxford Street vacancy was 0.4% in June 2026 and CBRE's prime Central London rent index rose 7.6% in the year to Q2 2026. Hotels in the HotStats sample achieved 87.6% occupancy in September 2026.

Table H11. Logistics, retail and hotel indicators, London

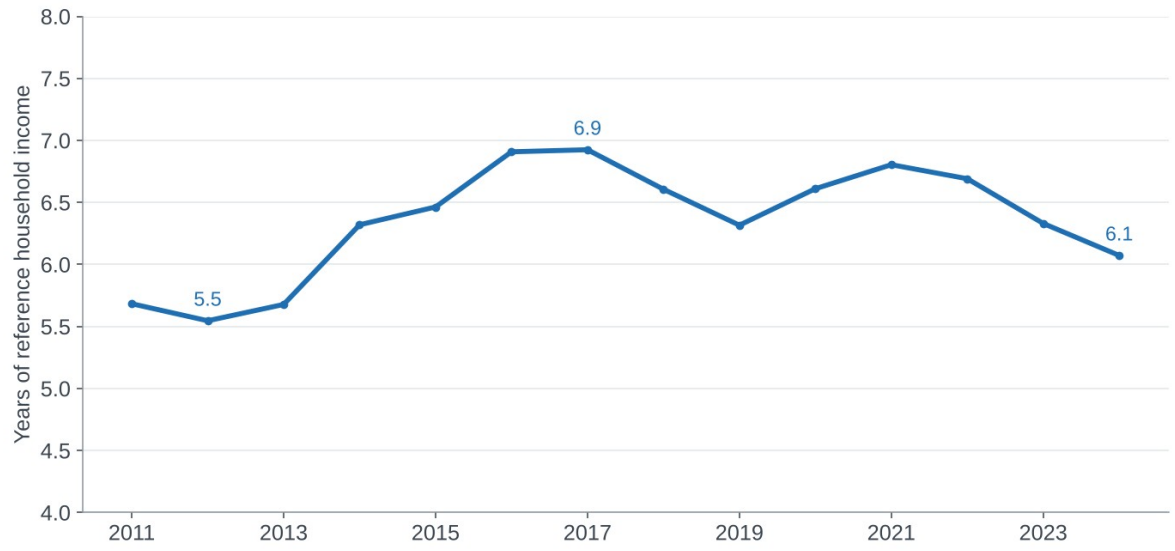
Indicator	Value	Period	Source
Logistics vacancy, London and South East	9.48%	End of H1 2026	Savills
Logistics vacancy, inner M25	9.69%	End of H1 2026	Savills
Logistics supply, London and South East	13.4 million sq ft (77 units)	End of H1 2026	Savills
Logistics under construction	1.07 million sq ft (9 units)	End of H1 2026	Savills
Prime retail rent, Bond Street	GBP 2,750 per sq ft Zone A	Q4 2025	Cushman & Wakefield
Prime retail yield, Bond Street	3.00%	Q4 2025	Cushman & Wakefield
Prime retail rent index, Central London	+7.6% year on year	Q2 2026	CBRE
Hotel occupancy, London (UK)	87.6% (85.6%)	September 2026	HotStats, RSM
Revenue per available room, London (UK)	GBP 227.65 (GBP 151.28)	September 2026	HotStats, RSM

Sources: Savills, London and South East logistics, H1 2026; Cushman & Wakefield, UK retail MarketBeat Q4 2025; CBRE, UK real estate market outlook mid-year review 2026; RSM, Hotels tracker, September 2026; as compiled in the London data workbook. Logistics figures cover large warehouses in a wider market than Greater London. Zone A is a frontage-weighted valuation convention, not rent across the whole shop. Hotel figures are one month of a sample and are seasonal.

Housing. Net additions to the dwelling stock, which include new building, conversions and changes of use less demolitions, rose from 29,671 in 2011/12 to a peak of 45,677 in 2019/20 and fell to 32,678 in 2024/25. The stock reached 3.85 million dwellings in March 2025.

Figure H3. Affordability has improved since 2016 as real prices fell

Average house price relative to reference household income, Greater London, 2011 to 2024 (years)



Source: authors' calculation in the London data workbook from the UK House Price Index (annual mean of monthly average prices) and ONS gross disposable household income per head times average household size (Labour Force Survey). An illustrative mean ratio, not the official ONS median affordability ratio.

Demand, supply and affordability. Between the 2011 and 2021 Censuses London's households rose by 157,717 (+4.8%) while the dwelling stock rose by 357,569, or 2.27 dwellings per added household; population grew 7.3%. The ratio does not show that supply was adequate: average household size rose from 2.47 to 2.54, which is consistent with people sharing or forming households later, and the 2021 Census was taken during the pandemic, when London's population was temporarily lower. Asking rents rose 26.8% between Q4 2021 and Q4 2025, to GBP 2,716 a month (Rightmove). The average house price was GBP 562,200 in 2025, 2.1 times the UK average, and 12.6% below its 2022 level in real terms; it cost 6.1 years of a reference household's income in 2024, against 5.5 in 2012 and 6.9 in 2016 and 2017.

Table H12. Housing supply and affordability indicators, Greater London

Indicator	Value	Period	Source
Change in households	+157,717 (+4.8%)	2011 to 2021	Census
Change in dwelling stock	+357,569	March 2011 to March 2021	MHCLG Table 125
Dwellings added per added household	2.27	2011 to 2021	Authors' calculation
Net additions	32,678 (peak 45,677 in 2019/20)	2024/25	MHCLG Table 122
Average asking rent	GBP 2,716 a month (+26.8% since Q4 2021)	Q4 2025	Rightmove
Average house price	GBP 562,200 (2.1 times the UK)	2025	UK House Price Index
Price / reference household income	5.5, 6.9 and 6.1 years	2012, 2017, 2024	Authors' calculation
Median household wealth, London / Great Britain	1.13 (2018 to 2020); 0.83 (2020 to 2022)	Survey periods	ONS Wealth and Assets Survey

Sources: ONS and GLA, Census 2011 and 2021; MHCLG live tables 122 and 125; Rightmove, Rental Trends Tracker; HM Land Registry, UK House Price Index; ONS, regional GDHI and Wealth in Great Britain Table 2.8; as compiled in the London data workbook. Rightmove changed its method in Q3 2020, so growth is measured only from Q4 2021. The wealth ratio for 2020 to 2022 reflects a change in pension valuation and is not comparable with earlier periods.

Capital markets. Savills puts prime office yields at 5.25% in the City and 3.75% in the West End (Q1 2026). Bank Rate was 3.75% during Q1, giving contemporaneous differences of 150 and zero basis points, respectively. Against the later 4% rate effective from 5 November, the arithmetic differences would be 125 and minus 25 basis points; these are not contemporaneous market spreads. Cushman & Wakefield quotes prime retail yields of 3.00% on Bond Street and 4.00% on Oxford Street (Q4 2025). No logistics, hotel or rental housing investment yield was recovered for London.

Reading for the investor. West End pricing assumes continued rental growth: its low entry yield makes value sensitive to weaker income and exit assumptions. The Q1 yield equalled the policy rate then in force; comparison with the higher November rate is not contemporaneous. The City offers more income for a similar demand case. Housing has the clearest structural demand, but rising rents and falling prices may reflect affordability limits rather than room for further growth.

H7. Strategy appraisal

Strategy A has the strongest occupier demand and its main risk is the price paid, above all in the West End; Strategy B targets the shortage of Grade A space but competes with a large pipeline; Strategy C has the clearest structural case but cannot yet be priced. All figures are illustrative.

Table H13. Value sensitivity to yield, London prime offices (% change in value from the central case)

Case	Central yield	-50 bp	-25 bp	+25 bp	+50 bp
A: prime office, City	5.25%	+10.5%	+5.0%	-4.5%	-8.7%
A: prime office, West End	3.75%	+15.4%	+7.1%	-6.2%	-11.8%

Source: authors' calculations on the prime yields reported by Savills (Q1 2026). No build-to-rent yield was recovered, so Strategy C is not shown.

A 25 basis point move changes value by about 5% in the City and 6% to 7% in the West End, and a 50 basis point move by about 9% to 10.5% and 12% to 15%. The lower the yield, the more sensitive the value, which is a further reason for caution in the West End.

Table H14. Summary assessment of the London strategies

Factor	A: core prime office	B: refurbishment to Grade A	C: build-to-rent
Market tightness	Vacancy 6.3%; availability lowest since 2020	Grade A 92% of take-up	Asking rents +26.8% since Q4 2021; net additions falling
Demand evidence	Finance, technology and professional services gaining	As A	Population +9.6% since 2012, but falling in 2025
Rent evidence	Prime GBP 130.80 (City) and GBP 165 (West End)	No secondary or refurbished rents	Asking rent GBP 2,716 a month
Pricing	Prime yield 5.25% (City), 3.75% (West End)	Not recovered	No yield recovered
Main risk	Price paid; Low West End entry yield; sensitivity to income assumptions	Construction cost; 22 million sq ft pipeline	Affordability; lower migration
Authors' view	Underwrite selectively, City first	Underwrite selectively	Take forward to due diligence

Sources: Sections H3 to H6. The views are the authors' market-level judgements.

From growth to space. Table H14a traces each material source of London's growth to the space it requires, the stock available to meet it, and the evidence on whether that demand can be met by absorbing existing space, adapting it or building new (Section 2). The judgements in the last column are the authors'; where this edition has no evidence, the table says so.

Table H14a. From growth to space: London

Source of growth	Space it requires	Stock available to meet it	Absorption, adaptation or construction (authors' judgement)
Households	Rental homes near transport, including build-to-rent	Stock +357,569 against +157,717 households (2011 to 2021 Censuses); net additions 32,678 in 2024/25, down from 45,677	**Construction.** The Census ratio suggests ample supply, but rising household size and asking rents (+26.8% in four years) indicate that households are not forming as fast as people arrive. Supply is falling while demand, until 2024, rose.
Finance, technology and professional services jobs	Grade A offices in the City, West End and well-connected locations	Central London vacancy 6.3%, availability 19.5 million sq ft (lowest since 2020); 22 million sq ft due in 2026 to 2029	**Construction and adaptation.** Occupiers want Grade A space (92% of take-up), so demand is met by new building and by refurbishing older stock, not by absorbing it as it is.
Visitors	Hotel rooms	Not measured; September 2026 occupancy 87.6%	**Not assessed.** High occupancy in one peak month suggests little slack, but annual performance and pipeline data are needed.
Trade, transport and logistics	Modern warehouses and urban logistics	Large-warehouse vacancy 9.48% (London and South East), 9.69% inside the M25	**Absorption.** Vacancy near 10% and slow transport employment growth (+3.7% in 2015 to 2024) suggest existing stock can meet near-term demand.
Health and social care	Clinics, care homes and related premises	Not measured	**Not assessed.** Employees rose 23.1% in 2015 to 2024 (Great Britain 17.1%), but stock data are not in this edition.
Income and wealth	Better homes, prime retail and premium space	Price 6.1 years of reference household income (2024); prime retail vacancy very low	**Selective demand for premium space.** Household income per head has risen faster than pay, and prime retail rents are rising, but median pay is barely above 2012, so premium demand is concentrated.

Sources: Sections H3 to H6 and the sources cited there. Judgements are the authors'.

Reading. London's growth needs new space in both offices and housing: occupiers want Grade A offices that the existing stock does not provide, and the flow of new homes has fallen while rents rise.

H8. Risks, monitoring and review triggers

Table H15. Risks, indicators and suggested review triggers

Risk	Indicator to monitor	Suggested review trigger
Lower international migration	ONS mid-year estimates; visa grants	Net international migration below 50,000 for a second year
Interest rates	Bank Rate; gilt yields	Further Bank Rate rise
Office pipeline	Completions and vacancy (CBRE, Savills)	Central London vacancy above 8%
Finance and technology employment	BRES; workforce jobs (GLA)	Employees in either falling for two consecutive years
Housing supply	Net additions (MHCLG)	Net additions below 30,000
Rental affordability	Asking rents against pay	Rents rising more than 5% a year faster than pay
Data gaps	Build-to-rent and logistics yields; annual hotel data	Before any investment decision

Source: authors' assessment. Triggers are illustrative and should be set by the investor.

Monitoring. The figures in this edition should be refreshed quarterly. A local partner with transaction, leasing and yield evidence would be needed before any investment.

H9. Sources

Official statistics and data workbook. London annual metro data workbook, compiled for this edition and available from the authors, from the sources listed below. Geography: Greater London unless stated.

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- ONS, Business Register and Employment Survey, via Nomis: www.nomisweb.co.uk/datasets/newbres6pub
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- ONS, regional GVA balanced by industry: www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalandrealregionalgrossvalueaddedbalancedbyindustry
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Market sources

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- CBRE, UK real estate market outlook, mid-year review 2026: retail: www.cbre.co.uk/insights/books/uk-real-estate-market-outlook-midyear-review-2026/retail
- RSM, Hotels tracker (HotStats), September 2026: www.rsmuk.com/insights/hotels-tracker/extended-summer-season-provides-boost-to-uk-hotel-industry

Forecasts

- GLA Economics, London's Economic Outlook: Summer 2026: data.london.gov.uk/download/e5m70/gmk/LEO-summer-2026.pdf

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- DiPasquale, D. and Wheaton, W. C. (1996) *Urban Economics and Real Estate Markets*. Englewood Cliffs, NJ: Prentice Hall.
- Sivitanides, P. and Mourouzi-Sivitanidou, R. (2020) *Market Analysis for Real Estate*. Abingdon: Routledge.

Important notice

The strategies in Sections A2, B2, C2, D2, E2, F2, G2 and H2 and their appraisals in Sections A9, A16, B8, B13, C8, C13, C18, D8, D13, E7, F7, G7 and H7 are illustrative: no specific asset or transaction is assessed, and nothing in this report is a recommendation to buy or sell a particular property or a substitute for independent valuation, legal or tax advice.

Data. Market figures run to Q3 2026, except Barcelona's prime yield (Q1 2026) and detailed zone breakdown (Q1 2025), Edinburgh's prime yield (Q2 2026), Florence's hotel performance (to 2023), Paris hotel performance (2025) and London office rents and yields (Q1 2026), logistics (H1 2026) and retail (Q4 2025); the Bank of England rate is at 5 November 2026. Metropolitan statistics run to 2023 (Italy, Germany), 2024 (Sweden, provisional; Austria; Edinburgh; Paris) or 2025 (Spain; London). Rents, vacancy, yields, interest rates and rental regulation change quickly, so every market figure and the regulatory position should be refreshed before any investment decision.

Not an investment approval. The recommendations are market-level judgements that identify which opportunities merit asset-level underwriting; they do not establish that any acquisition meets a required return. That needs net cash flows, capex, incentives, financing and exit assumptions for a specific asset.

Provenance. Broker and press figures are transcribed from the cited sources and attributed; broker reports remain the property of their authors. Employment, location quotient, shift-share, real pay, GDP share and affordability figures are the authors' calculations from official data. Value sensitivities, lease-up periods and indicative yields are illustrative calculations, and inputs marked *hypothetical* are assumptions, not market data.

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